Planning for a Sustainable Future

The Ideas that Will Shape EHS & Sustainability Management in the Year to Come

February 11, 2014

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Welcome

- This webinar is being recorded and will be shared with you via email in a couple of days.

- Presenters:
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  - Elizabeth Ryan, Communications Director
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Agenda

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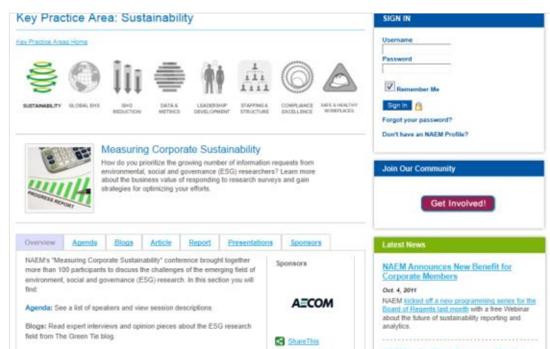
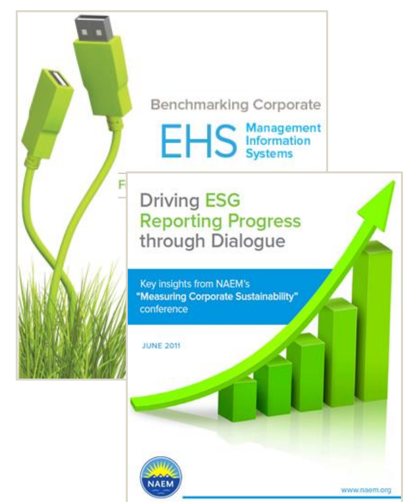
About NAEM

About NAEM

- Founded in 1991 as the National Association for Environmental Management (NAEM)
- We are a non-profit, non-advocacy professional association
- Largest professional community for corporate environmental, health and safety (EHS) and sustainability decision-makers
- We provide opportunities for members to benchmark and exchange best practices
  - Quarterly conferences
  - Webinars
  - Publications
  - Benchmarking Research
  - Blog
  - Videos





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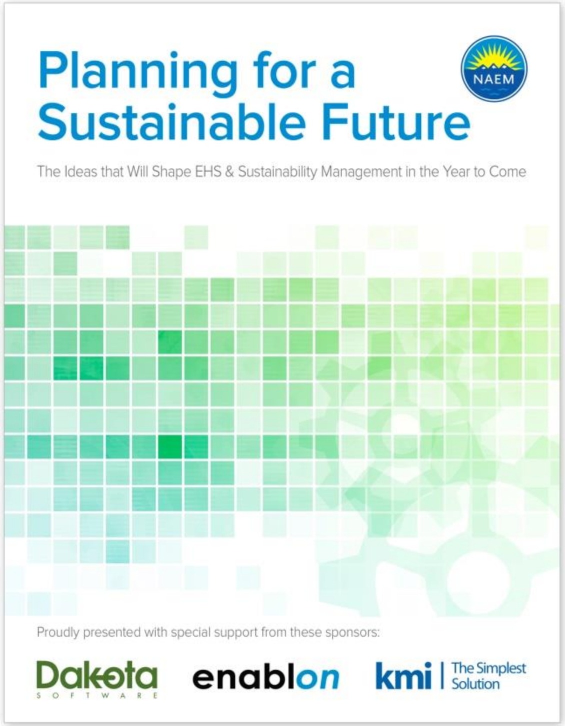
About the Report

About this Report



- A snapshot of the issues and ideas that will shape EHS and sustainability programs at leadership companies in the coming year

Download a FREE copy of the report:
http://c.ymcdn.com/sites/www.naem.org/resource/resmgr/Docs/survey-2014-naem-trends.pdf

Methodology

- 26 in-depth interviews
  - 17 Companies
  - 8 Sustainability experts and thought leaders
- One-on-one interviews with an NAEM staff member
- Interviews organized around a common discussion guide
- Transcribed each interview and analyzed for common themes and program priorities
- Report includes quotes and direct examples from interviews

Report Participants

NAEM

BOEING

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EMWS

CardinalHealth

CENTER FOR RESILIENCE
AT THE OHIO STATE UNIVERSITY

Presentation of Results

Compliance remains a core focus

- Compliance remains the foundation of environmental sustainability
  - "Whether it's products or operations, compliance has to come first" – Laurie Zelnio, Deere & Co.
- Local regulations are on the rise around the world
- New and updated regulations require more supplier information
  - Conflict minerals
  - GHS
  - REACH, RoHS
- Sustainability is being written into regulations
  - Green chemistry
  - Stormwater management
  - California's cap and trade

The business case for sustainability is getting easier to make

- Greater understanding of what it means within companies
- Regulatory requirements
  - Non-compliance results in a risk of fines, bad publicity
- Cost savings
  - Resource efficiency
- Maintaining business relationships
  - Losing preferred-supplier status
- Attracting investors
  - “Investors recognize the sustainable efforts. Keeping investors and shareholders is important.”
- Maintaining brand value

Budgets remain tight

- Sustainability competes with compliance for time and money
  - "We're at no shortage of things to do and wonderful ideas. I'm just limited by how many dollars I've got and how many people I've got to get things done."
- Economic recovery remains weak
  - Hiring on an as-needed basis

- What's good for the environment may not offer clear cost-savings
- Government gridlock is driving uncertainty
  - "Everybody's just feeling safer waiting, even though they know that in many instances it makes them more vulnerable." – Gary Lawrence, AECOM

Sustainability is increasingly being integrated

- Managed through cross-functional teams
  - Collaboration across silos
  - Dream Teams

- Worked into business management processes and decision-making
  - Product design
  - Micro-processors
  - Employee training
- Goals are embedded into performance targets
  - "What we found was that we could set the goals, but if they weren’t really owned by the people who had to make them happen, they tended to fray over time,”

The new programs focus on the supply chain

- For many companies, their greatest risks are within their supply chain
  - Compliance
  - Reputational
  - Financial

- New expectations for suppliers at every level
  - Customer requests are coming in
  - "Our customers are asking for it. They're not making purchase decisions on whether or not you can get it, but they may get to that someday."
- New challenges and questions
  - Suppliers don't always have robust, centralized data management systems
  - Customers are not always prepared to discontinue use of any one supplier
- Engagement is key to effective supply chain data collection

Effective risk management now includes environmental issues

- Greatest risks are at the facility level
  - Resource scarcity
    - “If we were putting in a new plant, water availability would be number one.”
  - Compliance

- Potential for environmental challenges to create new compliance risks
  - Water
  - Greenhouse gas emissions

- Climate change risks go beyond the scope of traditional EHS
  - Supply chain disruptions are expected
  - Costs to infrastructure
  - Poses risks to long-term business continuity
  - “What’s the world going to look like when sea level rise puts a lot of airports under water and disrupts air travel time and time again?”

Companies are starting to prepare for climate adaptation

- Climate change has already started to affect many companies
  - Water scarcity
  - Rising temperatures

- The debate is over
  - Requests coming from the C-Suite
  - The insurance industry is paying attention
    - Climate Wise
- The question now is how to respond
  - Transforming climate risk assessments into adaptation plans
  - New rubric for deciding how to site facilities
  - “I think adaptation and resiliency are the themes more than mitigation at this point.”
- Identifying the business opportunities
  - Research teams are developing new products to meet the needs of a drier climate

New emphasis on employee engagement

- Engagement is seen as a critical success factor
  - Goes hand-in-hand with integrating sustainability into the fabric of the organization
  - Engagement is about changing culture

- Companies are honing their strategies for making connections with employees
  - Incentives
  - Treasure hunts
  - Storytelling
    - “ [We] need everyone to have a care moment when it hits them. You must create experiences and opportunities for employees to have their own ‘ah-ha’ moment.”

It's time to collaborate

- Internal collaboration has increased
  - Cross-functional teams
  - Embedding or formalizing EHS input into other functions
- Stakeholders increasingly have a seat at the table
  - Input on goal-setting and strategic planning
  - "We do materiality assessments on things that our stakeholders care about."
- Supply chain collaboration
  - Waste reductions
  - Conflict minerals
- Collaboration with government is a key need (and opportunity)
  - Manage risks
  - Achieve systemic change

Resilience will require a long-term timeframe for strategic planning

- Those who win in the future will be those who are able to adapt to change
  - “The risks most threatening to us are the ones we’ve never experienced.” – Joseph Fiksel (Center for Resiliency)

- Resiliency will take time
  - “All that takes time and can’t be resolved in a 12-month period. It just doesn’t work unless you want incremental change, which is not what we’re after.”
- Evaluating the long-term viability of the supply chain
  - Unwinding potentially problematic business relationships
- Acting today with the future in mind
  - Decisions about where to site new facilities
  - New product decisions

Innovation offers solutions, opportunities

- Environmental challenges are creating new business opportunities
  - E.g. BNSF's intermodal business is booming
  - 'Shared economy' opportunities, e.g. car sharing
  - "Those who do use these new business models will be the great leaders of the future."

- Looking to nature for solutions
  - Ecosystems services
    - "It turns out that uniquely, for that area, that reforestation is an economically viable option versus grey infrastructure, chemical engineering solutions that we would put in place to mitigate [air] emissions."

Advancing sustainability will require systemic changes

- No one company can achieve sustainability on its own
  - "It's going to take resilience on a collective level, not just individual companies coping with their own risks."
- Systems thinking to address couple risks
  - E.g. Energy-water nexus
- Community investments and infrastructure will be key
  - Water management
  - "It's going to take working with the states and local governments to agree to pretty significant shifts in policy and a commitment to long-term goals to change the game."
- Balance sheets should reflect environmental cost accounting
  - "Look at what the price would be if we had to pay for these raw materials or if we could not get those raw materials...How do we get to a point where the balance sheets show the real world value?"

Discussion

Join the Conversation!

To join the discussion, please press ∗1 on your telephone keypad.

OR

Chat your comment to Mike Mahanna

What do you think?

To what extent do these trends ring true for you?

Are there other noteworthy trends that you think we should have included in this report?

Is there anything you found surprising, or unexpected about the findings of this report?

Thank you!

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