

Benchmarking Corporate Sustainability Priorities

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Benchmarking Corporate Sustainability Priorities

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ABOUT NAEM

The National Association for Environmental, Health & Safety and Sustainability 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.

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LETTER FROM THE EXECUTIVE DIRECTOR



Corporate Sustainability leaders are currently facing a series of unprecedented challenges: a deep economic recession, COVID-19's long-term impacts and social unrest.

Benchmarking Corporate Sustainability Priorities looks behind the scenes at the effects of these challenges. By combining a quantitative benchmarking survey and in-depth interviews with Sustainability leaders, this report will help Sustainability leaders gain an understanding of the progress of sustainability initiatives during the global pandemic, racial justice movement and current business climate.

The findings in this report are particularly timely. This report provides a snapshot of how sustainability is evolving three months after most companies initiated social distancing and remote work policies. In other words, this survey captures the transitional moment when Sustainability leaders shifted from managing the crisis to coping with the long-term reality of COVID-19.

This report also publishes amidst widespread recognition that Sustainability is at the cusp of a potentially transformative moment, as the question of how to integrate purpose with business strategy is now

front and center for C-Suite leaders. At NAEM's Impact Sustainability conference in early August, Kevin Moss, Global Director for Sustainable Business at the World Resources Institute, emphasized how Sustainability leaders should use this moment in the spotlight to initiate far-reaching, system-wide change.

There are promising signs for this far-reaching change, as most companies are on track to meet their Sustainability goals. In addition, Sustainability continues to grow well beyond its original mandate in environmental protection. More companies are incorporating ESG principles into their operations and business strategy, demonstrating the importance of Sustainability, as well as the dedication and quality of work that has put Sustainability in the spotlight in this difficult time.

I am confident that Sustainability will continue to prevail, and that this research will help as you move forward in your Sustainability journey.

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



CAROL SINGER NEUVELT
Executive Director NAEM



INTRODUCTION

Today's corporate Sustainability leaders are playing pivotal roles in responding to the global pandemic and the racial justice movement, all while navigating the challenges of the current business climate.

The impact of these forces on Sustainability agendas varies for different business types. However, there are a few key takeaways shared by most Sustainability leaders. Health & Safety is a top priority for Sustainability functions across the board. In many cases, Sustainability leaders, especially those in combined EHS functions, are being pulled directly into crisis response and

operational roles to ensure the continuity of business operations.

In addition, Sustainability leaders are focused on expanding their company's aid to local communities, often through Public Health Philanthropy and Community Outreach. These stand-alone Sustainability leaders are executing on their companies' commitments to diversity, inclusion and equity.

This report will explore how all kinds of companies large to small, manufacturing and non-manufacturing, and business-to-business and business-to-consumer are utilizing sustainability in light of the global pandemic, racial justice movement and current business climate.





METHODOLOGY

To understand the effects of COVID-19 on Sustainability agendas after three months of remote working conditions, this report combines a quantitative benchmarking survey with interviews with Sustainability leaders as well as facilitated group discussions.



OBJECTIVE

The objective is to gain an understanding of the progress of sustainability initiatives within corporations during the global pandemic, racial justice movement and current business climate.



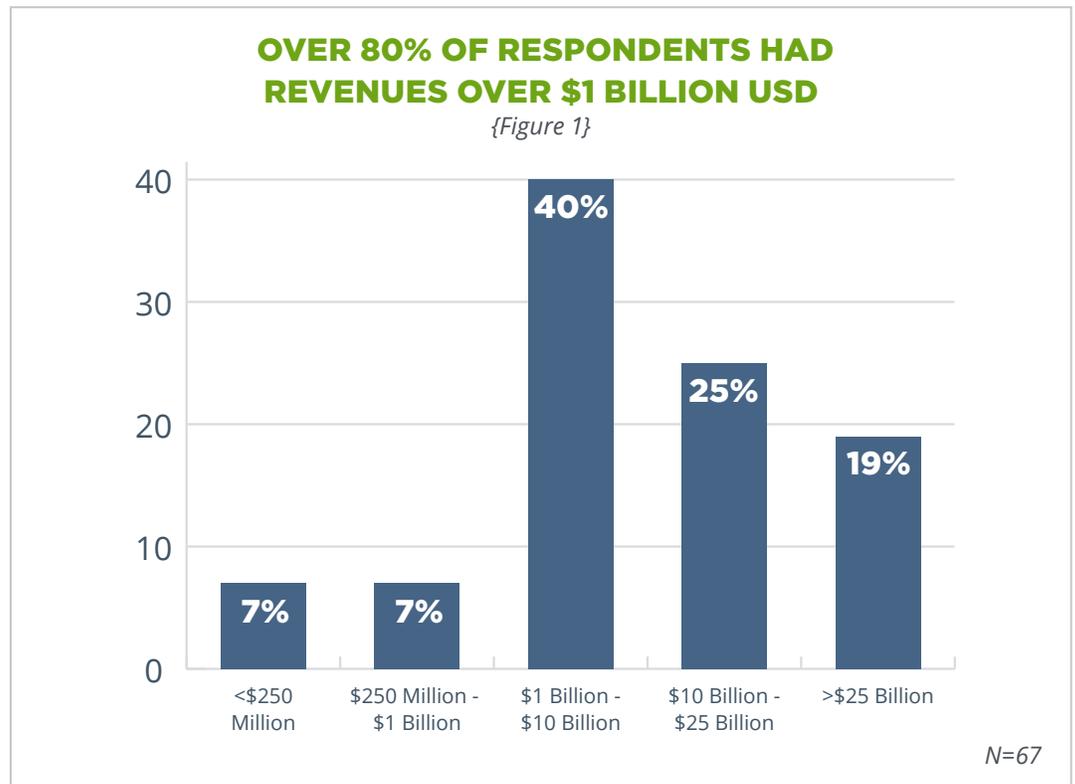
METHODOLOGY

The survey was administered from June-July 2020. There were 67 responses from in-house EHS&S leaders that were used in these findings. In addition, findings are based on five facilitated conversations throughout the year with NAEM members and eight in-depth interviews.



DEMOGRAPHICS

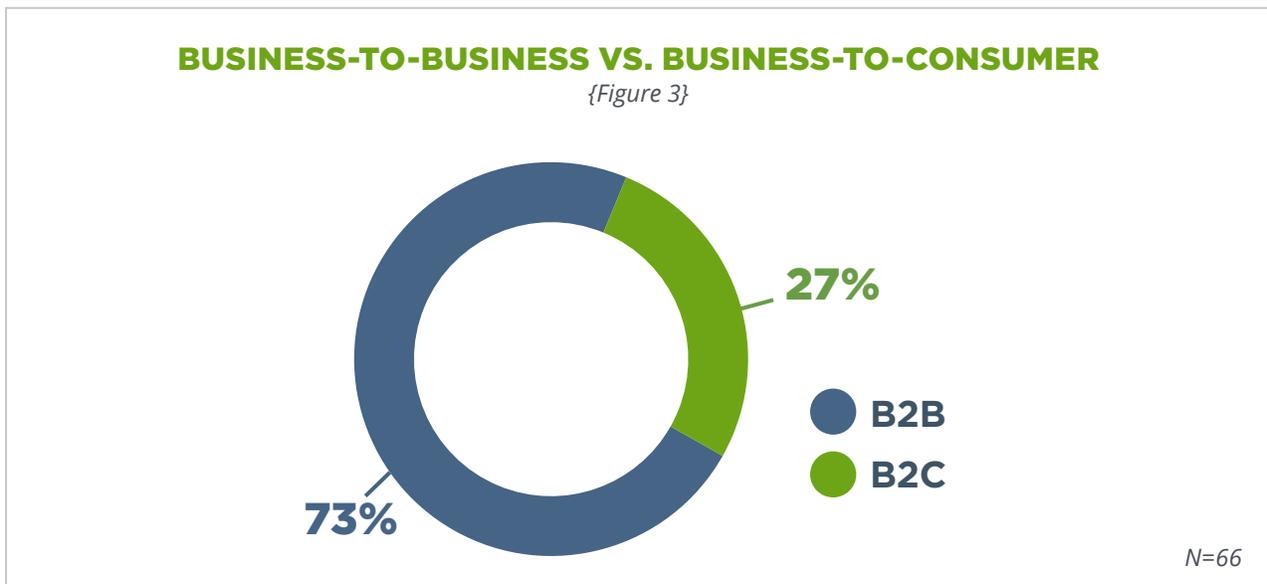
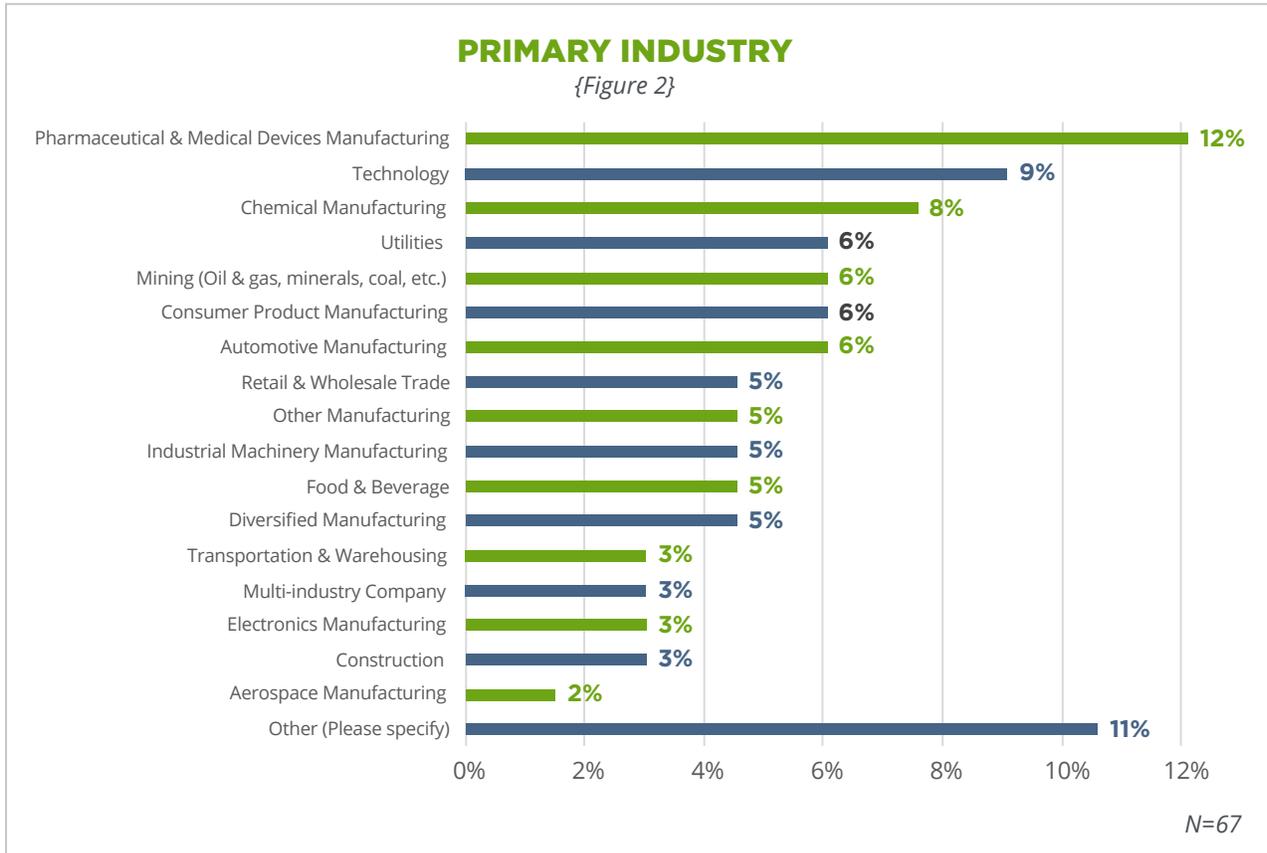
Survey respondents were mostly over \$1 billion in revenue, 50% manufacturing, and three-quarters of respondents were from Business-to-Business (B2B) companies.





DEMOGRAPHICS

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PRIORITIZATION OF SUSTAINABILITY INITIATIVES

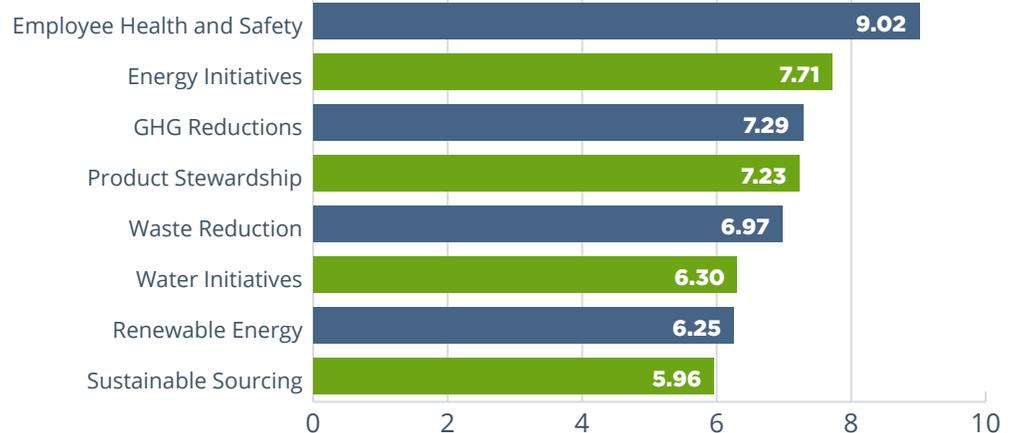
Employee Health & Safety tops the list of priorities for Sustainability leaders.

Given that the survey for this report was administered three months after remote work and social distancing became the norm, it is not surprising that Health & Safety was the top sustainability priority. Several interviewees indicated that they are being pulled heavily into their company's COVID-19 response, and this is likely the case for many other Sustainability professionals. Stand-alone Sustainability functions are slightly less likely than combined EHS&S functions to be involved in their company's COVID-19 response.



SUSTAINABILITY PRIORITIES

{Figure 4}



N=67





PRIORITIZATION OF SUSTAINABILITY INITIATIVES

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The Racial Justice Movement has become a key part of Sustainability agendas

While ESG Reporting remains the top priority for Sustainability leaders, Community Outreach and Racial Justice Movement were the second and third highest priorities, respectively. One of this report's most significant findings is that sustainability agendas have integrated and elevated racial justice concerns within their broader internal initiatives and external community outreach. The following represents a sample of the initiatives that survey respondents are undertaking:

Internal Initiatives

- Created a new employee holiday focused on diversity & inclusion
- Added funding for racial justice organizations
- Promoted internal unconscious bias training
- Removing biases within the interview process
- Encouraged employees to contribute to company-approved social justice organizations and company is providing matching contributions
- Promoting diverse candidates into leadership roles and providing matching company contributions

Community Outreach

- Increasing local hiring and spending
- Advancing an external social equity platform around health
- Increased focus on local communities and front line healthcare workers
- Donated nearly \$3 million in emergency funds to support basic human needs and address the hardships faced by customers and communities



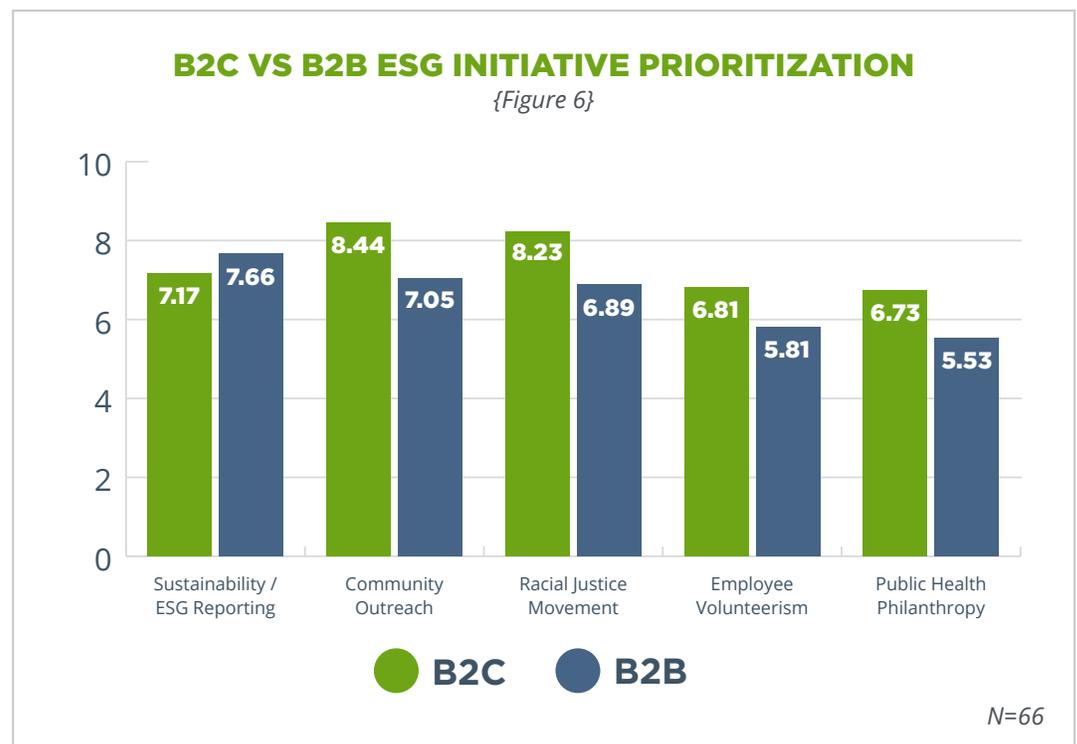


PRIORITIZATION OF SUSTAINABILITY INITIATIVES

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ESG Reporting is the top priority for B2B companies

For Business-to-Business (B2B) companies, the top ESG priority is ESG Reporting. The top priority for Business-to-Consumer (B2C) companies is Community Outreach, closely followed by Racial Justice Movement. Numerous respondents, especially those in B2C companies, indicated how community outreach and racial justice are linked, though for each company this meant something unique.





PRIORITIZATION OF SUSTAINABILITY INITIATIVES

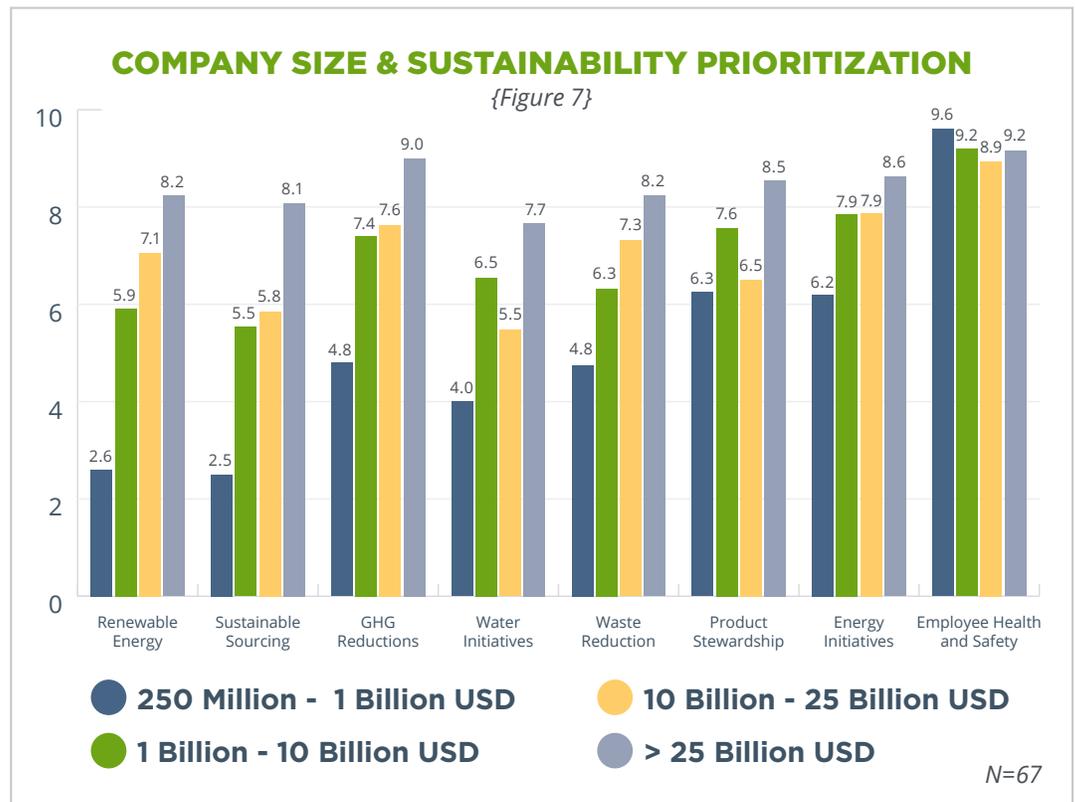
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Health & Safety is a top sustainability priority

For both large and small companies, health and safety is the top sustainability priority.

The data demonstrates that smaller companies are more focused on meeting the health and safety demands of COVID-19. This is likely a reflection of the more limited EHS&S resources available to smaller companies.

Larger companies, on the other hand, are spreading their focus across more sustainability issues. For both large and small companies, the findings demonstrate how the protection of human resources is increasingly seen as integral to achieving sustainability goals.





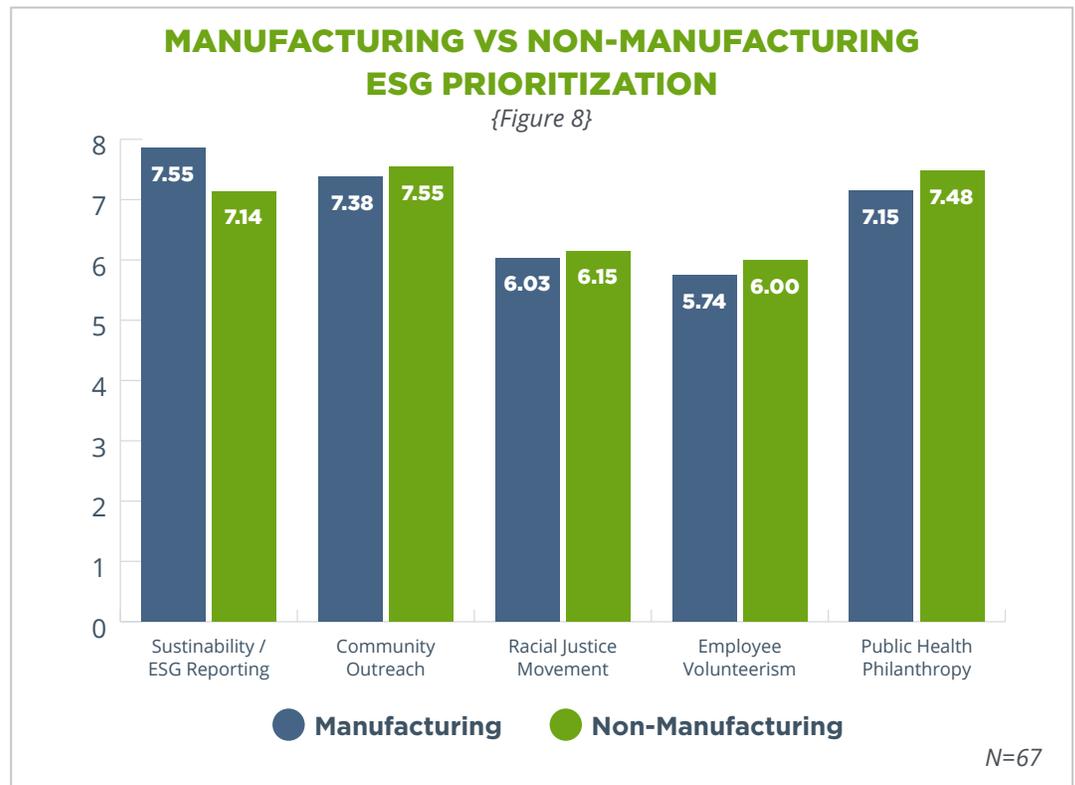
PRIORITIZATION OF SUSTAINABILITY INITIATIVES

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Manufacturers and Non-Manufacturers share similar ESG priorities

Sustainability / ESG Reporting is the highest ESG priority for Manufacturers, and Community Outreach is the highest priority for Non-Manufacturers. For Non-Manufacturers, Public Health Philanthropy was the second highest ESG Priority. The combination of Community Outreach and Public Health Philanthropy indicates that Non-Manufacturers are taking steps to assist their communities through the COVID-19 crisis.

The relative difference in priority between Manufacturers and Non-Manufacturers is not large. However, Sustainability / ESG Reporting is the highest ESG priority for Manufacturers, while non-manufacturers put the greatest priority on Community Outreach.





PRIORITIZATION OF SUSTAINABILITY INITIATIVES

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We heard from numerous Sustainability leaders on how their companies are reaching out to their local communities and in some cases reaching globally. Johanna Jobin, Executive Director of Biogen Foundation and Director of Corporate Affairs at Biogen, explained that COVID-19 has led to a deepening and amplification of prior commitments to improving health equity, not only in the local communities they operate in, but well beyond. According to Johanna, “traditionally our foundation gave to one or two countries outside Germany and Switzerland. Since COVID-19 began, we were able to give to 61 organizations across 31 countries within a matter of two months. We had over 200 applications that our team reviewed.”

STATE OF SUSTAINABILITY INITIATIVES

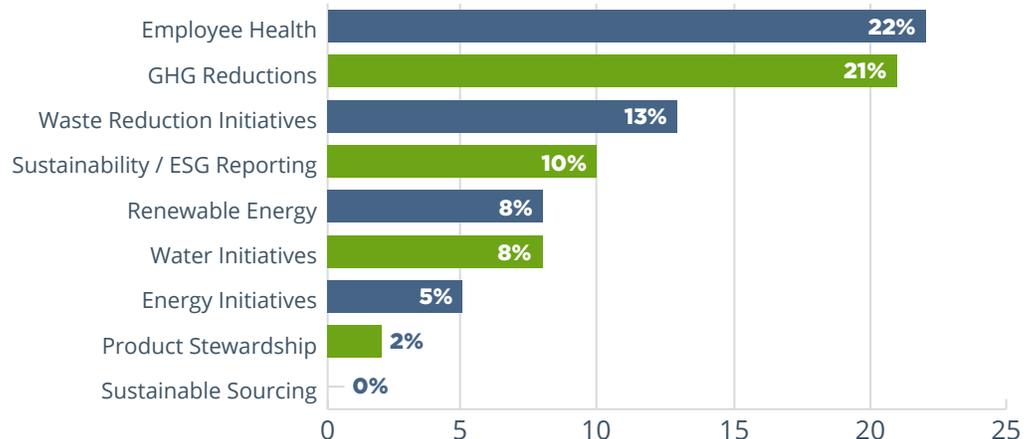
Employee Health and GHG initiatives are accelerating during COVID-19.

Twenty-two percent of respondents reported that Employee Health Initiatives are Ahead of Schedule, and 21% of respondents reported that GHG initiatives are Ahead of Schedule. The progress on GHG emission reductions is likely due to reductions in business travel and the recent move to work from home.

At NAEM's recent Sustainability Impact Conference, there was frequent discussion among Sustainability professionals around the future of business travel and remote work. Some leaders we interviewed believe that business travel will be permanently reduced and that work from home will become the new normal. As one Sustainability leader stated, "It's not only changed the way we work; it's definitely going to change the way we will work in the future."

SUSTAINABILITY INITIATIVES AHEAD OF SCHEDULE

{Figure 9}



N=66





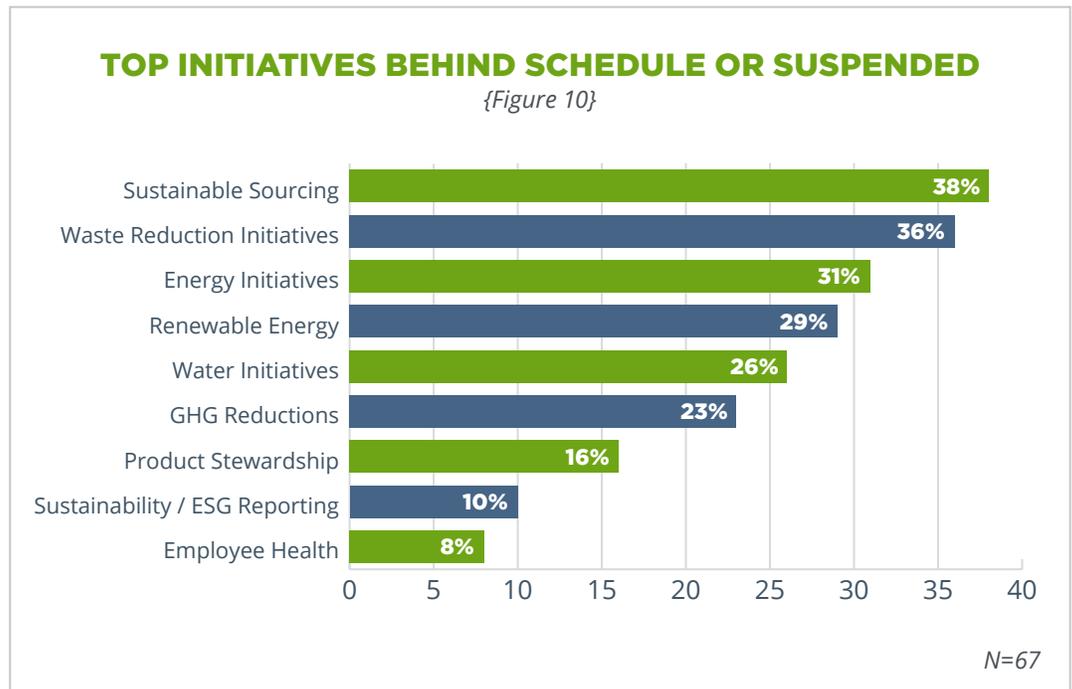
STATE OF SUSTAINABILITY INITIATIVES

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The challenges of COVID-19 are delaying Sustainable Sourcing and Waste Initiatives

TOP INITIATIVES BEHIND SCHEDULE OR SUSPENDED

{Figure 10}





STATE OF SUSTAINABILITY INITIATIVES

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Delays to key sustainability initiatives are due to Reduced Manpower

The following table shows sustainability initiatives and the reasons the initiatives were behind schedule. The most common reasons for delayed initiatives were reduced manpower and reduced focus.

REASONS SUSTAINABILITY INITIATIVES ARE BEHIND SCHEDULE OR SUSPENDED

{Figure 11}

INITIATIVE	REDUCED MANPOWER	REDUCED FOCUS	REDUCED FUNDING	NOT BUSINESS CRITICAL	REDUCED NUMBER OF FACILITIES
GHG Reductions	63%	32%	32%	11%	11%
Waste Reduction Initiatives	62%	54%	31%	23%	0%
Water Initiatives	60%	40%	20%	0%	20%
Energy Initiatives	50%	50%	17%	33%	0%
Renewable Energy	47%	47%	47%	16%	5%
Employee Health	43%	14%	29%	29%	0%
Product Stewardship	36%	50%	36%	36%	0%
Sustainable Sourcing	32%	32%	26%	16%	0%
Sustainability / ESG Reporting	31%	54%	23%	15%	8%



STATE OF SUSTAINABILITY INITIATIVES

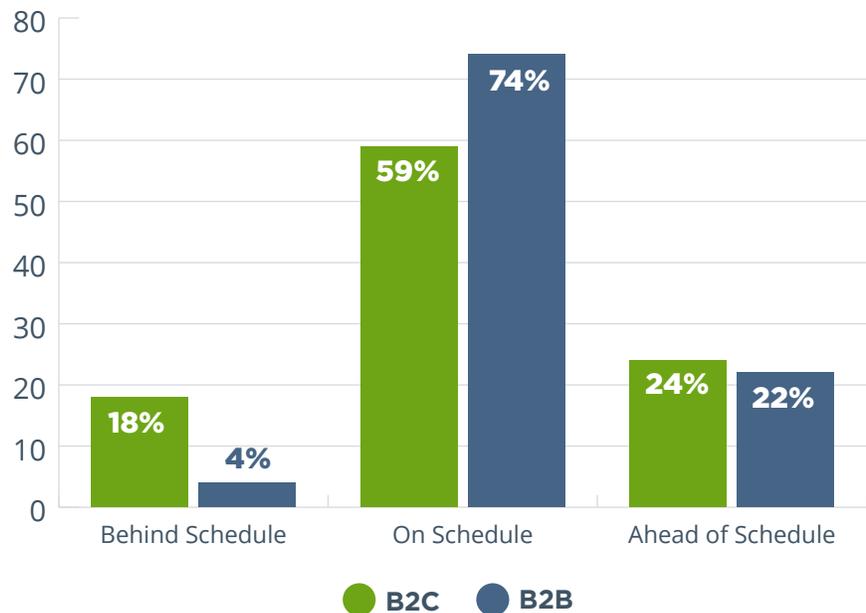
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B2C face more employee health issues than B2B

The one initiative area that there was a large difference in progress between B2C and B2B companies was Employee Health and Safety. Less than 5% of B2B companies were behind schedule while nearly 20% of B2C companies responded that their Employee Health and Safety initiatives were behind schedule. This shows that B2C companies are facing more Employee Health and Safety Risk right now due to COVID-19. B2C companies have a harder time isolating their employees from their customers because they often own brick and mortar stores or have employees going out in public.

B2C VS B2B EMPLOYEE HEALTH AND SAFETY INITIATIVES

{Figure 12}



N=66

IMPACT ON SUSTAINABILITY FUNCTIONS



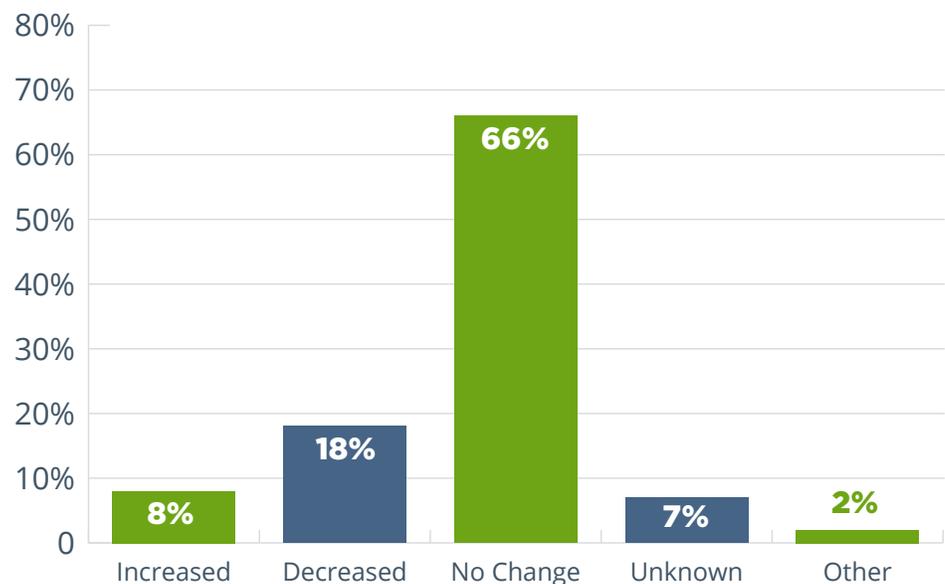
The sustainability function has gained new Health & Safety responsibilities and roles within companies because of the global pandemic, racial justice movement and current business climate. At the same time, sustainability has not gained additional resources to assist with these roles. Despite these challenges, a majority of sustainability initiatives are on schedule or even ahead of schedule. This shows the resiliency and adaptability of sustainability functions.

Most sustainability budgets have not changed

Two-thirds of respondents' sustainability budgets have not changed. Eighteen percent of respondents said that their budgets had decreased. However, a commonly cited reason for budget reduction was a contraction of the entire business.

SUSTAINABILITY BUDGET CHANGES

{Figure 13}



N=61

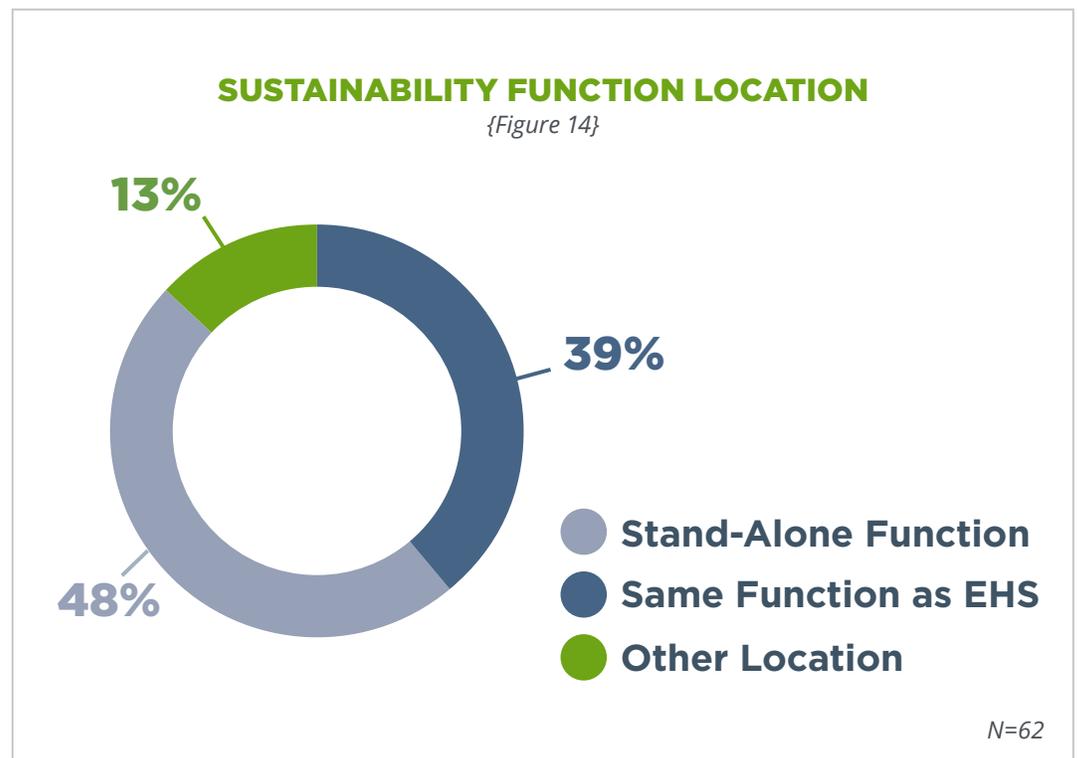




IMPACT ON SUSTAINABILITY FUNCTIONS

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Half of respondents have Stand-Alone Sustainability Functions



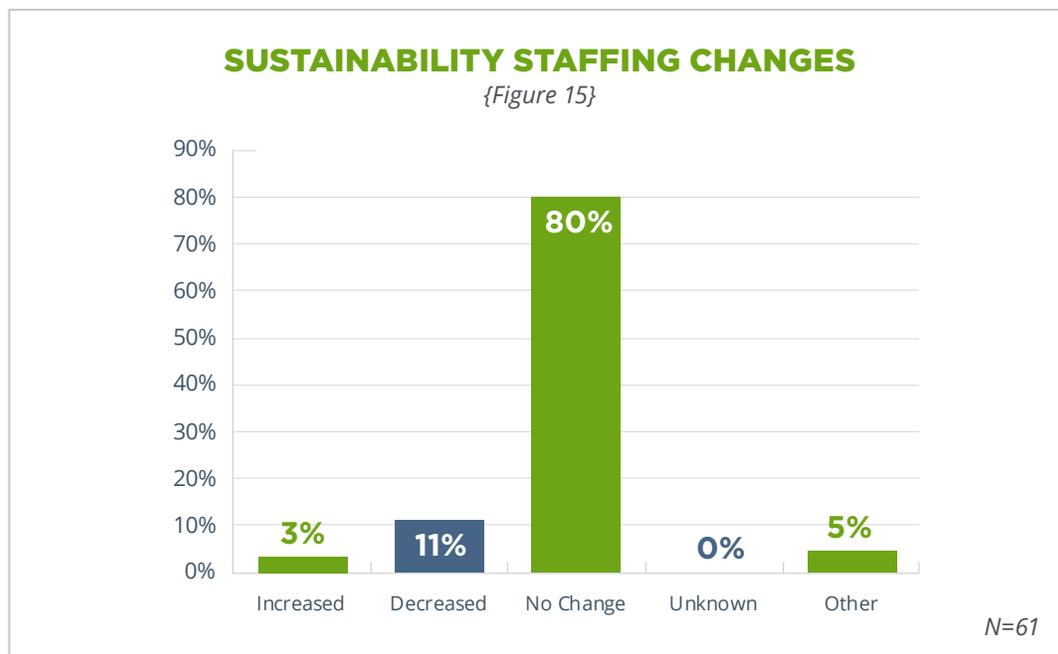


IMPACT ON SUSTAINABILITY FUNCTIONS

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Most sustainability staffing levels have not changed

Staffing levels were mostly unaffected by current business conditions at the time of the survey. Eighty percent of respondents have had no change to the number of staff within the function. Less than half of respondents who had a budget decrease also had a staffing decrease. This indicates that most budget cuts are not occurring through reductions in staff.



IMPACT ON SUSTAINABILITY

While most companies are not changing Sustainability budgets, they are shifting how they work. COVID-19 has forced many companies to try work from home strategies that they were hesitant about, but it's paying dividends in many cases. According to the same Sustainability leader, "We are a

company that absolutely said we cannot do work from home. And we killed it. Management has done a 180 on the concept. So, it taught us that our people can be more self-reliant, and we still can provide the top-level customer service we brag about." The effects of this change will have far-reaching consequences

as companies reevaluate their need for physical office space. "When we start to look at leases in the future, we need to do a different equation, as opposed to a generic 200 square foot per FTE, we can probably reduce that to 120 square feet per FTE because we're going to have people working from home."

EMERGING CONVERSATIONS

With the Racial Justice Movement gaining national prominence, companies are moving quickly to build on their racial diversity, equity and inclusion programs.

We asked survey respondents to discuss the conversations gaining prominence in their company around this issue. The results, on the whole, indicate that companies are not reinventing their racial equity, diversity and inclusion programs, but rather deepening long-standing commitments to their employees and communities.

At a more granular level, the results show several key themes:

Improving internal hiring and promotional practices

- Promote diverse candidates
- Biases within the interview process
- Create metrics to track diversity in hiring and promotions

Engage communities

- Encourage contribution to company-approved social justice organizations and provide matching company contributions
- Engage with black-led groups and civil liberties organizations to listen to their issues and to support them both financially and with resources and skills within our respective companies
- Engage some who had been on the sideline and educated/engaged other global employees
- Build on our STEM talent focus with historically Black colleges and similar organizations

- Donate to multiple organizations addressing racial injustice, including NAACP, the Center for Policing Equity and the Equal Justice Initiative
- Increase diversity supplier funding for minority and women-owned businesses
- Support efforts to improve engagement between the police and all members of our community

Cultivating an inclusive work environment

- Increase conversations about unconscious bias and actions every individual can take
- Created a new position for Director of Diversity, Equity and Inclusion for which we are currently recruiting
- Initiate employee listening forums
- Develop internal “unconscious bias” training



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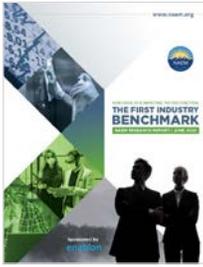
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MEDIA INQUIRIES

For more information about this report or to request an interview with an NAEM analyst, please contact NAEM at (202) 986-6616 or research@naem.org



ADDITIONAL NAEM REPORTS



How COVID-19 is Impacting the EHS Function: The First Industry Benchmark

Wondering how other companies have reacted to COVID-19 and how it has impacted their EHS operations? NAEM recently conducted the first industry benchmark on how companies managed the initial response to the global pandemic. Download the free report for a full analysis of how EHS functions have been affected by COVID-19.

Download the report today at: naem.org/ssb



EHS & Sustainability Staffing Structure & Budget Report

Are you trying to benchmark the size and reporting structure of your EHS & Sustainability (EHS&S) function? This comprehensive benchmark report offers an analysis of the organizational design, reporting structure, staffing levels and budgets of EHS&S functions from 150 companies across more than a dozen different industry sectors.

Download the report today at: naem.org/what-we-offer/research



2020 EHS & Sustainability Salary Report

How much do EHS & Sustainability employees earn and what are the variables that affect that compensation? In partnership with EHSCareers, NAEM presents results from the 2020 EHS&S Salary Survey, featuring detailed analyses of how compensation is affected by education, certifications, career stage and industry.

Download the report today at: naem.org/salary-report



Trends in Emerging Tech for EHS&S

Smart sensors, drones, mobile applications and more are all revolutionizing EHS&S data collection, program design and operations in real time. In this report based on quantitative benchmarking data and insights from EHS&S technology leaders, learn which emerging technologies are really being adopted and why, and how companies budget for new tech and software.

Download the report today at: naem.org/tech-trends



Why Diversity and Inclusion is a Winning Strategy for EHS&S Team

Diversity and inclusion strategies are the best way to build high-performance teams, improve employee retention and prepare the EHS&S function for a wave of leadership succession. This report offers specific examples and advice from companies that have built world-class diversity and inclusion programs to strengthen your EHS&S management practices.

Download the report today at: naem.org/diversity-inclusion



Strategies for Improving Contractor Safety Management

How do companies ensure that those who work for them share their commitment to safety and behave accordingly? This report summarizes insights about the programs corporate leaders are using to manage contractor safety, as well as common challenges, how companies are addressing them, and fresh ideas for program advancement.

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