Council Perspectives™

Insights from The Conference Board Chief Environment, Health, and Safety Officers' Council

Environment, Health, Safety, and Sustainability Governance

What a Difference a Few Years Can Make

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Environment, Health, Safety, and Sustainability Governance

What a Difference a Few Years Can Make

Chief Environment, Health, and Safety Officers' Council

Foreword

As we developed the Environment, Health, Safety, and Sustainability (EHS&S) Governance survey in mid-2010, our objective was to understand the state of corporate governance in these areas in major corporations. The results of the EHS&S Governance survey of executives responsible for EHS&S in their organizations seem particularly timely and striking—for a number of reasons.

First, the survey shows that executive management attention *and* funding for EHS&S governance have grown markedly during the past three years. The importance senior leadership teams placed on sustainability has intensified, and, at the same time, the management of conventional EHS governance has continued to grow.

Second, the survey questions generally covered a three-year period (2008-2010), which represents a time of massive financial challenges globally. The growth in attention given to EHS&S during this "hunkering down" time for companies and their managers takes on even greater significance.

Third, coincident with the timing of this report, The Conference Board released *The CEO Challenge™ 2011*, which had a striking conclusion relevant to this EHS&S governance study. When asked in the CEO Challenge survey what strategy the CEOs planned to use to deliver on their top global challenge (Business Growth), the strategy to *develop or expand a sustainable products/services portfolio* ranked first.

Taken together, the results of this EHS&S governance survey and the CEO Challenge survey underscore a corporate shift of attention to sustainability as a source of business value. Companies not already thinking this way will likely begin to incorporate sustainability into business strategies. Those companies that *are* thinking this way need to more aggressively incorporate sustainability into business strategies *and* get senior management leadership behind those strategies. At the same time, senior management teams need to consider who in their companies can drive momentum for sustainability to achieve greatest value.

We hope you find the enclosed report valuable to your thinking as you focus on ways to strengthen your EHS&S governance matters. For information about other reports from The Conference Board, please visit www.conferenceboard.org.

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Executive Summary

How companies manage environment, health, safety, and sustainability (EHS&S) governance has changed measurably in recent years. The Conference Board EHS&S Governance survey[1] found that, despite the severe global economic recession, conventional EHS governance activities have grown in importance and funding during the past three years. Most significant, the study results show a considerable *surge of intensity in the governance of sustainability*.

Sustainability has moved squarely onto the agenda of the CEO and the board of directors. Nearly nine out of 10 executives report that the importance of sustainability for their executive management teams has increased over the past three years.

A Surge in Attention to Sustainability

- The CEO initiated the request or prompted the development of a sustainability strategy in more than half of the companies.
- Corporate budgets for sustainability issues increased at 67 percent over the past three years by the responding companies, while the budgets for traditional EHS issues increased at 46 percent of the companies.
- Companies have increased how they factor sustainability into such business decisions as major capital investments, R&D expenditures, and acquisitions.
- However, despite the rapidly growing importance of sustainability at the board level and in the C-suite of these companies, less than 20 percent of the survey participants say their companies have fully incorporated a robust sustainability strategy into their business strategies.

Growth of Conventional Environment, Health, and Safety Governance

- The emphasis companies placed on managing traditional and new EHS&S risks has increased at 87 percent of the companies.
- Participating companies have well-established EHS governance activities in place, and those activities and their corresponding budgets have continued to grow.
- Compliance, which for decades has been the foundation for EHS risk management, continues today as the most important EHS&S risk that companies face.
- Surveyed companies have increased their budgets for compliance audits at 40 percent of the companies during the past three years.

Expanded Oversight for EHS&S by the Board and C-Suite

- Reporting to the board about EHS issues has been routine for many companies over the past few decades. However, half of the boards and board committees put more time and attention to EHS issues today than they did three years ago.
- More than three-quarters of the boards and board committees put more time and attention to broader sustainability issues today than they did three years ago.
- The increased time spent on sustainability across all companies is noteworthy—though greater in manufacturing companies (up 85 percent) than in service companies (up 65 percent).

1 For more information about the methodology of this survey, including a respondent profile, please see “About This Report,” p. 25.

A Surge in Attention to Sustainability

The relationship of "sustainability" to how environment, health, and safety matters are managed within corporations has been evolving for almost 20 years—since the concept of sustainability gained wide attention at the 1992 Earth Summit in Rio de Janeiro. However, it is only in recent years that sustainability has gained traction with far more CEOs and boards as a corporate issue with important strategic implications.

Key Findings

Greatly expanding importance of sustainability to executive management teams Nearly nine out of 10 of the EHS&S executives surveyed believe that the importance of sustainability to their executive management teams has increased over the past three years. That includes a significant increase in importance for more than four of every 10 companies. Driving that increased attention to sustainability are the customer, the CEO, the vice president of EHS, and the board of directors (in that order), among others. Of particular note, CEOs initiated the request for a "sustainability strategy" in more than half of the companies, and the vice president of EHS is named most often as the executive responsible for implementing the corporate sustainability strategy.

Sustainable products/services considered as CEOs' top strategy for growth At the same time the EHS&S governance survey was conducted, the CEO Challenge survey was under way. In that survey, 704 CEOs from around the world cite **Business Growth** as the most important business challenge. *The top-most strategy ranked by the global CEOs to meet that challenge is to develop or expand a sustainable products/services portfolio.* (Of note, U.S. CEOs were less enthusiastic about that strategy than their counterparts in Asia and Europe.) These striking results reinforce the findings found in the EHS&S governance study that show the growing focus and spending on sustainability. (See "Sustainability-Driven Business Growth," p. 7.)

Significant gap identified between CEO expectations for growth from sustainable products/services and a lack of integration between sustainability and corporate growth strategies CEOs surveyed globally in the CEO Challenge survey identify their top strategy as *develop or expand sustainable products/services.* However, CEOs and their management teams face challenges in implementing this strategy because sustainability strategies are not well integrated into corporate growth strategies, according to the EHS&S governance survey results.

Defining Sustainability for Business Today

The growing focus on sustainability as a strategic issue has increased the need for each company to have a shared understanding among its stakeholders about what sustainability represents for their organization. Though many definitions of sustainability exist, no single definition is used by all companies. Because each company has a unique vision, mission, and strategic directions for achieving its business objectives, individual companies today increasingly define what "sustainability" represents for their organizations. As examples, three member companies of The Conference Board Chief Environment, Health, and Safety Officers' Council define sustainability as follows:

Air Products and Chemicals "Creating lasting value for our stakeholders through environmental stewardship, social responsibility, and innovative solutions for energy, environmental, and emerging market needs. Air Products and Chemicals organizes its sustainability program around four pillars:

- *Environmental Stewardship* Responsibly managing our environmental impact
- *Social Responsibility* Working to improve the quality of life for our employees and local communities
- *Governance* Managing with integrity and accountability for our stakeholders
- *Business Value* Providing innovative solutions for the world's most pressing challenges"

Baxter "We define sustainability as a long-term approach to including our social, economic, and environmental responsibilities among our business priorities."

Wal-Mart "Sustainability is simply about actions that support the quality of life—environmental, societal, and financial—now and for generations to come."

A number of companies use more standard definitions, such as those by the Dow Jones Sustainability Index "Corporate sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental, and social developments."

Sustainability-Driven Business Growth: Findings from The Conference Board CEO Challenge™ 2011

CEOs identified business growth as their number-one challenge across the globe—no matter their company size or industry. But how will they deliver business growth? The CEOs identified their top strategy as develop or expand sustainable products/services. Additional strategies for delivering business growth are included in the following table.

Business Growth Strategies CEOs in Asia and Europe look to sustainable products to drive growth

Global N=463	Importance-adjusted top three strategies	Asia N=92	Europe N=116	United States N=200
1	Develop or expand sustainable products/services portfolio	1	T 2	7
2	Introduce innovations and new value propositions	4	T 2	1
3	Enter or expand into emerging markets	5	1	3
4	Increase value offering by improving the price-quality ratio of products/services	3	T4	6
T 5	Seek external growth through mergers and acquisitions	2	7	4
T 5	Enter or expand into new customer/client segments	7	6	2
7	Introduce new products/services	6	T4	5
8	Enter or expand into developed markets	12	8	8
9	Increase speed to market	8	9	T 9
10	Enter or expand into new industries	9	12	T 9
11	Bring business decision-making closer to local markets	10	11	11
12	Provide products/services for public sector	11	13	13
13	Provide products/services at lower price	13	10	12

N=Number of overall respondents. Response rate varies for each strategy.
T=Tie

While global rankings cite *develop sustainable products/services portfolio* as the key strategy to fuel growth, U.S. CEOs are far less enthusiastic than their counterparts in Asia and Europe, ranking it seventh out of 13 strategies. CEOs in Asia rank this strategy first, and in Europe this strategy ties for first with *introduce innovations and new value propositions*.

Are CEOs in the United States lagging behind their counterparts in Asia, Europe, and the rest of the world in understanding the importance of sustainability products/services in driving 2011 business growth? This is a very serious question.

> Sustainability is at the forefront in Asia, where unbridled growth has led to increased government concern that may force CEOs to address the issue, and in Europe where CEOs are faced with government mandates for sustainable products and practices. Although many U.S. CEOs clearly recognize the need to address sustainability in some form, the real issue may be execution. CEOs in the region may not be certain how their organizations should address it or even how to define it. Sustainability requires a mindset shift from short-term goals to long-term horizons….

Source: The Conference Board CEO Challenge™ 2011: Fueling Business Growth with Innovation and Talent Development, The Conference Board, Research Report 1474, 2011.

Analysis

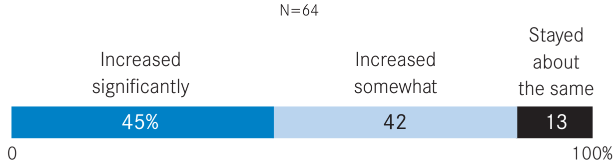
Increasing importance of sustainability

The importance of sustainability to executive management increased over the past three years, according to nearly nine out of ten EHS&S executives surveyed. In particular, almost half (45 percent) of participants indicated that the importance of sustainability had *increased significantly* during this period (Chart 1).

Chart 1

Surge in importance of sustainability to executive management

N=64



Sustainability drivers

The EHS&S executives ranked *customers* as the number-one driver of sustainability in their companies—a noteworthy finding (Table 1). This suggests that these responding corporate managers listen to their customers about sustainability. At the same time, this finding sets an expectation for other companies to understand their customers regarding sustainability needs—and to consider how that information should influence company strategy.

Given the importance placed on sustainability from outside the organization, it also follows that the top drivers for sustainability strategies inside the organization include the CEO (second), the vice president of EHS (third), and the board of directors (fourth).

Table 1

Customers and CEO identified as top drivers of sustainability

Rank	
1	Customers
2	CEO
3	Vice President of EHS
4	Board of Directors
5	External Sustainability Ratings/Ranking (including socially responsible investors rating)
6	Investors
7	Other Stakeholders
8	Employee Recruiting and/or Retention
9	Suppliers

Note: Customers, the CEO, and the vice president of EHS ranked very closely in the survey results.

(N=59)

Employee recruiting and/or retention of employees ranked in the bottom third of sustainability drivers. Is the current state of the economy a factor here? As jobs become scarce, do potential employees relax how they consider EHS&S progress in potential employers? A similar question might be raised about why investors also ranked relatively low (sixth).

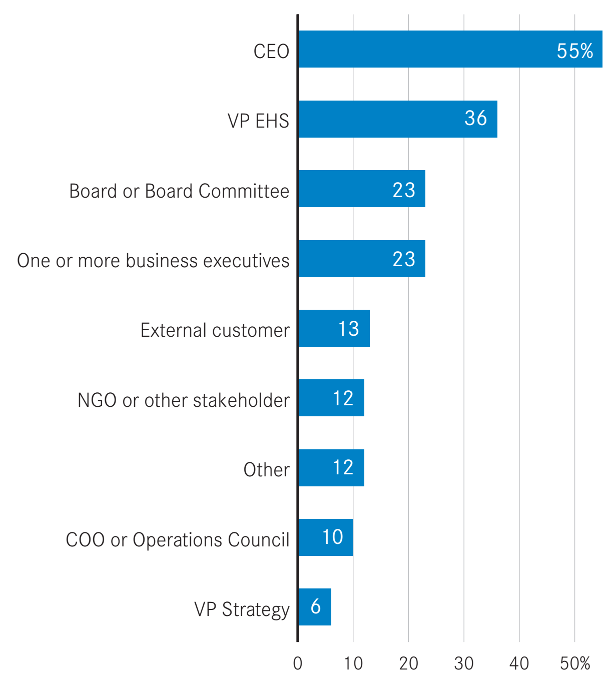
Suppliers ranked last as a sustainability driver, though perhaps for reasons not necessarily obvious. Recognizing that supply-chain issues can present major challenges and opportunities, some companies establish expectations for their suppliers to take an approach to sustainability that is in line with their own. Wal-Mart provides a prime example of a company that fully engages its suppliers to meet its own sustainability expectations, which can result ultimately in benefits to the manufacturer and suppliers alike.

Recognizing that the CEO ranked as the top driver inside the company for sustainability, it follows that CEOs initiated the request for a sustainability strategy in more than half (55 percent) of responding companies (Chart 2). The vice president of EHS took the lead in initiating the strategy in 36 percent of the companies, and the board/board committee or other executives initiated that request in 23 percent of the companies.

Chart 2

Over half of CEOs initiated demand for sustainability strategy

N=62



Respondents were allowed multiple selections, so figures do not add up to 100 percent.

Some survey participants identified drivers that are specific to their organizations for initiating the request for a sustainability strategy. For example, the vice president of communications drives the sustainability strategy of one company. In another, the requirements of the European company host nation for an "annual sustainability report for publicly held companies" has led to the formation of a small group to prepare the report and initiate internal dialogue.

When it comes to accountability for carrying out the sustainability strategy, a range of executives were named. The vice president of EHS is mentioned most often (32 percent), followed by the CEO (11 percent), and the COO or Operations Council (together at 13 percent). Yet 42 percent of the surveyed executives indicated other executives accountable for the sustainability strategy. Their responses included, for example:

- Executive vice president of sustainability
- President of a business unit
- Executive vice president of EHS
- The sustainability council (or similarly named cross-functional, very senior council charged with oversight of sustainability policy and implementation)

In some organizations, the responsibilities are shared across business areas and with the EHS/sustainability functions.

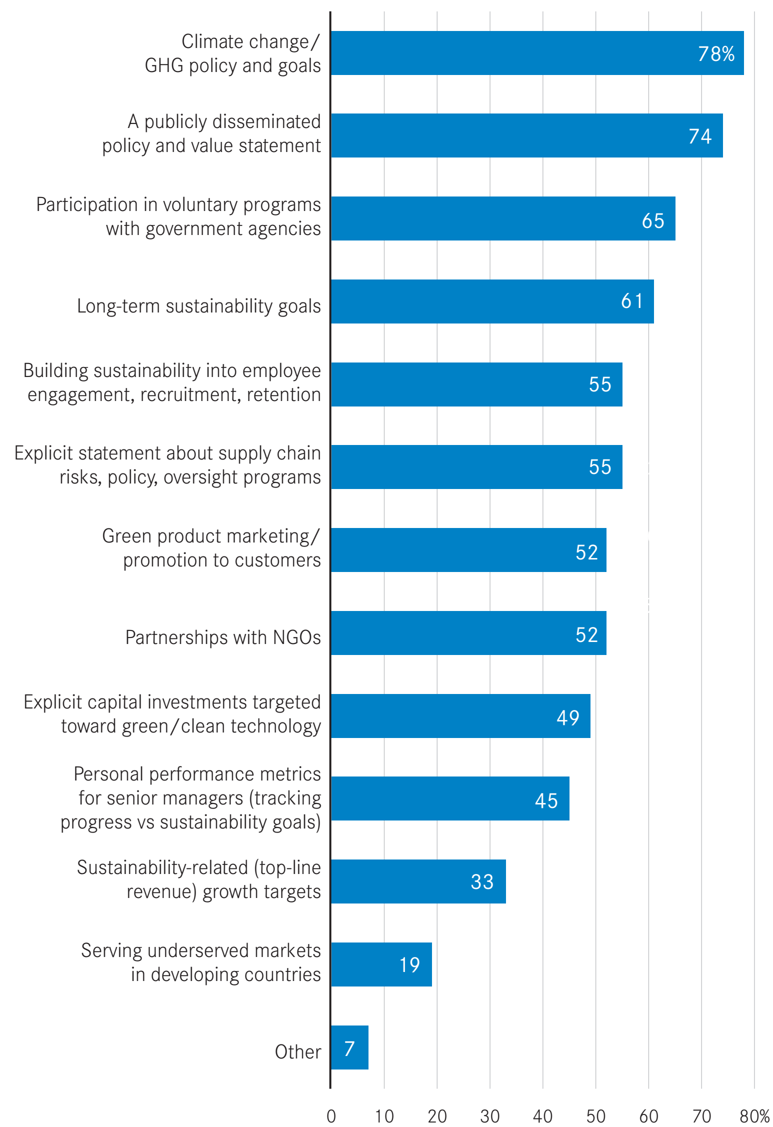
Elements of a sustainability strategy

Greater than 50 percent of the survey participants have in place eight of the 12 possible "sustainability strategy elements" provided in the survey (Chart 3). A significant majority of companies (78 percent) have climate change and greenhouse gas policies in place, as well as a publicly disseminated policy and value statement (74 percent). Whether more companies will put in place top-line revenue targets for sustainability-driven strategies over the next few years will be a key area to watch (among others). As described earlier, the results of *The Conference Board CEO Challenge 2011*™ survey strongly reinforce the message that sustainability holds promise as a major strategy for growing top-line revenue globally.

Chart 3

Companies have many elements of sustainability strategy in place

N=69



Respondents were allowed multiple selections, so figures do not add up to 100 percent.

Relationship of sustainability strategy to business strategy

How the EHS&S executives described the relationship of their sustainability strategies and their corporate business strategies is one of the most significant findings in the study: *Despite a surge of intensity of attention to sustainability in these companies (especially at the CEO and board level), only 19 percent of the companies have a robust sustainability strategy fully integrated with the business strategy* (Chart 4). Another 10 percent of companies have a comprehensive sustainability strategy, although it is not fully integrated with the corporate strategy. Many elements of the sustainability strategy are incorporated into a company's overall strategy for another 31 percent of the companies, while 37 percent of the companies have incorporated some elements only.

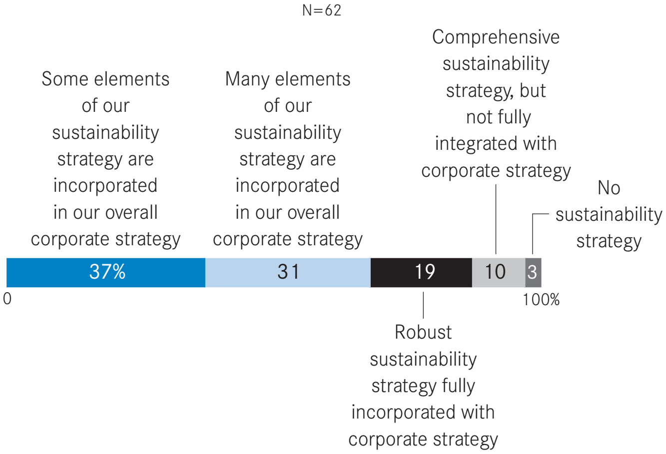
Individual comments from the executives underscore the growing link between their sustainability strategies and corporate strategies. Examples include:

- Sustainable development is one of four guidelines defined in the corporate strategy of one company and considered an "integral part of the core business."
- Capital and customer-oriented sustainability strategies are incorporated into the corporate strategy of another company, although "internal and employee strategies are not part of the overall corporate strategy."
- For a different company, the sustainability report is integrated into the shareholder report.
- In another, sustainable development is one of four platform issues in the company's global strategy.
- The corporate strategy of one company includes selling into the energy, environmental, and other emerging markets.

Chart 4

Only 19 percent of companies have sustainability strategy integrated with corporate strategy

N=62

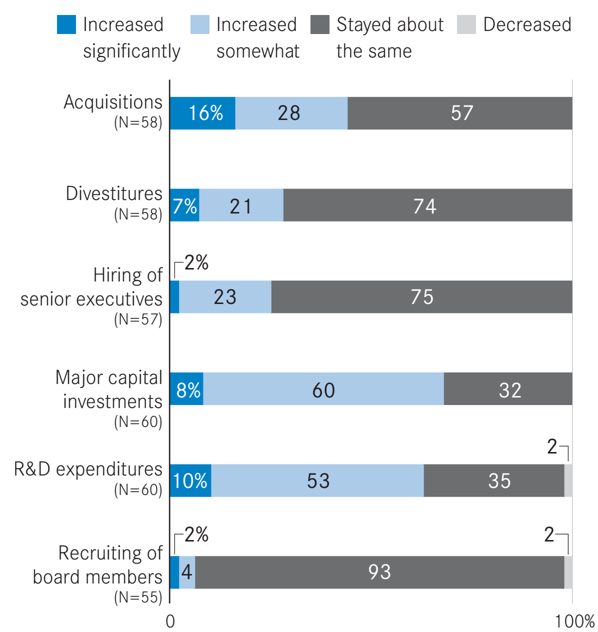


Key business decisions

Over the course of a year, the CEO and the board of directors typically make a handful of critical decisions for the future of their organizations. The decisions might involve a major acquisition, a major reorganization, hiring a new CEO, developing a new corporate strategy, or conceiving and developing a new product line launch, among others. The EHS&S executives provided insight into whether factoring core sustainability issues into business decisions increased, stayed the same, or decreased during the past three years (Chart 5). Many responding companies *increased the extent to which they factor core sustainability issues into decisions* about major capital investments (68 percent), R&D expenditures (63 percent), and acquisitions (44 percent). The decision area that showed the least consideration of sustainability issues in making key business decisions involved how companies recruit board members (6 percent), which suggests this is an area to look into, given the expanding CEO and board focus on sustainability.

Chart 5

Core sustainability issues factored into major capital investments and R&D expenditures



Numbers may not add up to 100 percent due to rounding.

Implementing a sustainability strategy

Executives responsible for EHS&S named a range of internal (in particular) and external challenges that must be addressed to implement a sustainability strategy. They described internal barriers far more often than external barriers (see below). Some survey participants emphasized the need to determine the business value of sustainability opportunities, particularly at the business unit level.

A number of EHS&S executives suggested that getting "buy-in" from top management is not necessarily a challenge. That may not be surprising since the CEO is considered to be the chief driver of sustainability in their organizations as well as the executive who initiated the request for a sustainability strategy in 55 percent of the companies. However, comments from respondents suggest that the importance of executive engagement cannot be underestimated, particularly in the face of competing internal/external priorities.

Challenges to implementing sustainability strategy are primarily internal, although global issues also enter into the fray

The challenges to implementing a robust sustainability strategy are massive. Fifty-five of the EHS&S executives described internal and external challenges that their companies face in implementing a sustainability strategy. The potential challenges are predominately internal—to be addressed within their own organizations. (Note that similar responses from the participants have been grouped together or combined.)

Addressing Internal Challenges

Without *consistent internal understanding and alignment* around sustainability across the organization, companies will face significant challenges in implementing their sustainability strategies. Clear definitions of individual roles, responsibilities, and accountability for implementation strategies are needed.

The ability to engage all employees (notably, middle managers) and to create a sense of urgency among these internal stakeholders will be critical to implement effective sustainability strategies. Getting "buy-in" from project managers is important too.

Operational integration and implementation along the full supply chain is needed. Effective methods for data collection and the need to develop specific metrics for the company are needed. Separately, the ability to develop new technologies to manufacture existing products with less energy is important.

A full understanding of cost, cost constraints, adequate resources, and finance is critical, as are well-conceived investment strategies to reduce barriers. Lack of familiarity with offshore investment opportunities could represent a potential problem for some companies.

CEO/Board support and understanding is needed, including CEO buy-in for the sustainability strategy/strategies. The importance of executive engagement cannot be underestimated, particularly in the face of competing internal/external priorities. Actions by the senior executive team to give credibility to sustainability are important.

A formal organization for sustainability is needed, including how to integrate sustainability into corporate/business strategy, as well as how to engage the business units and how to manage the organizational strategy. Time is needed to capture the full business value of sustainability. The growth of the company in other ways could make it difficult to implement sustainability.

Successful communication to all employees is essential, as is communication with all stakeholders and regulators.

Addressing External Challenges

The state of the U.S. and global economy—and the potential for further economic downturn—presents (potentially) the most significant external roadblock to the EHS&S executives as they weigh decisions to move forward and build business opportunities tied to sustainability.

In addition, the perceived lack of customer demand and interest in sustainable products in emerging markets, coupled with inconsistent expectations from the public, could also slow down progress. Some EHS&S executives point to the overall low pull from the consumers as a potential roadblock. An added factor is the lack of resonance among the general public for the concept of "sustainability."

Communicating the sustainability strategy

In considering how companies communicate their sustainability strategies to potentially interested parties, the EHS&S executives rank the sustainability/corporate social responsibility (CSR) report as the most important way their companies communicate their sustainability strategies. In addition to the seven communication approaches provided in Table 2, a few respondents named the company website as another communication tool.

Table 2

Companies communicate via their sustainability report, rather than financial or annual reports

Ranked by EHS&S executives in order of importance

Rank	
1	Sustainability or CSR Report
2	Key part of brand positioning
3	Key part of Corporate Communications Plan
4	A core element of several key CEO speeches
5	Annual Report or Financial Reports
6	Core element of (Wall Street) analyst presentations
7	Active CEO/executive involvement at the World Economic Forum/Davos

(N=59)

As a notable exception (and an area for future attention, given the results of this year's CEO Challenge survey), far fewer participating companies rely on investor presentations for communicating their sustainability strategies. In light of the fact that CEOs now see sustainability as a key growth driver, such communication vehicles likely will take on increased importance in future years.

Advocacy regarding sustainability

Executives were asked to describe their companies' advocacy posture regarding sustainability. About half (52 percent) of the companies work through trade associations; 38 percent take an independent position; and 26 percent work through a lobbyist. (Six percent replied with "Other.") For one company, "we do it all." An executive from that company explained that the "umbrella of issues under sustainability require a comprehensive approach and, in most cases, our independent position is valued more than the views of associations we belong to." Other executives mentioned that their companies work independently, through associations, and engage directly with policymakers.

Growth of Conventional EHS Governance

For the past 20 years, the large majority of EHS management activity focused on reducing risk and minimizing areas of noncompliance, including harmful emissions, spills, accidents, injuries, and illnesses. Similarly, sustainability activity tended to focus on "doing less bad." That involved reducing energy use, greenhouse gas emissions, waste, human rights abuses, community discontent, and more. However, in recent years, companies have begun to expand important aspects of conventional EHS and sustainability to strengthen competiveness.

Key Findings

Emphasis on managing EHS&S risks increased for 87 percent of the companies Compliance, which has been the foundation of EHS management for decades (especially for U.S. companies), continues today as the most important EHS&S risk identified by the participants. The emphasis that companies place on managing EHS&S risks—traditional and new risks—has increased for 87 percent of the companies during the past three years. Greater than half the companies deploy a wide range of approaches and people to identify emerging EHS&S risks: by using external benchmarks (80 percent of the companies) to identify risks, through the work of the vice president of EHS (80 percent), and from trade associations (74 percent), stakeholder input (61 percent), and the work of board and board committees (58 percent), among other approaches.

Audit programs continue as key to EHS governance Since the 1980s, EHS audit and assurance programs have been one of the few pillars of EHS governance almost uniformly practiced across industry sectors. Continuing today, these core audit programs (e.g., compliance audits, management system assessments) focus predominantly on a company's own operations. A key survey finding is that, while most companies acknowledge the significant increase in both supply chain risks and product EHS risks, few companies have realigned their audit and assurance programs from focusing only on their own operations to a more balanced focus that includes suppliers' operations and customer use of products.

EHS audit programs run at corporate level for half of companies Greater than five out of 10 of the surveyed companies run their EHS audit programs at the corporate level, while an additional three out of 10 companies run their programs from both corporate and business unit levels. Moreover, the majority of the companies in this study have increased their reliance on management systems assessments and supply chain audits in recent years.

Budgets for sustainability increase at higher rate than EHS budgets (which also continue to grow) As companies have continued to strengthen their EHS programs, the cross-corporation budget for traditional EHS issues has increased for 46 percent of the companies. That compares with a budget increase for sustainability for 67 percent of the companies. As noted above, these growth figures are especially noteworthy given the economic recession of the past few years. Some aspects of external engagement and reporting, operational performance, supply chain, and emerging issues (such as carbon and energy risks/opportunities) have shown budget increases for up to 50 to 75 percent of the companies. In fact, budgets for carbon and energy risks/opportunities have "significantly increased" for 27 percent of the companies and "somewhat increased" for 55 percent of the companies. During this same period, budgets for audit and assurance efforts have grown or stayed about the same—showing almost no decrease in spending at a time of significant financial pressures. Budgets for such emerging issues as child labor, conflict minerals, and human rights have also stayed about the same.

Analysis

Enterprise risk management–EHS&S risks

Because compliance has been the foundation of EHS risk management for decades, it comes with little surprise that compliance is the most important major EHS&S risk that companies face (Table 3). Companies face management challenges as they work to ensure that all aspects of the organization's decision-making, people, operations, materials, and supply-chain management and sourcing decisions support compliance every day. It is probable that two of the top three risks—compliance and chemical management/toxics—would have ranked high in survey results 25 years ago. Energy (second) and climate change (fourth) likely would not have made it to that list at all as EHS risks.

Industry-specific risks ranked fifth in order of importance. The EHS&S executive respondents provided examples of industry-specific risk: conflict minerals in the electronics and manufacturing industries are of growing concern, as are biodiversity and the scarcity of raw materials in several sectors.

Some potential risks not considered as critical by the participants include: employee recruitment/retention, water, human rights, and food and nutrition. One executive observed that the critical nature of issues, such as employment, water, human rights, and food and nutrition, depends on the region of the world, with a potentially serious impact on poorer nations.

Product-related and supply chain EHS&S risks

The executives were asked about the importance of EHS&S issues related to manufacturing, products, and supply chains (Chart 6). *Notably, both supply chain-related and product-related EH&S risks have increased significantly during the past three years.* Comparatively, manufacturing-related EHS&S issues have not experienced as large an increase in importance and have stayed about the same for 43 percent of the participants.

Approaches used to manage EHS&S risks

Eighty-seven percent of the companies increased their emphasis on managing EHS&S risks from 2008 to 2011. That emphasis increased significantly for 37 percent of the participants and somewhat for 50 percent. To identify risks associated with emerging EHS&S issues, companies use different approaches, particularly in expanding the use of external benchmarks, through the vice president of EHS, and by relying on trade associations, among others (Chart 7).

Table 3

Compliance continues to drive EHS&S-related risks

Ranked by EHS&S executives in order of importance

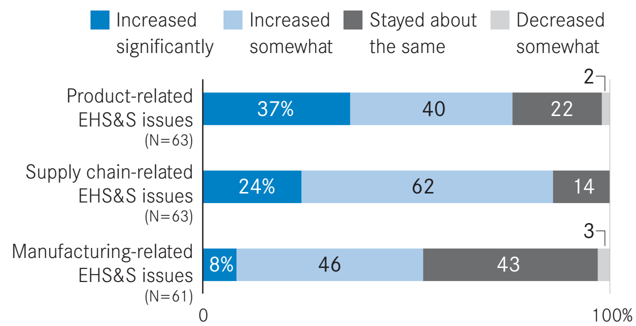
Rank	
1	Compliance
2	Energy (including greenhouse gas emissions)
3	Chemical management and toxics
4	Climate change
5	Industry-specific risks
6	Stakeholder impact
7	Employee recruitment/retention
8	Water
9	Human rights
10	Food and nutrition

(N=59)

Chart 6

Supply chain/product EHS&S risks dramatically increased in importance

N=63

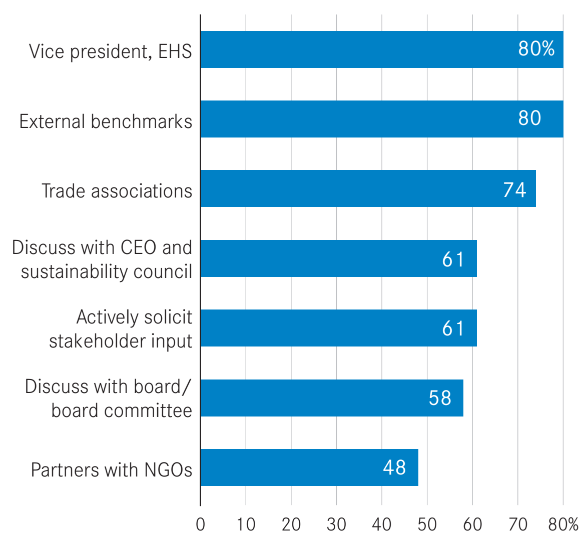


Numbers may not add up to 100 percent due to rounding.

Chart 7

EHS&S vice president and external benchmarks guide risk identification

N=69



Companies have changed the approaches they use to manage EHS&S risks during the past three years. In particular, 45 percent of the companies have increased their approach significantly, and another 48 percent have somewhat increased how they approach managing their risks. (Seven percent stayed about the same.)

In some cases, companies are managing risks by using the same approaches already in place to identify risks—notably, through the vice president of EHS and in using external benchmarks. In addition, some survey respondents provided insight into how their companies' EHS&S risk management processes work. For example, business unit leaders and senior EHS leaders in one company work together for day-to-day management. That same company also considers trade associations, NGOs, external benchmarks, and stakeholder input as good sources for validating risks, although managing those risks is a line responsibility. The EHS leader in that organization gives visibility to emerging EHS issues with potential business impact.

Another executive described the involvement of the company's risk council in risk management, and the use of a corporate process that defines risk tolerances and escalation criteria. Operational leaders are involved in that process, as are public utility commissions. A different company assigns internal accountabilities for specific risks, and the operations team provides oversight for those accountabilities. Other executives mentioned different aspects of their approaches to managing risk: internal risk management systems, participating in consortia for EHS&S professionals (such as NAEM, formerly the National Association for Environmental Management), and using an "emerging issues" process for the past 10 years.

Audit and assurance processes

More than half the companies (57 percent) run their EHS audit programs at the corporate level, although another 31 percent run their programs from both the corporate and business-unit levels (Chart 8). One company with programs at both levels also uses third-party certification. A respondent mentioned that their current approach is corporate, but they are moving to a shared approach between corporate and the business units. Another company with a business unit/corporate approach mentioned the role of the audit committee in this process.

Corporate EHS tracks the status of audit results and corrective actions in 68 percent of the companies, while the business unit EHS tracks that status in 12 percent of the companies (Chart 9). A number of respondents mentioned their specific internal audit functions, such as the corporate operational audit department, internal auditing, internal audit corporate group, and the like. One company varies the approach for different types of audits. For another company, the business units track their findings, but corporate Safety & Environment tracks findings from the program.

EHS auditing results and the status of corrective actions are reported to the board by 68 percent of the companies. Thirty-six percent of companies discuss audit results with the board or board committee on an annual basis, while another 36 percent discuss the results semi-annually. Eighteen percent discuss the results/actions quarterly.

Chart 8

Corporate continues to drive EHS audit program…

N=65

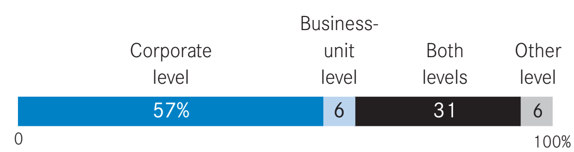
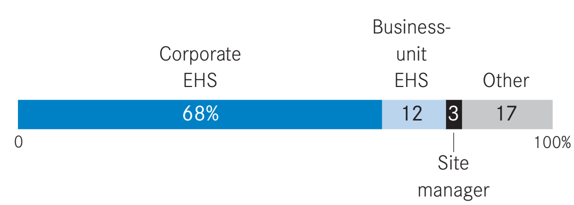


Chart 9

…and corporate EHS continues to track audit results and corrective actions

N=65

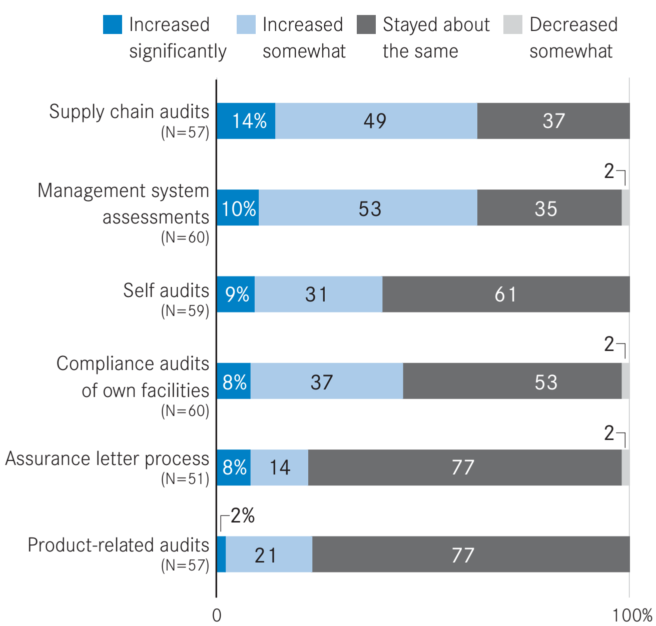


Executives were asked if the reliance of several different EHS assurance tools has changed during the past three years (Chart 10). The reliance of supply chain audits has increased in 63 percent of the companies (including a significant increase in 14 percent of the companies), while management systems assessments have seen reliance increase in 63 percent of the companies (including a significant increase in 10 percent of the companies). Also of interest is that the assurance letter process stayed about the same for 77 percent of the companies.

More than 63 percent of the executives have been knowledgeable about the assurance letter process—anywhere from two years to more than 20 years, with the majority at between seven and 10 years. The rigor and resources associated with EHS assurance tools that companies use have increased by 53 percent of the companies for audits of supply chain operations, 46 percent for management system assessments, and 42 percent for compliance audit resources (Chart 11).

Chart 10

Increased reliance on a range of EHS assurance tools



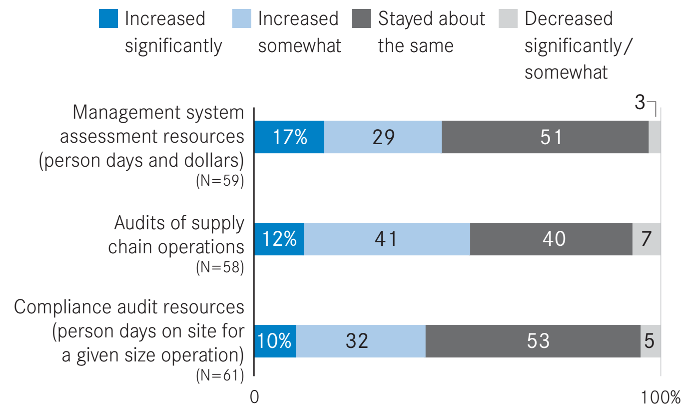
Note: The assurance letter process is an annual certification by business unit leaders to the CEO regarding EHS risk and compliance status.

Numbers may not add up to 100 percent due to rounding.

Three-year outlook for assurance tools Looking ahead three years, 50 percent or more of respondents expect their companies to increase their use of all the assurance tools except the assurance letter process at 39 percent of companies (Chart 12). The greatest increase is expected in the use of supply chain audits at 74 percent (including a significant increase by 20 percent of the companies).

Chart 11

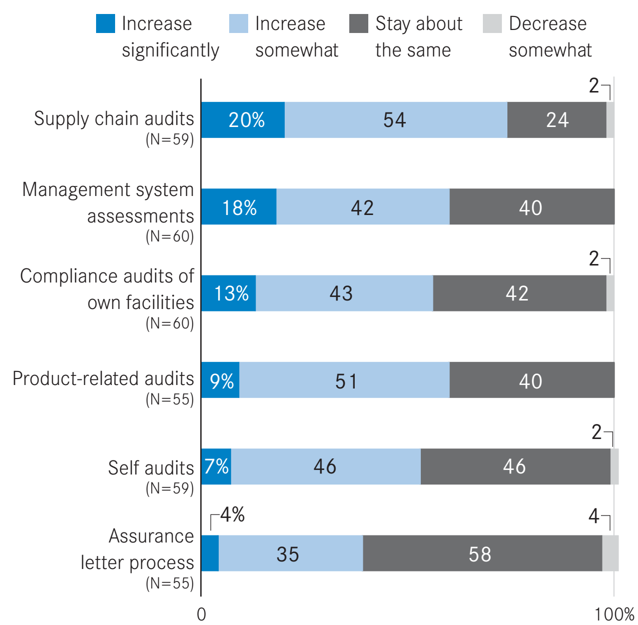
Nearly half the companies show increased rigor and resources for EHS assurance tools



Numbers may not add up to 100 percent due to rounding.

Chart 12

Supply chain and product-related audits expected to gain increasing attention



Numbers may not add up to 100 percent due to rounding.

Changes in EHS&S budgets

During a time of enormous financial pressure during the past few years, 67 percent of the companies increased their budgets for sustainability across the corporation—not just within corporate EHS departments. That includes a significant budget increase by 10 percent of companies (Chart 13). Just 5 percent of the companies decreased their sustainability budgets. In comparison, for traditional EHS issues, 46 percent of the companies increased their budgets, and about 20 percent of the companies decreased their budgets.

In reviewing the results, it is striking that relatively few companies have decreased their EHS&S budgets during the past three years. Information about the budgets for the following areas is provided in Charts 14 through 18: audit and assurance reports, external engagement and reporting, operational performance, supply chain oversight, and emerging issues.

Audit and assurance efforts Despite the fact that the budgets for audit and assurance efforts stayed about the same for more than 50 percent of the companies, it is interesting that 40 percent or more increased their budgets for compliance audits and management system assessments. For self-audits, fewer companies (22 percent) increased their budgets (Chart 14). However, very few companies decreased their budgets during this three-year period.

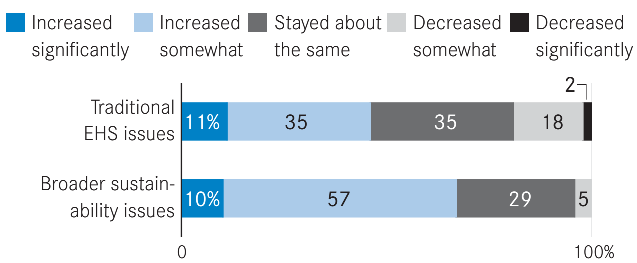
External engagement and reporting The budget for external reporting increased for 75 percent of the companies, while the stakeholder engagement budgets increased for 57 percent of the companies (Chart 15).

Operational performance The budgets for worker health/safety increased at 62 percent of respondent companies (Chart 16). In comparison, almost half of the companies have increased their budgets for environmental emissions and process safety, while the other half have remained about the same.

Chart 13

Increased budgets for EHS&S, especially for sustainability

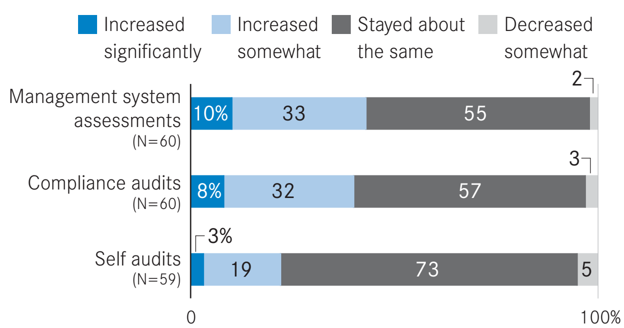
N=63



Numbers may not add up to 100 percent due to rounding.

Chart 14

Budgets for EHS&S audit and assurance efforts show modest growth

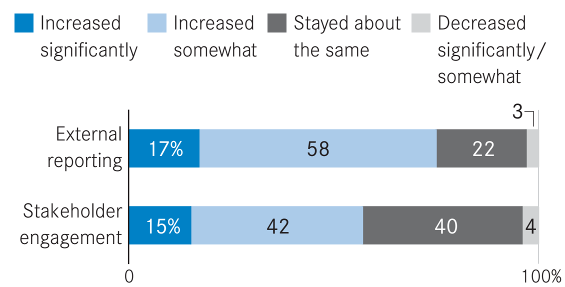


Numbers may not add up to 100 percent due to rounding.

Chart 15

Budgets for EHS&S external engagement and reporting have grown markedly

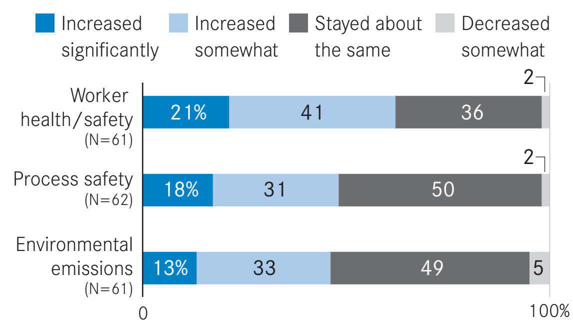
N=60



Numbers may not add up to 100 percent due to rounding.

Chart 16

Operational performance – budgets for safety issues have grown

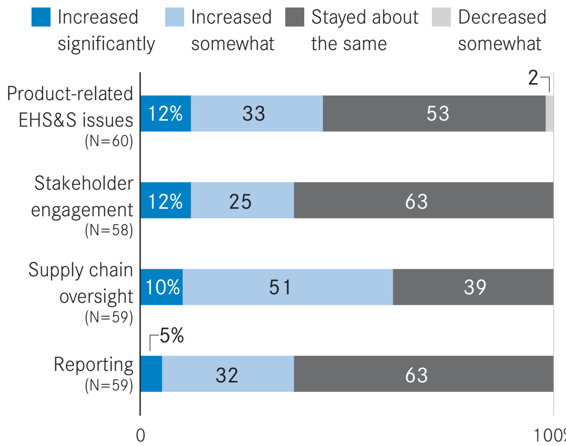


Numbers may not add up to 100 percent due to rounding.

Supply chain The budgets for supply-chain EHS&S-related issues and oversight have increased for about 35 to 60 percent of the companies, depending on the specific area (Chart 17). More companies have increased their budgets for supply chain oversight than for any of the other three areas.

Chart 17

Budgets climb for supply-chain oversight and product-related EHS&S issues

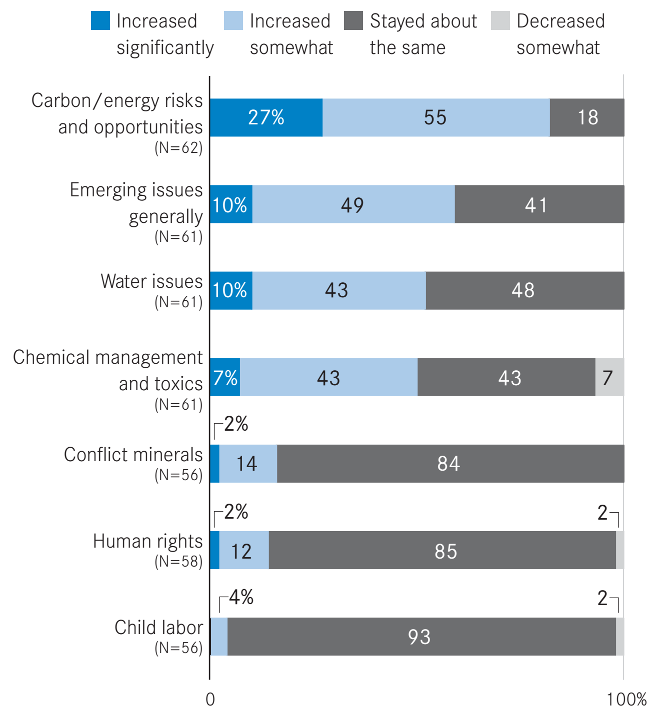


Numbers may not add up to 100 percent due to rounding.

Emerging issues Fifty percent or more of responding companies increased their budgets in four areas of emerging issues: carbon and energy risks and opportunities, chemical management and toxics, water issues, and emerging issues generally (Chart 18). Carbon and energy risks and opportunities showed increased budgets by 82 percent of the companies, including a significant increase by 27 percent of the companies. Very few companies showed budget increases in three areas of emerging issues: conflict minerals, human rights, and child labor. Chemical management and toxics budgets were decreased for 50 percent of companies.

Chart 18

Budgets grow for emerging issues – notably for carbon/energy risks and opportunities



Numbers may not add up to 100 percent due to rounding.

Expanded Oversight for EHS&S by the Board and C-Suite

Vice presidents and senior directors of environment, health, and safety (EHS) have been reporting to their boards of directors (frequently to a board committee) for as long as three decades. While reporting to the board about EHS issues has become routine for many companies, dialogue at the board level around sustainability has begun to rise sharply in more recent years.

Key Findings

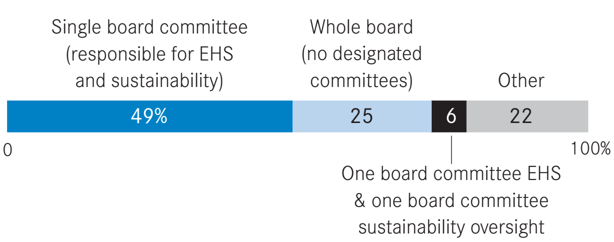
Significant jump in attention by boards/committees to sustainability issues Almost eight out of 10 boards and board committees of responding companies put more time and attention to sustainability issues today than they did just three years ago. Given that same time frame, about five out of 10 boards and board committees now give more time and attention to conventional EHS issues. This increased attention to sustainability is not surprising, given the growing interest and role of the CEO and other senior executives in driving sustainability forward in their companies.

Differences in board committee handling of EHS&S governance Twice as many companies handle EHS&S governance by a single board committee than by the whole board. The whole board is more likely to handle EHS&S governance in smaller companies. Small companies also tend to meet quarterly about EHS&S issues, while the committees in larger companies meet annually or semi-annually. Eighty percent of board committees responsible for EHS&S spend less than 30 percent of their time on EHS&S issues in their meetings. During the past three years, one of every three companies in this study has revised its charter for the board committee with EHS&S responsibility, primarily to affirm the board's oversight role for sustainability. Reports by the EHS&S and other senior executives are the primary sources of EHS&S information to the board or board committee.

Chart 19

Single board committee particularly engaged in EHS&S oversight and responsibility

N=69



Numbers may not add up to 100 percent due to rounding.

Analysis

Executive oversight structure

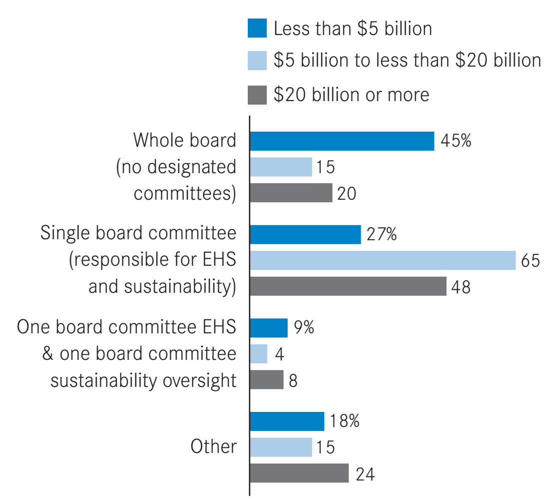
For about one-half (49 percent) of the survey respondents, the responsibility for board oversight of EHS&S rests with a single board committee (Chart 19). Only 6 percent of the companies have separate board committees for EHS and for sustainability, and the whole board is responsible for EHS&S in 25 percent of the companies.

Of those companies with a single board committee with oversight of both EHS and sustainability, 27 percent of the companies had revenues less than $5 billion, 65 percent of the companies had revenues between $5 billion and less than $20 billion, and 48 percent had revenues of $20 billion or more (Chart 20).

Chart 20

Board oversight responsibility for EHS&S varies by company size

N=62



Fortune 500 companies are more likely to have a single board committee with oversight of both EHS and sustainability (57 percent) than are non-Fortune 500 companies (33 percent). Fortune 500 companies also are more likely to have increased significantly (27 percent) their time and attention to traditional EHS issues than non-Fortune 500 companies (10 percent) during the past three years.

For one out of five (22 percent) responding companies, EHS and sustainability oversight is handled in some way other than by one committee, two separate committees, or the board as a whole. A few companies, for example, have a committee with oversight for EHS only and no committee for sustainability. Selected examples provided by the survey participants illustrate different company approaches to EHS&S oversight:

- The Group Sustainability Council reports to the Executive Committee; the CEO is a member; and there is no Board of Directors committee.
- The Audit Committee has oversight for the company's ethics, compliance program, and environmental risks; the EHS function reports into the Chief Ethics and Compliance Officer.
- The Corporate Social Responsibility Committee has oversight for EHS&S; the Audit Committee oversees the environmental risks; and the Management Resource and Compensation committee oversees health and safety issues.
- The whole Board has oversight for Sustainability, the Personnel Committee for Health and Safety, and the Audit Committee for Environmental.
- A Sustainability Council ensures that the company acts globally in accordance with the principles of sustainable development. The Council comprises heads of functional, operating, and regional divisions. The Council Chair is a Board member.

These anecdotes suggest that companies select from a wide range of approaches to manage oversight for EHS and sustainability.

Frequency and timing of EHS&S discussions

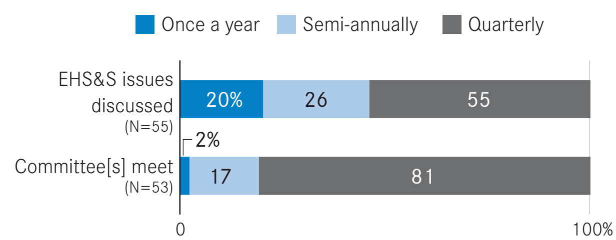
More than 80 percent of the board committees responsible for EHS and sustainability within responding organizations meet quarterly (Chart 21). However, EHS&S issues are discussed by 55 percent of the companies at quarterly committee meetings and 26 percent at semi-annual meetings. There is no clear-cut trend from the survey responses linking company revenues with the number of times EHS&S issues are discussed throughout the year.

However, two-thirds of respondents (67 percent) from companies with less than $5 billion in FY2010 revenues report that they discuss these issues at quarterly meetings. This is the case for a lower number of larger companies: 54 percent of respondents from companies with between $5 and $20 billion and 45 percent from companies with $20 billion or more in revenues report that these issues are discussed at their quarterly meetings.

Discussions about EHS&S issues go before the full board *annually* for 21 percent of the companies, *quarterly* for 25 percent, and *semi-annually* for 13 percent (Chart 22). Of note, 41 percent of the executives use *other approaches or timing* for discussing EHS&S issues before their boards of directors. In a number of companies, the board is provided a written summary or report as part of the pre-read material prior to a board meeting. In some companies, EHS updates are provided to the board at various times throughout the year. For example, one participant noted that EHS&S issues are discussed at each board meeting nine times per year, while another executive reports that issues are discussed six times. Several organizations report to the board on an "as needed" or a "by exception" basis when significant EHS or sustainability issues arise or as requested by the board. For one participant: "There is no prescribed discussion cycle; it occurs as requested by the board."

Chart 21

Most board committees responsible for EHS&S issues meet at least quarterly

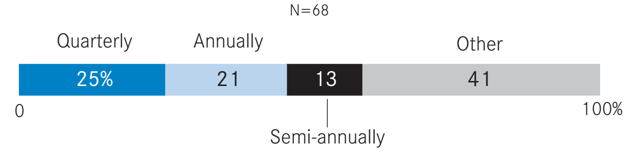


Numbers may not add up to 100 percent due to rounding.

Chart 22

Timing varies for EHS&S discussions in front of full board

N=68



About 80 percent of board committees spend 30 percent or less of their time on EHS&S issues in their meetings. Also, when asked to rank the importance of EHS&S issues that the board committee with responsibility for sustainability spends time on, 74 percent view *performance and risk at their own operations* as the most important issue. Such risk includes, for example, EHS performance, footprint reduction, risk management processes, and emerging issues related to the companies' own operations. In comparison (and representing a key area for future attention), the committees consider less important and spend far less time on top-line growth opportunities driven by sustainability factors (13 percent) and on performance and risk across the supply chain beyond their own operations (7 percent).

Individual participants named specific EHS&S issues of importance to their organizations, such as: industry performance and risk; regulatory risk; operational impact analysis; product impacts on safety and environment; responsibility and ethics; social responsibilities in the neighborhoods in which companies operate; and greenhouse gasses and fuel efficiency.

Time and attention to EHS&S discussions

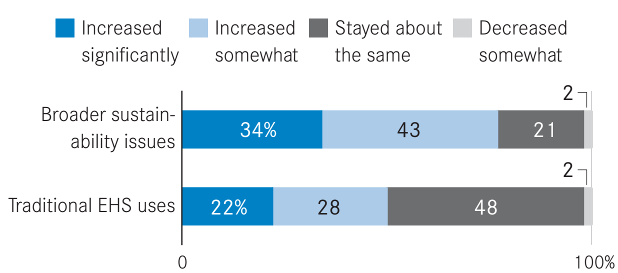
Corporate boards and board committees give markedly more time and attention to sustainability and traditional EHS issues in 2010 than they did three years ago (Chart 23).

Sustainability issues Three-quarters (77 percent) of responding companies' boards and committees give more attention to sustainability issues in 2010 than they did three years ago, including significantly more attention by 34 percent of the boards/committees.

Chart 23

Board of directors/committee time and attention to sustainability increased dramatically over three years (2008 – 2010)

N=67



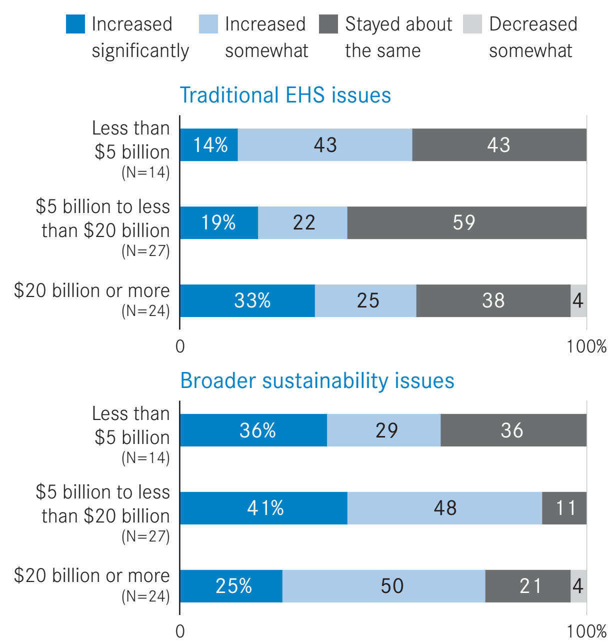
Comparing by industry, 85 percent of manufacturing company boards increased their attention to sustainability issues (including a significant increase by 39 percent) over three years, as compared with a 65 percent increase by service company boards (including 27 percent significantly).

Traditional EHS issues Half (50 percent) of the boards/committees give more attention to EHS issues in 2010 than they did three years ago, including a significant increase by 22 percent of responding companies. Also noteworthy, 48 percent dedicate the same amount of time and attention to EHS issues in 2010 than they did in 2008.

The survey results illustrate some differences by size of company in the three-year change in attention to EHS&S issues (Chart 24). For example, larger companies ($20 billion or more) increased their attention to *traditional EHS issues* significantly (33 percent), as compared to companies with less than $5 billion in revenues (14 percent) and those with revenues between $5 billion and less than $20 billion (19 percent). Smaller companies showed a significant increase in attention to *sustainability issues* (36 percent), which was somewhat lower than the increase by companies with revenues between $5 billion to less than $20 billion (41 percent), although it reflects a greater increase than companies with $20 billion or more in revenues (25 percent).

Chart 24

Companies of all sizes have ramped up board discussions of EHS&S



Numbers may not add up to 100 percent due to rounding.

The charter of board committees with responsibility for EHS&S

During the past three years, 33 percent of the surveyed companies have revised their charters for the board committees with responsibility for EHS&S. Forty-two percent of the manufacturing companies revised their charters, as compared with 19 percent of service companies. Notably, the charter amendments respondents described were revised most often to state responsibility and commitment to the board's sustainability oversight role. The following selected examples illustrate the range of sustainability-related amendments named by the survey participants:

- Our charter was amended to state that the Committee on Corporate Governance and Directors has direct oversight over "sustainability reporting."
- Added sustainability language in 2008.
- Made a name change for the committee responsible for sustainability to reflect that fact within the past three years.
- Modified to more clearly articulate responsibility for sustainability.
- Updated to include sustainability in addition to EHS.
- Sustainable development specified as an explicit oversight issue of a Board Committee in 2008.
- Made a commitment to mention sustainability issues more explicitly.

Additional amendments mentioned that are not focused specifically on sustainability include: added new goals and policies; amended the reporting responsibilities of each member of the board; updated a management framework; increased the number of meetings and conversations on risk; amended to include all aspects of corporate responsibility; clarified the committee title and responsibilities; changed to report progress twice a year concerning those ESH issues the company had committed to improve; and created a special board committee.

Primary sources of information for the board

The surveyed executives responsible for EHS&S ranked the importance of a range of primary sources of information boards or board committees use in their companies. Using the mean from survey responses, reports to the board or board committee from the EHS&S officer or other executives responsible for sustainability are considered the "most important" source of information (Table 4).

Each of the top three information sources involves an EHS&S or other senior executive responsible for sustainability reporting to the executive board or board committee with the best available information in hand.

The next set of information sources (indicated less frequently as important to the executives reporting to the board), includes a range of reports that provide benchmark information, independent analysis of specific issues, and financial industry reports. Information resources, which ranked as least important sources of information for the board, include independent expert reports and education programs.

Table 4

Board/Committees rely on internal executives as primary sources of EHS&S information

Ranked by EHS&S executives in order of importance

Rank	
1	Reports to board/board committee by EHS&S officer or other officer responsible for sustainability
2	Reports and information provided by senior executives
3	Reports to board/board committee by line of business executives
4	Peer-company benchmarks
5	Reports on specific CSR/sustainability issues by independent organizations
6	Reports to board/board committee by independent EHS&S expert
7	Securities analyst reports
8	Director education programs

Note: Importance is based on the mean of each scale from 1 to 8, with 1 being most important and 8 being least important.

Critical Challenges for the Board (and Possible Solutions)

The surveyed executives responsible for EHS&S pointed out a range of critical challenges their boards face in the "treatment" of EHS&S issues. Broadly, these challenges include the lack of time and urgency to get EHS&S issues on the board agenda, as well as the unmet need to focus on the strategic implications for sustainability and business growth. The challenges, as well as insights from respondents about solutions, are grouped by type.

Getting the EHS&S issue onto the board/committee agenda Determining the priority of EHS&S issues relative to other matters directed to the board is a challenge, as is the need to understand what to direct to the board vs. the board committee. Also, consider what level of review to use at the committee level. Recognize that executives on the committee and the board have varying degrees of experience on EHS and sustainability.

Providing a concise analysis of complex information within time constraints Lack of board time is the critical issue. The challenge is to develop context and present options within a short time frame. The EHS&S executive must provide concise, insightful information about complex issues (filled with dilemmas) to help the board/committee quickly understand the implications. The EHS&S executive must be prepared to educate the board or committee about the situation, while allowing time for discussion. Some presentations to the board are reports about the prior year's achievements vs. goals.

Involving the board to think strategically about sustainability as a business imperative What solutions do EHS&S executives recommend? Align and integrate sustainability goals with business objectives. Measure the benefit of a corporate investment in sustainability as a long-term strategy. Educate senior executives about the competitive importance of sustainability, and focus on longer-term strategic issues. Discussion topics may include: integrating sustainability concepts into mainstream management, building a shared ambition with a sustainability strategy, and understanding how the company is performing relative to peers/competitors. Today, the focus is on risk mitigation/compliance; instead, sustainability must be tied to "business sustainability." Expand the scope of the sustainability program beyond a focus on energy and the energy footprint. Examine EHS&S issues and how they negatively or positively affect the bottom line.

Focusing on sustainability as a business growth driver What role will sustainability play in competitiveness? Determine how to transform sustainability from a corporate social responsibility issue to a business-growth driver that is fueled by the strong conviction that only companies that will be able to sustainably create value ("people, planet, profit") will survive.

Understanding the investors' interest and role in sustainability As mainstream investors begin to increase their requests for information and their scrutiny of sustainability issues, determining how much of a factor these issues play in the company's investor relations strategy will be a challenge. Today, most of the interest comes from the socially responsible investment (SRI) community or sustainability groups within large institutional investors. It is a challenge to get investors to factor these issues into their investment decisions right now—representing a challenge for companies committed to sustainability performance as part of their business strategy. Considerations/tradeoffs should be considered for investment in growth vs. sustainability. Discuss the business imperative of sustainability through the requirements of the securities commissions (if that is a requirement).

Addressing EHS&S-related business risks and issues Balancing EHS&S issues with other business risks, shareholder/stakeholder interests, and financial return expectations presents a challenge. Begin by helping the board to understand the issues—by balancing perceptions vs. realities when addressing risks to the organization. Develop reliable information that quantitatively demonstrates the external impact of the company's sustainability efforts. Prioritize risks, and be proactive about risk management without interfering with management responsibilities. Determine the direction of evolving environmental public policy issues (e.g., greenhouse gas emissions).

Considering EHS&S issues along the supply chain Companies face an ever-increasing complexity of issues up and down the supply chain, across multiple risk areas (EHS, product stewardship, product regulatory), globalization, etc. Also important is the ability to determine customers' receptiveness to innovative product development that addresses sustainability issues more aggressively than perceived market demand. Organizations want to integrate sustainability practices into the existing business procedures and to work effectively within their whole supply chains.

Closing Comments: Charting New Territory

The pace of change for EHS&S is quickening in significant ways, as confirmed by this survey and this year's CEO Challenge survey results. Looking forward, the key questions today for chief EHS and sustainability officers seem to include: Do we have the right governance structure and processes in place? Are we moving fast enough? What process is needed to build sustainability as a strategic force? Who is best positioned to bring together the CEO and business leaders in the development of an integrated, business-driven sustainability strategy? How can the officer with responsibility for sustainability drive ownership for sustainability strategy to business leaders? Are we hiring the best and brightest who will help us win in the marketplace in the coming decade?

Looking Back to Look Ahead

Considering the findings of this EHS&S survey and then beginning to look ahead the next five to 10 years, it is possible to consider how sustainability will grow as an influence on corporate decision-making—notably at the C-suite level—in the coming years.

Chief EHS&S officers need to engage with the C-suite Several decades ago, EHS officers were cast suddenly into the C-suite and board room (as EHS compliance and risk took on potential for multimillion-dollar liabilities). For sustainability, that moment is taking place now. The playing field is new. The recent recession seems to have had little impact on how significantly sustainability has moved up on the agendas for the CEO and board members—or perhaps sustainability has moved up with a better future in mind.

Corporations are increasing funding for traditional EHS risks and programs After decades of building strong EHS governance processes, a company might be tempted to think, "We have this right." The survey results suggest that companies do not consider this "good enough." The significance of (and budgets for) traditional EHS oversight increased during the past three years. Moreover, the nature of today's risk is far different and more complex than the traditional facility-based risk. Risks associated with the supply chain and customer use of products have increased dramatically—outpacing traditional audit and assurance programs that remain largely facility-focused.

Sustainability is on the CEO and board agendas Regardless of a company's current EHS&S governance structure and processes, this survey—coupled with the 2011 CEO Challenge survey—suggests now is the time to address sustainability at the top level of the organization concerning competitive opportunities and risks. CEOs who are not the visible champions for sustainability in their organizations in looking to future opportunities will be the exception rather than the rule.

Given the survey results, it is probable that companies will strive to out-compete their competitors by incorporating the nuts and bolts of sustainability into the core business strategy and execution.

The Expanding Role of the EHS&S Officer

The role of the EHS&S officer will continue to evolve and expand in the next three to five years in ways that may include:

Guardian of risk The risk landscape is changing. Though traditional facility risks remain significant (particularly in considering global operations), supplier risk and product risk have increased significantly for companies, as the survey data shows.

Dual responsibility—risk and opportunity Sustainability has two distinct dimensions: risk and opportunity. Each demands a separate conversation among a different group of people. Risk ("doing less bad") is about *reducing impact*. Though absolutely essential, this is half the equation. *Opportunity* is the other half, requiring a conversation with the CEO and business leaders charged with growing their businesses.

Role of the chief sustainability officer In some companies (not many), the CEO has taken on the role of chief sustainability officer (CSO). In other companies, the CEO has appointed a CSO distinct from the chief EHS officer—presumably recognizing the two separate conversations needed. However, in many companies, the chief EHS officer wears both hats. Companies will need to examine the role of CSO to ensure it is resourced to ensure future business success.

Given the messages derived from the results of the EHS&S governance survey, the next few years suggest a time of significant change and opportunity for sustainability and EHS on the corporate agenda for competitiveness and growth—and for the EHS&S executives who are helping to drive that change in their organizations.

About This Report

The Conference Board's Environment, Health, Safety, and Sustainability Governance survey of executives with chief responsibility for environment, health, safety, and sustainability (EHS&S) was fielded in December 2010/January 2011 to examine the state of corporate governance as it pertains to EHS&S challenges and opportunities. While companies may manage EHS and sustainability in ways that are distinct from one another, the survey was designed to gain insight into the current state of the governance of both—and also to gauge how governance has changed during the past three years. Because this period coincides with the 2008-2009 global recession, the study findings about change in EHS&S governance focus, initiatives, and spending are all the more significant, given the economic climate of recent years.

The 69 executives who participated in the study are responsible for EHS&S in their organizations in North America and Europe. They assume a range of responsibilities that may include to: provide executive oversight of EHS, drive sustainability forward (together with the CEO), implement the sustainability strategy, and report to the board or board committee about EHS and sustainability, among other areas of focus. Of the companies participating in the study, more than half are from the manufacturing sector; about a quarter are from the energy, utility, resource, and construction sectors; and the remaining companies are from the service sector.

About the Chief Environment, Health, and Safety Officers' Council

We live in an era of increasingly limited resources: including the natural resources of our planet and the financial and human resources that we need to achieve our corporate EH&S goals. Together, these goals have everything to do with sustainability. This Chief EH&S Officers' private forum allows senior leaders to share best practices for integrating EH&S into global business strategies and for building a robust sustainability strategy and organization.

Members of the Chief EH&S Officers' Council include the most senior officer or director within their companies with full-time oversight responsibility for environment, health, and safety. Within more than half of these companies, the executive members of the Council also have the lead responsibility for sustainability. The Council provides a forum for sharing ideas and best practices, reaching out to government and NGOs, and integrating EH&S and sustainability into global business strategies.

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