



# Using Today's Pace of Change to Elevate EHS&S In Your Organization

April 8, 2021





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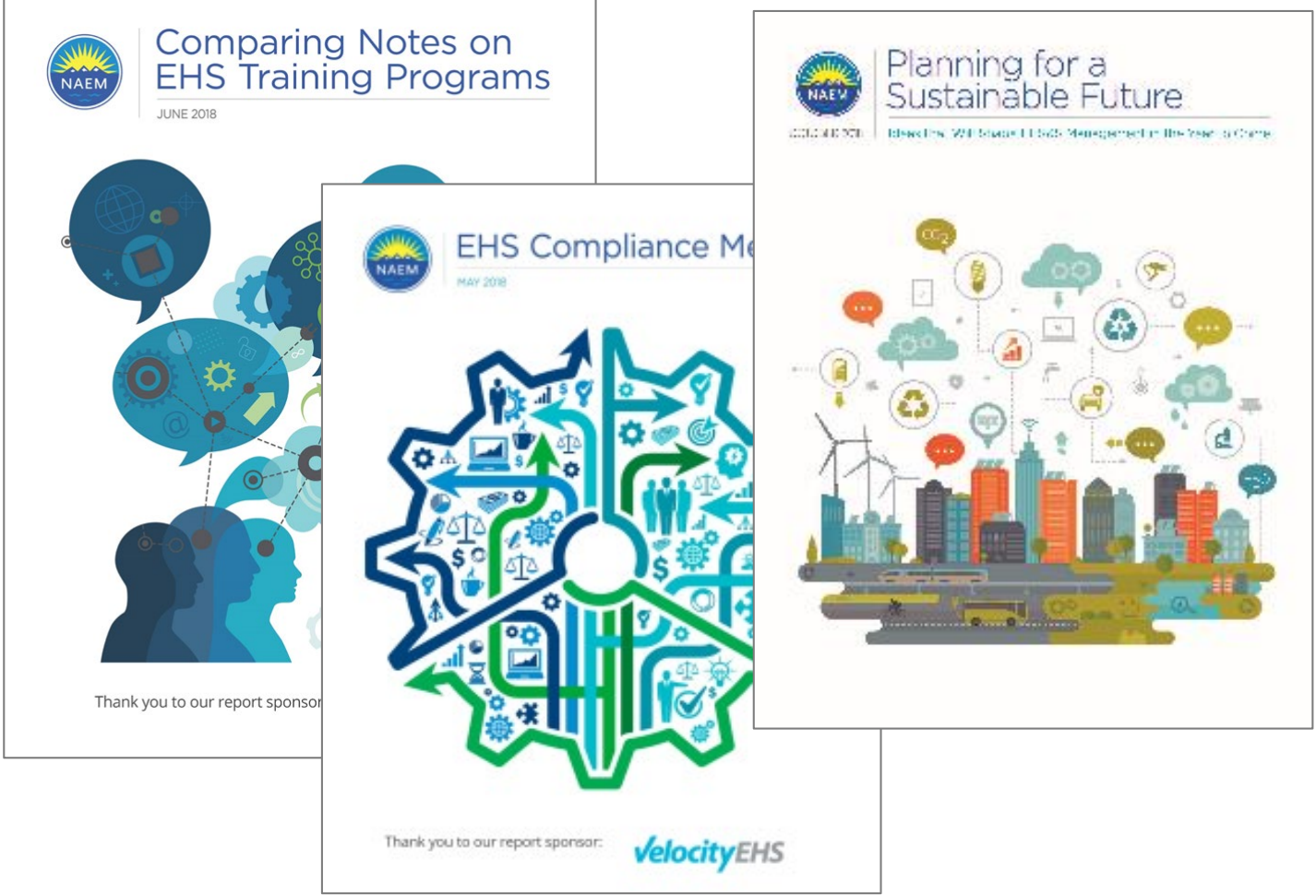


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# Today's Speakers



**Alex Heard**

*Vice President  
Environmental health and Safety*  
**3M**



**Rico Salas, PhD**

*Director of Safety Assurance  
Pacific Gas & Electric Co.*



**Jessica Wollmuth**

*Principal, Climate Change and  
Sustainability Services*  
**EY**



Using today's pace of change to elevate environmental, health, safety and sustainability in your organization

**8 April 2021**



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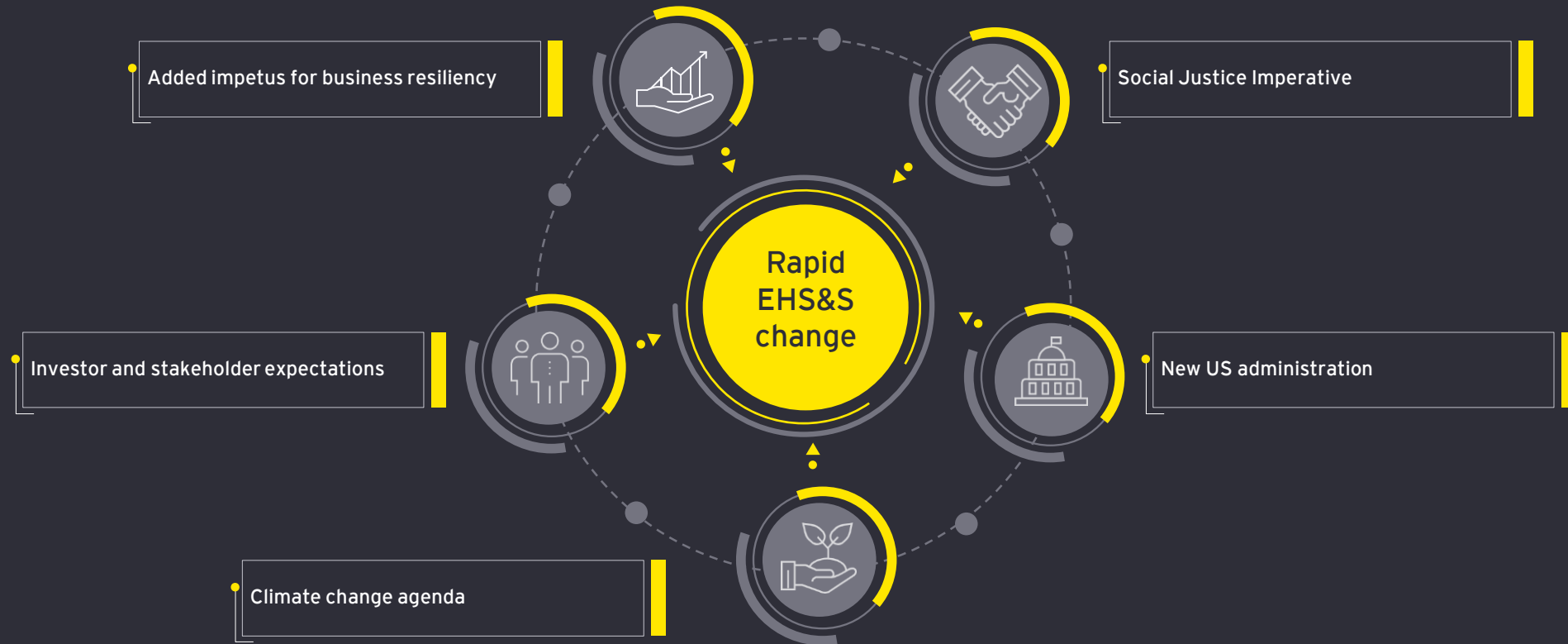


# Agenda

- 1 Pace of change in environmental, health and safety (EHS) and sustainability is rapidly accelerating
- 2 How companies are adapting to this change
- 3 Creating value for your organization through environmental, health and safety, and sustainability (EHS&S) change acceleration
- 4 Key takeaways
- 5 Questions and answers

# Pace of change in EHS and sustainability is rapidly accelerating

This year has put EHS&S functions center stage to support organizations managing novel threats and disruptions to their business and operations. This rapid pace of change in EHS&S is only likely to increase. EHS leaders are well positioned to use this moment to validate the business case that effective EHS helps drive operational performance improvement, create internal and external stakeholder trust, and drive long-term value.





# Change agent: Added impetus for business resiliency

# The COVID-19 pandemic amplified importance of EHS&S programs to support business resiliency

Companies are confronting a new reality in which they must be prepared to minimize the disruption to their customers, employees, investors and suppliers in periods of systemic shock (such as global pandemics or climate change).

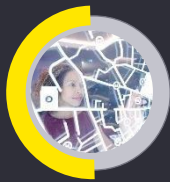
How can leaders act decisively to protect the well-being of their customers, support critical operations and restore market confidence? What programs do you have to confront the crisis? And what tools do you need to build to face unprecedented challenges?



## Respond

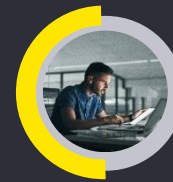
How do we **prevent disruption to service, manage operations and meet customer service needs during a time of hardship?**

Some companies may have taken immediate action, leveraging mature health and safety hazard management and emergency operations experience, to drive the initial pandemic response and have identified controls that support long-term operations in pandemic conditions.



## Stabilize

What plans do we need to make to **continue to operate assets and manage the workforce in a constrained environment?**



## Recover

How can we bring our **assets and workforce back to a regular operating environment** and relieve the stresses in the system?

Now, companies have an opportunity to use this momentum to transform their EHS&S programs and prepare for long-term business resiliency.



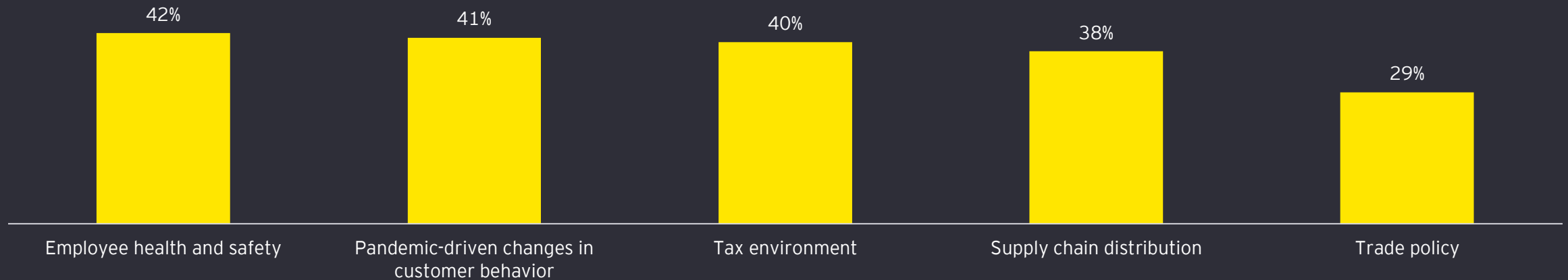
## Transform

How can we learn from this experience to **boost our resiliency during systemic change?**

# Health and safety are key considerations on business resiliency agendas

Business leaders consider employee health and safety as top issues that will affect their strategic plans in the next 12 months.

Q: What are the top two issues affecting your organization's strategic plans within the next 12 months?



Source: Bill Casey and Loren Garruto, "How US executives are reshaping their corporate strategy post-election," EY website, [https://www.ey.com/en\\_us/strategy-transactions/how-us-executives-are-reshaping-their-corporate-strategy-post-election](https://www.ey.com/en_us/strategy-transactions/how-us-executives-are-reshaping-their-corporate-strategy-post-election), accessed March 2021.



# Change agent: New US administration

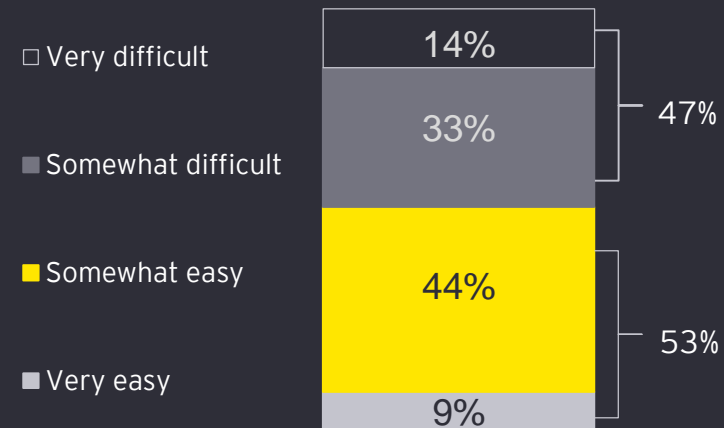
# Responding to any increased regulation of environmental and sustainability practices could be a challenge for many businesses

The Biden Administration is renewing the emphasis on EHS regulatory compliance and environmental justice. In week one, President Biden signed executive orders to emphasize [safety](#) and the [environment](#).

## How can EHS managers prepare to respond to increased regulatory pressures?

- ▶ Overall, business leaders are split 50-50 on the level of effort required to respond to increased regulation around environmental practices. However, consider that:
  - ▶ 86% of business leaders at **smaller** companies (\$1b-\$5b in revenue) say it would be **easy** for them to respond.
  - ▶ 70% of business leaders at **larger** companies (\$10b+ in revenue) say it would be **difficult** for them to respond.
- ▶ Only 9% of business leaders say that it will be very easy for their business to respond to increased regulation.

Q: How easy or difficult would it be for your organization to respond to an increase in regulation of environmental and sustainability practices?



Source: Bill Casey and Loren Garruto, "How US executives are reshaping their corporate strategy post-election," EY website, [https://www.ey.com/en\\_us/strategy-transactions/how-us-executives-are-reshaping-their-corporate-strategy-post-election](https://www.ey.com/en_us/strategy-transactions/how-us-executives-are-reshaping-their-corporate-strategy-post-election), accessed March 2021.



## Change agent: Social justice imperative



# Companies are expected to truly embed diversity, equality and inclusion (DEI) into the company's strategy, culture, workforce and long-term value drivers

The economic and social upheaval arising from the COVID-19 pandemic and social justice movements is causing companies to re-prioritize certain aspects of their corporate strategy and operations.



The COVID-19 pandemic has had a disproportionately adverse impact on people of color, putting a renewed focus on racial and economic injustice.



In the midst of the COVID-19 pandemic and the most significant social justice movements in decades, society is issuing new imperatives for permanent shifts that help deliver equity to racial minorities and other diverse groups.



Demographic trends show rapid increases in diverse populations globally and the rise of Generation (Gen) Z, a cohort of ethnically diverse people between the ages of 10 and 24 making up approximately one-quarter of the global and US populations.



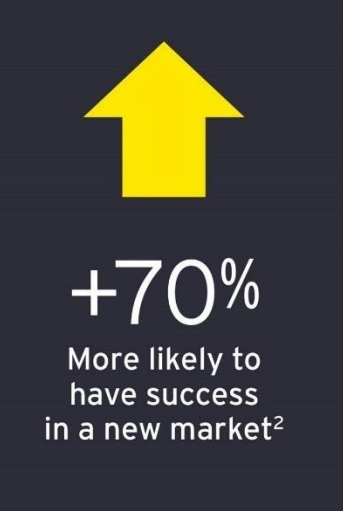
Gen Z is generally more progressive on social issues than preceding generations and is expected to have the greatest spending power of any generation by 2026.

# DEI initiatives also make sense for business growth and profitability

There is extensive evidence showing that companies with diverse talent and leadership have a stronger competitive advantage and that diversity and inclusion (D&I) is a key enabler of innovation, growth and profitability, driving performance and value across a wide range of indicators.

Organizations across industries that rated highly for D&I report the following results

Our own research shows that EY groups with leading-class engagement have better retention, stronger revenue growth and higher profitability.<sup>3</sup>



<sup>1</sup> CEB, *Driving Retention and Performance Through Employee Engagement*, Arlington, VA, 2008.

<sup>2</sup> Sylvia Ann Hewlett, Melinda Marshall and Laura Sherbin with Tara Gonsalves, *Innovation, Diversity & Market Growth*, Center for Talent Innovation, 2013.

<sup>3</sup> 2013 EY Business Linkage Research, based on the Global People Survey.



# Change agent: Climate change agenda

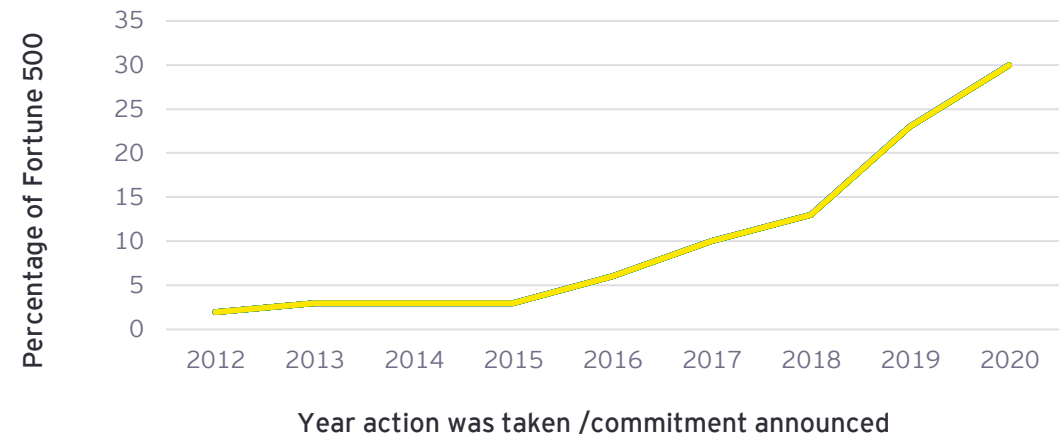
# The climate change agenda is being developed in both the public and private sphere

## Presidential executive orders on climate change

#	Order	Summary
1	Rejoin the Paris climate accord	US will develop a nationally determined contribution, the submission of which is required for parties to the Paris Agreement on climate change.
2	Cancel Keystone XL Pipeline	Order also reverses other climate-related action from previous administrations, including reducing methane emissions, vehicle fuel economy standards, building energy efficiency standards, etc.
3	Memorandum on Scientific Integrity	Directs federal agencies to prioritize science and data in their efforts. All agencies that oversee, direct or fund research will establish an in-house chief science officer.
4	Executive Order on Tackling the Climate Crisis at Home and Abroad	Halts new oil and gas permits on public land and to study ways to double renewable energy production by 2030. Order sets a goal of conserving at least 30% of lands and oceans by 2030. Formally establishes the White House Office of Domestic Climate Policy, led by former U.S. Secretary of State John Kerry, and creates a National Climate Task Force.
5	Order on Establishing President's Council of Advisors on Science and Technology (PCAST)	PCAST will advise the president on scientific and technical information to inform government policy related to environment and energy economy. The Department of Energy will provide PCAST with funding to carry out its activities.

## Corporate commitments to climate action

Percentage of Fortune Global 500 companies publically committing to be carbon neutral, meeting an RE100, SBT or net zero target by 2030



**There has been a five-times increase in the number of Fortune Global 500 companies that have announced commitments to significant climate action (between 2016 and 2020).**

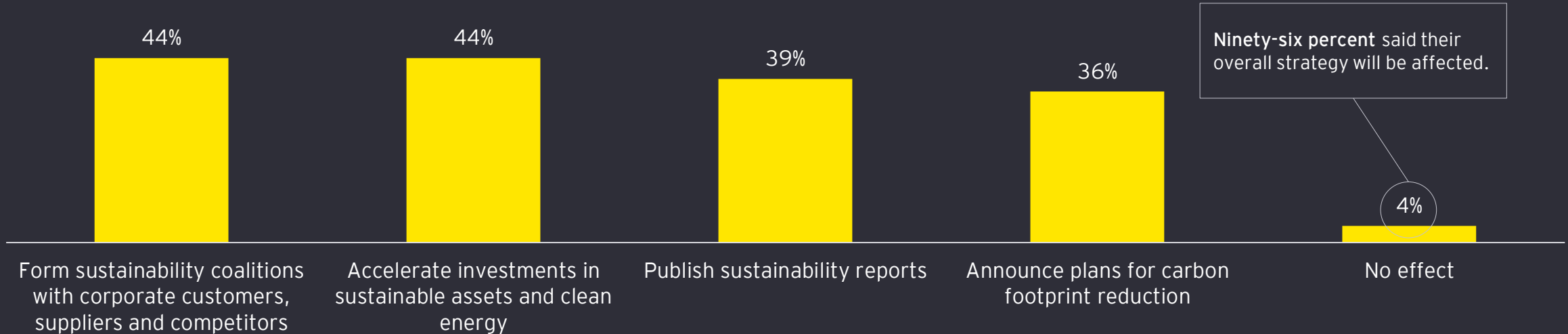
Source: "<https://www.federalregister.gov/presidential-documents/executive-orders/joe-biden/2021>" accessed April 2021.

Source: "Deeds Not Words: The Growth Of Climate Action In The Corporate World" *Natural Capital Partners* website, <https://www.naturalcapitalpartners.com/news-resources/response-required>, accessed March 2021.

# Companies' business strategies are directly impacted by an increased focus on climate change and sustainability

- ▶ Almost all business leaders say any increased focus on sustainability will affect their overall business strategy.
- ▶ Among the top effects, businesses expect to form sustainability coalitions and accelerate their investments in sustainable assets.

Q: How would an increased focus on sustainability affect your organization's overall strategy? (Select all that apply.)

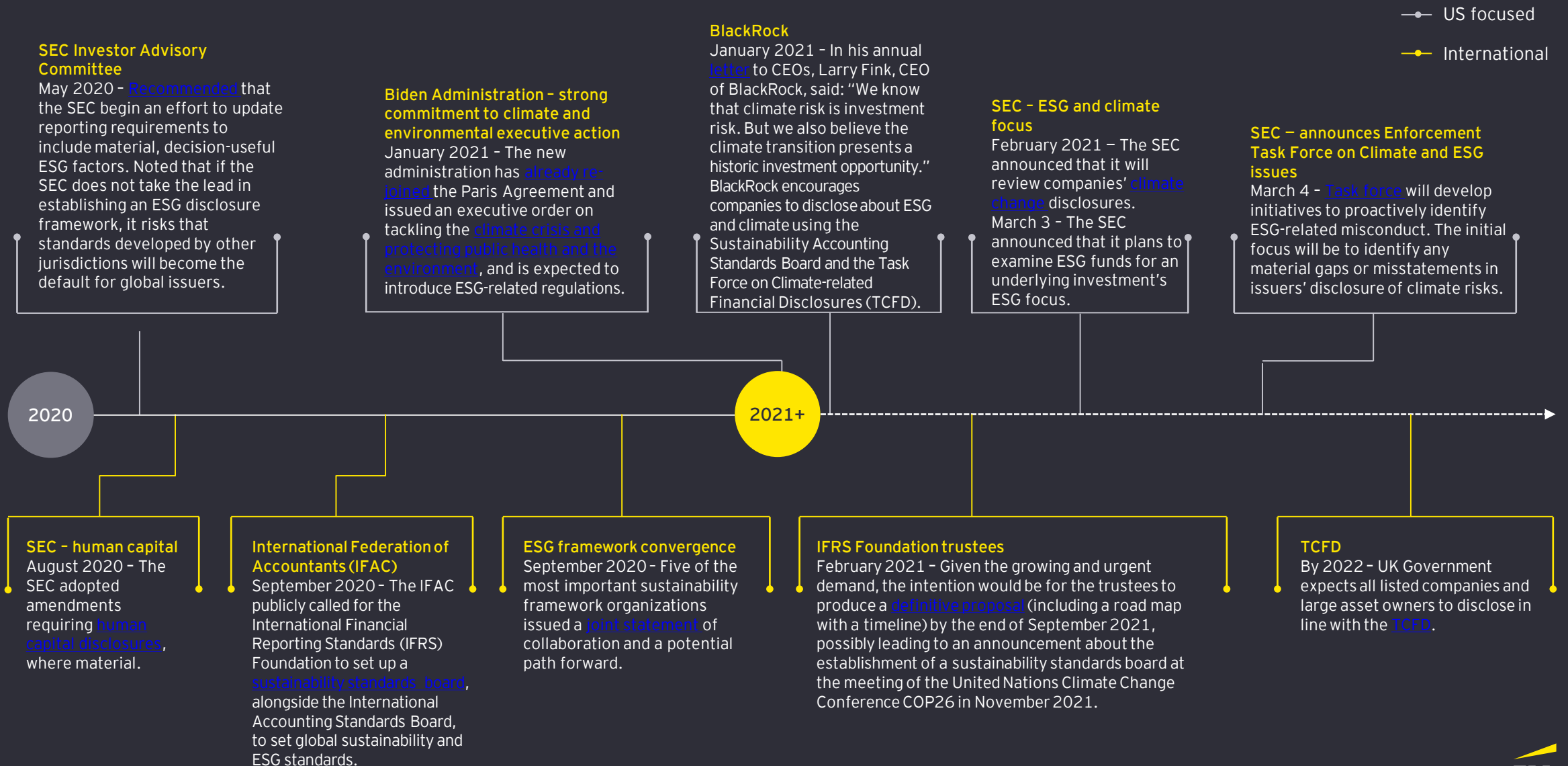


Source: Bill Casey and Loren Garruto, "How US executives are reshaping their corporate strategy post-election," EY website, [https://www.ey.com/en\\_us/strategy-transactions/how-us-executives-are-reshaping-their-corporate-strategy-post-election](https://www.ey.com/en_us/strategy-transactions/how-us-executives-are-reshaping-their-corporate-strategy-post-election), accessed March 2021.



## Change agent: Investor and stakeholder expectations

# Environmental, social and governance (ESG) regulations and expectations are rapidly changing globally



# Investors and stakeholders have been the main drivers of this change



## Investors

- ▶ Of investors we surveyed, **98% evaluate ESG** performance based on corporate disclosures.
- ▶ BlackRock, the world's largest asset owner, has positioned climate risk as a central tenet of its investment strategy with a transformational purpose stating "**climate risk is investment risk.**" BlackRock also put **191 companies on a climate watch list.** These companies could face consequences if they fail to make progress in reducing their carbon emissions.
- ▶ Investors filed at least **140 climate-related shareholder proposals** at US companies during the 2020 proxy season, and view the **climate crisis with growing urgency.**



## Employees

Millennials are **three times more likely** to seek employment with a company because of its stance on social or environmental issues.



## Customers

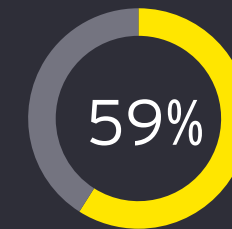
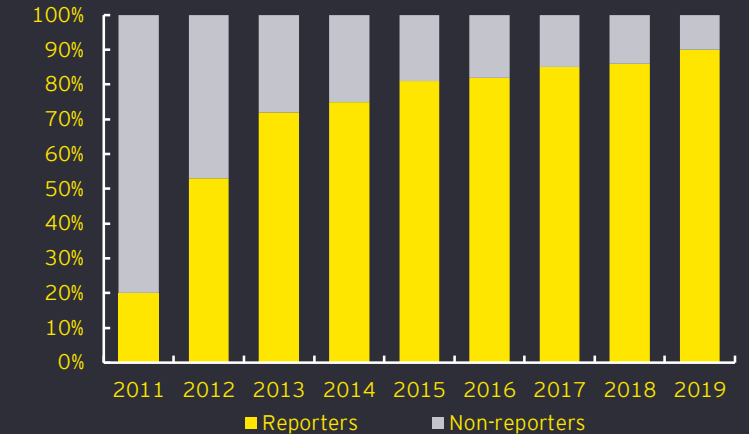
More than **150 members** with \$4 trillion of purchasing power are using the CDP supply chain program to request ESG information from **15,000 suppliers** worldwide.



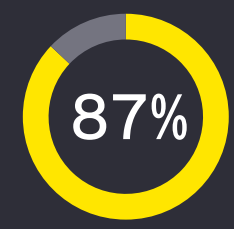
## Consumers

**Fifty-seven percent** of consumers are willing to change their purchasing habits to help reduce the negative environmental impact.

S&P 500 companies publishing sustainability reports<sup>1</sup>



of investors are concerned with environmental issues and climate change.<sup>2</sup>



of respondents agree that stakeholders, not shareholders, are most important to long-term company success.<sup>3</sup>

<sup>1</sup> Trends on the sustainability reporting practices of S&P 500 Index companies, Governance & Accountability Institute, Inc., 2020.

<sup>2</sup> Jamie Smith, "What investors expect from the 2020 proxy season," EY website, [https://www.ey.com/en\\_us/board-matters/what-investors-expect-from-the-2020-proxy-season](https://www.ey.com/en_us/board-matters/what-investors-expect-from-the-2020-proxy-season), accessed 9 February 2021.

<sup>3</sup> "Edelman Trust Barometer 2020," Edelman website, [https://www.edelman.com/sites/g/files/aatuss191/files/2020-01/2020%20Edelman%20Trust%20Barometer%20Global%20Report\\_LIVE.pdf](https://www.edelman.com/sites/g/files/aatuss191/files/2020-01/2020%20Edelman%20Trust%20Barometer%20Global%20Report_LIVE.pdf), accessed 9 February 2021.



# Biographies



**Jessica Wollmuth**  
Principal, Climate Change and  
Sustainability Services  
Ernst & Young LLP

Jess has more than 25 years of experience in environmental, health and safety, and sustainability (EHS&S) consulting. She leads the Central Region of EY's US Climate Change and Sustainability Services Practice supporting clients to achieve their EHS and sustainability goals, manage sustainability risks and drive innovation. She also leads EY's global EHS services development team.

Jess focuses on leading projects with both an environmental management and business strategy component. She has worked for leading companies in a diverse set of industries including the apparel, consumer goods, agriculture, power and utilities, mining, chemical, and oil and gas sectors. She holds an MS in Civil and Environmental Engineering from the University of Illinois at Urbana-Champaign and a BS in Engineering and Public Policy and a BA in Economics from Washington University in St. Louis.



**Alex Heard**  
Vice President,  
Environment Health and Safety  
3M

Alex is a versatile, energetic leader with a proven track record of pioneering innovative strategies, practices and processes and driving world-class business, organizational and people results for industry leaders including 3M, First Solar, Intel and Philips Semiconductors. Alex is a change agent known for building and leading high-performing teams and programs that are tightly integrated with the business objectives. He is an excellent communicator, a champion of future talent, and adept at enrolling and influencing stakeholders across a breadth of internal and external and multicultural settings.



**Rico Salas, PhD**  
Director of Safety  
Assurance  
Pacific Gas & Electric Co.

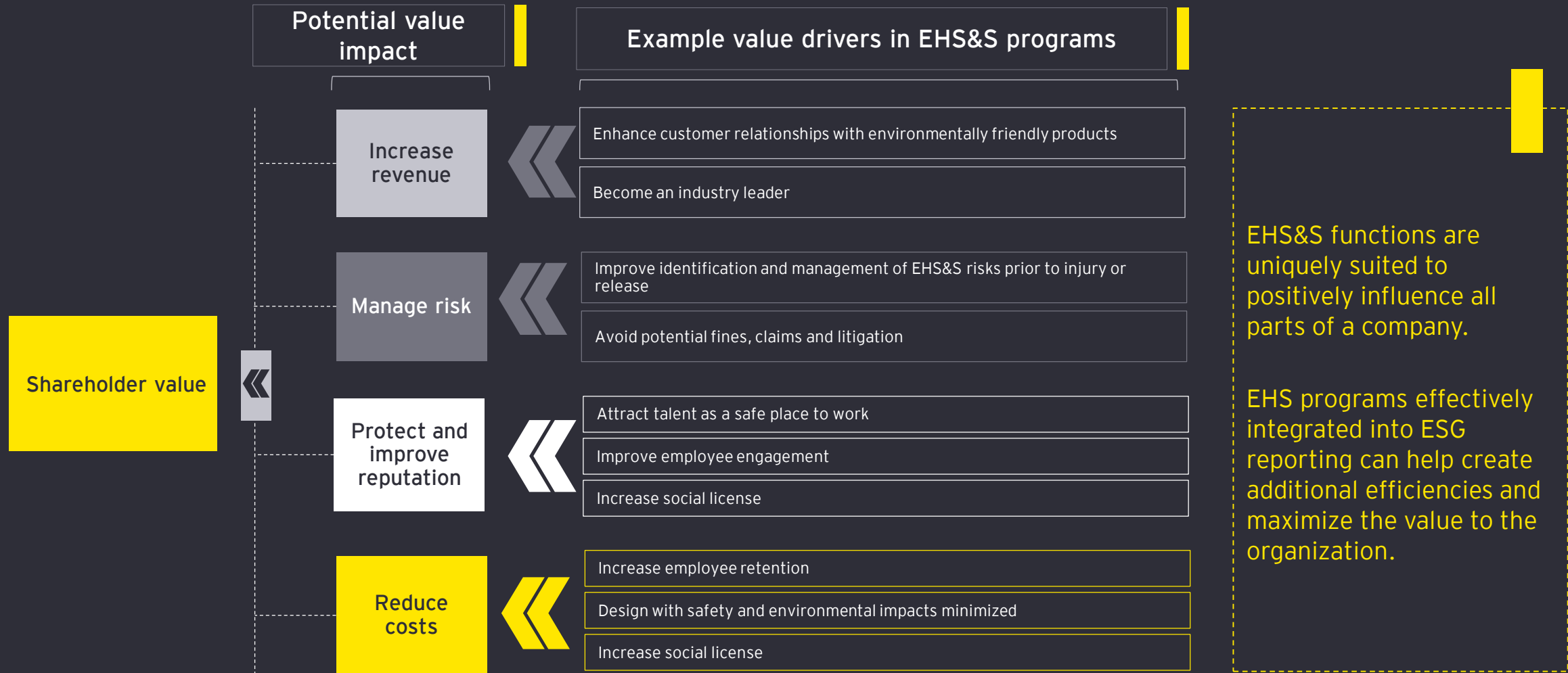
Rico is the Director of Safety Assurance at Pacific Gas & Electric Company (PG&E). He is responsible for PG&E's Health and Safety Management, Corporate Safety Audit and Safety Assurance activities. Rico has extensive technical and work experience in construction, process and technical safety engineering, and EHS management systems in the energy, oil and gas sectors.

Prior to joining PG&E, Rico was responsible for managing the asset integrity and compliance programs in one of the leading US oil and gas companies. Rico holds a PhD in Civil Engineering from the University of Colorado Boulder.



# Creating value for your organization through EHS&S change acceleration

# EHS&S is uniquely suited to positively support all parts of the business



# EHS plays a key role in supporting ESG initiatives

Defining ESG	Environmental	Social	Governance
The term ESG is often used interchangeably with the terms 'sustainability' and 'corporate responsibility'. Priorities vary by company and often include these topics.	<ul style="list-style-type: none"> <li>▶ Risks of climate change</li> <li>▶ Greenhouse gas emissions</li> <li>▶ Energy efficiency</li> <li>▶ Pollution and waste management</li> <li>▶ Land use impacts</li> <li>▶ Water management</li> </ul>	<ul style="list-style-type: none"> <li>▶ Diversity and inclusion</li> <li>▶ Employee safety and wellness</li> <li>▶ Product quality and safety</li> <li>▶ Community engagement and impacts</li> <li>▶ Employee wages and benefits</li> </ul>	<ul style="list-style-type: none"> <li>▶ Board diversity</li> <li>▶ Business ethics</li> <li>▶ Management of environmental and social risks</li> <li>▶ Compensation policies</li> <li>▶ Data privacy and security</li> </ul>

Adapted from World Business Council for Sustainable Development (WBSCD)

*Strong ESG performance is built on a leading EHS program.*

## EHS management system

To achieve the stated objectives for your organization, you should have an integrated management team that provides guidance and direction to control risks and drive consistency. The EHS management system forms the basis for integration across the organization and for the overall operating model.

## EHS risk and control programs

To meet regulatory standards, strategic and reputational risks, control programs and organizational goals, the full scope of the EHS risk must be identified, including, compliance, operational provide a basis for reducing the severity or frequency of material risks or, eliminating them altogether.

## EHS governance and culture

Establishing a culture of risk recognition, mitigation and avoidance is critical to achieving EHS excellence. Every individual, internal or external, can contribute to the broader EHS culture of your organization, and thoughtful development of the culture should be considered to support sustainable performance.

## EHS enablement

Well-designed processes and procedures can support and govern the enterprise, business unit and local operations. An enterprise approach to digital enablement, including facilitation through automation, improved participation through mobile applications, and measures to protect data quality and transparency, drives efficiency in the EHS processes.

## EHS people management

Employees are the foundation of any organization. Active employee engagement, through avenues such as education, training, EHS observations and 360-degree feedback, supports a successful EHS program.

## EHS performance management

To attain your goals, you should measure performance. Having a formal performance management program in place that provides insights through leading and lagging indicators is vital to underpinning the EHS culture and results and, in driving continuous improvement.



# EHS&S professionals are well positioned to help their companies prepare to respond to the current rapid pace of change

Establish a permanent "seat at the table"

Incorporate EHS&S in enterprise risk management (ERM)

Identify current regulatory obligations and establish a plan to proactively identify proposed or approved changes

Understand how changes at your organization impact compliance obligations

Develop a holistic internal audit program

Set the tone up front that EHS&S is a critical business process

Create a sense of shared trust and get the right knowledge to the right people

Establish training and two-way communications

Support ESG colleagues in responding to investor requests

Establish strong EHS management systems as a foundation to the climate change agenda

Consider implementing a supporting EMIS system that can identify compliance obligations and track them through completion

Confirm resources and tools are available to support

# Key takeaways

# Key takeaways

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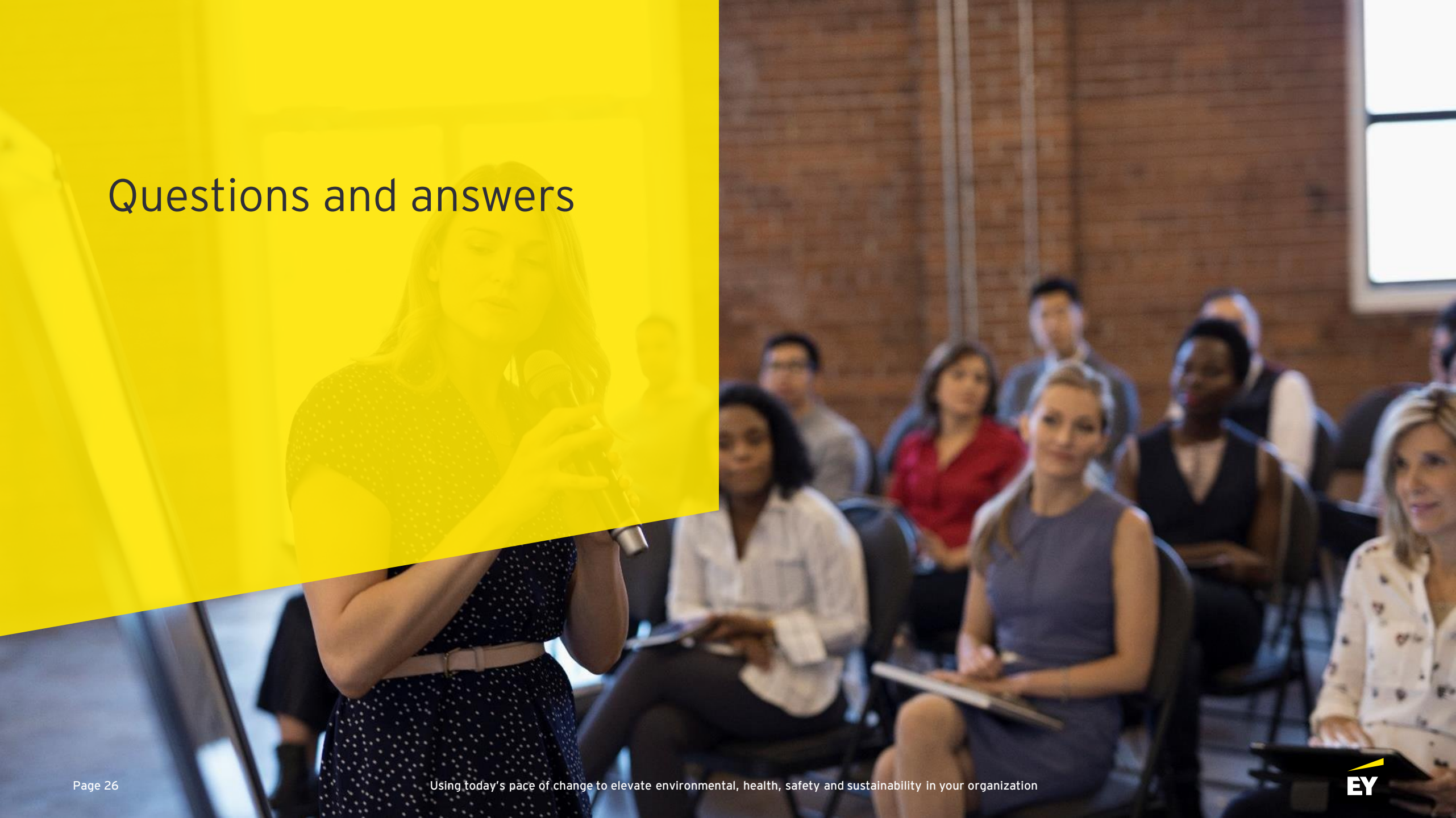
## ■ The pace of change is rapid in EHS&S and that is only likely to increase.

- ▶ Added impetus for business resiliency
- ▶ New US administration
- ▶ Social justice imperatives
- ▶ Climate change agenda
- ▶ Investor and stakeholder expectations

## ■ EHS&S is positioned to help drive solutions for all parts of an organization by:

- ▶ Incorporating EHS&S in ERM
- ▶ Identifying new and changing compliance obligations and establishing a holistic internal audit program
- ▶ Enabling EHS efficiency with resources, tools and digital enablement
- ▶ Creating a strong EHS&S culture
- ▶ Supporting ESG initiatives

# Questions and answers





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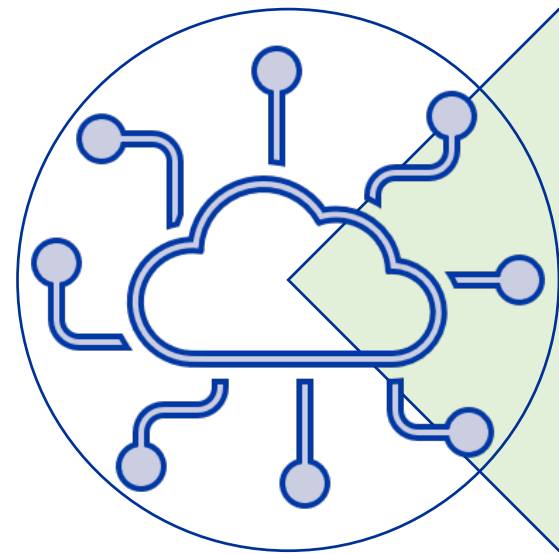
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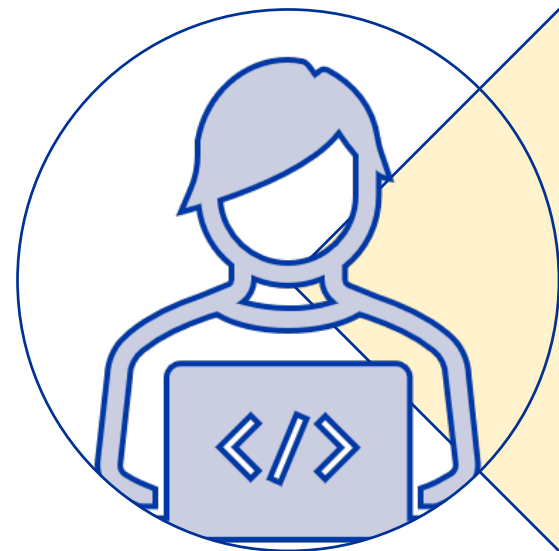


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**A recording will  
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healthy day!**