

ATTACHMENT C

SEMPRA SAFETY CULTURE OVERSIGHT AND INITIATIVES



Semptra Safety Culture Oversight and Initiatives

7-29-2022

Our vision

Delivering energy with purpose

Our mission

To be North America's premier energy infrastructure company

Our values

Do the right thing Champion people Shape the future

Sempra's vision, mission, and values are the driving force behind continuous improvement at Sempra and its companies.

As explained in Sempra's Sustainability Report, "High standards of integrity, ethics and values drive everything we do at Sempra. Our governance processes sit within a robust ecosystem that is strengthened by our stakeholder commitment, shared accountability in achieving our strategic priorities and culture of continuous improvement."¹

In line with these values, Sempra welcomes the observations in 2EC's report.

There are two layers to Sempra's initiatives in response to the 2EC Report: (1) oversight, governance, and coordination with respect to SoCalGas's safety-culture-improvement plan, and (2) Sempra-led initiatives to enhance its safety culture.

Part I

SoCalGas is embarking on five workstreams as part of its plan. Sempra will formally oversee and support SoCalGas in implementing its Plan through: (1) Sempra's executives that serve on the SoCalGas Board of Directors, and (2) through Sempra's Safety, Sustainability, and Technology Committee of the Sempra Board of Directors.

SoCalGas Board of Directors

Currently, Sempra's Group President, California Utilities, Chief Administrative Officer and Chief Human Resources Officer, and Senior Vice President, Corporate Affairs serve on SoCalGas's Board of Directors. These officers serve an oversight and governance role on behalf of Sempra. Through these officers, Sempra will oversee the development and progress of SoCalGas's safety-culture initiatives.

Sempra's Safety, Sustainability, and Technology Committee

The purpose of this committee is, in part, to oversee "the corporation's risk management and oversight programs and performance related to environmental, health, safety, security, technology, climate change, sustainability and other related ESG [environmental, social, and governance] matters affecting the corporation."²

For oversight purposes, SoCalGas will provide written updates to this committee regarding the implementation of its safety-culture initiatives. The committee meets four times a year.

Additionally, Sempra and SoCalGas plan to meet informally to discuss safety-culture matters, both at the Compliance and Enterprise Risk Committee and working-group levels. These groups

¹ [Sempra-Sustainability-Report-Full.pdf](#)

² [Microsoft Word - 2021 Nov 17 SE Safety Sustainability and Technology Cte CHARTER.docx \(sempra.com\)](#).

will work to coordinate between Sempra and SoCalGas, promoting alignment, and sharing new information and best practices as appropriate.

Part II

Sempra is embracing the 2EC Report as an opportunity to learn and improve. The 2EC Report offers a roadmap as inspiration for improvement. Not to be taken as a checklist, this roadmap reads as follows:

Guidance

1. Develop a shared understanding of a robust concept of safety and risk through dialogues with Board Directors and Executives that is facilitated by external and independent experts familiar with a comprehensive perspective on safety and safety culture.
2. Develop and communicate the updated, broader vision of safety. This new vision should explain how the revised approach differs from previous approach and implemented in the governance process.
3. Provide training on a more comprehensive concept of safety and safety culture to the organization through facilitated sessions.³

This guidance was informed by cultural facts identified by 2EC in its report. The cultural facts specific to Sempra cited in the report are as follows:

Positive Observations Cited in the 2EC Report

- The Enterprise Risk Policy and Plan details Sempra's analysis of potential threats to the company.⁴
- The Enterprise Risk Policy and Plan details Sempra's analysis of potential threats to the company.⁵
- The Sempra governance model of SoCalGas is perceived to ensure that safety is constantly scrutinized through a variety of monitoring techniques.⁶

³ 2EC Report at 48.

⁴ Id. at Section 4.1.1.1, page 26.

⁵ Id. at Section 4.1.1.1, page 26.

⁶ Id.

- Sempra influence is to ensure that SoCalGas operates in the framework of Sempra values (D1).⁷
- Interviewees indicated that Sempra Board Meetings follow quality and effectiveness of day-to-day activities, but do not manage the operating companies. Executives described this as the right model for assessing enterprise risks (D2, 3).⁸
- Executives described that governance was conducted through the briefing of safety programs and by bringing innovation in technical and safety areas to different operating companies (D1, 2).⁹
- Updates provided for SoCalGas and SDG&E through the Chairman; only two Sempra companies under CPUC regulation (D1, 3).¹⁰
- The Sempra Audit Team reports to the Sempra Board of Directors (D1, 3).¹¹
- Some Sempra Executives and Board Members have visited some SoCalGas locations (D3, 8).¹²
- The Safety, Sustainability and Technology (SST) Committee of the Sempra Board reviews SMS, wildfires, construction safety with LNG, safety with gas infrastructure, fatalities (D1, 3).¹³
- Executives and Senior Managers indicated that they obtain outside perspectives of safety through selection of an independent safety committee for the Sempra Board and an independent safety council for the SoCalGas Board. (D2).¹⁴
- Sempra governance keeps safety as part of performance measure and compensation (D7).¹⁵
- Interviewees indicated that the SoCalGas Senior Management Team has a strong respect for the Sempra Audit Team in their quality assurance role. (D1, 3).¹⁶

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

- Observations indicated that Sempra intends to further support relations to regulators and legislators focusing on consistency with goals in lobbying and with trade associations.¹⁷
- The overall response rate to the Safety Culture Perception Survey was quite high, 85% among SoCalGas employees and 79% among Sempra employees.¹⁸
- Among Sempra respondents to the survey, 40% were Directors, Officers, Managers and Supervisors.¹⁹
- All average scores to the survey questions among Sempra respondents were higher than those of SoCalGas survey respondents.²⁰
- Safety Culture Perception Survey respondents had positive perceptions about decision-making in both the SoCalGas and Sempra organizations.²¹
- Safety Culture Perception Survey respondents from both SoCalGas and Sempra were positive in their responses to understanding that they are responsible to raise concerns.²²
- Interviewees indicated that Sempra and SoCalGas value diversity and inclusion in their organizations.²³
- Most survey respondents for both SoCalGas and Sempra indicated that there was a low level of risk-taking behaviors in their organizations.²⁴
- Sempra Energy has a Safety Summit for the CEOs and COOs of its operating companies. (D1, 8)²⁵
- Executive interviewees from Sempra and SoCalGas described direct communication, healthy debate, in their Board rooms to create a culture that can trickle down into their organizations. (D)²⁶
- Observations indicated that SoCalGas and Sempra Executives are always in the communication loop around events, e.g., involved in situational awareness call;

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.* at Section 4.1.3.1, page 29.

²² *Id.* at Section 4.2.2.1, page 32.

²³ *Id.* at Section 4.2.3.1, page 33.

²⁴ *Id.* at Section 4.3.1.1, page 34.

²⁵ *Id.* at Section 4.3.2.1, page 37.

²⁶ *Id.*

can communicate with each other through calls during an emergency response. (D1, 8)²⁷

- SoCalGas and Sempra respondents to the Safety Culture Perception Survey had a positive perception of safety communication in their organizations.²⁸
- Sempra and SoCalGas respondents to the Safety Culture Perception Survey had positive perceptions of continuous learning.²⁹
- Documentation indicates that Sempra conducts audits across the SoCalGas organization.³⁰

Areas for Improvement Cited in the 2EC Report

- The consistent focus by interviewees in SoCalGas and Sempra on the very positive perceptions and actions around personnel safety while attributing the job of risk assessment to someone else's job contribute to the lack of a questioning attitude.³¹
- Both SoCalGas and Sempra Safety Culture Perception Survey respondents had lower positive responses to the statement about the extent to which questioning management decisions is encouraged compared to other questions on the survey.³²
- For Sempra respondents on the Safety Culture Perception Survey, scores were less positive in response to the statement that criticism is encouraged and, in the ability, to challenge decisions.³³

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Id. at Section 4.4.1.1, page 39.*

³⁰ *Id. at Section 4.4.2.1, page 40.*

³¹ *Id. at Section 4.2.1.2, page 31.*

³² *Id. at pages 31-32. This refers to the survey question "I feel free to question decisions." 78.7% of Sempra respondents agreed or strongly agreed with this statement. Another 12.7% neither agreed nor disagreed with it. 2EC report at 81.*

³³ *Id. at Section 4.2.2.2, page 32. This refers to the survey question, "Helpful criticism is encouraged." 82% of Sempra respondents agreed or strongly agreed with this statement. Another 10.6% neither agreed nor disagreed with it. 2EC Report at 79.*

Building on Strengths

At the CPUC Workshop on SoCalGas/Sempra Safety Culture Investigation I.19-06-014 (June 13, 2022), Dr. Mark Fleming discussed the potential to build on company strengths, specifically identifying SoCalGas's commitment to diversity and Sempra's high-performance culture.³⁴ Sempra appreciates this advice and intends to lean into the positive cultural facts identified by 2EC, along with Sempra's models for promoting high performance and Diversity and Inclusion. Sempra agrees that these models can be very helpful to advance safety-culture improvements.

With respect to the less favorable cultural facts identified in the report, Sempra intends to delve into them to better understand employee perceptions. In particular, Sempra plans to add additional questions to its surveys to help gain a better understanding about the circumstances under which employees may be less inclined to raise questions, particularly with respect to safety-related matters. Additionally, Sempra would like to know whether employees believe that risk management is "someone else's job" and to what extent employees interpreted risk management questions to refer to "Risk Management" as a defined term (and specific group of employees at Sempra). In short, there is more to understand about these employee perceptions. That information can help further inform Sempra's improvement initiatives.

Consultant Support

Sempra is embarking on a journey to address the guidance set forth in the 2EC Report. As recommended by 2EC, Sempra is engaging an outside consultant to engage in discussions at the highest levels of the company. Consistent with Sempra's oversight and governance role, the goal is to promote, a broad understanding of, and commitment to, safety and risk management throughout Sempra and its companies.

For this initiative, Sempra will be working with a consulting firm that has extensive experience helping companies to improve in the area of safety-culture performance. The scope of work has three phases. For the first phase, employing its understanding of the 2EC Report, the consultant will meet with key officers and directors, as appropriate, to gain a deep understanding of Sempra's existing structure and governance model. The consultant also plans to evaluate change readiness. Based on this work, the consultant will develop a change strategy.

In the second phase, the consultant plans to work with Sempra leaders to develop specific, customized strategies to address 2EC's recommendations. The consultant plans to, among other activities:

³⁴ Recording from approximately 2:53. [CPUC Workshop on SoCalGas/Sempra Safety Culture Investigation I.19-06-014 \(June 13, 2022\) - YouTube](#).

- Develop and communicate a shared mental model/vision for safety with senior executive buy-in;
- Develop leadership/embedding tools to support the change journey;
- Work with Corporate Communications to develop a series of communication campaigns to introduce and communicate the changes;
- Review and update charters for key governance forums, as needed; and
- Advise on procedures to provide oversight and synchronizing activities with SoCalGas safety culture development plan.

The third phase will include executive safety leadership coaching with senior executives. The consultant plans to develop custom leadership training to influence a “questioning attitude” towards its safety culture. The consultant will work with Sempra’s Learning & Development teams to integrate this training program with existing programs and corporate principles.

Other Matters

Consulting Costs

The consulting charges will be retained at Sempra.

Metrics

The areas identified by 2EC for Sempra are primarily targeted to the focus on personal safety, and to questioning attitudes. Sempra has survey results from 2EC as a baseline. Sempra will continue to monitor improvement through future survey results. Changes in employee perceptions take time.

Reporting

Because Sempra is not a public utility, Sempra proposes to continue to support SoCalGas and the CPUC by providing information to the CPUC via SoCalGas’s reports in this proceeding.