



Accessible EJ

Right-Sizing Environmental Justice for Corporations

Environmental Justice (EJ) is a recent addition to the corporate lexicon and sits at the periphery of mainstream discourse. Why then should firms be concerned with EJ today? If recent history is any guide, ESG's advancement from the sidelines to front-page news in the dialogue on corporate sustainability provides valuable insights. Where the term ESG was rarely heard five years ago, the term is ubiquitous in boardroom discussions, social media posts, and mainstream media today. As a result, most firms are making strides incorporating ESG into their business models and reporting on ESG programs and progress. As calls for climate justice, racial equity, just transition, and EJ get louder, these issues are beginning to gain traction within the global corporate sustainability movement as well. Corporations should be preparing for the rise of EJ not just to avoid the consequences of being left behind, but to seize the opportunity to lead. For corporations, right-sizing EJ strategy to minimize cost and maximize benefits is key.

The volume of unresolved EJ concerns is so great, corporations have a wide variety of issues to help address. During 2022, Jackson, Mississippi, provided a high-profile example of environmental injustice, when torrential rains overwhelmed the dilapidated water treatment plant, cutting off 160,000 residents (83% Black) from safe drinking water for six weeks. Decades of neglect driven by structural racism rendered Jackson's system inadequate, whereas neighboring majority-White neighborhoods with new water treatment plants were unaffected. Cancer, lung disease, asthma, and other illnesses today disproportionately affect minority communities due to redlining and historical discrimination. An 80-mile stretch of land along the Mississippi River known as "Cancer Alley" is home to more than 150 petrochemical plants and refineries. This corridor is populated largely by communities of color, and its residents are more than 1.5 times more likely to develop cancer than the general population. Due to redlining, a pervasive form of structural racism, Black children are more likely to live in older homes at risk for lead exposure. A 2013 study by the Centers for Disease Control and Prevention found the average lead level in the blood of Black children in the US to be more than twice that of White children. From toxic waste exposure to sea level rise, environmental harms around the world are disproportionately felt by communities of color.

So why aren't firms moving faster to embrace EJ and incorporate its principles and best practices into sustainability strategy? There are several reasons for the slow uptake. At a basic level, not unlike the general public, firms still lack awareness of EJ and struggle to define the concept. It is hard to embrace something you don't understand. Firms may not be sure what role they could or should play in addressing historical injustices they did not perpetrate, and may fear that by bringing attention to these issues they will be held responsible for them. Many firms see EJ as another compliance headache rather than a tool for value creation. Perhaps most importantly, firms feel intimidated—EJ sounds hard, and many have trouble imagining how they would address such a broad issue in a meaningful way without inviting accusations of greenwashing. Our intention is to demystify EJ and show how firms can achieve positive returns on defensible investments in EJ without a heavy lift.

Understanding EJ

What Is EJ? Broadly speaking, EJ is a framework for understanding and addressing the unequal burden of environmental harm felt by different communities. For example, due to redlining and other structural inequities, pollution-emitting coal power plants historically have been more often sited in low-income, non-White neighborhoods, contributing to poor health outcomes, decreased livability, and depressed property values. The EJ impacts in this example are felt by residents in the affected community who disproportionately suffer environmental harm. A comprehensive solution might be accelerating plant retirement to make way for a new solar generation facility, creating new higher-paying jobs in the community, improving health outcomes, and increasing property values. Targeted initiatives might include sponsoring tree planting in the neighborhood, or helping fund a local recreation center or scholarships for local students preparing for careers in clean energy.

EJ Principles—Three core principles define best practice in EJ—programs and policies should be *broad, inclusive, and proactive*. According to the broad principle, EJ efforts should address a wide range of topics. Human capital development, health, education, diversity and inclusion, job creation and labor force development, greenhouse gas emissions reduction, land use, housing, water and waste disposal, toxic chemical exposure, natural resource conservation, and climate change impacts are leading topic areas within EJ. Material topics vary, but affected communities typically experience environmental harms spanning multiple categories—hence the need for a broad approach. EJ strategy should also be inclusive, engaging affected communities early on, and continually throughout the process of developing and implementing EJ policies and programs. Successful EJ strategies also demonstrate inclusivity by addressing the concerns of a wide variety of affected stakeholders, rather than a single ethnic group or neighborhood. Finally, EJ strategy should be proactive—while it is important to redress past harms and minimize negative impacts of current actions, organizations should also seize opportunities to drive additional benefits to affected communities wherever possible.

EJ Strategy—Effective EJ strategy comprises three core components—building awareness, developing processes, and implementing initiatives. Awareness building and education around EJ, both inside and outside the organization, provide the foundation needed for effective EJ. Asking employees to advance an EJ policy does not make sense if they lack basic awareness of EJ and do not understand its purpose. Similarly, affected communities will be less able to articulate their EJ needs and priorities if they are unfamiliar with EJ concepts. Building capacity within the organization through development and execution of policies and processes supporting EJ is the next step for organizations. This stage includes the development of governance structures to track, monitor, and report on EJ progress, communication channels and policies around internal and external stakeholder engagement, and structured processes for identifying and addressing EJ issues material to the firm. The firm is now ready to take action, implementing programs, policies, and initiatives to advance EJ objectives.



What EJ Means for Corporations

EJ Emergence and Current State—EJ emerged during the 1980s in response to growing awareness and concern around environmental racism in the US, and broadened over time to include gender, socio-economic status, and other characteristics of affected communities. The focus has evolved from focusing mainly on redressing past wrongs to proactively driving benefits to historically affected communities. EJ practice began to take shape in the 1990s through an executive order mandating US federal agencies incorporate EJ as part of their mission and requiring them to report annually on progress toward goals and objectives. Growing focus on the disproportionate burden of climate change on the global south has helped propel climate justice forward as a key EJ issue. Over the past decade, EJ has become a global cause championed by the United Nations and governments around the world. In 2021, the Biden administration's executive order on EJ and climate action capped a decade during which EJ has steadily gained momentum as a powerful voice within environmental and social justice movements.

Corporate Leaders in EJ—Early focus on accountability for EJ by public agencies, combined with no analog in the private sector, resulted in the imbalance we see today—governmental agencies have taken the lead, and private sector firms lag behind. Though most corporations are relative newcomers to the EJ space, there are notable contributions from energy firms, leaders in outdoor recreation, and other companies whose products derive in meaningful ways from the natural environment. Patagonia, whose branding as an outdoor clothing and supply retailer is built on sustainability, has adopted EJ as a core value and taken steps to integrate EJ within its broader sustainability platform. In the energy sector, AEP Ohio, a regulated electric utility in the US, has embraced EJ as critical to its approach to decarbonization. The company involves affected communities directly in the decommissioning of coal plants, undertaking initiatives to help with labor force development and the transition to clean energy.

EJ Benefits for Corporations—Beyond the specter of future regulatory requirements, what benefits do firms reap from participating in EJ now? First and foremost, today's customers are increasingly aware of social and environmental issues and are beginning to reflect those preferences in buying behavior. Firms whose products and services are associated with EJ abuses such as exposing workers to extreme heat, polluting the air and water in disadvantaged communities, or contributing to global climate change will be at a disadvantage with customers who place a premium on sustainability. In 2021, ExxonMobil received significant negative press after receiving the lowest score of any S&P 500 company on a non-profit EJ scorecard. On the positive side, EJ can be a differentiator for firms in competitive labor markets. By inspiring current and future workers through their commitments to EJ, firms have an easier time attracting and retaining top talent. In the financial sector, environmentally and socially responsible firms are rewarded with increased capital flows and lower costs of capital, driving tangible returns on investment.

Launching an EJ Program



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Right-Sizing EJ—There is no one-size-fits-all approach to EJ. An EJ strategy should match a firm's scale and complexity, the maturity of its sustainability programs, and its degree of exposure to EJ issues. At one end of the spectrum, small firms with small environmental and social footprints who have not yet begun ESG or climate-risk reporting should start with small yet meaningful steps. These include identifying a few material EJ topics and launching a small number of initiatives to build EJ capacity within the firm. Large corporations with global reach and significant exposure to EJ issues should develop plans to integrate EJ into their overall sustainability strategies, including a full assessment of material EJ issues, identification of policy and process changes needed to accommodate EJ, and development of pilot programs to begin implementing EJ. By creating a roadmap, even large firms can take a step-by-step approach to practicing EJ—building awareness and understanding its material issues, then building capacity within the organization, and finally implementing EJ pilots and policies.

Cost-Effective EJ—Many companies are surprised to learn that they already have components of EJ in place, or that existing policies and procedures only need small adjustments to explicitly address EJ. For example, the firm may donate to a charity remediating lead paint in homes, and now be able to tie that in to its EJ strategy. Another firm may add a question to its sustainable supplier questionnaire to screen for EJ issues. Firms should also seek out win-win opportunities to build goodwill and strengthen relationships with external stakeholders while addressing EJ. By engaging communities in dialogue around EJ concerns when opening new facilities, companies can generate goodwill with external stakeholders while building the principle of inclusivity into their way of doing business. Conversely, firms can proactively site new projects with environmental and social benefits in neighborhoods experiencing disproportionate environmental harm to maximize co-benefits.

EJ First Steps—Firms can start taking action today by adopting a simple, incremental approach to EJ. By engaging an EJ consultant, firms can:

1. Conduct a current-state assessment to understand how well policies, procedures, products, and other factors align with EJ.
2. Undertake a materiality assessment to prioritize key EJ issues and identify the ideal scope and level of EJ effort for your firm.
3. Leverage existing programs and initiatives to launch a targeted set of EJ pilot programs addressing material issues to build capacity and set the stage for strategy and roadmap development

EJ holds great promise for firms and society as a tool for value creation. Corporations that develop strategies now signal their commitment to EJ and establish themselves as leaders in sustainability. EJ policy and programs build bridges and relationships with communities, driving lasting benefits for both. By right-sizing strategy and adopting low-cost, high-value EJ measures, corporations can begin building EJ awareness and capacity in the short run, while creating the foundation for a sustainable and just future in the long run.

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