



INDUSTRY INSIGHTS DID YOU KNOW?

A Quarterly Newsletter for Energy and Chemical Industry Corporate Officers and Boards

Pilko & Associates brings quarterly industry insights to Energy and Chemical leaders who are responsible for managing and mitigating Operational/EHS Risks.

BOARD GOVERNANCE FOR OPERATIONAL/EHS RISKS

Several factors are increasing the pressure on Board Members of Energy and Chemical companies to provide effective Governance of Operational/EHS Risks:

- The Energy Industry has suffered a major uptick in catastrophic incidents globally during the past three years. This uptick has resulted in record financial losses, physical injuries and damaged reputations. Although this trend has been global and impacted all segments of the Energy Industry, the North American Downstream industry has been walloped with a series of high-profile explosions and fires.
- This trend is likely to continue due to a combination of aging equipment; loss of experienced operators/managers to retirement; constrained maintenance budgets; ineffective processes for managing Risks; etc.
- The Supreme Court of the State of Delaware, where many energy companies are registered, ruled last month that Boards have a responsibility for ensuring that their companies are effectively managing their material Risks ([See Skadden's Client Update on this ruling](#)). For the Energy and Chemical industries, Operational/EHS Risks can be devastating from a Financial, Reputational and Safety standpoint.

Our observation is that Board Governance for these Risks varies widely from company to company. Boards at some Energy companies provide effective oversight for these Risks and actively embrace evolving Best Practices for Governance. Other Boards lack the insights into the Operational/EHS Risks facing their company and do not provide the oversight required to avoid catastrophic incidents. The results are predictable.

The adage in Real Estate is that the three most important factors are "Location, Location, Location." The three most important factors for avoiding Catastrophic Incidents are "Leadership, Leadership, Leadership." And Leadership starts with the Board.

Boards regularly request that our team provide an objective Assessment of how effectively Risks are being managed — from the Board Room to the Control Room as well as the Organizational Capability of the organization to manage Risks on an ongoing basis. Once any Gaps are identified and prioritized, Action Plans can be developed to systematically close the Gaps and mitigate these Risks over time.

PILKO & ASSOCIATES INTELLECTUAL PROPERTY

8IGHT DRIVERS® SCORECARDS



View our most recent video –

Greg Cochran and Mark Turri discuss Organizational Capability.



PILKO's WELL-ESTABLISHED BRAND

- The Pilko Brand is well known and respected by Corporate Officers and Boards.
- Since 1980, we have organized:
 - « 52 Governance Forums in North America and Middle East for Corporate Officers and Boards
 - « 66 Transaction Roundtables globally for Deal Leaders and Deal Advisors
 - « 6 Breakfast Briefings for Outside Directors
 - « 70+ Grey Papers on timely topics for Corporate Officers and Boards

pilko

The World's Leader in Increasing Control of Operations/EHS Risk.

(c) 1980–2017, Pilko & Associates. All Rights Reserved.