

GREY PAPER

insights

REMINDERS FOR BOARDS:
Catastrophic Incidents



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REMINDERS FOR BOARDS: CATASTROPHIC INCIDENTS

Guest Author:
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INTRODUCTION

We've all observed catastrophic incidents and their outcomes, and some of us have experienced these events in our organization. Chemical, Energy and other Industrial companies aggressively focus on incident prevention — through Risk Identification/Prioritization, Management Systems, Training at all levels, etc. — in an attempt to dramatically reduce the risk of a catastrophic event. In spite of these efforts, major incidents continue to occur.

As CEO of a major Energy company and now Chairman of the Board of two Fortune 500 companies, I have first hand experience in dealing with high profile incidents — both as a Corporate Officer and as a Board member.

This Grey Paper focuses on some obvious, and not so obvious, reminders for Board Members that, if not handled properly, can further damage an organization.

COMMON MISCONCEPTIONS

While each incident is unique, looking across catastrophic incidents over the past several decades reveals three widespread, but false, assumptions including:

- We can predict which incidents will actually happen
- In the heat of the “battle,” we will be able to maintain a clear head
- Our people will perform and lead in the same manner after an incident as prior to the incident

First, the general belief is that incidents can be reduced or eliminated through analysis, planning, repetitive training, proper maintenance and robust procedures. The assumption is that all incidents are “predictable.” Reality reveals that many incidents are a result of Blind Spots that, by definition, are not visible to the organization beforehand. This is one of the greatest challenges for Boards and Management Teams in terms of managing risk.

Secondly, we assume that people will remain calm and clear-headed in the face of an incident. Reality is that a “fog of war” develops and that planned responses are sometimes “thrown out the window” as incidents stress processes, systems organizations and people. In the face of a high-stress incident, clear-headed thinking can disappear as leaders at all levels react to the immediate needs at hand. Unfortunately, the more catastrophic the incident the higher the risk of response dysfunction.

Lastly, we assume that organizations will resume functioning “normally” after an incident. Historically, leaders often expect that once the incident has been contained, overcome and “put into the rearview mirror,” people will resume their duties and perform as before.

My experience has shown that people can be profoundly affected by catastrophic incidents and often don't fully return to their prior performance levels — if they do at all. Issues of post-traumatic stress disorder (PTSD) are well documented within people that have survived or managed through a catastrophic incident.

This reality directly impacts the people, organization and the business as they seek to move forward after an incident.

EARLY WARNING INDICATORS OF POOR INCIDENT RESPONSE

Everyone desires to have effective responses to a catastrophic incident, undertaking appropriate activities and completing them flawlessly — ensuring that people, plant, equipment, communities, reputations and the environment are respected and protected during and after an incident.

Experience reveals five “indicators” that, during and after a catastrophic incident, reveal potential problems are developing:

1. Needing to be right, right now. Seeking to correct poor or misinformation too quickly, often when facts haven't become completely clear.
2. Looking to immediately restore reputation through “quick wins” with regulators, communities, governmental representatives, the press and financial analysts.
3. Managing information poorly. The inability to separate bad from good information by not having the proper filters, communication channels or trusted sources.

4. Wanting to assign blame or trying to get to “root causes” too quickly, leading to communication and relationship misfires as well as a failure to address the fundamental causes of an incident.
5. Ignoring the required corporate “grieving” by wanting to restore operations and production without allowing people and organizations to go through the stages of grieving and/or not recognizing and dealing with the after-effects of PTSD.

PTSD develops in one in three people who experience a very stressful, frightening or distressing event, or after prolonged stress. Each of these factors can be found in leaders involved in a catastrophic incident. PTSD changes people’s brains — often affecting memory and emotions. Leaders need to pay attention to their people, and each other, after an incident and ensure proper care, diagnosis, treatment and recovery.

INCIDENT RESPONSE CHALLENGES

Corporate Officers and Boards face predictable challenges when a major incident occurs. Proactively dealing with these challenges leads to faster, more effective responses and directly contributes to a better post-incident future. For example:

- Fast and accurate notification. Ensure identified communication channels, single points of “truth” and trusted sources of information can be relied upon for the real story and facts as they are known at that moment. Provide mechanisms for notification that bring trusted information to senior leaders and board members quickly and accurately.
- Working with public misinformation. Understand that during an event people clamor for facts as they try to answer questions for which there are no answers at the time. Employees, the local community, officials and regulators rely on hearsay, bits of information and the press to make sense of an incident and gauge proper response. Senior leaders and board members must deal only in known facts — not reacting too quickly to misinformation or false perceptions.
- Triaging priorities. In an incident, everything appears to be “priority one.” Requests, needs, decisions and actions happen quickly and often without much consultation or regard to previously determined processes. Senior leaders and board members ideally have processes and leaders in place to properly triage priorities, decisions and response actions.

- Maintaining personal and organizational discipline. The press, communities, employees and others will seek out senior leadership and board members for perspective, priority, decisions and action. Senior leaders and board members must exercise restraint and allow processes and communication to occur as planned and tested.

Corporate Officers and board members must lead through an incident with strategy, processes and discipline that builds confidence within the various stakeholders. Allowing organizations and people to effectively do their jobs as they were trained to do — even in the event of a catastrophic incident — is critical.

THE ROLE OF THE BOARD

Board members must be thoughtful in how they guide their company and leaders through an incident.

Consider the following as you prepare for and respond to a catastrophic incident. Lead with:

- Intelligent participation. Ask strategic, not tactical questions. Participate as a resource to the senior leadership and organization. Avoid the urge to take charge.
- Appropriate coaching. Remind the CEO, COO and other leaders to stay strategic and to rely on their experts for information and proper response and management.
- The right cultural response. Express empathy for loss; focus and address soft issues; support the leadership; and encourage teams to respond correctly.
- Purposeful communication. Ensure that you use the board communication model that has been developed for crisis situations, while maintaining a strategic perspective and working with facts.
- Personal and organizational resilience. Prepare yourself and your people to understand how stock markets, investors and analysts will initially speculate and respond while keeping an eye on the long-term recovery and rebuilding of confidence. Prepare for the negative to occur in everything at the start without having a panic-based response.

As a board member, you are often the difference between proper and improper response by setting the right tone and providing moral support as needed.

LEANING INTO A NEW FUTURE

While catastrophic events do happen, they don't necessarily need to define your company's future. You and your organization have much to contribute in defining a new, post-incident future.

These steps go a long way into defining a new and better future for you, your people and your company. As a board member:

- Ensure a positive environment. Supporting realistic timelines for the leadership and company to respond and manage the event is invaluable.
- Maintain a strategic perspective. Keeping a focus on the long term — including governance, risk management, operational excellence and leadership.
- Model effective leadership. Ensuring transparency, accountability, proper business ethics while reinforcing the mission, vision and values of the organization.
- Communicate. Having the right process and method to determine and share the “Lessons Learned” at the appropriate time to key constituencies.
- Lead forward. Demonstrating a “never again” position when it comes to contributing factors, the type of catastrophic incident and the hard and soft incident costs (human, reputation, relationship, recovery efforts and balance sheet).

It's your responsibility to ensure that, after leadership handles the current crisis, they shift focus to creating the new future for the organization.

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About our Guest Author:

Greg Ebel served as Chairman, President and CEO of Spectra Energy Corp. from January 1, 2009 to February 27, 2017, at which time he became a Director of Enbridge and Chair of the Enbridge Board. Prior to that time, Mr. Ebel served as Spectra Energy's Group Executive and Chief Financial Officer. He served as President of Union Gas Limited from January 2005 until January 2007, and Vice President, Investor & Shareholder Relations of Duke Energy Corporation from November 2002 until January 2005. Mr. Ebel joined Duke Energy in March 2002 as Managing Director of Mergers and Acquisitions in connection with Duke Energy's acquisition of Westcoast Energy Inc. Greg is also Chairman of the Board of The Mosaic Company (MOS:NYSE) and has been a director of that company since 2012. Mr. Ebel holds a BA (Bachelor of Arts, Honours) from York University and is a graduate of the Advanced Management Program at Harvard Business School.

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