Session No. 770

Corporate Sustainability: Leading from the EHS Perspective

Deborah R. Roy, MPH, RN, COHN-S, CET, CSP
SafeTech Consultants, Inc.
Portland, Maine

Introduction

What is the business management strategy in which organizations set high standards of environmental and social performance? In the early 1990s this was called social responsibility, meaning the establishment of business practices that positively impact people and the environment. More than a decade later, this is referred to as the triple bottom line: where the integration of social, environmental and economic considerations creates the healthy bottom line of a sustainable business. Today the triple bottom line has been embraced by world-class companies. Business success at these companies is evaluated based on economic, environmental and social performance indicators. Corporate sustainability is the new phrase used to describe the approach. Look at the website of any multi-national corporation and there will likely be a prominent page presenting the company's record of corporate sustainability.

The European Union (EU) has adopted the concept of sustainability and created directives that mandate corporate responsibility for products produced. Australia also has a focus on sustainable business practices. Environmental health and safety (EHS) professionals need to understand the principles of sustainability because our corporate leaders expect that knowledge of current business concepts. In some organizations, the leadership of sustainability efforts has been placed with EHS management. This is often because efforts to eliminate hazardous constituents in products, reducing waste, recycling of manufactured products and doing the right thing in regards to people, also will reduce exposures and injuries to employees and the community. Sustainability is a good fit for EHS professionals and may be a means of advancement in the organization. This paper will explore the concept and principles of sustainability, what it means to organizations and how it applies to EHS professionals.

Concept of Sustainability

Early on the idea of a businesses being socially responsible meant that the business had a role in society. The business needed to consider and address the needs of society. Often these were thought of as patriarchal businesses that "did the right thing" for the community. Other business leaders might have perceived the approach as community relations or donations for tax purposes. Many in the author's experience felt that only "touchy feely" or "earthy crunchy" companies would do such a thing. Businesses traditionally defined success as sustained growth and positive financial results for the shareholders. Although socially responsible companies have made money, the perception was often that this was an accident rather than by design. On the contrary, Collins and Porras in their study presented in the book "Built to Last" found that socially responsible companies in the same industries made more money than their competitors. (Collins and Porras 8) In fact, the concept of the sustainability actually includes a requirement of corporate growth and profitability. In order to pursue societal goals such as environmental protection, social justice and equity and ultimately economic development, companies have to be more than financially viable, they have to have excess profit.

Mel Wilson, a Senior Manager in the sustainable business practice at PricewaterhouseCoopers in Calgary, Alberta discusses in his article on Corporate Sustainability that the concept of corporate sustainability actually "borrows elements from four more established concepts: 1) sustainable development, 2) corporate social responsibility 3) stakeholder theory, and 4) corporate accountability theory". (Wilson 1)

Sustainable Development

The term sustainable development "combines economics, social justice, environmental science and management, business management, politics and law". (Wilson 1) The idea is that corporations have a role in sustainable development; it is not just the role of government regulators and policy makers. Many business leaders show support of this idea by their involvement in organizations like the World Business Council for Sustainable Development.

Corporate Social Responsibility

The idea of corporate social responsibility is that businesses have a role in society. Decisions should be made based on the needs of that society and not just the shareholders or interests of the individual senior managers. This concept of ethical responsibility in business has been around for centuries but the modern concept began in the 1950s. By the 1980s this ethical responsibility started to translate into practice. (Wilson 3) This was later evidenced by the growth of the Businesses for Social Responsibility organizations. In the author's experience, these organizations provide educational opportunities and structure to those owners and managers whose organizational culture or personal ethics are focused on society.

Stakeholder Theory

This theory is that "the stronger your relationships are with other external parties, the easier it will be to meet your corporate business objectives; the worse your relationships, the harder it will be". (Wilson 4) The goal here is to improve the competitive edge by developing relationships. Who those relationships include, is something with which companies may struggle. Typically stakeholders include shareholders, investors, employees, customers and suppliers. But this group could include others that are affected by that company and share some risk. EHS professionals are often involved in stakeholder related activities. This could include the safety of employees, protection of the environment, and relationships with regulators or community groups. Stakeholders may have their own agendas but for the most part the goals in common would include economic stability, environmental protection, and social justice.

Corporate Accountability Theory

The last concept behind corporate sustainability is corporate accountability. "Accountability is the legal or ethical responsibility to provide an account or reckoning of the actions for which one is held responsible. Accountability differs from responsibility in that the latter refers to one's duty to act in a certain way, whereas accountability refers to one's duty to explain, justify or report on his or her actions." (Wilson 4) Accountability is more than the financial agreement between the corporate management and the shareholders. It includes contractual arrangements but also less concrete arrangements. For example, some argue that corporations are given a license to operate by society and they should uphold that "contract". This is evident in European Union countries where a facility may not be given a permit for expansion if the organizations behavior is not considered "good" by the community. It can also be witnessed in the United States (US) when environmental permits take extended periods of time for companies that have a poor track record with compliance. Or, when cancer clusters in the community are immediately attributed to a local company with poor community perception, even if the science shows no possible correlation.

Corporate sustainability is a relatively new and evolving management theory. Although it recognizes the need for a corporation to make money, it puts a greater focus on the triple bottom line of environmental, social and economic performance. A review of most major corporation websites will uncover a listing of their achievements in corporate sustainability or their specific performance measures. Although the phrase "triple bottom line" reporting is attributed to John Elkington of the UK consultancy, SustainAbility in 1997, this terminology that describes environmental, social and economic performance has quickly become ubiquitous. (Elkington 2)

Each company has a different view of the elements and what they report as achievements. Some are members of organizations that require public reporting of specific measures. The sustainability report can include "evaluating a company's performance according to a summary of costs and benefits to the corporation's finances, the communities where it operates and impacts on natural resources". (The Sustainability Report 1) Some organizations just provide information that appears to include elements of corporate sustainability. For example, companies that sell goods to consumers often focus on their vendor audit programs, particularly if the products are produced in a third world country or one with a poor track record on human rights. Other companies focus on their contributions to environmental protection or eco improvement. Finally, companies may focus on the benefits to their employees such as utilizing a safety management system that has third party certification such as the Occupational Safety and Health Administration's Voluntary Protection Program (OSHA VPP) or the British Standards Institute's Occupational Health and Safety Assessment Series (OHSAS) 18,001.

Application To EHS

The EHS professional is in a unique position when it comes to corporate sustainability. Many elements of this concept have a connection to our area of expertise. This may allow for a growth opportunity that is either a career shift into a corporate sustainability management role or additional responsibility within the EHS role for specific sustainability project leadership. Either could allow for career advancement. At a minimum, it provides an intellectual challenge and opportunity to learn.

The environmental aspects of sustainability are probably the easiest place for most EHS professionals to start, even those of us with a more safety related background can usually relate to ecological risks and benefits. For example, the US Environmental Protection Agency (USEPA) has been promoting the benefits of Environmental Management Systems (EMS) for some time. Even though EMS is not a regulatory requirement per se in the US, many companies are already

International Standards Organization (ISO) 14,001 certified. This is a pro active method of reducing or preventing eco risks. The European Union has taken this a step further. In December of 2006, the EU passed the REACH directive (regulation). It will go into effect on June 1, 2007. REACH stands for: Registration, Evaluation and Authorisation of Chemicals. The stated aim is to "improve the protection of human health and the environment through the better and earlier identification of the properties of chemical substances" (REACH 1). The concept is to give greater responsibility to industry to manage risks from chemicals and provide safety information. It is initially a registry of information but industry expectation is that this will lead to the banning of certain hazardous chemicals in the future.

Two other recent EU directives do restrict or ban the use of hazardous materials in electronics. One, RoHS stands for Restriction of Hazardous Substances and applies to electrical and electronic equipment in the EU market after July 1, 2006. It restricts the level of six substances in such equipment. Those substances are: lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyl (PBB) and polybrominated diphenyl ether (PBDE) flame retardants. WEEE is the other EU directive. It stands for Waste from Electrical and Electronic Equipment and mandates the treatment, recovery and recycling of electric and electronic equipment after August 13, 2006. (RoHS and WEEE 1)

So what do these recent EU directives have to do with corporate sustainability? Companies that manufacture products in the EU or sell to the EU must comply with these new directives. Even those companies with a core value of corporate sustainability will likely need technical expertise to comply with these directives. Some US based companies are just starting to understand that regulations in other parts of the world will have a huge impact on future profitability. This presents an opportunity for EHS professionals to consult with senior operations management to comply with the new regulations and expand existing management systems to include future concepts.

To illustrate how this can process could occur a client case will be used. ABC multi-national corporation has a variety of product divisions and hundreds of sites world-wide. One of the major divisions makes large diagnostic equipment. The corporation's website shows a focus on sustainability and their sustainability policy includes economic, ecological and social responsibility objectives. They have commitments to Responsible Care, Global Compact and the World Business Council for Sustainable Development. The list of achievements includes: management systems integrating health, safety environmental protection and quality; supplier management (ethical principles in human rights, labor conditions, environmental protection, and anti-corruption), and stakeholder dialogue. They also are stakeholders in the Global Reporting Initiative.

The Corporate EHS Director at ABC Corporation (based in the US) was aware of the upcoming EU directives and kept senior management informed of future impact. About six months prior to the directives implementation date the Director of R & D approached the EHS Director about the need for more information on the impact of the directives on equipment development. The EHS Director worked with outside experts to develop an educational session for both R & D and Marketing personnel. This was the beginning of a major redesign effort that allowed the EHS Director to lead a senior project team and significantly increased the individual's visibility within the organization and moved the company toward modularizing the electronic equipment for world-wide sales. It also illustrated the need for the company to tell its customers about previous work that eliminated hazardous continuants in the equipment and set it apart from its competitors.

The concept of corporate sustainability will continue to evolve over time. Not all leaders believe in the principles and it is not likely that all will in the future. The trend is for companies to make a public commitment to economic development, environmental protection and social responsibility. EHS professionals need to be familiar with this concept of business management and hopefully participate in or lead the necessary changes for sustainability. Companies that do not embrace these ideas voluntarily may find that stakeholders will force the issue.

Bibliography

Collins, J and Porras, J. *Built to last: Successful habits of visionary companies.* New York: HarperCollins Publisher, Inc., 1997.

Elkington, J. *Cannibals with forks: The triple bottom line of 21st century business.* London: New Society Publishers, 1998.

REACH. Retrieved March 18, 2007, from http://ec.europa.eu/environment/chemicals/reach/reach_intro.htm.

"RoHS & WEEE – Information Guide to RoHS Compliance." Retrieved March 18, 2007, from http://www.rohsguide.com.

"The Sustainability Report." Retrieved March 18, 2007, from http://www.sustreport.org/business/report/issues.html.

Wilson, M. "Corporate sustainability: What is it and where does it come from?" *Ivey Business Journal.* March/April 2003: 1–5. Retrieved March 14, 2007, from http://www.iveybusinessjournal.com/view_article.asp?intArticle_ID=405.