

Making the Pivot from EHS to ESG:

Adapting to changing expectations of suppliers, employees & shareholders for a more transparent, equitable & sustainable economy

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Meet Your Presenter!

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Session Goals...

- ✓ Understand the state of transition from EHS to ESG
- ✓ Build a well-developed strategy for making the pivot from an EHS to an ESG-focused management approach.
- ✓ How to get buy-in from company leadership, workers and other stakeholders for making the pivot from EHS to ESG.



The Current Situation

- **The Bad News**

- Many companies entering ESG for the first time
- EHS folks already feeling overwhelmed
- New buzz words, reporting requests, rating agency surveys
- Pressure to show improvements, receive high scores, have a good story to tell
- Work falling to EHS Dept.



The Current Situation

- **The Good News**

- This is not all new. EHS metrics represent a major portion of ESG reporting requirements

- Example: SASB Standard for Chemicals Industry 78% of the reporting requirements are based on EHS data

SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Greenhouse Gas Emissions	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	Quantitative	Metric tons (t) CO ₂ -e, Percentage (%)	RT-CH-110a.1
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	n/a	RT-CH-110a.2
Air Quality	Air emissions of the following pollutants: (1) NO _x (excluding N ₂ O), (2) SO _x , (3) volatile organic compounds (VOCs), and (4) hazardous air pollutants (HAPs)	Quantitative	Metric tons (t)	RT-CH-120a.1
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable, (4) total self-generated energy ²	Quantitative	Gigajoules (GJ), Percentage (%)	RT-CH-130a.1
Water Management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic meters (m ³), Percentage (%)	RT-CH-140a.1
	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	Quantitative	Number	RT-CH-140a.2
	Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion and Analysis	n/a	RT-CH-140a.3
Hazardous Waste Management	Amount of hazardous waste generated, percentage recycled ³	Quantitative	Metric tons (t), Percentage (%)	RT-CH-150a.1
Community Relations	Discussion of engagement processes to manage risks and opportunities associated with community interests	Discussion and Analysis	n/a	RT-CH-210a.1
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	Quantitative	Rate	RT-CH-320a.1
	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks	Discussion and Analysis	n/a	RT-CH-320a.2

² Note to RT-CH-130a.1 – The entity shall discuss its efforts to reduce energy consumption and/or improve energy efficiency throughout the production processes.

³ Note to RT-CH-150a.1 – The entity shall disclose the legal or regulatory framework(s) used to define hazardous waste and recycled hazardous waste, and the amounts of waste defined in accordance with each applicable framework.



The Good News

- ESG is a boon for EHS Dept.; Bad EHS = Bad ESG
- EHS efforts that are aligned with ESG have greater cost justification
- Expect:
 - (+) greater visibility, more authority, bigger budgets
 - (-) more scrutiny, coordination between departments and accountability



What is the Difference?

- From business function (EHS) to a method of analysis (ESG)
- Certain perspective therefore certain strategies
 - Example: Work-Related Injuries:
 - OSHA
 - 301, 300, 300A
 - Focused on workers' right to know and regulatory reporting
 - GRI
 - 403-9
 - Focused on social accountability and driving positive change



What is the Difference?

- Reporting
 - EHS: report what you have been doing
 - ESG: report what you will be doing.
 - Public, bold, long-term commitments.
 - Investment-grade/high quality data required
- Focus
 - EHS: reducing individual risks
 - ESG: reducing systemic risks and creating/pursuing new opportunities
- Performance
 - Poor EHS performance = loss of reputation, fines = Bad
 - Poor ESG performance = higher cost/reduced availability of capital = Catastrophic



How do I start to pivot?



How Do I Start to Pivot?

- Strategy First!
- Don't mold strategy from external stimuli/pressure
- Strategy should be based on internal journey and goals



Strategy Elements



Awareness & Training

- Internal journey starts with Awareness & Training
- Educate the C-Suite on the business benefits of ESG
 - Customer retention
 - Waste elimination/cost reduction
 - Reduced liability
 - Access to capital
 - Public perceptions
- Educate employees
 - WIIFM
 - e.g. social impact, better programs (volunteering), reducing company's footprint, etc.



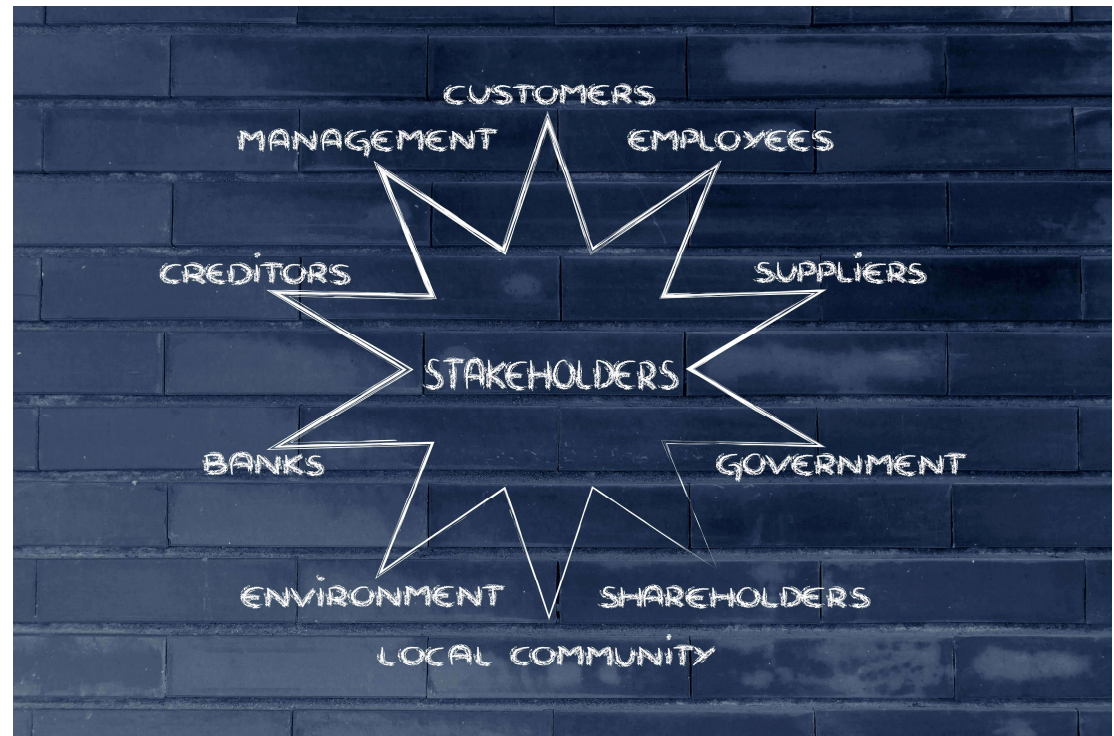
Governance

- Formal responsibility over ESG
 - Change of title?
 - Change of mandate?
 - Oversee multi-disciplinary team
 - Reports to CEO
 - Financial incentives to the organization



Stakeholder Engagement

- Map who they are, and...
- Speak to all of them
- Build up foundational knowledge
- Not a boardroom exercise
- Don't have set expectations
- Let the conversations guide you



Stakeholder Prioritization

MODULE 4

Exercise – Stakeholder Prioritization

Stakeholders	Does this Group strongly influence your:			Is this Group strongly influenced by your:			Will this group strongly influence or be strongly influenced in the future?	TOTAL SCORE
	Economic Performance	Social Performance	Environmental Performance	Economic Performance	Social Performance	Environmental Performance		
Employees								
Suppliers								
Local Community								
Investors								
NGO's								
Industry Associations								
Media								
Clients								



Corelating Stakeholder Impacts to Organizational Risks

MODULE 3

Scale : 1- Low : 5 High

Exercise – identifying Organizational Stakeholders & Corporate Risks

Stakeholder	Risk	Impact	Probability	Priority (Impact x Probability)
(example) Supplier 'A'	Withdraw relationship due to an environmental scandal	3	3	9
(example) Customers	Move customers to retailers who operate a renewable sourcing policy	3	4	12



Materiality Assessment

- Scan through internally (stakeholder) developed and externally referenced list of issues
- Compare the list you developed internally with materiality maps from external guidelines
- Focus first on some easy wins, something important to employees, or an area of strategic importance to the company



Example: SASB Materiality Map

		Consumer Goods	Extractives & Minerals Processing								Financials	Food & Beverage	Health Care	Infrastructure
Dimension	General Issue Category ¹⁰	Click to expand	Coal Operations	Construction Materials	Iron & Steel Producers	Metals & Mining	Oil & Gas – Exploration & Production	Oil & Gas – Midstream	Oil & Gas – Refining & Marketing	Oil & Gas – Services	Click to expand	Click to expand	Click to expand	Click to expand
Environment	GHG Emissions													
	Air Quality													
	Energy Management													
	Water & Wastewater Management													
	Waste & Hazardous Materials Management													
	Ecological Impacts													
Social Capital	Human Rights & Community Relations													
	Customer Privacy													
	Data Security													
	Access & Affordability													
	Product Quality & Safety													
	Customer Welfare													
Human Capital	Selling Practices & Product Labeling													
	Labor Practices													
	Employee Health & Safety													
	Employee Engagement, Diversity & Inclusion													
	Product Design & Lifecycle Management													
	Business Model Resilience													
Business Model & Innovation	Supply Chain Management													
	Materials Sourcing & Efficiency													
	Physical Impacts of Climate Change													
	Business Ethics													
Leadership & Governance	Competitive Behavior													
	Management of the Legal & Regulatory Environment													
	Critical Incident Risk Management													
	Systemic Risk Management													

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Goals & Action Plan

- Scorecard with the right metrics
- Think of desired outcomes when designing goals
- ESG goals aligned with corporate goals
 - Example: VelocityEHS & our carbon footprint
 - Goal of net zero aligned with goals of environmental stewardship & value maximization

SUSTAINABLE DEVELOPMENT GOALS



Reporting & Communication Plan

- Don't get stuck just reporting...affect change!
- Pick reporting guidelines/framework that most aligns with your priorities and organizational characteristics e.g. CDP, GRI, SASB, TCFD, etc.
- Don't just publish a report, have a formal plan to communicate with stakeholders
- Constantly reassess and adjust reporting strategy accordingly



Anticipate Reporting to Multiple ESG Standards

- ESG standards & reporting frameworks continue to multiply
 - Attempts at consolidation have had limited success
 - Mandatory reporting frameworks will further complicate ESG disclosure
 - Plan to start/continue reporting to 3+ frameworks



TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

Comparing ESG Reporting Standards/Frameworks



- Focuses primarily on climate impacts such as carbon emissions, water usage, and deforestation
- 80% of the world's 250 largest corporations use GRI
- GRI framework is just as useful for small companies as it is for large global enterprises.

- 77 industry standards companies can use to identify and report financially material sustainability information to their investors
- SASB tends to look at sustainability impacts through a narrower financial lens, while GRI is focused on broader organizational impacts

- Focuses primarily on climate impacts such as carbon emissions, water usage, and deforestation.
- Companies that wish to report on social and governance factors will need to use a secondary reporting framework.

- Develop recommendations for more effective climate-related disclosures to promote more informed investment, credit, and insurance underwriting decisions
- Empowering the markets to channel investment to sustainable and resilient solutions, opportunities, and business models



Conclusion

- May seem like bad news, but it's good news
- Understand the subtle but profound differences between EHS & ESG
- Don't let the urgent overcome the important
- Just start, you'll eventually end up in the right place



Questions?

Email us at Velocity@EHS.com

Learn more about VelocityEHS ESG Solutions at

<https://www.ehs.com/solutions/esg/>



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Biographical Information

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Greg Duncan is an EHS & Sustainability Content Manager at VelocityEHS. Prior to joining the company in 2016, Greg spent 6 years working with the National Marine Fisheries Service (NMFS) and Alaska Department of Fish & Game (ADF&G) aboard commercial fishing vessels and at shoreside processing facilities in the Bering Sea and North Pacific to monitor fishing industry compliance with environmental laws and occupational health and safety standards. In his current role, Greg is focused on providing EHS professionals with information and insights that help them to more effectively manage compliance and risk and build safer, more sustainable workplaces. Greg holds a Masters of Environmental Law & Policy from Vermont Law School, and a B.S. in Biology from the University of Illinois.