EHS PLANNING FOR COVID-19 AND BEYOND

Internal audit’s role in crisis preparation and response

By Roy A. Litzenberg, CPEA
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Note: Douglas Hileman provided subject matter expertise during the development of this report.
INTRODUCTION

A risk worth heeding

At this point, it is hard to imagine that anyone in the developed world has not heard of the novel coronavirus (COVID-19), as newspapers and news broadcasts provide daily updates and analysis of its rapid spread.

While COVID-19’s ultimate effects still remain to be seen, it has quickly surpassed other coronavirus outbreaks (SARS 2002, MERS 2012) in the number of cases worldwide, topping 150,000 in mid-March.¹ The World Health Organization (WHO) continues to issue situation reports tracking the progress of this disease, while nations around the world implement travel bans and other strict measures to contain it.

COVID-19 is dramatically impacting world stock markets, supply chains, and business and personal travel. It even has the potential to limit availability of prescription medications. On March 11, 2020, the World Health organization officially declared the novel coronavirus a pandemic.²

The goal of this knowledge brief is to provide practical direction to prepare organizations to weather COVID-19, and hopefully any future potential pandemic. It draws from guidance issued by the U.S. Department of Health and Human Services, the Centers for Disease Control and Prevention (CDC), and concludes with thoughts on the importance of realizing that environmental, social and governance (ESG) risks — novel and well known — are material to businesses and should be part of prudent business and audit planning.

CRISIS PREPAREDNESS

The importance of planning

Preparation is key

As the threat of COVID-19 evolves by the day, people and organizations are evaluating what it means to them. At the extreme ends of the spectrum are those who see it as just another news story and those who proclaim it as the end of the global marketplace as we know it. Whatever the perspective, the worst time to plan for a crisis is in the middle of it.

The prudent approach is to have a plan and implement it now. Now that the COVID-19 outbreak has been officially labeled a pandemic, no organization can afford to ignore its potential short- and long-term impacts. Those that have well-reasoned and tested plans will be in the position to survive and recover.

Pre-define roles

Organizations cannot prevent a pandemic. However, they can plan for its impact. This starts with designating a person or group with defined roles and responsibilities for preparedness and response planning. Pre-defining these roles and responsibilities will minimize duplicated and wasted effort or “churn” and allow an organization to respond more nimbly, which allows the bulk of the workforce to focus on continuing the core business. It is vital to identify essential employees and critical inputs (raw materials, suppliers, subcontractor services/products, and logistics) that are required to maintain operations by location and function during a pandemic.

Organizations should plan for scenarios likely to result in an increase or decrease in demand for products and/or services during a pandemic. For example, manufacturers of testing kits, medical masks, hand sanitizers, or other products in demand during a pandemic should develop plans to rapidly scale up production.

Here are some essential steps in developing or modifying a crisis management plan for COVID-19:

- Determine the potential impact on organizational finances and work-related domestic and international travel.
- Find up-to-date, reliable pandemic information from community public health, emergency management, and other organizations. Create sustainable links to these resources so they are ready to access.
- Establish emergency communications protocols
  - Back up key contacts,
  - Create a chain of communication (including suppliers and customers),
- Develop processes for tracking and communicating the status of facilities and employees,
- Test these systems to assure they are ready when needed.

- Implement an exercise/drill program to test and, as necessary, revise the plan. This can be part of an overall emergency preparedness program, using the 2016 National Preparedness for Response Exercise Program (PREP) Guidelines as a guide.³

### Plan for impact on employees and customers

Planning for COVID-19 must contemplate the effects on employees and customers. The following are considerations for any organization:

- Forecast and allow for employee absences due to factors such as personal illness, family member illness, community containment measures and quarantines, school and/or business closures, and public transportation closures.
- Implement guidelines to modify the frequency and type of face-to-face contact among employees and between employees and customers.
- Encourage and track annual influenza vaccinations for employees and evaluate access to and availability of healthcare.
- Identify employees and key customers with special needs and incorporate their requirements into the preparedness plan.

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ESTABLISH POLICIES IN ADVANCE

Where to start

Policy areas to consider

The worst time to develop policies is during a crisis. Take the time to establish reasoned policies that are not created in the heat of crisis.

Policies should be considered for the following areas:

- **Employee compensation and sick leave.** Considerations for potentially prolonged absences unique to a pandemic (e.g., non-punitive, liberal leave) should include clear direction on when a previously ill person is no longer infectious and can return to work.

- **Face-to-face employee interaction.** Consider flexible worksite (e.g., telecommuting) and flexible work hours (e.g., staggered shifts).

- **Suspected or confirmed exposure.** Consider infection control protocols for employees who may have been exposed, are suspected to be ill, or become ill at the worksite (e.g., immediate mandatory sick leave, disinfecting work areas, establishing and monitoring potential exposure of co-workers).

- **Work-related travel and postings.** Consider travel restrictions to affected geographic areas (domestic and international). Consider how and when to evacuate employees in or near an affected area when an outbreak begins, and develop clear guidelines for those returning from affected areas.

- **Implementing emergency protocols.** Set up authorities, triggers and procedures for activating and terminating the company’s response plan, altering business operations (e.g., shutting down operations in affected areas), and transferring business knowledge to key employees.

Protect employees and customers

Act now to assure resources are available to handle differences in demand during a pandemic. Take steps to assure that you can provide sufficient and accessible infection control supplies (e.g., hand-hygiene products, tissues and receptacles for their disposal) at all business locations. Supplies needed during a pandemic will be stretched, so identify alternate suppliers.
Educate employees

Communication is always critical, and even more when facing a crisis. Anticipate employee fear and anxiety, rumors and misinformation, and plan your communication accordingly. Employees and customers need information to counteract panic and protect themselves, their families, and the company.

- Develop and disseminate programs and materials covering pandemic fundamentals (e.g., signs and symptoms of influenza, modes of transmission), personal and family protection, and response strategies (e.g., hand hygiene, coughing/sneezing etiquette, contingency plans).
- Ensure that communications are culturally and linguistically appropriate.
- Share pandemic preparedness and response plans.
- Provide information to support at-home care of ill employees and family members.

It is essential to develop platforms (e.g., hotlines, dedicated websites) for communicating pandemic status and actions to employees, vendors, suppliers, and customers inside and outside the worksite in a consistent and timely way, including redundancies in the emergency contact system. Consider having these resources ready in a “dark” state prior to needing them, so that they can simply be activated during a pandemic.

Coordinate with external organizations and help your community

Finally, it is important to realize that organizations do not operate in a vacuum. Make plans to leverage and support the community.

- Collaborate with major healthcare facilities and federal, state, and local public health agencies and/or emergency responders.
- Understand the capabilities and plans of federal, state, and local public health agencies and emergency responders.
- Share the organization’s crisis management plans.
- Share best practices with other organizations, chambers of commerce, and associates to improve community response efforts.

While a single organization cannot prevent a pandemic, many resources are available to plan for and manage its effects should they happen. The following resources provide additional information and assistance as organizations prepare:

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>PUBLICATION</th>
</tr>
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<tbody>
<tr>
<td>OSHA</td>
<td>How to Protect Yourself in the Workplace During a Pandemic</td>
</tr>
<tr>
<td>OSHA</td>
<td>Guidance on Preparing for an Influenza Pandemic</td>
</tr>
<tr>
<td>CDC</td>
<td>Pandemic Influenza</td>
</tr>
</tbody>
</table>
Adhering to the Standards

After organizations prepare to manage a crisis, there is time to take a step back and think about risk. How can an organization plan for the unknown and unknowable future, minimize the downside of risk, and even make the most of the opportunity?

When it comes to pandemic flus, global risk is nothing new. According to the CDC, the pandemic flu H1N1 (commonly known as the Spanish Flu) spread worldwide between 1918 and 1919. It is estimated that 500 million people or one-third of the world’s population at the time became infected with this virus. The number of deaths was estimated to be at least 50 million worldwide.

Is COVID-19 different? Recency bias, the tendency to weigh recent events more heavily than earlier events, may be feeding the intense reaction by global markets and panicked rush on medical and other supplies. Beyond such bias, however, is the emergence of COVID-19 at a time when the level of globalization is unprecedented in human history.

Globalized supply chains allow many consumers to reap the benefits of cheap goods sourced throughout the world. Global supply chains allow companies to benefit from lower costs, greater variety, higher volume, and international customers, among other things. However, global supply chains expose companies to risks, as well.

Recency bias and the impact of COVID-19 should challenge our understanding and consideration of risks, and specifically Environmental, Social and Governance (ESG) risk when it comes to business and global supply chain risk planning and management.

From an internal audit perspective, The IIA’s International Standards for the Professional Practice of Internal Auditing (Standards), on Due Professional Care (1220.A3) states, “Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources.”
Additionally, Standard 2010 requires chief audit executives to establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization’s goals. The related interpretation states:

To develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organization’s strategies, key business objectives, associated risks, and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organization’s business, risks, operations, programs, systems, and controls.

In the global economy, executive management, boards, and CAEs who ignore the downside of ESG risks do so at their peril and miss the value of maintaining a resilient supply chain by considering these risks.

An additional ESG risk not far from the headlines is the effect of climate change and rising sea levels. A recent publicly available report from Verisk Maplecroft indicates possible significant risk to Chinese manufacturing hubs.¹

Both the pandemic flu risk and the rising sea level risk suggest an inherent weakness in the business decision to concentrate supply chains in areas of potentially "extreme" or "significant" risk, without redundancy in other areas of the world with lower risk.

Understanding of ESG risks related to pandemics and climate change are evolving but are by no means new. However, are organizations adequately considering these risks in designing business models and global supply chains?

In the reality of the global economy, ESG risks can no longer be relegated to “non-material” considerations. C-suites, boards and internal audit must work together to understand, consider and leverage ESG risks to weather the storms that are inevitably, and predictably, coming.

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