



HOW COVID-19 IS IMPACTING THE EHS FUNCTION:
**THE FIRST INDUSTRY
BENCHMARK**

NAEM RESEARCH REPORT | JUNE 2020

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About NAEM

The National Association for Environmental, Health & Safety and Sustainability (EHS&S) Management (NAEM) empowers corporate leaders to advance environmental stewardship, create safe and healthy workplaces, and promote global sustainability. As the leading business community for EHS&S decision-makers, we provide engaging forums, a curated network, peer benchmarking, research insights and tools for solving today's corporate EHS&S management challenges.

Visit us online at naem.org

A decorative collage on the left side of the page. It includes a close-up of a hand wearing a white glove holding a spray bottle, a woman and a man looking at a tablet, and a smiling man in a plaid shirt.

LETTER FROM THE EXECUTIVE DIRECTOR

No industry has escaped the cascading and dynamic fallout of the COVID-19 crisis and all sizes of companies are feeling pressured. And while the effects of COVID-19 vary by industry and company, most companies have one thing in common: EHS leaders have stepped up and are at the center of their company's strategic response to COVID-19.

This report is the first in a series tracking how COVID-19 is reshaping the staffing, structure and budgets of EHS functions at this critical time.

While such benchmarking research cannot hope to keep up with the real-time shifts caused by COVID-19, there are clear trends worth highlighting and sharing with the broader EHS community.

The number of business challenges that EHS leaders are managing cannot be overstated. Many companies continue to rely on their EHS leaders to evaluate ever-evolving, complex, and at times, conflicting medical guidelines. At the same time, EHS leaders often connect the dots among Communications, Legal, HR, Operations and Crisis Response teams.

Despite the importance and visibility this adds to the EHS function, EHS leaders continue to do more with less resources. A flurry of new responsibilities has been thrust on EHS functions, while the resources at their disposal have decreased.

A handwritten signature in black ink that reads "Carol Singer Neuvelt".

Carol Singer Neuvelt
Executive Director NAEM

A decorative collage on the left side of the page. It includes a close-up of hands wearing gloves and using a spray bottle, a man and a woman looking at a tablet, and a close-up of a smiling man's face. The collage is set against a background of geometric shapes in shades of blue and green.

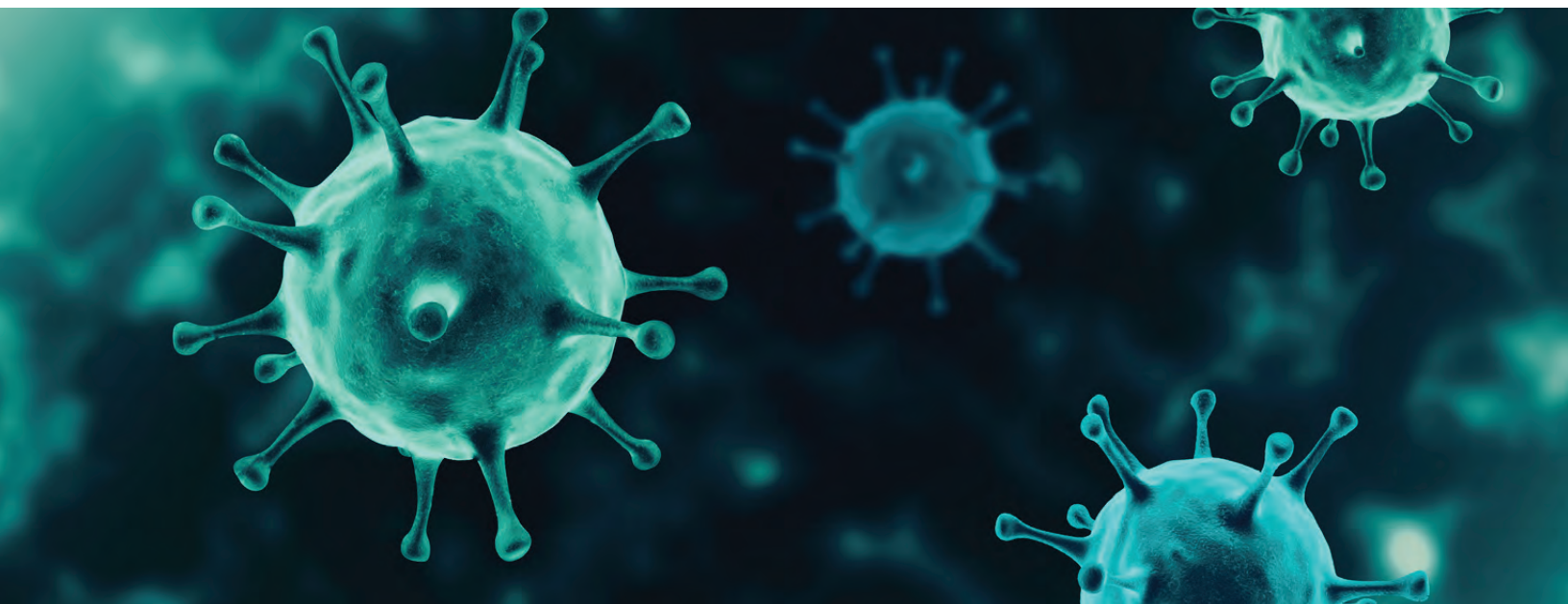
I. INTRODUCTION

Impacts of COVID-19

Companies depended on their Environment, Health and Safety (EHS) functions to help them manage the initial impact of COVID-19. Now, they are relying on their EHS functions to help employees return to the workplace in a safe, effective manner. This report is the first in a series that will explore the impacts of COVID-19 on EHS functions and the resiliency of these functions in meeting the demands of the crisis.

The reality of COVID-19 is hitting companies especially hard, and scarcity of personal protective equipment (PPE) and sanitizing agents has caused some companies' operations to slow down or stop altogether. Non-essential employees have been teleworking, and when these employees return to work, companies will face new challenges around social distancing, occupational health needs/accommodations and communication of new norms.

To help EHS leaders meet these challenges, NAEM's research benchmarks how EHS functions are responding to COVID-19. This benchmarking research and subsequent analysis provides an overview of the first wave of changes to budgeting, staffing, and structure that is currently underway.



A decorative collage on the left side of the page. It includes a close-up of a hand wearing a white glove holding a small vial, a woman in a patterned top looking at a tablet, and a man in a plaid shirt smiling. The collage is set against a background of geometric shapes in shades of blue and green.

II. METHODOLOGY

This report combines a quantitative benchmarking survey with a series of interviews and facilitated group discussions that included live polling.

Survey Objective

The purpose of this survey was to identify the following trends:

- The role EHS functions play in their corporation's response to COVID-19
- The new responsibilities taken on by EHS functions because of COVID-19
- The impact of COVID-19 on EHS budgets, EHS staffing and normal EHS activities and goals

Methodology

The survey was fielded to EHS leaders in a wide variety of industries from late April 2020 through early May 2020. There were 76 qualified responses.

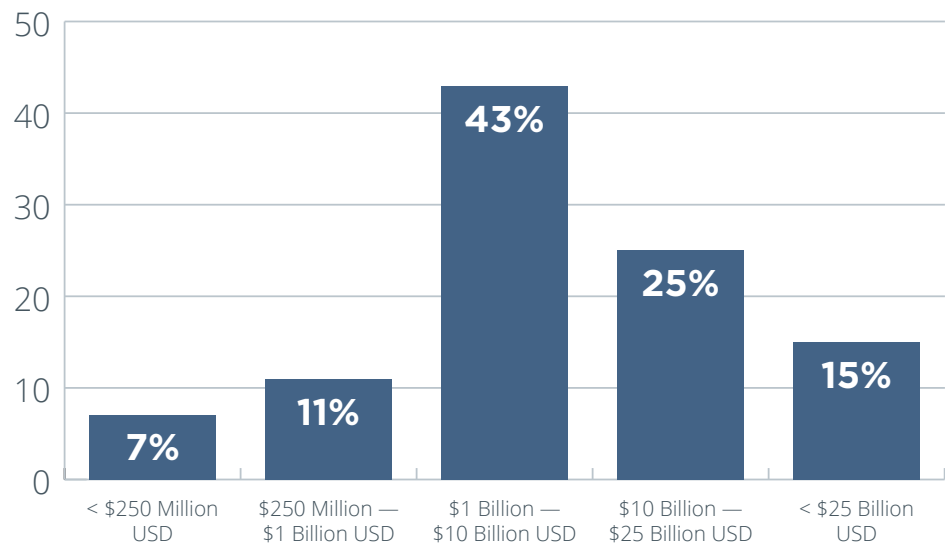


III. DEMOGRAPHICS

Respondents to the surveys were mostly large (82% over \$1 billion in revenue), manufacturers (59% manufacturing) and self-identified as medium or high program maturity.

A MAJORITY OF RESPONDENTS HAD REVENUES OVER \$1 BILLION USD

Figure 1



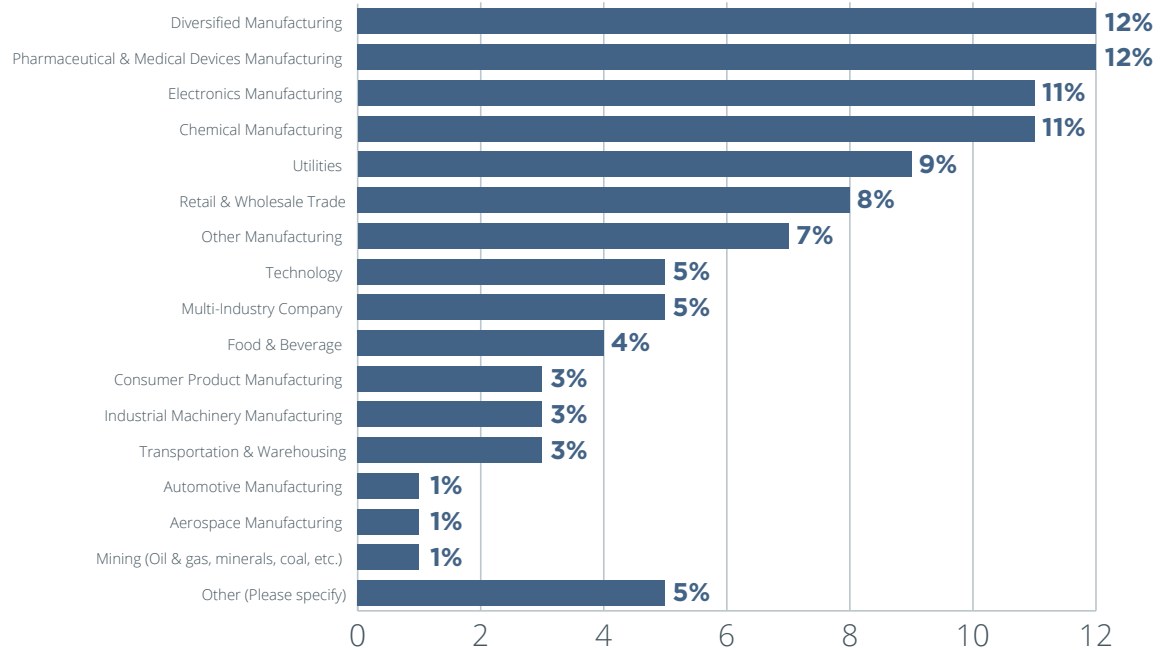
N=75



III. DEMOGRAPHICS

MOST RESPONDENTS ARE PRIMARILY INVOLVED IN MANUFACTURING

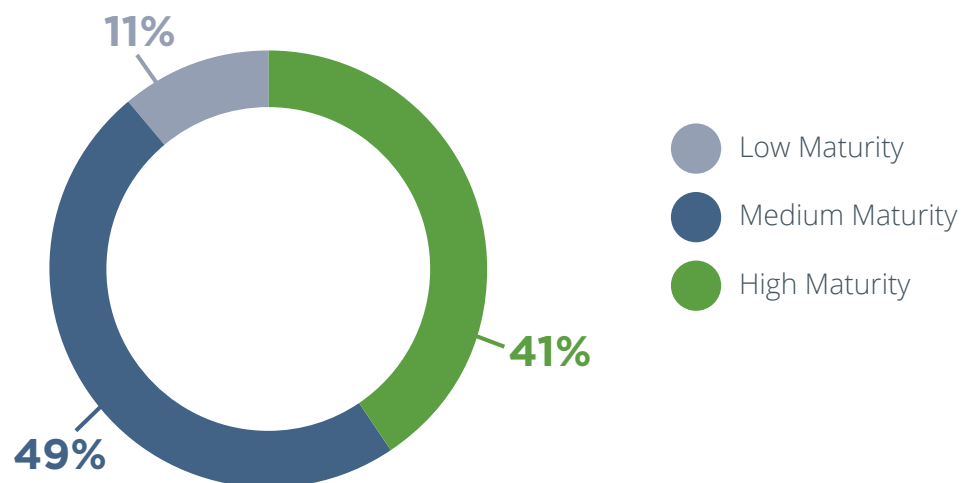
Figure 2



N=76

MOST RESPONDENTS REPRESENT MEDIUM OR HIGH MATURITY PROGRAMS

Figure 3



N=76

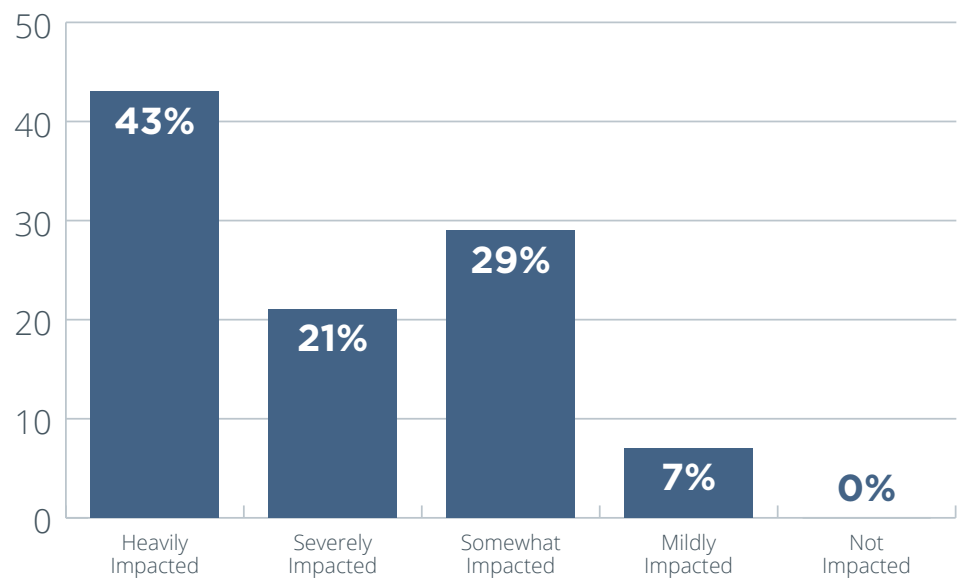
IV. OVERALL IMPACTS

No Company has Avoided the Impact of COVID-19

Every EHS leader surveyed indicated that their EHS function had been impacted by COVID-19. In addition, most EHS leaders responded that their respective organizations had been heavily or severely impacted.

OVERALL IMPACT OF COVID-19 ON EHS FUNCTIONS

Figure 4



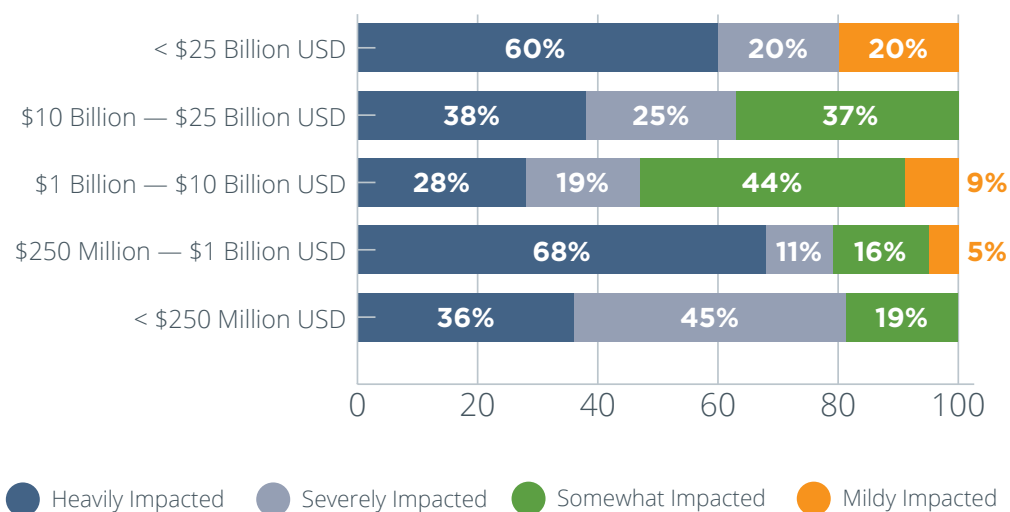
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IV. OVERALL IMPACTS

COVID-19 is Impacting Companies Regardless of their Size

IMPACT OF COVID-19 ON EHS FUNCTIONS BY ANNUAL REVENUE

Figure 5



N=75



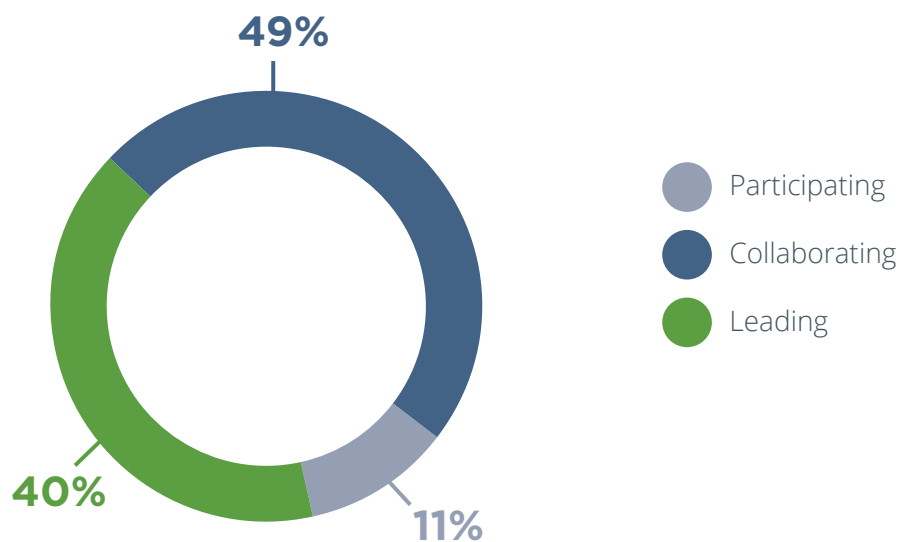
IV. OVERALL IMPACTS

Companies are Relying on Their EHS Functions more Than Ever

Almost half of all respondents said that their EHS functions were leading their company's response to COVID-19. The respondents who were not leading were most often collaborating with other functions. EHS functions are also taking on many new responsibilities and activities as part of their company's strategy to manage COVID-19.

EHS FUNCTION'S INVOLVEMENT IN RESPONSE TO COVID-19

Figure 6



N=76



“COVID-19 has elevated the profile, need and value proposition of EHS and risk management. Now EHS is key for the operation and survival of the business.”

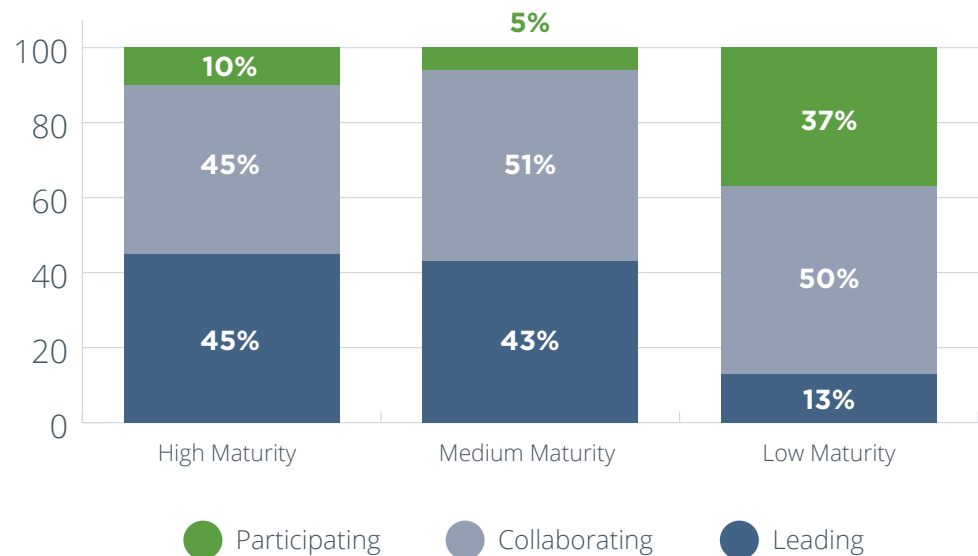
IV. OVERALL IMPACTS

The Role of the EHS Function is Expanding

Companies with high and medium maturity programs depend on their EHS programs more than companies with low maturity programs.

EHS FUNCTION'S INVOLVEMENT IN RESPONSE TO COVID-19 BY PROGRAM MATURITY

Figure 7



N=76



“The EHS function is very much a collaborative role... We are working with all the functions in the C-Suite... In addition, there is an inspirational piece too because in this time of high uncertainty and anxiety, how we comport ourselves as leaders has a great influence in terms of how your employees are going to respond and behave themselves. We’re being very mindful around this issue of modeling desired behaviors and keeping a strong focus on empathy, adaptability and accommodation for people.”

IV. OVERALL IMPACTS

EHS Functions have taken on a Myriad of New Responsibilities

EHS leaders have risen to the challenge of planning their company's response to COVID-19, adding a myriad of new responsibilities to their plate. However, determining the correct course is only half the battle, the other half is carrying out their new duties. As one EHS leader put it "EHS leaders know how to implement...They can execute on the factory level, on the shop floor."



The EHS function is critically involved in the COVID-19 management response, and is either leading or has significant responsibilities in the following areas (April—May 2020):

- Track Employee Health
- Coordinate procurement and sharing of supplies
- Conduct screening for COVID-19
- Track changing regulations at the local, state, national and international level
- Develop and communicate policies to workforce
- Develop return to work plan for remote employees
- Upgrade facilities for re-entry on workers
- Set and communicate policies for social distancing
- Screen employees for symptoms of infections
- Determine phases of reentry for workers
- Sanitize facilities after exposure incidents
- Business continuity planning
- Dedensify office space

V. BUDGET IMPACTS

Spending has Changed because of COVID-19

Changes in spending were analyzed in two dimensions. The first includes changes to spending on Environment, Health, and Safety and the second includes changes to spending on Internal Employees, External Consultants, Support Services, Capital Expenses, Site Expenses, and Equipment / PPE.

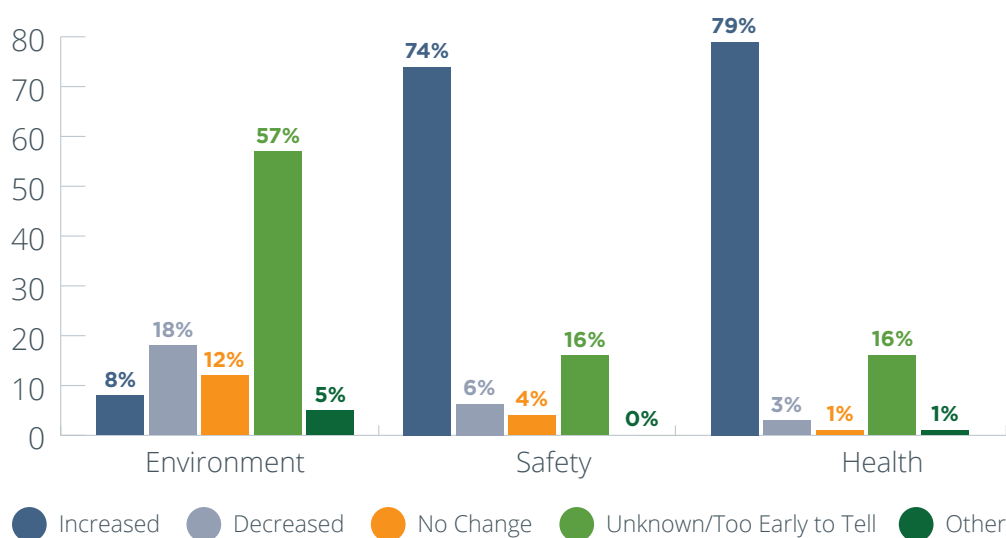
At the point in time the survey was fielded, the impact on environmental spending is still unknown or it is too early to tell, but about one fifth of respondents were spending less on environmental activities.

The Focus of Spending is on Health and Safety

According to respondents, spending increased to purchase the supplies needed to continue operations. This includes PPE, cleaning agents, thermal sensors, and equipment necessary for employees to work from home.

CHANGES IN SPENDING IN ENVIRONMENTAL, HEALTH, AND SAFETY

Figure 8



N=76

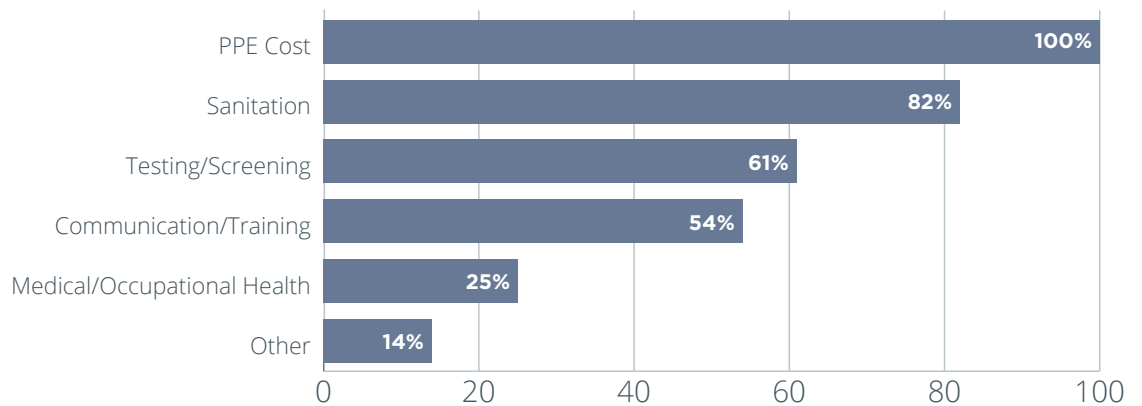
V. BUDGET IMPACTS

Drivers for Increased Health and Safety Spending

The increase in Health and Safety spending was driven by multiple factors. The most common were increased PPE costs and increased sanitation costs. These are both from the immediate response to COVID-19. Some other drivers for increased Health and Safety spending were communication, training, and occupational health. These three areas are all part of long term strategies for managing COVID-19 and in the near future companies should expect to increase spending in these areas.

DRIVERS FOR INCREASED SAFETY & HEALTH SPENDING

Figure 9



N=31



V. BUDGET IMPACTS

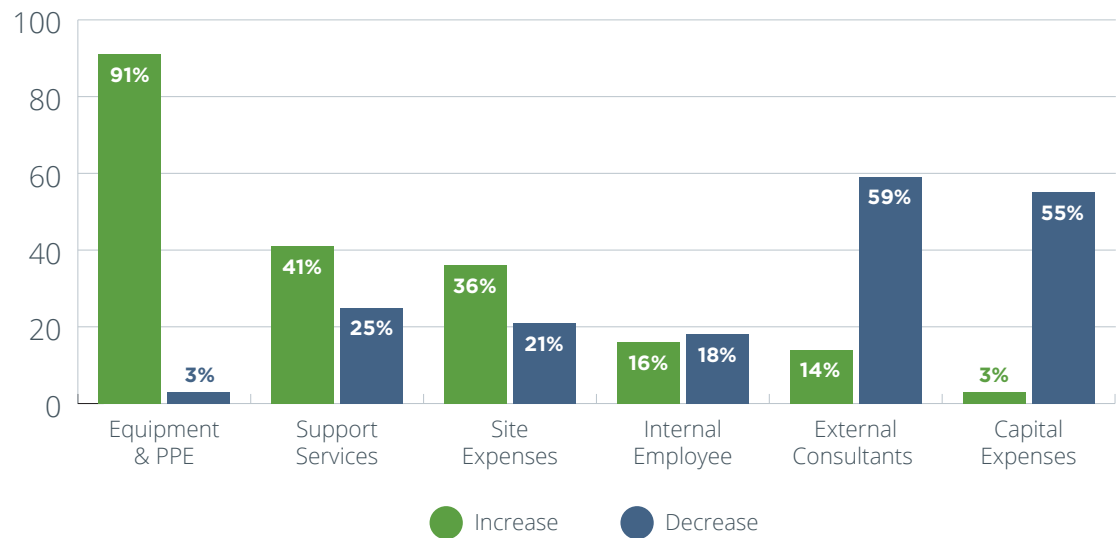
Companies are Decreasing Spending on External Consultants and Capital Projects and Increasing Spending on PPE

Support Services, Site Expenses, and Internal Employees had much less of a consensus on how spending has changed. Some companies reported increased spending in these areas while others reported decreased spending.

While most companies agreed that capital spending was generally decreasing, the EHS Director of a utility company had a different approach. She said that her department was focusing on continuing capital projects to help stimulate the local economy.

AREAS COMPANIES ARE SPENDING MORE AND LESS

Figure 10



N=76

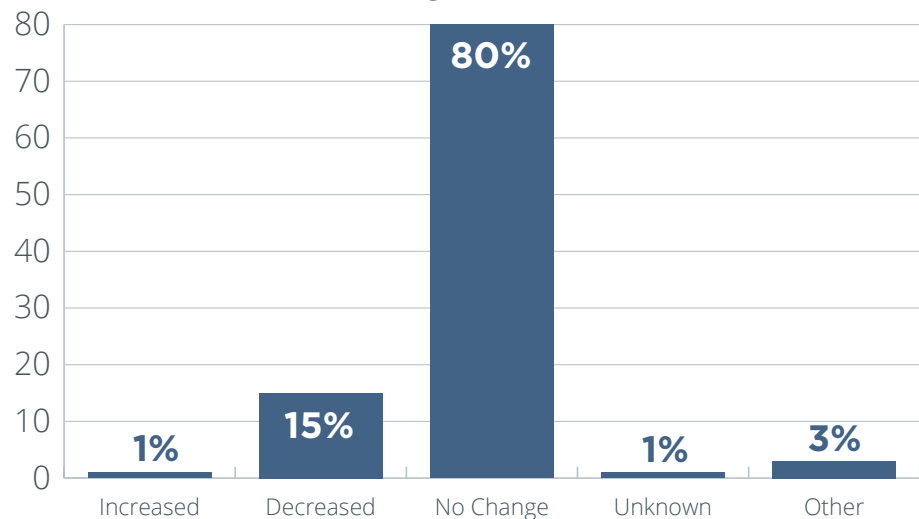
VI. STAFFING IMPACTS

For Many Companies, the Number of EHS Staff has not Changed

Most EHS functions had not changed the number of staff employed at the time of the survey. However, during interviews and conversations, there was a consensus that as the business as a whole contracts, the EHS functions would be forced to eliminate some positions. EHS functions who reported reducing the number of FTEs stated that nearly all functions within the business were reducing the number of FTEs. Companies who selected "Other" had increased EHS staff in some areas and decreased EHS staff in other areas.

CHANGE IN EHS STAFF

Figure 11



N=76

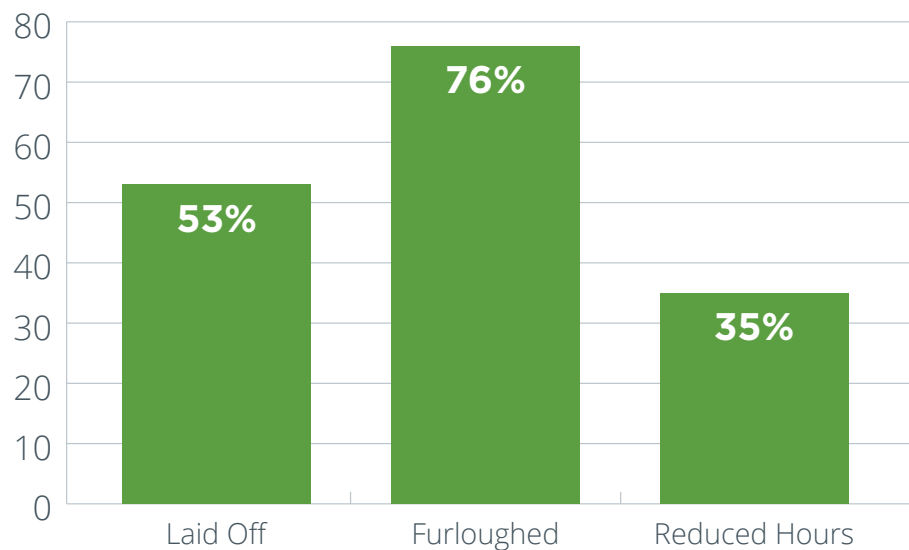
VI. STAFFING IMPACTS

Furloughing was the Most Common Method of Reducing Staff

Among the 15% of companies that reduced staff (see Figure 11), the most common method of reducing staff was furloughing employees. In other words, 76% of 15% of companies furloughed their EHS staff. Overall, this is a relatively small percentage relative to the 80% of companies that did not change EHS staff. The average length of furlough was 5 weeks and the median length of furlough was 1 month. Another strategy highlighted by a large number EHS leaders was a hiring freeze.

METHODS OF REDUCING NUMBER OF EHS STAFF

Figure 12



N=15



VII. IMPACT ON NORMAL EHS OPERATIONS

Companies have not Changed Formal Goals

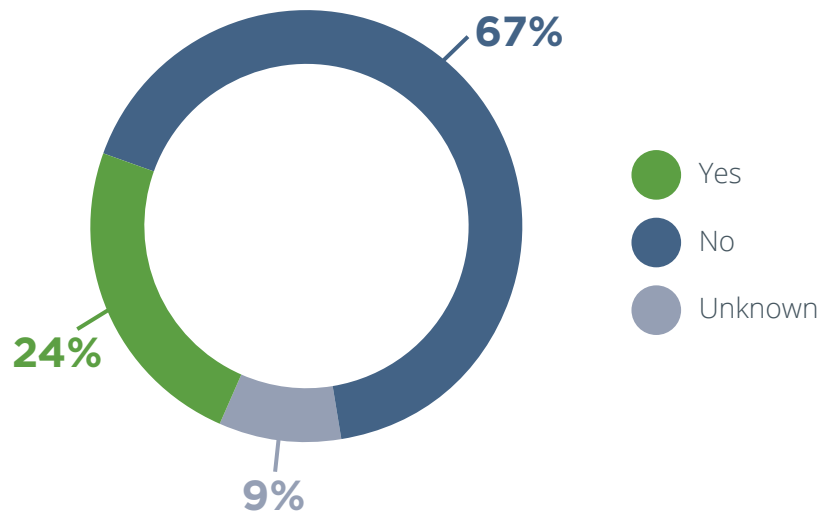
This section transitions beyond the impact on EHS functions to the impacts of COVID-19 on corporate EHS&S goals and programs.

Over two-thirds of respondents indicated their corporate EHS, KPIs or metrics established prior to COVID-19 had not changed at the time of the survey. Those companies that decided to change their goals have either eliminated goals, added new goals around COVID-19 or delayed some goals until 2021.

Many companies have fiscal years that begin on April 1st. They reported that COVID-19 had a significant impact on the goals they chose to set for the 2020 fiscal year.

CHANGE TO FORMAL GOALS

Figure 13



N=58

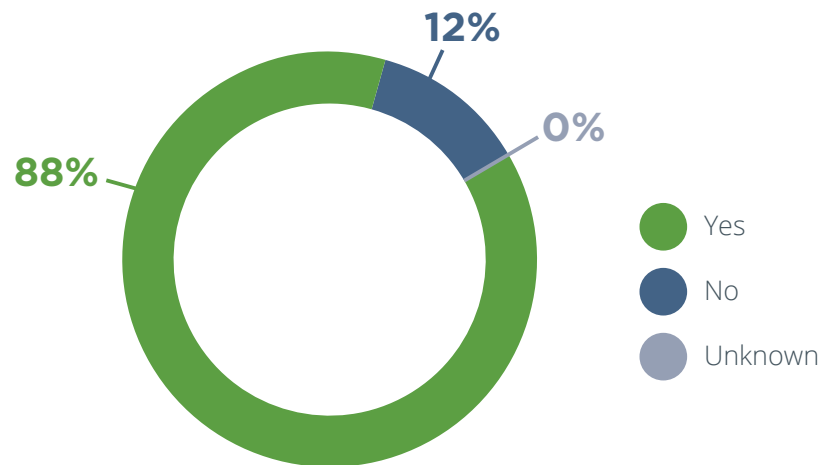
VII. IMPACT ON NORMAL EHS OPERATIONS

Most Companies have Delayed Initiatives

Most respondents have delayed at least one new initiative or program set to launch in 2020. Commonly delayed initiatives and programs included: new training modules, upgrading facilities, applying for new certifications and new safety policies. One of the areas companies had decreased spending was facility upgrades, so it is unsurprising that these improvements have been halted. Some respondents reported that they stopped new training programs and safety policies to avoid detracting attention from the training and policies around COVID-19. One Vice-President of EHS described how he views his company's decision to reformat programs to suit virtual and remote work as an opportunity to demonstrate commitment on health and safety to employees.

DELAYS TO NEW INITIATIVES

Figure 14



N=59



“We’re viewing this as an opportunity to signal to our people that we care and that we’re listening, and I think we view this as being a way to garner, and even enhance levels of loyalty as we come out of this tunnel. We see this as doing the right thing from a moral perspective but also from a business perspective, we think it’s going to yield long term benefits in terms of enhanced productivity in the company.”

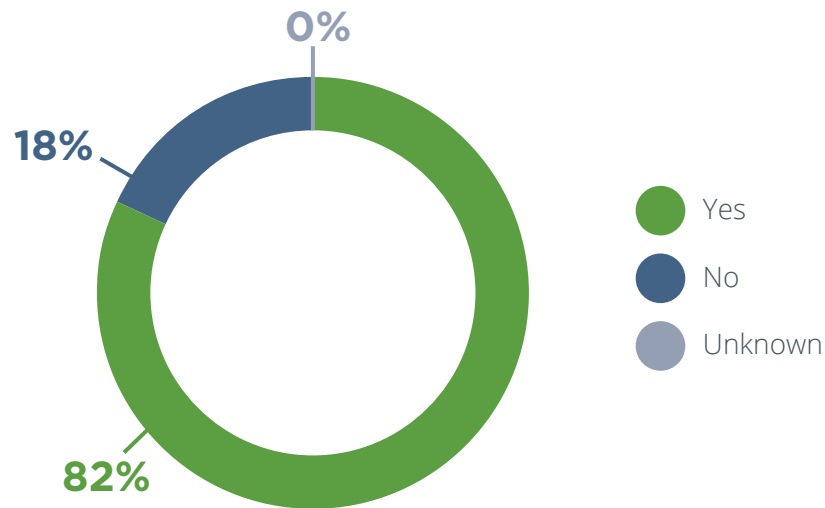
VII. IMPACT ON NORMAL EHS OPERATIONS

Managing the Demands of COVID is Impacting Ongoing Activities

The majority of respondents have delayed some routine EHS activities. Commonly delayed routine EHS activities included: training, hiring new employees, travel / site visits and auditing. On the more extreme side some respondents have dropped all non-essential EHS activities to solely focus on managing impact of COVID-19 on their company. Lastly, some areas, such as auditing, are likely to undergo permanent changes due to COVID-19. Despite profound shifts in areas like auditing, recent facilitated discussions have indicated that EHS functions are beginning to embrace mixed strategies of virtual, remote, and in-person auditing. As the EHS response to COVID-19 evolves, activities that are currently delayed may in part be delivered through alternative tools, though it is still too early to tell.

DELAYS TO REGULAR EHS ACTIVITIES

Figure 15

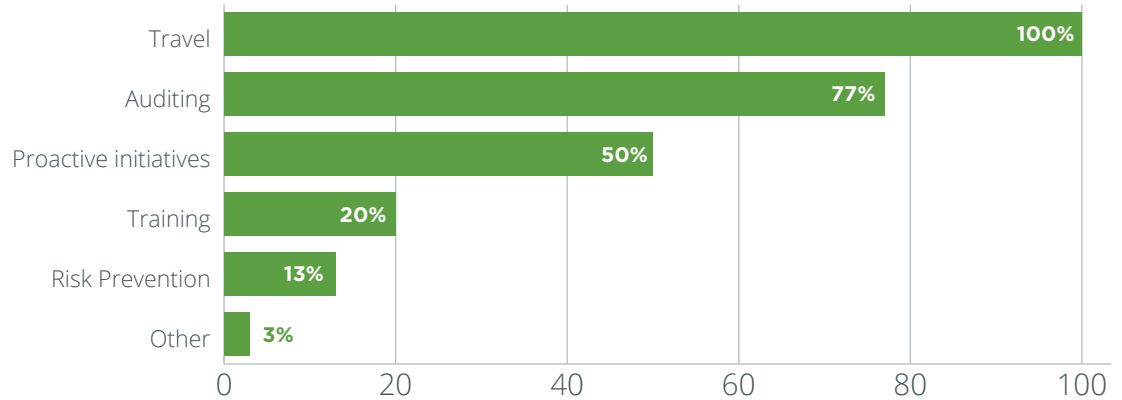


N=60

VII. IMPACT ON NORMAL EHS OPERATIONS

EHS ACTIVITIES THAT HAVE BEEN DELAYED / REDUCED

Figure 16



N=29



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