



Insights

EHS Software | March 2024

THL Insights: EHS Solutions Market Outlook Strong for 2024 and Beyond

Discovering the Indispensable Role of Environmental Health and Safety Solutions (EHS) in Advancing Compliance and ESG Goals — THL's Lens into Future Potential



Key Takeaways:



As a vital backbone for global companies, Environmental, Health and Safety (EHS) solutions enable assertive risk management, steadfast regulatory compliance, and ambitious sustainability targets—prerequisites for enduring business success



Fueled by the interplay of evolving regulatory pressures, accelerated digital integration within EHS practices, and a heightened emphasis on sustainability, the market forecasts a robust growth trajectory—set to expand from \$1.8 billion in 2023 to an estimated \$3.1 billion by 2028, with an 11.5% CAGR. ¹



At THL, we view this maturing market as a beacon of opportunity, transitioning from a segmented landscape into a cohesive environment rife with possibilities, particularly for players with modern and scalable solutions adept at navigating the complexities of EHS and ESG mandates

The Evolution of EHS

Historically, organizations in sectors characterized by significant risk exposure, such as industrial and manufacturing, were reliant on siloed, manual and reactive EHS management protocols. The embrace of EHS software has revolutionized these practices, elevating the EHS function to one of strategic influence and heightened corporate visibility.

The EHS domain has witnessed a renaissance in recent years, bolstered by the unprecedented challenges of Covid-19, which further underscored the need for advanced EHS leadership and processes. The function has thus seen its mandate and influence expand considerably, including increased budget allocations and growing authority over a wider array of critical risk elements.

Consequently, EHS vendors positioned to navigate the complexities of next-gen EHS processes -

01 An intricate regulatory landscape

02 And expansive ESG demands.

03 Enjoy a wealth of opportunities.

In today's digitized world, a myriad of industries leverage software solutions to operationalize their EHS efforts and cultivate a preventative approach to managing a greater set of EHS and ESG priorities. We see this moment as a pivotal juncture, ripe with potential for strategic investments.

Valued at \$1.8 billion in 2023, the EHS software market is expected to grow to \$3.1 billion in 2028 with a CAGR of 11.5%.¹ We believe the space is at an inflection point and holds substantial opportunities for investment.

"Through our in-depth expertise in Risk & Compliance, Industrial Automation, and Supply Chain management—THL recognizes the intrinsic value that EHS software brings to the table," said Jim Carlisle, Head of THL's Technology vertical and the THL Automation Fund.



What is EHS Software?

Encompassing a broad remit, EHS software assists enterprises in minimizing risk exposure, ensures regulatory adherence, and strengthens data integrity and actionable insights. Originating primarily from compliance imperatives, it has empowered organizations to remain vigilant about fluctuating directives from regulatory bodies like OSHA and EPA, and other regulatory bodies in the U.S. and worldwide.

From its initial inception as a fragmented domain offering point solutions for operational managers at the site level, the EHS market has undergone consolidation and benefited in recent years from private equity investment. Today, it is characterized by comprehensive, integrated suites that adopt a data-oriented approach to preempting and minimizing risk. EHS solutions span vital areas such as environmental compliance, sustainability, workplace health & safety, and product stewardship. Notable segments include:

Environmental compliance and sustainability:

EHS systems that incorporate sustainability reporting, thus helping organizations enhance resource management, cut energy usage, and curtail waste—essential measures as organizations continue to sharpen their sustainability focus.

Product stewardship and compliance:

Technology suites that help organizations navigate the complex legal rubrics governing product materials and makeup, preempt recalls, avoid penalties, and minimize or eliminate brand detriment.

Health and safety:

Products that safeguard workplace wellbeing across a diverse array of industry verticals.

We believe EHS software is mission-critical technology for a broad set of industries and, as the market matures, we expect to see more growth, partnerships, and consolidation.





Long-Term Secular Trends Contributing to EHS Software Market Potential

EHS software will see continued strong growth supported by long-term secular trends:



Evolving government mandates

The regulatory landscape is complex and ever-changing across industries. This challenge requires sophisticated tools that monitor for updates on environmental, health, and safety regulations, interpret and alert companies to any such changes, and ensure that organizations stay current on reporting requirements.



Technological innovation and digital transformation

Organizations increasingly recognize the benefits of real-time data, analytics and automation in business — especially as it relates to identifying and mitigating risk. This new focus has necessitated the shift to more flexible and scalable cloud-based solutions. As organizations shift from proactive to reactive, there is increased demand for IoT, AI and machine learning — allowing organizations to harness vast volumes of data to enhance incident prediction and prevention, optimize resource allocation, and bolster safety, sustainability, and regulatory compliance.



ESG and sustainability

The lines are continuing to blur between EHS and ESG. As companies recognize that ESG concerns are integral to long-term business resilience, we believe they will seek EHS software to manage their sustainability practices. By leveraging these digital tools, organizations can efficiently track and report on ESG metrics, assess sustainability risks, and align their operations to global sustainability goals. (We expand further on the ESG-EHS connection in the following section.)

In addition to these tailwinds, the sticky nature of EHS software contributes to its growth potential. These solutions are vital for any organization that wants to mitigate risk, avoid fines, and gain efficiencies. Plus, it's not a winner-takes-all market.

“Corporations come in different shapes and sizes. Each enterprise's supply chain and production designs are uniquely structured, resulting in diverse needs,” said Drew Hovancik, Principal at THL. “With a broad spectrum of stakeholder needs and a vast array of solution vendors, it’s a market we think can support multiple long-term winners.”

“Brian Radic, Managing Director at THL, adds, “There’s a shift, a refocusing toward not just personnel safety but also product stewardship, emphasizing the link between products, their supply chains, and compliance data. Firms are eager to identify their supply chain vulnerabilities, and we’re witnessing the emergence of solutions that are extending EHS software functionality to third-party and supply chain management.”

The Connection Between EHS and ESG

Because of their shared focus on sustainability, risk management, and responsible business practices, EHS and ESG increasingly overlap in business. Common ESG concerns like carbon emissions, employee wellbeing, and corporate ethics are driving the adoption of EHS software down market and across a range of industries — not just those that were early adopters.

Expectations continue increasing for companies to disclose their ESG performance, especially in response to recent developments over the past year: the US Securities and Exchange Commission’s passed rule (The Enhancement and Standardization of Climate-Related Disclosures for Investors), California’s Senate Bills (Climate Related Financial Risk Act and Climate Corporate Data Accountability Act), tightened ESG disclosure rules from the EU’s Corporate Sustainability Reporting Directive, and the International Organization of Securities Commissions (IOSCO)’s recent endorsement of reporting disclosures under the International Sustainability Standards Board (ISSB) and related Task Force on Climate-related Financial Disclosures...²

Growing ESG mandates are driving organizations to prioritize EHS initiatives and invest in EHS software to monitor, manage, and report on their environmental and social performance. In response, EHS providers are starting to offer ESG-specific solutions.

Your Strategic Partner in EHS Evolution



“We believe the EHS software market holds tremendous promise as organizations continue to prioritize risk mitigation and sustainability more broadly,” said Radic.

“With 50 years of experience in related sectors, we’re excited to help great companies meet a growing and urgent demand.”

If you’d like to discuss EHS software further or learn more about THL’s activity in adjacent industries like Industrial Automation, Risk and Compliance, and Supply Chain Technology, contact our team today:

Jim Carlisle,
Managing Director, Head of Technology and Head of THL’s Automation Fund
jcarlisle@thl.com

Brian Radic
Managing Director
bradic@thl.com

Drew Hovancik
Principal
dhovancik@thl.com

¹ Market Size And Forecast: EHS Software 2022-2028 (Global). Christopher Sayers, Rain Chiang, and Bill Pennington. Verdantix. October 3, 2023.

² Market Insight: 10 Predictions for EHS Technology in 2023 and Beyond. Rain Chiang and Bill Pennington. Verdantix. February 2023.