

The ESG imperative

A systematic approach to managing environmental social governance concerns may pave the way for the waste sector to thrive in the post-Covid world, say Dentons' Helen Bowdren and Pamela Coulthard

The Covid-19 pandemic has had a huge impact on the waste sector. Recognising its importance in the early stages of the crisis, the government granted 'key worker' status to waste-sector employees, allowing many critical services to continue across the country. The sector adapted to the rapidly changing situation and, in so doing, secured recognition as a fundamental and essential part of the UK's infrastructure.

An interesting and connected theme is that the radical impact of Covid-19 on global economies, and its very human cost, has accelerated a focus on environmental social governance (ESG) issues.

ESG has become an imperative

Several factors are driving this change, including stakeholder activism, ESG-related litigation, and new legislation on ESG-related issues, much of which has extra territorial reach.

ESG spans several wider societal trends, including the focus on climate change, artificial intelligence and data privacy. The very human challenges of dealing with a pandemic has supercharged this shift, and ESG has become an imperative in 2020.

This represents a major opportunity for the waste sector. Taking the 'E' of ESG, waste companies are well placed to help their clients 'green' their business through more sustainable waste-collection and management solutions.

However, winning these contracts may require waste companies to have their own, strong ESG credentials, with clients seeking assurances that their service provider's standards are in line with their own commitments, and that they can add to their ESG performance. ESG will also be important in raising funds and attracting investment, with strong ESG performance now closely associated with mid- to long-term economic sustainability.

The 'S' in ESG

There are, of course, challenges in building and maintaining such credentials. There have been cases where victims of modern slavery have been found working in the waste sector, and the transient nature of some of the waste-sector workforce comes with a range of social risks. Although the sector remains vigilant, the risk of inadvertently participating in modern slavery remains.

The industry will also need to have clear oversight of its supply chain, ensuring robust diligence on counterparties and checking the ESG credentials of contractors.

The evolving legal framework

Legal obligations relating to ESG are also increasing. In the UK, companies with a turnover of more than £36m must make annual disclosures under the UK Modern Slavery Act 2015. Listed companies must have a section in their strategic report with information about environmental matters – including the impact of the company's business on the environment – and social,

community and human rights issues.

The EU Non-Financial Reporting Directive 2014 imposed non-financial mandatory reporting on certain large companies (those with more than 500 employees and a balance sheet total of more than €20m or net turnover of more than €40m). The statement should include information relating to environmental, social and employee matters, respect for human rights, anti-bribery and corruption, and the main risks from those factors.

In the face of an accelerating demand for ESG credentials and mounting ESG challenges, building a systematic approach to anticipate, evaluate and manage ESG concerns may pave the way for the waste sector to thrive. ●

Waste companies are well placed to help their clients 'green' their business through more sustainable collection and management solutions