Navigating New Climate Regulations: Impact on ITAD and Strategic Recommendations

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Executive Overview

With the rapidly deteriorating environment and climate, pressure is mounting on global corporations and even small businesses to address their own environmental posture. Several regulations, passed or are under consideration, aim at forcing companies to be both transparent and make changes in the way they manage their business to lower climate risk. Part of these regulations is to equip investors and providers of capital with knowledge that would help them decide how to invest and what risk their investments face related to climate risk. But these laws are also designed to inform other stakeholders, apart from investors, who may have direct or indirect interest in the company or may be affected by its activities, such as employees, suppliers, customers and the communities where they operate.

Despite some push back against the laws that are still under consideration, nearly all fortune companies are preparing for greater ESG disclosure going forward. There is a sense of inevitability, and so most large enterprises are working on creating a new internal culture of collaboration among business units and departments to coordinate and tackle ESG. ESG leaders are being hired, and new teams are being formed. Most companies have elevated the ESG oversight to the CxO. There is now a Chief Sustainability Officer tasked by more than half of large US companies to manage the planning and implementation of ESG in accordance with the laws. But for many companies, ESG has become the responsibility of the most senior leaders of the company, including general counsel, the officer who ensures the company is complying.

The topics of regulating climate risk assessment and reducing its impact are the subject of a passionate debate. While there is a consensus that corporations should be key participants in resolving the climate crisis, many companies and their political backers say they do not endorse what they see as regulations imposed on them by outsiders. This is why the regulations that passed so far are either in Europe or in California, regions where regulators and lawmakers play a significant role in shaping policy. But a regulation in Europe or in California will inevitably impact all companies that do business in those geographies.

Four regulations are expected to affect change in the way companies track and report ESG worldwide. All of these regulations have many things in common and that is to push for transparency, accountability, and standardization of environmental, social, and governance (ESG) disclosures. Two of these regulations are now mandatory, while the two others are work in progress but on the way to becoming mandatory.

In this report, we look at the four laws and directives that are forcing major changes in corporate climate disclosure. We provide pointers as to how these laws are likely to affect the recycling and ITAD sectors, and issue recommendations on how ITAD companies and recyclers should do to prepare for the inevitable transition. One major conclusion is that over time, these laws are expected to force a serious consolidation in the industry. This is because preparing for the transition is very complex and costly and will force more transparency in an industry that is accustomed to secrecy and excessive confidentiality. And so not all ITAD companies have the resources to transition and those who insist on no transparency are likely to fade away over time.

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