

ESG Diligence: Why You Need to Check EPA & Other Environmental Databases

You might find that potential customers or suppliers suddenly get cold feet with you. They indicate you're not environmentally-friendly enough for their business. Your company is green and complies with environmental laws. What gives? It simply could be a matter of a governmental administrative mishap. Something related to your company in one of the many databases raises a red flag when it shouldn't. Just a mistake. It happens. In fact, it happens so much that the EPA has a [web page](#) that maintains a list of where these errors might occur frequently. Nearly every state runs their own environmental compliance database – and all of these state databases feed into the federal one maintained by the EPA. With so much data input from decentralized sources, there are inevitable mix-ups. It's not a seamless process. Hence, the EPA provides this list of known data problems. Of course, there might be errors that the EPA is not aware of. So you might wind up checking on whether your company's environmental compliance is being represented truthfully in these databases – and find out it's not. You'll then need to work with that database's owner to get it corrected. Why might this matter for a traditional corporate & securities lawyer? I can think of three reasons off the top of my head: 1. Ensuring disclosure is accurate – The company's public disclosures might be saying one thing about the company's compliance with environmental laws, but these databases might be saying something different. 2. Diligence in deals – Before entering into a deal with another company, they might be checking your environmental compliance. You might be checking theirs. 3. ESG investor surveys & other scoring frameworks – Some of the ESG scoring frameworks might be using machine learning to pull data from these databases and you might be getting dinged for something that is incorrectly represented.

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