The Future of Environment, Health & Safety functions in global organizations:
key factors to enhance performance and create value for businesses
BUSINESS TRENDS ARE RESHAPING COMPANIES’ ENVIRONMENTAL FUNCTIONS

Shifts in global economic power, demographic changes, climate change, increasing scarcity of natural resources and the rapid pace of technological breakthroughs are transforming the world as we know it. Business leaders must respond quickly to these changes and their organizations need flexibility to be able to accelerate change.

One ever-growing area of stakeholder interest is sustainability and the vulnerability to the bottom line from bad press and public opinion. As a consequence the Environment, Health and Safety (EHS) function needs to be reshaped to protect brand value, continually increase performance and generate higher return.

However, increasingly EHS is used to manage spend rather than as an opportunity to create value.

Moreover, what is the best way to link between EHS, operations, risk management and sustainability functions?

INTRODUCTION

The management of EHS has changed extensively over recent decades. Initially strongly driven by the complex topic of compliance and followed at local levels, EHS management has evolved towards more centralized models with clear objectives. Today’s EHS management focuses on satisfying stakeholder expectations, preserving brand value as well as tracking and improving performance.

EHS is becoming a fundamental element of today’s business and this has changed the way companies approach this area. EHS and sustainability leaders are setting ambitious targets and making commitments to top level management. The number of staff dedicated to EHS functions has increased, policies and processes have been strengthened and reporting systems have been put in place to track and improve performance.

From decentralized models aimed at addressing the risks and costs associated with direct operations, to very centralized models for reporting purposes, different trends are emerging.

THE EHS FUNCTION’S JOURNEY TOWARDS MORE VALUE CREATION

Arcadis analyzed the EHS functions of 40 multinational companies in various sectors (Conglomerates, Oil and Gas, Chemicals, Pharmaceuticals and Automotive).

We asked three main questions:

• Where stands the EHS function in its transformation journey towards more value creation for your organization?
• How has your organization changed to follow the EHS mission’s evolution?
• What does a best in class EHS function look like?
There are three main reasons to address EHS issues, which are usually combined within companies, but not always seen under the EHS function:

1. **Risk management**: avoidance of value erosion in an increasingly regulated environment and protection of brand value;

2. **Managing for value**: cost savings directly coming from the increase of EHS performance and operational effectiveness;

3. **Strategic advantage**: generating new revenues through the integration of EHS and sustainability into the development of new markets, products and services.

“¾ of companies still haven’t completed their transition towards advanced value creation from EHS”

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<th>Compliance:</th>
<th>Cost reduction &amp; Operational effectiveness</th>
<th>Increasing maturity of sustainability approach</th>
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<td>• License to operate</td>
<td>• Reduce direct impact</td>
<td>• Creating new business models</td>
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<td>• Operational risk</td>
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We analyzed the first driver for companies to manage EHS in order to classify them according to the level of ambition of their EHS strategy.

It appears that almost half (47%) of companies on our panel are managing EHS for the value it brings and even 29% are doing it to take a strategic advantage.

However, one multinational corporation in four still manages EHS in a reactive manner.

24% of companies analyzed see risk management as the first driver to manage EHS.

47% of companies analyzed manage EHS for the value it brings.

29% of companies analyzed are defending a leadership position and make strategic advantage from EHS.

Revenues growth

- Creating new business models
- Collaborating to develop new markets
- Innovating to develop new products & services
We analyzed the correlation between the level of organisation and the EHS mission, and level of ambition for EHS strategies. It appears that companies led by a risk management approach are mostly using decentralized organisation models to directly and effectively fit with local regulations. For others who are focused on the value EHS brings to the business, more centralized and intermediate models are used, with policies set-up at corporate level and implementation embedded into business operations.

Level of ambition of EHS strategy

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<th>Strategic Advantage</th>
<th>Intermediate</th>
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<td>Managing for value</td>
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Level of centralization of the EHS function

WHAT IS BEST IN CLASS?

Best in class EHS functions are integrated models, embedded into each level and operation in the business. An organisation includes the formal structure, coordination and control systems aimed at implementing a strategy.

With insight gained from working at both senior executive and operational levels with large multinational corporations, we have determined there are generally five key characteristics of high performing EHS functions.
1. Have a global and consistent approach, with a clear strategy and commitment from senior management

2. Standardize core EHS processes and embed EHS aspects into business operations and other departments
   The environmental compliance and performance management is deeply interconnected to every other part of businesses.

3. Allocate resources and develop competences
   All companies analyzed have corporate or centralized staff dedicated to tracking, supporting or maintaining the environmental regulatory compliance.

4. Focus on results:
   Data, analytics, KPIs setting and reporting should serve the unique purpose of performance improvement. In addition to quantitative information reporting, it is key to promote a culture of excellence by tracking initiatives, identifying best practices and rolling out those best practices to improve business and financial confidence.

5. Engage dialogue and communication for both internal and external stakeholders
   Having a direct dialogue with stakeholders ensures a level of understanding of their expectations, and provides clear communication and assurance of EHS policies and results. Getting the buy-in of all employees on EHS aspects can also improve the entire company culture.

1. 41% of EHS head reports directly to the CEO or board level.

2. Core processes such as environmental compliance, health and safety, liabilities management, reporting, carbon and energy efficiency are integrated by more than 50% of companies analyzed. EHS is also embedded into other processes such as transaction, product stewardship, product assessment and development, procurement and supply chain risks management for more than one third of companies.

3. 53% of companies analyzed use mostly internal resources for EHS management, whereas 47% use a mix of internal and outsourced resources.

4. 100% of companies track environmental compliance and performance. However, only 62% have established a goal and metric to monitor continuous improvement (source: panel of North American companies).

5. Stakeholder identification and engagement are now central to all main global sustainability initiatives and rating agencies (ISO 26000, Global Reporting Initiative, Accountability 1000, Carbon Disclosure Project, RobecoSam DJSI index, etc.).
CASE STUDY: CONGLOMERATES SECTOR

This global corporation in the appliance sector has been undergoing a rapid transformation over the past decade, including major acquisitions in emerging countries. An increase of serious incidents as well as overruns of environmental costs demand to take a fresh look at EHS.

Arcadis supported it to implement an integrated environmental, health and safety risk diagnosis. The preparation included stakeholders’ alignment and vision definition, the design and planning of an integrated program, and implementation including an environmental management information system. This integrated program meets business requirements as well as functional and technical to best fit with the existing organisation.

CASE STUDY: OIL AND GAS SECTOR

Operating a global portfolio means managing a wide range of regional risks related to EHS and security. Some jurisdictions have clear, well-understood, established, efficient, and fair regulatory frameworks, while others present a wide variety of risks.

Arcadis completed a successful project to identify overarching EHS challenges faced by a global operating company, with diverse portfolios of facilities and develop operating guidelines.

Effective EHS operating guidelines provide the organization with a framework that clearly defines consistent expectations for all facilities. Based on the guidelines, facility personnel can identify and manage EHS risks unique to their facility and region, enabling them to develop local policies and procedures that address and mitigate the risks while remaining consistent with the organization’s overarching EHS and compliance strategy.
ABOUT ARCADIS

Arcadis is the leading global Design & Consultancy firm for natural and built assets. Applying our deep market sector insights and collective design, consultancy, engineering, project and management services we work in partnership with our clients to deliver exceptional and sustainable outcomes throughout the lifecycle of their natural and built assets. We understand your business challenges and have first-hand experience of each EHS discipline. Partnering with you, we bring unique insights to support you in getting better results, with more certainty. We support UN-Habitat with knowledge and expertise to improve the quality of life in rapidly growing cities around the world.


Arcadis. Improving quality of life.

- 28,000 employees
- 350 offices
- €3 billion revenues

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