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ESG and What it Means to the Industry

Gerald J. Pels
Partner | Houston
gpels@lockelord.com
713-226-1402

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www.lockelord.com

Executive Summary

- What Is It?
- Why Should You Care?
- What Methods Are Used to Track ESG Performance?
- What Standards Are Driving Reporting?
- What Are Emerging ESG Trends?
- How can You Develop an Effective ESG Policy?

ESG AND SUSTAINABILITY CONSIDERATIONS AFFECT VIRTUALLY EVERY BUSINESS

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3

What is ESG – Environmental, Social, & Governance?

- Grew out of frameworks measuring and minimizing "GHG," or greenhouse gas emissions
  - **E** – Measurement and reduction of environmental footprint, including GHG emissions, water conservation, waste reduction, *etc.*
  - **S** – Grounded in evolving notions of the purpose of the corporation – considerations around safety, communities, and DEI
  - **G** – Focus on transparency, anti-corruption, anti-money laundering, data security, and reporting ESG metrics
- Environmental role viewed as critical: Capital "E"
- Sustainability: Current enterprise development without compromising ability to satisfy future business needs
- Includes metrics, tracking and reporting

ESG INTEGRATED INTO BUSINESS SUSTAINABILITY

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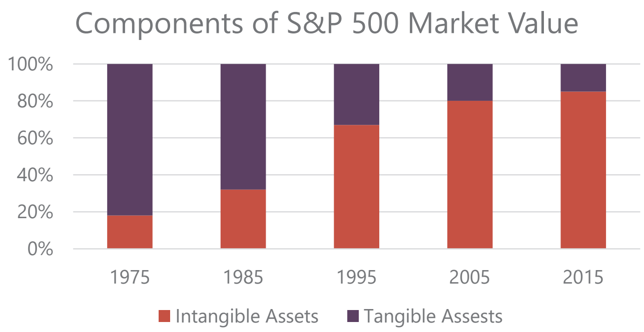
4

Why is ESG Important?



- Intangible assets are more susceptible to ESG impacts
  - Brand value
    - Effect of litigation
    - Impact of major spill
    - Rebranding of myriad products and logos
  - Institutional investor focus
  - Private equity focus
  - Lender focus
  - Customer focus
  - Employee focus

SUSTAINABILITY = ASSURING ONGOING ENTERPRISE VALUE

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Why is ESG Important?

- Exxon & The Little Engine that Could
  - Engine No. 1: Tiny hedge fund secures 3/12 Exxon Board seats in June 2021 – with only 0.02% of outstanding shares
  - Sought Board seats questioning Exxon's climate strategy
  - Secured support from large institutional investors
  - Shareholder proposal wins requiring reporting on how Exxon's lobbying aligns with GHG emissions limitations
- Boards need to be educated and attuned to ESG topics
- Companies may find credit sources tied to ESG/sustainability diligence and risk

ESG CONCERNS LEAD TO REMAKING EXXON'S BOARD

ESG for Non-Public Companies

- Remember – seen as a driver for corporate sustainability
- GHG Intensity Metric – Product alignment and comparative data
- Has become a basis for attracting professional talent
- Conservation efforts can drive cost savings
  - *E.g.*, energy costs
  - Tool to anticipate change
- Attract institutional and publicly-traded investors
  - Businesses with high ESG metrics are more attractive to publicly-traded investors
  - Distinguish your company from others seeking investment
- ESG progress can drive more favorable lending terms
- ESG metrics function as selling point if/when divestiture is desired
- Encourages gathering and reporting of information that may carry favor with regulatory agencies
- Reporting should be tailored to audience and company goals

ESG IS RELEVANT FOR NON-PUBLIC ENTITIES

Title search: ESG and What it Means to the Industry

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