

## **Corporate Social Responsibility: How Can You Add Value as an SH&E Professional?**

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### **Introduction**

As SH&E Professionals, the world of Corporate Social Responsibility (CSR) affords us opportunities to show our value. The questions are: where are these value opportunities, and what are our roles, responsibilities, contributions and communication methods to showcase our value? Last year, in the paper that was presented at the ASSE PDC, "*Corporate Social Responsibility: The Emerging Role of the SH&E Professional*", we explored sustainability, creating an understanding of the different terms used for sustainability, such as corporate responsibility, good corporate citizenship, and corporate social responsibility (CSR). We outlined a sustainability roadmap, presented a strategic framework, and addressed what roles you might play in your organization's CSR initiatives. This year, our paper, we explore just some of the ways the value of SH&E can be tied to CSR. We will present and discuss practical CSR tools that can help you lead or be on a team responsible for SH&E, consulting on SH&E to your internal and external clients, and what collateral duties you may encounter for SH&E.

### **Elements of CSR**

The world of CSR continues to evolve from one that brought promises of a cleaner world through public relations, marketing and branding, into one that is presently driving change and using measurement to validate efforts through the supply chain. The supply chain presents ample

opportunity to ensure that promises made through CSR are delivered. Our organization's reputations in an ever-changing and discerning marketplace are at stake, and perhaps this presents the best opportunity for SH&E to add value. Below are some of the ways SH&E can add value.

CSR Strategy. This is the starting point of the organization's CSR initiatives. The strategy needs to define the goal as clearly as possible. This is done through internal and external aspects. An aspect in CSR terms can best be defined as direction, from which all CSR initiatives will be measured. Internal aspects need the solid support and engagement of key personnel to define and drive the strategy. External aspects act to position the responsible business practices of the organization.

CSR Management System. Once the strategy is in place, a management system of CSR will outline what needs to be done to make the strategy happen and produce results. A sound management plan with customized tools delivers the elements of CSR, and addresses internal aspect initiatives. For external aspects, the management system serves as a vehicle to have activities of your CSR activities recognized

CSR Reporting. Once the management system is in place, reporting becomes the key element from which performance is based. Reporting to address internal aspects must address results and efforts relevant to personnel and the CSR mission of the organization. Reporting external aspects puts the face of your organization's CSR initiatives into the public eye. It is this aspect that most of us are familiar with CSR, so the more professional the reporting, the better.

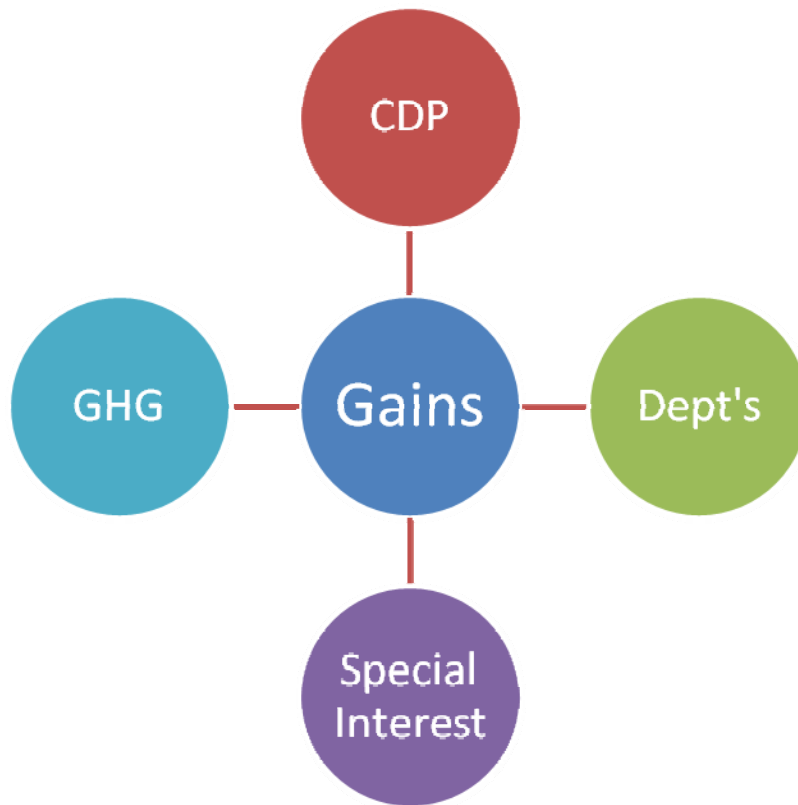
Stakeholder Engagement & Communication. This is the area in which engaging your stakeholder on a continuous basis builds long-term value for CSR. It can also build value SH&E if profiled. The key for communicating internal aspects within your organization is to be as transparent as possible with what people are doing regarding CSR efforts. External aspects; however, are different matter. Here, you must consider interest groups such as NGOs, local community and others identified as important to your organization. The communication methodology is important, and social media appears to be playing a more important role.

SH&E clearly has an opportunity to contribute for each element of CSR.

## **CSR Mechanisms & SH&E**

As noted above, the reporting mechanism is the key element from which performance is based. CSR has structured reporting mechanisms that have evolved and matured over the past 10 – 15 years. Each of these mechanisms have a SH&E interface to them.

Below is a graphic that shows structured CSR initiatives (see Figure 1, CSR Structured Initiatives). We will discuss these various initiatives in brief to identify where the SH&E professional integrates and the tools that would be needed. Here are the major mechanisms to which the organization and SH&E can align to provide value:



**Figure 1. CSR Structured Initiatives.**

Greenhouse Gas Reporting (GHG). GHG is an accounting framework to understand, quantify, and manage greenhouse gas emissions. It is a partnership between the World Resources Institute and the World Business Council for Sustainable Development. It also serves to offer developing countries an internationally accepted management tool that helps businesses compete in the global marketplace and governments to make informed decisions about climate change.

The purpose of GHG reporting is to develop and promote internationally accepted greenhouse gas (GHG) accounting and reporting standards through an open and inclusive process. Success is dependent upon ensuring that benefits outweigh costs by two objectives:

1. Time and cost of developing GHG accounting and reporting systems must be kept as low as possible, and,
2. GHG inventory must be developed in such a way as to be compatible with requirements and standards which may be developed internationally in the future.

There are four goals to GHG:

1. GHG Risk Management – this is accomplished by completing an assessment of GHG exposures. At this phase, SH&E can utilize risk assessment and exposure identification skills to contribute to this goal.
2. Public Reporting – this goal is designed to encourage an organization’s participation in voluntary initiatives. This is developed through a single GHG corporate inventory that

- allows for participation in a number of NGO and governmental schemes. SH&E can contribute to this goal by through contribution to the inventory and the organization's performance.
3. GHG Markets – this goal is designed to set objective building blocks for emerging markets. This goal offers a unique opportunity for SH&E to show value to the organization by using objective data collected in supporting entry into emerging markets.
  4. Regulatory / Government Reporting – this goal is designed to set a framework that also works within regulatory and government reporting requirements. SH&E contributes to this goal through calculating and reporting results such as those required by European Union Directives.

Performance measures are made on the “big six” greenhouse gasses: carbon dioxide, methane, nitrous oxide, hydro-fluorocarbons, per-fluorocarbons, and sulfur hexafluoride. Measures are collected in three areas: direct emissions (i.e., owned sources such as transportation), indirect emissions (i.e., purchased electricity), and other indirect emissions (i.e., travel). For a listing of calculation and measurement tools, see the GHG Protocol webpage at <http://www.ghgprotocol.org/calculation-tools/all-tools>.

Carbon Disclosure Project (CDP). The CDP is an independent not-for-profit organization holding the largest database of primary corporate climate change information in the world. Thousands of organizations from across the world's major economies measure and disclose their greenhouse gas emissions, water use and climate change strategies through CDP.

The mission of the CDP is to collect and distribute high quality information that:

- Motivates investors, corporation and governments to take action to prevent dangerous climate change.
- Encourage private and public sector organizations to measure, manage and reduce emissions and climate change impacts.
- Provide private and public sectors a clear framework and neutral forum to report and discuss the development of climate change strategies.

The CDP looks at business operations, supply chain, public procurement and investment funds. It provides for:

- An analysis of an organization's gas emission and the use of energy in a structured way, which reflects an organization's efficiency.
- Measurement of carbon emissions as the first step towards managing these emissions through a market mechanism.
- Various internal benefits such as cost savings through reduced carbon emissions, which is a reflection of expenses and expense control.
- High level of visibility and accountability to all stakeholders including institutional investors, which is a disclosure mechanism.
- Benchmark against the organization's peer group, which sets up a competitive measure.

Performance measures cover four major areas:

1. Management's views on the risks and opportunities that climate change presents to the business. SH&E has the opportunity to identify the risks to the organization.
2. Greenhouse gas emissions accounting similar to that found in the GHG Protocol. Again, SH&E can contribute to this mission through the collection of data, analyzing and measurement, and reporting of emissions.
3. Management's strategy to reduce emissions / minimize risk and capitalize on opportunity. SH&E has the opportunity to present opportunities or "solutions" to address these risks, and the benefits that provides to the organization.
4. Corporate governance with regard to climate change. SH&E can contribute to the decision making process by offering options that address the risks in a manner that is presentable to the stakeholders.

Three further areas for Supply Chain and Public Procurement are also measured:

1. Greenhouse gas emissions split by business category
2. Management's engagement with its suppliers
3. Greenhouse gas emissions over the lifecycle of goods or services.

While the base gas is carbon dioxide, methane and nitrous oxide can also be measured. For information on how to disclose information for the Carbon Disclosure Project, see <https://www.cdproject.net/en-US/Respond/Pages/overview.aspx>.

Global Reporting Initiative (GRI). GRI's mission is to create conditions for the transparent and reliable exchange of sustainability information through the development and continuous improvement of the GRI Sustainability Reporting Framework. GRI's core goals include the mainstreaming of disclosure on environmental, social and governance performance. The GRI is committed to the continuous improvement and application of the Framework worldwide.

The Reporting Framework utilizes the G3 Guidelines that are in their third revision (see Figure 2, G3 below). The guidelines are used in reporting an organization's sustainability efforts and are relevant to all organizations regardless of size, sector, or location. They are the foundation upon which all other reporting guidance is based, and they outline core content for reporting that is broadly relevant to all organizations.

G3 consists of two parts, each with three components:

Part 1 – Reporting Principles and Guidance

- Principles to define report **content**: materiality, stakeholder inclusiveness, sustainability context, and completeness.
- Principles to define report **quality**: balance, comparability, accuracy, timeliness, reliability, and clarity.
- Guidance on how to set the report **boundary**.

Part 2 – Standard Disclosures

- Strategy and Profile
- Management Approach
- Performance Indicators

In addition to sustainability reporting, the GRI offers protocols that are the "recipe" behind each indicator. Protocols are the foundation for measurement. These include definitions for key terms in the indicator, compilation methodologies, intended scope of the indicator, and other technical references.



**Figure 2. G3.**

Sector supplements are also provided through the GRI. They serve to respond to the limits of the “one-size-fits-all” approach by complementing, not replacing, the core. They capture the unique set of issues faces by different sectors such as mining, automotive, banking, public agencies, etc. For more information on the reporting framework, including report formats, see <http://www.globalreporting.org/ReportingFramework/>.

Stakeholder Reporting. In addition to the structured reporting mechanisms mentioned above, stakeholder reporting usually refers to the external aspects of the organization. Reporting in this arena occurs through a number of different mechanisms such as annual reports, Sarbanes-Oxley reporting, investor research reports, and social media. It is the later that is most difficult to control since statements made are not necessarily corroborated prior to their release. The best opportunity here is to report results using common social media outlets, supporting them with facts that can link to the structured reporting mechanisms.

## **Showing SH&E Value with CSR**

If you’ve read this far, you are probably wondering where SH&E has the greatest opportunity to show value with CSR. Some of this has been discussed above; however, here are ways you can interact to improve SH&E value:

Actions. Here are some actions to consider in getting involved with the CSR strategy and management system:

- SH&E meets with appropriate CSR managers to determine a SH&E/CSR disclosure plan. This aligns the EH&S Management System with the CSR strategy, goals and management system.
- Designate a SH&E individual or group to ensure the plan is followed. The organization has a point of contact for CSR disclosure.
- Determine SH&E measures and information that will be used for CSR disclosure, and the method in which they will be communicated.
- Audit your current SH&E controls and procedures to identify gaps between current procedures and aspects, exposures, risks, and regulations.
- Delegate and track actions required by audits, permits, and other CSR requirements and affected regulations. This will help everyone from becoming overloaded with tasks.

Working with Other Departments. The other aspect of showing SH&E value involves working with other departments, not just external stakeholders. To work with other departments, you must first know what their role is in contributing to CSR initiatives, how they measure their efforts, and how they communicate results. Once this is identified, SH&E can interact and contribute to the value of these efforts.

Here are some of the ways this can be accomplished:

- Executives – this level of the organization is involved in strategic planning and has the “Big Picture” outlook. They have a multi-disciplined understanding:
  - Understanding Inside the Company: SH&E, Legal, Financial, Human Resources, Public Relations, Marketing, Quality, Suppliers
  - Understanding Outside the Company: NGOs, Investors, Local Communities, Local Authorities, RegulatorsFor this group, SH&E interacts by contributing to strategic planning, how SH&E interacts with CSR, supply chain management, and presenting information on results that can be used to communicate achievement.
- Compliance – this group is in charge of ensuring the development, management and communication of CSR initiatives. Their understanding of CSR stems from the identification of risks, opportunities, and how these are managed and achieved through the structured system. They are concerned with reporting of results, both internally and externally. For this group, SH&E interacts by collaboratively implementing and managing the safety process, and ensuring measured results adhere to the structured system and are appropriately communicated for reporting.
- Marketing – this group is concerned with identifying and satisfying the desires, wants and needs of customers, the stakeholders that ensure sustained business survival. Their interests are in how CSR can perform in appealing to and answering customer’s desires, wants and needs, and use this information to position the products or services offered by the organization to affect a purchase.

For this group, SH&E must consider how the degree and level of CSR concern by customers affects purchasing. A socially conscious customer base will be very interested in knowing that products and services are made and/or delivered within a safe work environment. Therefore, information regarding the organization's safety performance within CSR initiatives could be helpful.

- **Manufacturing** – this group is concerned with the production of products for the lowest cost possible. That includes the efficient use of energy, where that energy comes from, and the safety of the work environment to preserve human resources. SH&E intuitively interacts with this group because it is usually where the greatest safety exposures lay. However, there is opportunity to assist the group in CSR initiatives collaboratively by aligning SH&E effort with manufacturing CSR effort.

As an adjunct to manufacturing, Engineering offers the opportunity to take SH&E initiative upstream with CSR initiatives. Engineering is the group usually involved in the design, performance, and production of the product being manufactured. CSR efforts here have implications far down the chain long after the product is sold to the consumer. SH&E should integrate with CSR efforts by providing risk assessments on planned products to identify exposures and opportunities both in product performance (i.e., product safety) and production (i.e., how the product will be produced from a safety standpoint and a measureable CSR standpoint).

- **Shipping & Receiving** – this group is in charge of receiving raw materials and packaging from which products are produced and shipped to their final destination. Opportunities and CSR initiatives will arise from the type of material being sourced and received (i.e., “green” materials, source from which they are derived, etc.), packaging (i.e., post consumer product percentage, plastic vs. paper, etc.), and methods of shipping (i.e., high carbon vs. low carbon carriers, etc.). For this group, SH&E can interact by assisting in researching and determining the best, least hazardous materials, identifying opportunities to improve packaging materials, identifying lower emission carriers for shipping, and more energy efficient methods for transporting within the facility. These frequently lead to fewer exposures for the organization's workforce.

## **Case Study**

At the current time, possibly the greatest, highest profile opportunity for SH&E value is through CSR supply chain efforts. Currently, a lot of effort is being focused here, as it offers the greatest opportunity to control and measure CSR initiatives. And many of the supply chain CSR initiatives are asking for SH&E information.

An example of this is the Wal-Mart Sustainability Index (see Figure 3, Wal-Mart's Sustainability Index). This index will affect the over 200,000 products Wal-Mart offers in its stores. As you can see from the figure, the index offers ample opportunity for SH&E interaction. To that end, we offer this case study for you to consider:



You are the SH&E manager at XYZ company which is celebrating their recent marketing win – a contract to supply your product to Wal-Mart. This is a big win as the team has been wooing Wal-Mart for over a year with multiple visits to Bentonville, AR by the executive team.

The conversations happening during this sales process have been focused on how much new volume and revenue are projected from this contract. No one on the sales team has put much focus on the operating conditions of working with Wal-Mart.

As the SH&E manager you have not been in the sales process except for putting new dates and updating the Business Continuity Plan and safety programs especially around hazardous material use and handling. You've not been to Bentonville nor have you had any contact with the Wal-Mart safety or sustainability team. This will be happening soon once the celebration moves to so how will we work with this new customer.

You have not in the past been asked to gather information on greenhouse gases or other metrics related to sustainability; however, now they are asking for this.

1. Identify your risks and opportunities
2. How would you report using the CDP / GHG / GRI reporting frameworks
3. You've been asked to ensure that none of your raw materials is sourced from the Congo: how would you go about doing this?

### **Wal-Mart's Sustainability Index**

Our customers desire products that are more efficient, last longer and perform better. They want to know the product's entire lifecycle. They want to know the materials in the product are safe, that it is made well and is produced in a responsible way. These desires inspired us to help develop the sustainability index. With this initiative, we are helping create a more transparent supply chain, driving product innovation and ultimately providing our customers with information they need to assess products' sustainability. The index is being introduced in three phases:

**Step 1: Supplier Sustainability Assessment.** We will provide our more than 100,000 global suppliers with a brief survey to evaluate their own companies' sustainability. The questions will focus on four areas: energy and climate; material efficiency; natural resources; and people and community. The survey is a key step toward enhancing transparency in our supply chain. We asked our top-tier suppliers in the U.S. to complete the survey by October 1, 2009, and are working with our other suppliers to determine an appropriate timeline for them to complete the survey. [View the Supplier Sustainability Assessment](#) and [watch the Supplier Sustainability Assessment Webinar](#) to learn how best to complete this survey and discover sustainability opportunities.

**Step 2: Lifecycle Analysis Database.** Second, we're helping create a consortium of universities to collaborate with suppliers, retailers, non-governmental organizations and government officials. The consortium will help develop a global database of information on products' lifecycles – from raw materials to disposal. We provided initial funding for the Sustainability Index Consortium and invite other retailers and suppliers to contribute. Arizona State University and the University of Arkansas will jointly administer the consortium.

**Step 3: A Simple Tool for Customers.** The final step of the index is to provide customers with product information in a simple, convenient, easy to understand manner so they can make choices and consume in a more sustainable way. This will provide customers with greater transparency into the quality and history of products than they have today. How that information is delivered to consumers is still undetermined.

We are excited about this initiative and believe that if we work together, we can create a new retail standard for the 21st century.

#### Related Information

[Sust. Index Press Release](#)

[Remarks prepared for Mike Duke](#)

[Sust. Index Fact Sheet](#)

[15 Questions for Suppliers](#)

[Supplier Sustainability Assessment](#)

[Supplier Assessment FAQ's](#)

[Supplier Sustainability Assessment Webinar](#)

[Supplier Sustainability Assessment Webinar Resources](#)

[Sustainability Consortium](#)

[Milestone Meeting Videos](#)

[The Secret Life of Sour Cream](#)

[The Secret Life of Sour Cream](#)

**Figure 3. Wal-Mart's Sustainability Index.**

## **Conclusions**

What you see here are SH&E value opportunities within the CSR structures and initiatives. Many of our organizations are undertaking these efforts due to marketplace demands, and this is sure to grow. We believe this to be useful in tying your SH&E efforts with CSR initiatives.

## **Bibliography/References**

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