

## EHS Governance in a Global and Transparent World

Managing environmental, health, and safety (EHS) risks has become a relatively mature function. Most companies now recognize its importance and manage it as a business function—with a focus on increased efficiency, cost savings, risk reduction, and reputation management.

Many of the efficiencies gained in EHS management have occurred at a time when most large, multinational companies have experienced significant restructuring due to acquisitions, divestitures, or efforts to position the company for stronger competition and performance in the marketplace.

In this age of corporate transparency, it is not enough to simply inform stakeholders of limited company successes, improvements, or even persistent shortcomings and liabilities. Stakeholders (such as investors, business partners, nongovernmental organizations, and local communities) want actual improvements in the quality and consistency of performance.

In response to these demands, and to maintain the efficiencies gained in EHS management, many executives are focusing on creating global EHS governance practices. A sound EHS governance infrastructure should help a company maintain or enhance performance and demonstrates that the company is managing compliance, fulfilling its responsibilities to shareholders, and is prepared for new EHS requirements that may impact business in the future.

We all know that rules and regulations will not cover every situation. So how does a company determine if its EHS governance practices are sound? Based on ICF Consulting's work with companies around the world, there are several straightforward questions executives

should consider to determine if their EHS governance practices are appropriate.

*Is the current EHS management system being implemented consistently across the company, and is this system equivalent to prevailing industry practices?*



*Is the EHS audit program designed and implemented in a manner to communicate to senior management 'actual' performance across all operations? Do we really understand the basis of our EHS performance across all operations?*

*Is there an appropriate allocation of EHS resources (people and dollars) across the organization?*

*Is the company reporting performance in a manner that supports its external EHS global strategy position?*

*Is the company communicating with stakeholders in a consistent fashion? Does the company know who its key or evolving stakeholders are?*

*Does the company's EHS strategy incorporate global climate change practices, evolving environmental stewardship practices, and social responsibility programs?*

To answer those questions, ICF Consulting recommends that companies gather objective and detailed information and benchmark the information against industry best practices following the process outlined below. The purpose is to develop an understanding of internal and external governance practices with sufficient clarity and reliability to make effective decisions about where change may be needed.

# Perspectives

## Assessing EHS Governance Practices



**Step 1:** Assess existing practices through systematic interviews with key managerial and operational staff across all operations. Visit selected sites to get a “feel” for how practices are implemented, measured, and reported. The goal is to identify key factors impacting EHS performance and EHS management system efficiencies.

**Step 2:** Complete an analysis to compare existing practices against industry norms relative to peer companies. Compare EHS and social accountability management and performance, internal communication systems, and stakeholder dialogue programs. Comparative analysis provides a benchmark as to how other organizations are designing and implementing EHS practices. This allows companies to determine points of differentiation and leverage.

**Step 3:** Communicating with nongovernmental organizations is optional but highly recommended for organizations within the resources, energy, and chemical industries. Assess “global opinions” to determine issues important to those organizations.

**Step 4:** The final step is to formulate and implement actions to improve existing practices. Operationalize EHS—incorporate it into the way business is conducted on a daily basis. Improve the effectiveness of EHS management in line with best industry practices and align available resources with the company’s EHS strategy and regional focus.

EHS governance is not a new issue; however, it clearly has reemerged as a key stakeholder concern in light of the questionable accounting and business practices that have marked this past year.

ICF Consulting has identified a number of best practices, as well as “middle of the road” practices, within the field. How does your company compare? Use the chart below to rate your EHS practices.

For more information about ICF Consulting’s EHS capabilities, please visit [www.icfconsulting.com/EHS](http://www.icfconsulting.com/EHS)

# Perspectives

Common EHS Governance Practices		
Leading Governance Best Practices	Lagging/Middle of the Road Practices	Company Rating
Executives and staff directly involved in developing and implementing the <b>governance strategy</b> agree on the issues that will drive the strategy and share a vision of the general direction in which EHS should head.	There are no formal or informal governance strategy documents, or if they do exist, they were the work of a few individuals and do not have broad company buy-in.	Established EHS governance strategy: __Yes __No
The audit program is implemented in a manner such that the resources necessary both to identify and, more importantly, to resolve problems have consistently been made available, with the result that the number and severity of audit findings continues to decrease over time. Corporate management demonstrates this <b>commitment</b> by its attention to repeat or unresolved audit findings.	The audit program is being implemented but may not consistently provide clear and objective information about performance year in and year out.	Senior management demonstrates a high degree of commitment to the audit program: __Yes __No
EHS programs have clear and demonstrable track records and external certifications. There are <b>formal corporate EHS standards</b> .	There are policies and guidance that address compliance with specific EHS laws. There are no formal corporate EHS management standards.	External attestations have been made regarding the formality of corporate EHS standards and programs: __Yes __No
Significant and <b>consistent</b> efforts have been taken to streamline but effectively manage risks within heavy industry, such as chemicals, energy, and resources through the development of risk management tools, retaining corporate memory, and creating internal circles of excellence to tap internal experts.	Efforts to manage risks are ad hoc and procedures are inconsistently implemented across the company. The operations are not specifically required to conduct periodic risk assessments.	EHS risks are being managed effectively and consistently across the organization: __Yes __No
The line organization drives EHS management, and individual managers behave as if EHS management is their personal responsibility. A formal <b>performance management</b> system for line managers addresses EHS performance. Corporate vs. business unit (or plant) roles and line vs. staff roles are well defined and well understood, and they are being implemented as defined.	Responsibilities for managing stakeholders and communicating to senior management have become somewhat diffused with acquisitions and in embedding EHS into the line organization.	The performance management system clearly includes EHS responsibilities: __Yes __No
<b>Emerging EHS issues/risks</b> are considered as part of the business strategic planning process. Industry/trade associations have been effectively leveraged and there is good coordination across all relevant parts of the company. Issues are identified across the entire product life cycle and have been managed to the clear benefit of the company.	Relevant issues/risks are discussed within the EHS staff function, and to an increasing degree among line management and company executives. For example: the company is in the process of understanding and quantifying its greenhouse gas (GHG) emissions; sustainable development is a well-understood concept but not yet operationalized.	Formal systems are in place for identifying and managing EHS issues/risks: __Yes __No __In progress
The EHS <b>metrics and targets</b> are well aligned with the company's risk profile, policy and business strategy. As a result, they allow management to obtain a comprehensive picture of EHS performance.	EHS metrics are, for the most part, still focused heavily on compliance-related EHS performance metrics instead of issue-driven (e.g., GHG emissions) or corporate brand-driven (e.g., sustainability).	EHS metrics and targets reflect the external positioning of the company and are aligned with risk profile: __Yes __No __For some, but not all metrics
There are explicit processes for <b>identifying and engaging key stakeholders</b> in regular two-way dialogue.	Engagement with external stakeholders is at the individual initiative of field personnel. Information provided externally reflects what the company wants external stakeholders to know.	Established processes are in place for engaging in consultation with key stakeholders: __Yes __No __Sometimes