

Ecolab highlights value of succinct sustainability metrics in galvanizing leadership on water and climate crises



AUGUST 2023

Introduction

Ecolab is a US-based multinational corporation that provides water, hygiene and infection prevention solutions and services. The company's annual sales reach \$14 billion, it employs more than 47,000 people, and it services customers in the food, healthcare and hospitality sectors in over 170 countries.

Ecolab has ambitious goals for climate and nature. It aims to halve Scope 1 and 2 emissions by 2030 (from a 2018 baseline). By 2050, the company plans to reach net zero across its entire value chain, while reducing absolute Scope 1, 2 and 3 emissions by 90%. Its Scope 3 ambition encompasses working with suppliers to set tough, science-based carbon targets by 2024, as well as with customers to help them cut emissions by 6 million tonnes a year.

For this case study, we interviewed Emilio Tenuta, Senior Vice-President and Chief Sustainability Officer at Ecolab.



Ecolab's net-zero goal for 2050 includes the ambition to reduce absolute Scope 1, 2 and 3 emissions by 90%

Emilio Tenuta, Senior Vice-President and Chief Sustainability Officer, Ecolab

Key takeaways

- The Forum's metrics on water, climate and biodiversity help Ecolab demonstrate leadership and progress on its core business pledge to make a net-positive water impact by 2050, as well as reducing overall water demand.
- Water conservation reduces energy use, cuts costs and is key to tackling climate change as well as driving the nature-positive agenda.
- Ecolab uses the Forum's metrics, as well as working with US non-profit CDP, to build awareness of sustainability issues in its value chain.
- Public-private coalitions such as the World Economic Forum and the Water Resilience Coalition hold the key to unlocking global challenges like climate change and the water crisis.
- Reducing Scope 3 emissions is really hard – standard-setters and regulators need to give companies time to work with their suppliers on taking the actions necessary.
- The Forum's Stakeholder Metrics (SCMs) have helped Ecolab prepare for regulated reporting through a focus on the building blocks of reporting, such as TCFD.
- The SCMs have also enabled the company to look at its impacts on the environment and society in a way that aligns with the EU's approach to "double materiality".
- The 21 core metrics have rationalized ESG disclosure into a succinct and strategically useful set of disclosures that helps the board understand where to direct its oversight.

Rationale for reporting: demonstrating leadership

When Ecolab became an early adopter of the Forum's Stakeholder Metrics in January 2021, the company was already reporting against 120 of the GRI's metrics. So, in the words of Emilio Tenuta, "the Forum's core 21 metrics made a lot of sense to us – they weren't a heavy lift." Ecolab includes the SCMs in its annual corporate sustainability report, along with disclosures against other frameworks, including GRI and the Task Force on Climate-Related Financial Disclosures (TCFD), whose standards and frameworks were key building blocks in the formation of the Forum's metrics.

“ Disclosure helps us to frame meaningful targets as well as to demonstrate that we are taking the right actions towards delivering on those targets

Emilio Tenuta

The Forum's metrics on water, climate and biodiversity are especially important, as they are closely linked to Ecolab's core business strategy. The company has pledged to make a net-positive water impact by 2050, as well as reducing overall water demand. "This is our client work," says Tenuta, "so we need to be able to walk the talk."

For Ecolab, disclosure is all about providing the company and its stakeholders with the visibility they need on where the company is today. "Disclosure helps us to frame meaningful targets as well as to demonstrate that we are taking the right actions towards delivering on those targets," explains Tenuta.

Solutions: measuring progress on water and climate goals

Freshwater – the forgotten crisis that could soon afflict half of humanity

The Forum's 21 core metrics include one under the Planet pillar on freshwater availability. The metric focuses on water withdrawal and consumption in regions with high baseline water stress. This is a very significant metric in Ecolab's view – because, according to Emilio Tenuta, "while the world is grappling with carbon emissions, the water crisis is something we are not on track to solving".

One quarter of humanity lacks access to safe drinking water and [half the world will face severe water stress by the end of this decade](#), unless water use is "decoupled" from economic growth. Meanwhile, humanity's demand for water keeps growing. [Pressure on freshwater is projected to increase by more than 40% by 2050, according to the United Nations](#), which earlier this year organized the first water conference in a generation.

"This year is a watershed moment for the water crisis," says Tenuta: "We are behind on SDG6 on water and sanitation. Look at the effects of climate change on the Colorado River and the droughts in Europe. This is a big deal." He adds: "We need to increase public-private partnerships to address the water issue in 100 priority water basins where 3 billion people are living in water-stressed conditions."

Ecolab is using the Forum's metrics to report on progress at two of its facilities in the Los Angeles area that depend for their water on the Colorado River. Water levels in the Colorado River Basin – a major water source for eight or nine downstream states – are currently at their lowest levels since records began. "We've taken steps to reduce water demand in those facilities, conserving 4.3 million gallons per year," says Tenuta.

At the same time, Ecolab has been looking for opportunities to make nature-positive impacts in the same area. Working with a local NGO, the company helped fund a project with the First Nation community to conserve water and improve agricultural practices in ways that reduce their water consumption. By investing in the conservation project, supporting technical innovations such as drip irrigation and measuring moisture content in soils, as well as through building greater local awareness of water use, Ecolab has helped the community conserve 19 million gallons of water annually, which is helping replenish the Lake Mead reservoir.

Water as a way to tackle climate change

Ecolab specializes in developing smart technologies to help its customers reduce and optimize their water use throughout their manufacturing processes. This is not only good for water conservation, it's also good for the climate. Because the more water you pump, treat and discard, the more energy you use. Water-saving technology therefore not only conserves water, it reduces emissions and cuts costs.

"Water and energy are linked," says Tenuta. "If you follow the water, you can find not only significant water savings but also energy savings. Those savings can reduce greenhouse gases as well as saving companies money. You can't solve the climate puzzle unless you focus on water."



You can't solve the climate puzzle unless you focus on water

Emilio Tenuta

The company's business strategy is about enabling customers across the world – including the Global South – to achieve their objectives while using fewer natural resources and contributing to healthier ecosystems. We have the technology today to solve the water crisis and the climate crisis, according to Tenuta: “We don't have to fly to the moon to do this.” But it will take leadership, commitment and the means to measure progress. The Forum's metrics help Ecolab and its clients measure that progress.

Easing the transition from voluntary to regulated reporting

A key challenge for Ecolab is the transition from a voluntary to a regulated reporting process, for example in response to the new climate disclosure requirements of the US Securities and Exchange Commission (SEC), announced in March 2022 and expected to be published in their final form in Q3 of 2023.

There are some [key climate disclosures that the SEC has proposed as mandatory filings](#) in periodic reports, such as 10-K annual reports. These include climate-related risks and their likely material impacts, details of climate-risk management governance practices, attested reports of Scope 1 and 2 greenhouse gas emissions, and estimated Scope 3 emissions if they are material to the company or they feature in a corporate target or goal.

On the other side of the Atlantic, the new Corporate Sustainability Reporting Directive (CSRD) of the European Union “is on everyone's mind”, says Tenuta. The CSRD aims to bring sustainability reporting up to the same level as financial reporting for all listed companies in the EU market. This directive will apply to 50,000 or more companies, with the largest enterprises having to start reporting from January 2024.

Ecolab has already started preparing a “runway” to ready the company for reporting against the SEC's and EU's directives. “We've initiated a project called 10-K Zero,” says Tenuta, “but we need to get better at the process of pulling together data on Scope 1 and 2 emissions, especially from our vehicle fleet around the world, which is transitioning from internal combustion engines to EVs [electric vehicles].”



Our early adoption of the Forum's metrics has helped us prepare for regulated reporting

Emilio Tenuta

One of the challenges is around timetabling. The corporate sustainability report is usually issued at the end of May each year. But the date for 10-K disclosures is February-March. So the whole climate metrics disclosure process has to be accelerated by three months. This is a complex challenge, given that Ecolab operates well over 100 major facilities worldwide, including manufacturing hubs, technology centres, warehouses and so on. The company is therefore enhancing its capacity to deliver site-level emissions data on a monthly and quarterly basis. “That data needs to be inventoried in a portal with the right controls so it can be audited”, adds Tenuta.

Impact, learning and advice

Helping customers to perform and report

Ecolab is working extensively with its value chain on Scope 3 emissions. “We are driving the necessary changes we need to see around water, energy and climate performance,” says Tenuta. Many of these companies are also customers, so Ecolab's products and services can help them to reduce water consumption in their production processes. Ecolab uses the Forum's metrics – as well as working with CDP, a leading US non-profit, to build awareness of sustainability priorities among suppliers and to help its clients report better on progress.

Coalitions are the key to unlocking global challenges

“We can't do this alone,” says Tenuta. Public-private coalitions such as the World Economic Forum and the Water Resilience Coalition enable Ecolab to partner with other organizations to drive the actions needed to solve the water and climate crises. “That's something we cannot forget,” adds Tenuta. “Often, we end up doing this work alone, but it's not a productive way to tackle global challenges of this scale.”

Advice to standard-setters

Many standard-setters have asked Ecolab for open comments. “The big thing for us all is Scope 3,” says Tenuta. “And despite what others have said, it’s really hard – we need time to help suppliers in the value chain to focus on addressing the water and climate work they need to do in their facilities,” he explains. This includes Ecolab helping them to develop a “glide path” towards achieving those goals. Ecolab’s message to standard-setters and regulators is therefore: “Give us the time we need to go after the Scope 3 target that we all have to reach.”

“ **Ecolab’s message to standard-setters and regulators is: ‘Give us the time we need to go after the Scope 3 target that we all have to reach’**

Emilio Tenuta

Added value of the Forum’s Stakeholder Metrics

Ecolab points to three ways in which the Forum’s metrics have added value to the company’s reporting journey:

- Helping prepare for regulated reporting through a focus on the building blocks of reporting.
- Enabling the company to look at its impacts on the environment and society from the “inside out” and not just the “outside in”.
- Rationalizing ESG disclosure into a succinct and strategically useful set of 21 core metrics that helps the board understand where to direct its oversight.

“What the metrics have done is to focus our attention on the building blocks such as TCFD,” says Tenuta. Ecolab has gone through its corporate risk assessment and scenario planning process using the TCFD framework – and now includes disclosures against this framework as part of its regular corporate sustainability reporting. Given that regulators such as the SEC are basing their mandatory reporting on frameworks like TCFD, says Tenuta, “it’s true to say that our early adoption of the Forum’s metrics has helped us prepare for regulated reporting”. Ecolab is now in the process of looking at the framework of the Taskforce on Nature-related Financial Disclosures (TNFD).

The Forum’s metrics also help Ecolab to prepare for the “double materiality” aspect of the European Union’s new CSRD, which will focus not only on the impacts of ESG issues on companies but also the impacts of companies on the environment and society. “Companies have to focus on what’s relevant to their business from the outside in but also from the inside out. We need to make sure we’re thinking about this in the right way – and the more diverse set of criteria that the Forum’s metrics provide helps us prepare for Europe,” says Tenuta.

In Ecolab’s view, the Forum’s metrics also capture the major areas of ESG reporting that impact companies and rationalize them in a way that is succinct and strategically valuable. “The fact that we could get these disclosures down to 21 core metrics enables us to use them as a governance framework for our corporate ESG strategy,” says Tenuta. “We can then use this framework to guide our board of directors and help them understand which sustainability issues we need oversight from them on.”

“ **The metrics enable us to focus on what’s germane to Ecolab in the areas of climate, water and biodiversity and how these factors impact our customers**

Emilio Tenuta