SWCA | Sustainability Relevance

April 2024 | Importance of Sustainability to Independent Manufacturing Companies

Global Sustainability Risks

- Disclosure Standards
    - Yesterday – "Accountability"
        - Safety, Incident notification; Environmental compliance and liability
    - Today – "Transparency"
        - Climate & Emissions (CO_2), Company Diversity, Goal setting and Targeting
    - Tomorrow – "*Relative* Impact and Performance"
        - What are you doing to improve? Effectiveness

- Energy security and affordability v. Climate Strategies
    - Global supply impacts (e.g., Ukraine war)
    - Renewables

- Physical Climate Risks and Resilience

- Employment Practices for new workforce dynamics

- Supply Chain Accountability
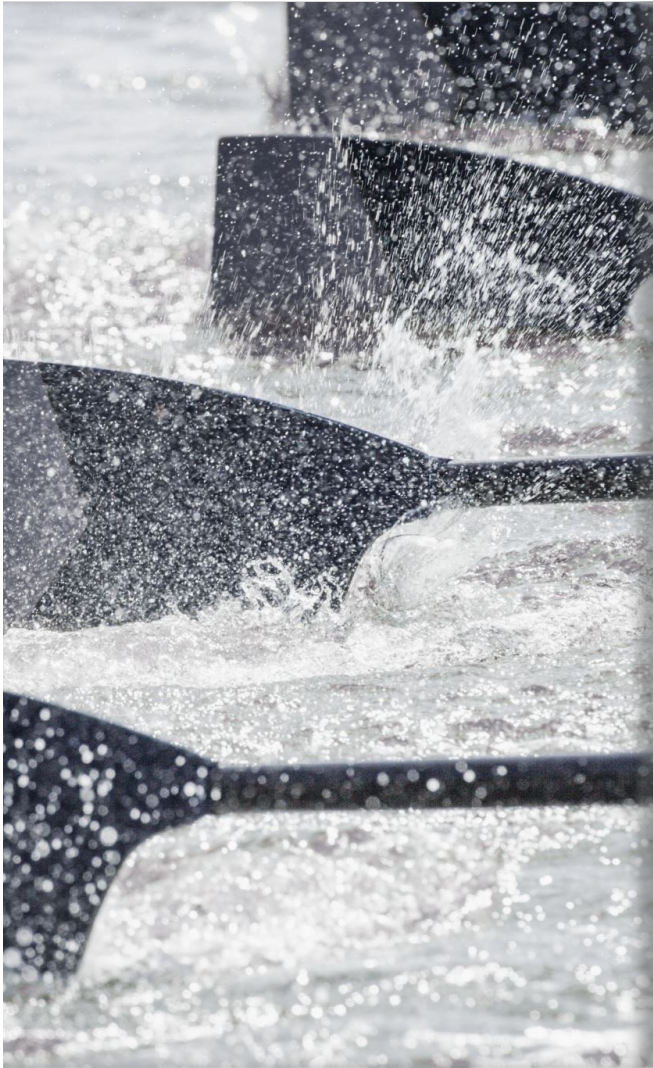   - Human rights, Scope 3, Natural resources, etc.

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Misconceptions about ESG for independent companies

- Only public companies should report on ESG performance
  - *ESG disclosure helps identify opportunities for developing a sustainability strategy*
- Sustainability performance should be strong in order to report
  - *Disclosure of ESG metrics demonstrates transparency, not performance*
- ESG is not aligned with our core priorities
  - *Sustainability is good for business and demonstrates a long-term planning horizon*
- ESG is expensive, difficult, and time consuming
  - *Once embedded within the business, sustainability becomes dispersed and integrated throughout the organization, maximizing impact and success*

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Potential Sustainability Priorities for Manufacturers

- Responding to climate disclosure obligations
  - Regulatory-driven
    - California SB 253 and SB 261
    - SEC disclosure rules
  - Customer-driven
    - CDP, GRI, in-house, etc.
  - ISO 9001 Amendment

- Developing methods for measuring environmental and social data
  - Emissions and other media
  - Employee and leadership demographics

- Setting a sustainability strategy and developing a business case for action
  - Scenario planning
  - Implementation Strategies ("Intent to Impact")

- Exploring product circularity and packaging recycling solutions
  - Extended Producer Responsibility (EPR)
  - Post Consumer Recycled (PCR) content

Considerations (for ILMA Sus Committee)

Collaborate on identifying sustainability risks

Share and communicate the industry's sustainability best practices

Explore the benefits of developing common tools and processes

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Closing Comments & Questions

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