

Safety and Its Impact on Sustainability

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Article Key Points:

- Sustainability is not a fleeting trend; it's becoming a business practice driven by the investment community.
- When properly and thoughtfully implemented, sustainable business practices can make the business and brand better and more profitable.
- Safety and health initiatives, particularly as part of a broad sustainability effort, can positively impact an organization's brand and long-term viability.
- Successful SH&E professionals, who understand sustainability principles and can communicate with senior management using the 'language' of business about how sustainability affects their organizations, will only become more relevant to their organizations and their sustainability strategy.
- SH&E professionals who work to align their organization's safety and health initiatives with existing sustainability strategies can help create value for their company's overall workplace safety and health objectives.

Introduction

Sustainability is a widely used term in the business world today. To some it means a focus on environmental responsibility. For many in the corporate world, however, its meaning has moved beyond a single-minded focus on environmental responsibilities to also include the social and economic impacts of a business. Many in the investment community, as an example, track sustainable business practices by company, and in so doing consider a business's environmental, social and governance (ESG) impacts such as water use, stance towards labor, carbon emissions and supply chain management material to complete company valuations. (Chouinard, Ellison and Ridgeway, 2011). In the context of this article, "sustainability" is used to refer to both the

environmental and social aspects of an organization. The term is further qualified to incorporate considerations for environmental, governance, economic and social impacts as well as the commonly used terminology, “people, planet and profit.”

Sustainability is a business strategy that is increasingly being adopted by organization executives. It is embraced by over fifty percent (50%) of member companies represented by the US Business Roundtable, an association of CEOs from leading US companies with a combined \$6 trillion in annual revenues and nearly 14 million employees (US Business Roundtable, 2012). According to a 2010 McKinsey & Company study of 1,946 executives, 50 percent consider sustainability “very” or “extremely” important to shaping corporate strategy, building reputation and brand and informing the development of new products.

Sustainability is not simply a trend in the US – global corporations have taken note, as well. According to a 2011 KPMG International Survey, 95 percent of the G250, representing the largest companies in the world, publically report on corporate responsibility activities within their organizations (KPMG, 2011). The Global Reporting Initiative (GRI) reports that their guidelines are followed by 80% of these same Global 250 companies, who are reporting on their sustainability performance, as do 95% of the companies on the Dow Jones Sustainability Index (Wallace, 2012). Corporate responsibility reporting is resonating in China as well. According to the same 2011 KPMG survey, 60 percent of China’s largest companies report on corporate responsibility (KPMG, 2011).

Financial Impact

A strong and growing impetus for corporate sustainability is emerging from the financial sector, which for many may be an unexpected source. Influential actors in the financial sector are becoming increasingly interested in environmental, health and safety performance and social responsibility – and in management practices that improve it. Furthermore, the degree of senior management involvement, the presence and effectiveness of internal systems and processes, and whether and how existing business may be affected by significant EHS issues (climate change) are gaining attention in corporate boardrooms. (Soyka, 2008)

Executives are increasingly recognizing that long-term economic growth is not possible unless that growth is socially and environmentally sustainable. Striving for balance among economic progress, social responsibility and environmental protection, usually referred to as the “triple bottom line” approach, can contribute to improving an organization’s competitive advantage. Through an understanding of processes and products, a company can more broadly assess its impact on the environment and society while discovering the intersection between improved social and environmental impacts and increased long-term financial performance. The evaluation of social, economic, and environmental impacts of organizational actions is necessary to make effective operational and capital investment decisions that positively impact organizational objectives and satisfy the objectives of various stakeholders. Reducing these impacts in many cases increases long-term corporate profitability through higher production yields and improved product quality (Epstein, 2008).

There is evidence that the involvement of the financial sector in corporate management of environmental, social and governance (ES&G) issues are likely to increase during the coming years. Ninety-three percent of global CEOs surveyed said that they felt sustainability issues are critical to their companies' future success. Furthermore, 96 percent believe that sustainability must be fully integrated into a company's strategy and operations (up from 72% in 2007) (United Nations, 2010). Over 3,000 corporations participated in sustainability reporting or reporting for similar issues in 2008 (up from 26 corporations in 1992). Finally, almost 80% of the Global 250 companies publicly reported on social and environmental data in 2008 (up from 50% in 2005). (Lydenberg, Rogers and Wood, 2010).

Sustainability is increasingly important to investors. Socially Responsible Investing (SRI) now accounts for \$2.71 trillion of the \$25.1 trillion, or 12%, of the total invested in the American marketplace. Over 800 investment institutions have signed the Principles for Responsible Investment (PRI), an initiative backed by the UN which "aims to help investors integrate consideration of environmental, social and governance (ES&G) issues into investment decision-making and ownership practices, and thereby improve long-term returns to beneficiaries" (Social Investment Forum, 2010) The safety and health function in companies have an opportunity to demonstrate a value-add in organizations and contribute to achieving organizational sustainability goals.

Sustainability may impact several financial considerations, including market access, competitive position, customer satisfaction, and product acceptability. For example, market access may be affected by the usage or absence of a specific EHS management practice (ISO 14001 / OHSAS 18001 certification). Also, the presence of prohibited substances may contribute to access to a certain geographic market or customer. Companies understand that customers, consumers, suppliers, and other stakeholders are increasingly aware which customers are taking a responsible and proactive approach to ES&G issues.

A study by Goldman Sachs indicated that amongst the six industry sectors covered – beverages, energy, food, media, mining, and steel – companies that are considered leaders in implementing environmental, social, and governance (ESG) policies, have outperformed the general stock market by 25% since 2005. (Alderton, 2007; Averill, 2011) Another study by Goldman Sachs showed that investors could have had increased returns (25-38%) over the past four years if they had integrated workplace health and safety measures into their strategy (Averill, 2011; Were, 2007). An analysis of pharmaceutical industry stock performance based upon the EcoValue 21 Rating Index reveals that companies with above average environmental ratings have outperformed companies with below average ratings by approximately 17% (1,700 basic points) since May 2001 (Averill, 2011; Baue, 2002). In a comprehensive literature review by Innovest Strategic Value Advisors, an international investment research firm found that "good environmental performance can benefit financial performance. In 85% of the 70 studies assessed, we found a positive correlation between environmental governance and/or events and financial performance" (Averill, 2011; White & Kiernan, 2004).

In his book, *Profit from the Core* (2001), Chris Zook defines "adjacent business opportunities" as a company's continual moves into related segments of the profitable core.

Sustainable Market Leaders intrinsically believe that embracing sustainability will create more value for shareholders and other stakeholders (Lowitt, 2011). To convert their sustainability-led competitive strategy advantages into actual earnings-drivers of enhanced financial performance, these companies are identifying adjacent business opportunities to pursue new revenue on the basis of their sustainability efforts. A few items Sustainable Market Leaders identify as sustainability-led adjacent business opportunities:

- Test the relationship between current products and services and issues of concurrent importance to the company and stakeholders
- Asks questions through the lens of sustainability
- Apply sustainability lens to reevaluate customer considerations (Lowitt, 2011)

Stanwick and Stanwick (1998) examined the importance of sustainability based upon financial implications. They studied approximately 100 firms listed on the Fortune Corporate Reputation Index that also had reported Toxics Release Inventory (TRI) data in one or more of the most recent five years. The companies examined had a positive reputation for social responsibility but also were subject to regulatory controls due to significant toxic chemical use. The study outlined a positive correlation between low emissions and high profitability (net margin) among these organizations.

Supporting and facilitating the importance of sustainability is the increasing availability of information and the public critique for corporate ES&G performance. In the Internet era, information (and sometimes misinformation) is everywhere and available instantly. Complicating matters is a diverse array of stakeholders' values, preexisting beliefs, priorities, educational levels, and technical sophistication. Stakeholders do not, as a general rule, speak with a single voice, and embracing their respective agendas may lead in divergent, even diametrically-opposed, directions.

There are some forward-thinking companies who understand the importance of safety to sustainability and are incorporating safety as part of their sustainability initiatives. This article will highlight real world insights into how and why safety contributes to the overall sustainability of business, as well as environmental sustainability and corporate social responsibility initiatives within organizations. Across industry sectors, companies such as ABB, Inc., Wood Group PSN, IBM, SBM LLC, L'Oreal and Sigma-Aldrich Co. LLC are demonstrating that safety positively impacts sustainability initiatives within their organizations. They are also proving that aligning safety with sustainability as a business and operational strategy can influence organizational value creation in the areas of social responsible investment (SRI), transparency and reporting (GRI), customer service, brand and reputational risk, competitive advantage, operational cost efficiencies and risk reduction. Sustainability is an emerging area of opportunity for safety and health professionals to extend their influence within their organizations. This article will explain how to go about achieving such an alignment.

Authors' Note: Throughout this article the term "sustainability" refers to corporate responsibility, corporate social responsibility as well as sustainability

Historical Perspective

The United Nations spearheaded two groundbreaking initiatives on sustainable development and the environment beginning in the 1980s and lasting into 2000. These landmark initiatives, the “Brundtland Report” and the UN Compact, are the foundation of current sustainable development thought and were pivotal in initiating the ever-evolving global discourse on Sustainability that continues today. See Figure 1.

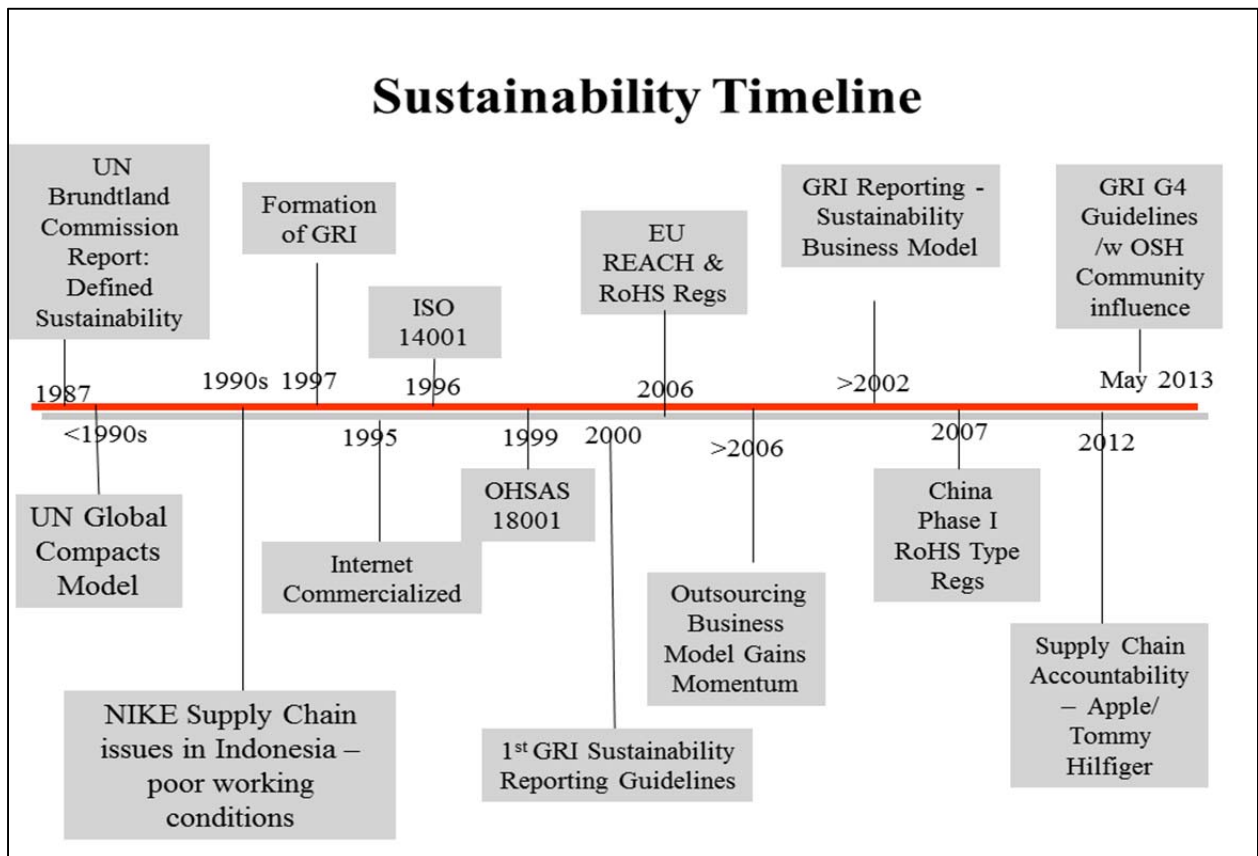


Figure 1. Sustainability Timeline

Defining Sustainable Development: “The Brundtland Report”:

The General Assembly of the United Nations tasked the World Commission on Environment and Development to address sustainable development and our environment and to develop long-term strategies for the mutual benefit of both. In 1983 an independent UN commission chaired by Gro Harlem Brundtland published in a 1987 report entitled *World Commission on the Environment and Development: Our Common Future*, which is commonly known as the “Brundtland Report.” In the “Chairman’s Forward” of the report, Gro Harlem Brundtland suggests the report furthers “a general understanding (sustainable development and its issues) and a common spirit of responsibility so clearly needed in a divided world” (United Nations, 1987). The report was a call to action for “all people, organizations, educators and governments to share a common future of our world for the next generations” (United Nations, 1987). The Brundtland report was the

beginning of a global acknowledgement that something needed to be done to promote sustainable development and that a business that damages the societal, economic and environmental systems on which it depends will ultimately be unsustainable.

The Brundtland report also defined sustainable development as development that "meets the needs of the present without compromising the ability of future generations to meet their own needs" (United Nations 1987). This is the common definition recognized today.

Alignment of Business with Sustainable Development:

The UN Global Compact was launched July 26, 2000 by the United Nations. The report was launched in conjunction with institutional investors and the members of the business community who share a commitment to sustainable and socially responsible policies (including labor policies). The report focused largely the commitment and extent of implementation. (United Nations 2012). The UN Global Compact was the first Non-Government Organization (NGO) to attempt to align business with universally accepted sustainable development principles. (UN Global Compact 2012) With 8,000 participants, including over 6000 businesses in 135 countries, the UN Global Compact has had a significant impact on business practices, corporate citizenship and sustainability initiatives globally. Participants include companies such as ABB (joined 2000), Sigma-Aldrich (2012), Dow (2007), General Mills (2008), Kimberly Clark (2010) and Intel (2009). For a searchable database on companies that are signatories to the UN Global Compact go to: <http://www.unglobalcompact.org/participants/search> (UN Global Compact, 2012).

Aberdeen Study

The Aberdeen Group conducted a recent study that outlined the importance of moving beyond Environment, Health and Safety (EHS) compliance (Ismail, 2012). Companies that are not able to meet EHS requirements in an effective manner are subject to losing their competitive advantage. The Aberdeen study provided insight and a roadmap to effective EH&S strategies within an organization.

It is difficult to have a conversation about EHS without the discussion revolving around the Deepwater Horizon oil spill and other recent environmental and safety tragic events. Even though it has been two years, manufacturers have not forgotten the impact an adverse event can have to not only your organization's bottom line, but also public image. It truly was a turning point, raising the profile of the EHS role in the organization and creating an environment where manufacturers have become focused on ensuring compliance in EHS. Many progressive companies are focusing on exceeding regulatory requirements.

Organizational structure is an important consideration to achieving a holistic EHS strategy. An organization should have active engagement by senior leadership which includes executive sponsorship to facilitate collaboration across functional groups. Also, the study identifies which function has the primary role for sustainability in the company. As shown in Figure 2, when Aberdeen asked survey respondents who were responsible for the sustainability strategy within the organization, overwhelmingly 71% of all respondents indicated that it fell on the shoulders of the EHS team, while the remaining responses varied from manufacturing operations, to

engineering to quality to the corporate sustainability office. The study demonstrates that the EHS professional will increasingly have an important role in a company as sustainability increases in importance.

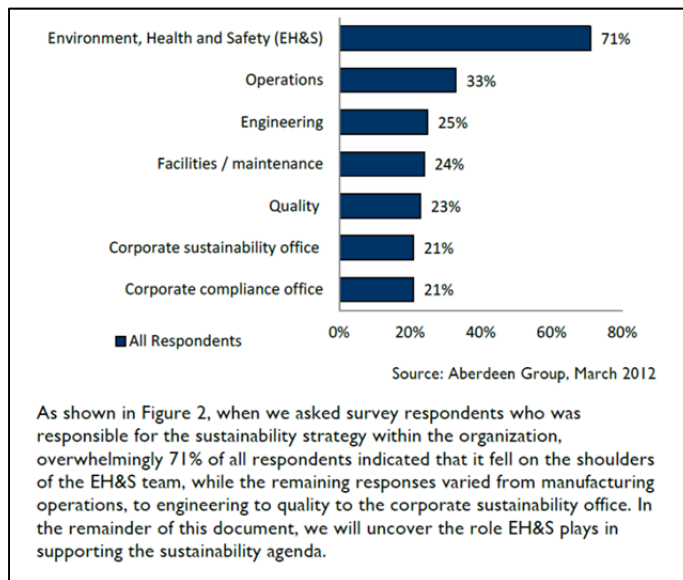


Figure 2. Who is in charge of sustainability? Adapted from *Environmental, health and safety: Going beyond compliance* (Ismail, N., 2012). Boston, MA: Aberdeen Group. Reprinted with permission.

Emerging and Continuing Trends

The Investment Community

The investment community is a key driver of sustainability measurement and performance for publically-traded companies. Many in the investment community consider Economic, Social and Governance (ESG) factors as important indicators that influence an organization’s long-term viability and economic performance. This is how the investment community defines sustainability. ESG performance is becoming an important indicator of a company’s future economic performance and resilience and tied to sustainable business practices. The *McKinsey Global Survey results: How Companies Manage Sustainability*, published in 2010, reports “seventy-six percent of the responding executives responding indicated engaging in sustainability contributed positively to shareholder value in the long term” (McKinsey & Company, 2010). These ESG factors offer the investment community an additional qualitative, non-financial, insight into various aspects of a company, such as its culture, risk profile and management that may not otherwise be accessible. (Chouinard, Ellison and Ridgeway 2011)

Some safety professionals believe that sustainability is a fleeting trend, much like total quality management was a number of years ago. This is likely an inaccurate assessment of sustainability’s broader, long term impact. According to Chouinard, Ellison and Ridgeway in their October 2011 *Harvard Business Review* article entitled on “The Sustainable Economy,” there is a confluence of purely economic factors coming together that “will make it inevitable that successful business will become synonymous with sustainable business” (Chouinard, Ellison

and Ridgeway 2011). Sustainability has evolved from eco risk mitigation (e.g reducing carbon emissions) into a more holistic value chain proposition tied to innovation and the way business is conducted. The Wood Group featured in the Case Study section of this article demonstrates how sustainability, specifically safety driven sustainability, is at the core of their business and how things get done. Operationalizing the cost of biodiversity and ecosystem services for a food manufacturer is another example. That food manufacturer may ask the question; “What it would cost to replenish a depleted fresh water supply that is currently provided to their processing facility by nature?” There is a direct tangible cost to a company that does not manage the environmental impact of its processing plant. There are other risks to the business. Loss of revenues, profit and market share due to lost production while replenishing this natural resource are direct and foreseeable costs. In some cases reputation risk and damage to valuable brands can also be material costs in such a situation (Chouinard, Ellison and Ridgeway 2011).

Socially-responsible investing has been around for several decades. These investors have always believed that corporations should demonstrate leadership in the areas of social justice, corporate governance and the environment. What they are now beginning to see is that these areas of an organization can have a material impact on their financial performance and the valuation of their enterprise. According to Chouinard, Ellison and Ridgeway, “nearly one in every eight investment dollars goes to a company that qualifies as a socially responsible investment.(Chouinard, Ellison and Ridgeway, 2011). This demonstrates there is a direct relationship between sustainability and a company’s ability to attract capital to support to sustain its business.

For safety and health professionals this is an opportunity to engage leaders in their organization on the value add safety and health risk management brings to the company and how it ties to the overall sustainability goals and business model of their organization. A number of case studies are outlined in this article which demonstrates how the involvement of safety and health professionals and implementation of best practices have enhanced a company’s sustainability efforts and initiatives. .

Global Sustainability Performance Reporting- GRI: Generation Four (G4)

The Global Reporting Initiative (GRI) was formed in 1997, with the first generation of the Sustainability Reporting Framework published in 2000. The goal of this sustainability reporting framework is transparency and meaningful disclosures. Presently, GRI is working with sustainability stakeholders to develop the fourth Generation (G4) of the sustainability reporting guidelines, which provide a template for reporting their sustainability performance.

While GRI-G3 includes occupational safety and health (OSH) indicators, they are lagging indicators of performance, meaning OSH performance is based on the reactive indicators of performance such as number of injuries, illnesses or fatalities that have occurred. Incorporating proactive or leading performance indicators such as OSH risk identification and mitigation and OSH management systems processes, reduces the likelihood of injuries, illnesses and fatalities.

GRI in May 2012, committed to forming an OSH working group to review the current OSH indicators for a future generation of the GRI guidelines. See Figure 1. *Sustainability Timeline*. The Center for Safety and Health Sustainability (CSHS) is a global voice for safety and health in the sustainability dialogue and was founded in 2010 by the American Society of Safety

Engineers, American Industrial Hygiene Association and the Institution of Occupational Safety and Health (UK). The CSHS is working through the GRI process to influence the current G4 working groups to raise awareness in areas where OSH may have an impact on the GRI working group. An example of this is with the Supply Chain Disclosure Working group, where there is an opportunity for alignment of supply chain accountability and supply chain employee working conditions and safety.

At the time of this writing, the G4 Guidelines are in a public comment period. Two key changes for the G4 guidelines are a focus on the materiality and management of economic, environmental and social impacts of an organization. (Environmental Leader, 2012) The target date for the G4 launch is May 2013. The G4 working groups are:

- Supply Chain Disclosure
- Disclosure on Management Approach
- Governance & Remuneration
- Boundary
- Application Level

The GRI G3 Guidelines have influenced the information organizations included or disclosed in their sustainability reports throughout the world. (Wallace, 2012) Including *leading* OHS sustainability performance indicators in future GRI guidelines would encourage companies to proactively identify, manage and report on their OSH performance.

Integrated Reporting: Where Corporate Reporting and Sustainability Reporting Are Converging

Integrated Reporting is another sustainability trend and as with the Global Reporting Initiative (GRI), could impact a company's reporting on safety and health performance to their stakeholders. Integrated Reporting combines sustainability and financial data into one annual corporate report to stakeholders, providing a holistic view of a company and its ability to sustain value over time. (Environmental Leader, 2012) The International Integrated Reporting Council (IIRC) is the driving force behind the development of a global framework for Integrated Reporting which began in August 2010 through collaboration between The Prince's Accounting for Sustainability Project (A4S) and the GRI. (IIRC, 2012)

This is an important trend for the safety and health profession and could lead to greater prominence for both the profession and SHE data. If sustainability is integrated into corporate reporting worldwide, and work place safety and health is an integrated sustainability performance metric, then performance reporting on workplace safety and health within organizations would increase. Therefore this is an initiative that bears watching, particularly by professionals in global organizations.

The IIRC is represented by a diverse group of stakeholders from corporate, investment, accounting, securities, regulatory, academic, standard-setting sectors and civil society. (IIRC, 2012) According to the IIRC, there are "linkages between an organization's strategy, governance and financial performance and the social, environmental and economic context within which it operates." The goal of the IIRC is for organizations to disclose these linkages in a

“clear, concise, consistent and comparable format” through a globally accepted integrated reporting framework which could eventually be a requirement by governments. (IIRC, 2012) To accomplish this goal, in 2012 the IIRC formed a secretariat, similar to other standards development bodies such as the American National Standards Institute (ANSI) and International Standards Organization (ISO), and on July 11, 2012, the secretariat published a Draft Integrated Reporting framework outline document; this can be viewed at <http://www.theiirc.org/wp-content/uploads/2012/07/Draft-Framework-Outline.pdf> .

This initial draft Framework outline was just the start and provided background on integrated reporting work by the IIRC to date. The formal Framework development process will begin with a draft framework for public consultation targeted for publication mid-2013. This draft will have more technical content and detail and be followed by a “1.0 version” of the framework for public use towards the end of 2013. (IIRC, 2012)

At the time of this writing, a two year Integrated Reporting (IR) Pilot Program is in progress with 70 reporting organizations and 20 investors assisting in developing and testing of the IR Framework principles, content and practical application of IR. US organizations participating in the project are Coca Cola Company, Microsoft Corporation, Prudential Financial, Inc. the Clorox Company, Cliffs Natural Resources and Edelman all regarded as Sustainability leaders in the US. (IIRC 2012)

The Center on Safety & Health Sustainability

The Center for Safety & Health Sustainability (CSHS) was launched in 2010 by the American Society of Safety Engineers, American Industrial Hygiene Association and Institution of Occupational Safety and Health (UK). The mission of the CSHS is to provide a strong voice and comprehensive leadership for safety and health in shaping the sustainability dialogue, policies and performance metrics.

According to Tom Cecich, Chair, CSHS Board of Directors, “a key linkage between safety and sustainability is that a *sustainable organization is a safe organization.*” By linking safety and health with sustainability, this creates a message to all stakeholders that an organization is looking at their sustainable business model in a holistic way. When this message comes from the top, a CEO, Chairman or President, it becomes a core value of that organization. To cite a practical example, the CSHS believes the protection of a company’s employees and the workers in its supply chain must be a key business goal and a core value of the organization. Cecich continues, “Protecting their employees is something that responsible organizations use to their competitive advantage.”

Another linkage for safety and health sustainability is to the investment community. The CSHS has developed a *Safety and Health Sustainability Framework* which “provides better global metrics companies can use to report on publically and to measure themselves internally relative to workplace safety and health performance,” according to Cecich.

The CSHS has focused on influencing the Global Reporting Initiative (GRI), which has had a significant voice on sustainability reporting for organizations and the investment community around the world. Specifically, the investment community uses an organization’s sustainability

report (many based on GRI performance indicators) to evaluate potential investment opportunities. Due in part to the influence of the CSHS, the GRI has committed to forming a working party to explore inclusion of additional occupational safety and health leading performance indicators in a future generation of the GRI guidelines.

When asked about the future, Cecich offers; “the Center is looking to move the conversation on safety and health sustainability forward as an organization without a bias. We will focus on communicating to all stakeholders the importance of safety and health in the sustainability dialogue and to promote the *Safety and Health Sustainability Framework* as meaningful metrics that indicate an organization’s level of commitment of performance to occupational safety and health.” The CSHS sees an opportunity to standardize professional knowledge and expertise into sustainability oriented OHS work and has positioned itself as a global expert on consistent OSH reporting and evaluation. In the future, the CSHS will also work to identify meaningful research to promote the effectiveness of sustainability performance indicators as well as reach out to companies’ management for input. For more information on the CSHS and their activities, visit their website at <http://centershs.org/>

Safety and Health Value

Safety and health is related to sustainability as each function focus on similar objectives:

- Eliminating incidents, waste and overall losses
- Improving operational excellence
- Conducting business in a sustainable way that protects human and natural resources and reduces the business’s environmental footprint

Safety & health is viewed increasingly as a value-add in many companies. Safety & health is moving beyond compliance and is increasingly viewed as a strategic business imperative. Sustainability allows safety and health to demonstrate the value proposition by not only achieving the previously outlined objectives but also creating shareholder value. The Global Environmental Management Initiative (GEMI) developed an excellent model (Figure 3) that conveys the safety and health value proposition (GEMI, 2004). GEMI identifies three pathways where safety, health and environmental excellence contribute to shareholder value. The pathways include, a) direct and tangible, b) indirect and intangible, and c) indirect and intangible.

Also, leading organizations are experiencing that new strategic and organizational skills are required to integrate stakeholder considerations into the value delivery capability of their organizations. There are sophisticated managerial competencies to manage stakeholder value, including investment metrics, Economic Value Added (EVA) and multi-dimensional mapping to assess customer preferences. Competencies to manage stakeholder value that integrates environmental, health and safety and social issues into core business decisions remains elusive in many companies. Figure 4 summarizes eight disciplines that form the core competencies required to create sustainable value. The disciplines and corresponding attributes are identified as follows:

1. Understand current value position (where and how the company is creating or destroying stakeholder value)

2. Anticipate future expectations (track emerging issues and interests for stakeholders)
3. Set sustainable value goals (establish a strategic intent to create business value)
4. Design value creation initiatives (identify value creation opportunities to advance societal and financial performance)
5. Develop the business case (obtain resources and support to advance the value creation)
6. Capture the value (assess the requirements to implement the initiatives)
7. Validate results and capture learning (measure progress by developing metrics to demonstrate shareholder value)
8. Build sustainable value capacity (develop the discipline, management capabilities, and competencies necessary to obtain stakeholder and shareholder value) (Laszlo, 2008, p. 136)

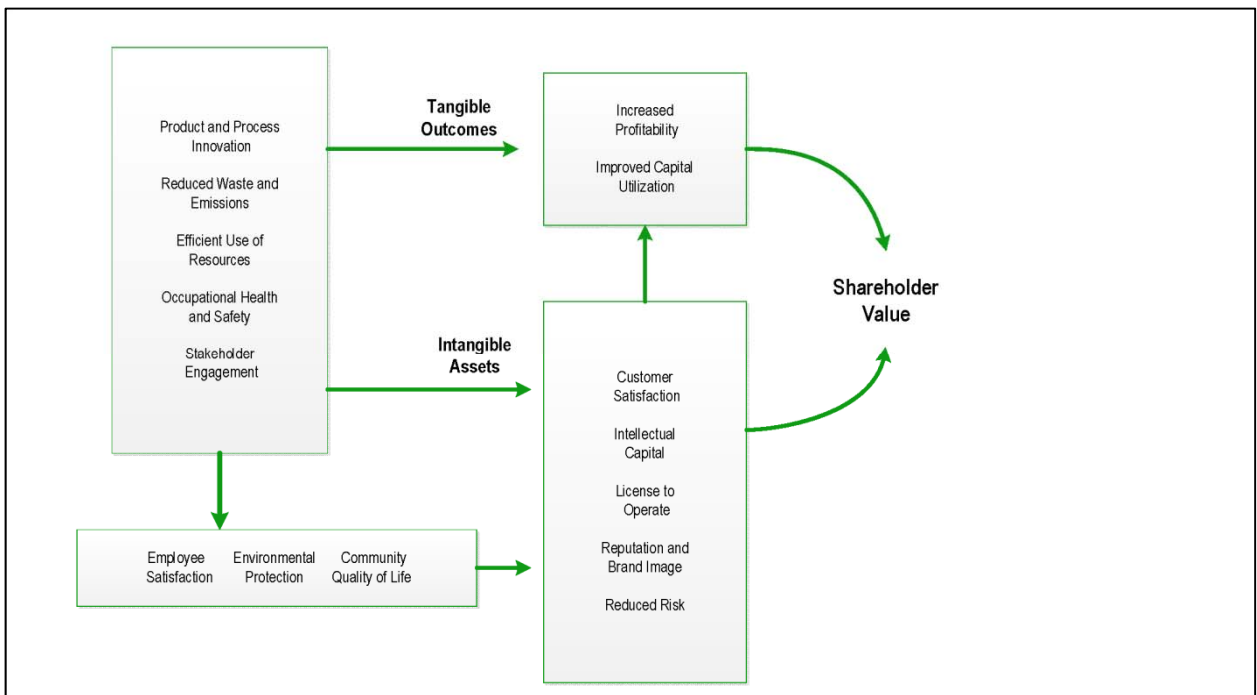


Figure 3. Overview of Pathways Linking EHS to Shareholder Value. Adapted from Clear Advantage: Building Shareholder Value, Environment Value to the Investor (2004). Copyright by the author. Reprinted by permission of Global Environment Management Initiative, Washington, D.C.

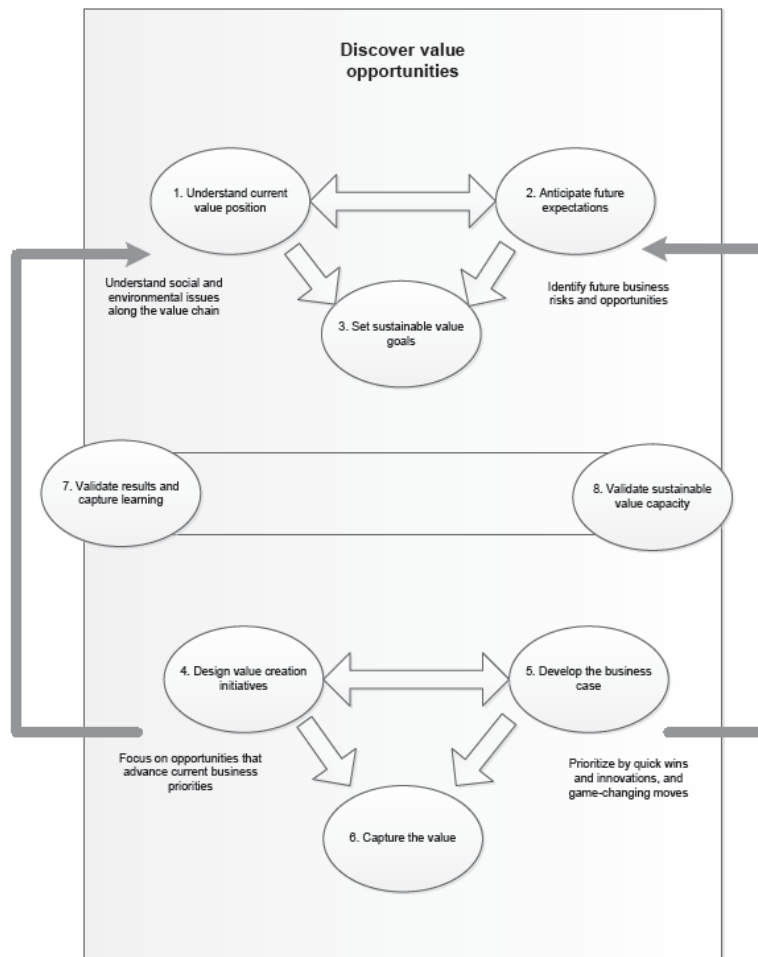


Figure 4. Discover Value Opportunities. Adapted from *The Sustainable Company* by Chris Laszlo (2008). Copyright by the author. Reprinted by permission of Island Press, Washington, D.C.

Companies are identifying the importance to integrate sustainability, including safety and health, into the business operations. Safety and health increasingly are included in risk and business review meetings. Customers are requesting sustainability performance in pre-qualification questionnaires. Many times safety and health are included in these questionnaires and customer surveys. Australia-based BHP Billiton, the world’s largest mining company, is convinced that there are societal, environmental, and economic benefits for integrating sustainability into its business. These benefits include enhancement of biodiversity, improved standards of living, and reduced business risk. Managing these issues presents opportunities for BHP Billiton to improve society, the community, and its bottom line (Epstein, 2008). Productivity and revenues are improved by aligning human rights and business ethics into the company operations. The company identifies that financial performance is positively impacted by recognizing the value for enhanced management of social and environmental impacts.

Case Studies

IBM

IBM is a \$106.9 billion, 430,000 employee company doing business in 170 countries and managing a supply chain of more than 20,000 suppliers (IBM 2011). IBM has been thoughtful and comprehensive in their approach to corporate responsibility (CR), ensuring their CR activities align with their corporate values. This alignment helps IBM maximize the impact of these values throughout the company. Employee well-being is one such CR focus area and here IBM has integrated the traditional areas of workplace safety, occupational health (e.g. medical surveillance), health benefits design and health promotion into their “Integrated Health Services” organization to manage all elements of employee well-being.

Starting in 1999, IBM launched the Well-Being Management System (WBMS); this system was developed from one of IBM’s core principles of their corporate policy, which states that the company has responsibility for employee well-being and product safety (IBM 2011). WBMS objectives are translated into initiatives that are both relevant and flexible in order to accommodate various unique well-being and safety requirements that are present at their local level businesses around the world. WBMS is a systemic approach that monitors and audits well-being requirements, identifies improvement objectives and provides a process for tracking corrective or preventive health and safety actions. IBM believes this is “a smarter way to optimize a company’s most important asset—its employees.” (IBM 2011) This system considers all aspects of employee well-being: the workplace, in their community and at home.

This holistic approach to employee health and safety highlights IBM’s focus on “Wellness”, including employee health and safety promotion opportunities for IBM employees, 24/7. From a bottom line stand point this has measurably increased productivity by promoting safe work both on and off the job. Highly skilled individuals who are hurt are not able to contribute and IBM takes the view that it does not matter where they are hurt, at home or at work, since they cannot be productive if they are injured or suffer an illness. In addition to being good for employees, IBM has also seen a direct positive impact on their bottom line. Calculating lost work days that are saved, reduced medical costs, and other wellness impacts, IBM estimates that its well-being program saved \$100 million to \$130 million per year from 2003 to 2007. (Carroll, 2008)

IBM’s approach to wellness has positively impacted the company through employee productivity, managing costs and the elimination of unnecessary expenses. (IBM 2011)

Wood Group

The CEO’s perspective on how core values align safety & assurance of safety in what the company designs constructs, operates and maintains.

Core values, if clearly articulated and effectively disseminated, are at the heart of a business because they serve to define who the business is, how it works, in what its people believe as well as what they stand for. Core values are a foundational element of an organization’s “culture”.

According to Robert Keiller, CEO of Wood Group, “safety and assurance is our top priority; it supports the business. It is in our DNA.” (Seabrook 2012) It is also one of the company’s core values. (Wood Group 2012) To that end, Wood Group focuses on the safety of their workers and assures the safety of everything they design, construct, operate and maintain. This is the ethos of

Wood Group and it is integrated into their business strategy for their long term sustainability and success in the oil and gas sector.

The Wood Group is an international energy services company with \$6Bn in revenues and operating in over 50 countries while employing approximately 39,000 people. (John Wood Group, Plc. 2011) In support of the Safety and Assurance Core Value, the company identified those positive and negative behaviors that either improve or undermine safety culture and performance. Wood Group's Safety Behavioral Standard touches every level of the organization and details the key positive and negative behaviors for manager, supervisors and everyone. Development of the Safety Behavioral Standard was based on insights gained from the company's significant operational experience, expert research and feedback from representatives at all levels within the Company.

To support safety and assurance, the Wood Group 2012 Health Safety and Environment (HSE) objectives focused on implementing a revised HSE management system and improving integrity management procedures and controls, which included improving the quality of leading and lagging HSE reporting. The revised HSE management system gives "more emphasis to leadership, integrity management, human factors and assurance." This "means dealing with major hazards and excelling at process and technical safety." The company has also reinforced the expectation that "its employees will stop a job if they believe it to be unsafe." (Wood Group 2011)

Wood Group implemented a Safety Leadership Program in 2011 which focused on raising the HSE awareness of the all leaders in the organization and their role in delivering safety performance. The training emphasized the importance of getting the balance right between managing occupational health and safety and major accident risks. All Board and management leaders worldwide have gone through this program and by the end of 2012 in the order of 1200 people will have taken part in this. The 2013 objective is to develop and embed a suitable training program to incorporate all senior leaders throughout the organization. (Wood Group 2011)

For those facilities where Wood Group has operational control, Major Accidents are prevented by timely and appropriate management interventions. In order to know when to make these Wood Group have developed an innovative asset integrity management tool that takes information from a variety of different sources such as process safety, occupational safety, and environmental events in the form of Key Performance Indicators (KPIs). These are combined in a unique way to give an overall view of Asset Integrity on the facility at a given time.

This Asset Integrity information is used in two main ways:-

1. As part of managing the day to day operations by informing the decisions made
2. Providing assurance to senior management that the risks involved with operating the facilities are being properly managed.

The latter is a key concept. To achieve this, an independent and separate assurance team reviews and comments on the data on behalf of senior management. This in turn enables them to ask relevant searching questions of the operations teams and obtain assurance that any asset integrity issues are being managed appropriately and in a timely and consistent manner aligned with the risk involved

Safety, for Wood Group, is a sustainable business strategy in its own right since it directly supports the business. Mr. Keiller sees workplace safety and safety assurance as having a direct, positive impact on the company's client relationships, ability to attract skilled people, their suppliers, staff, and shareholders. (Seabrook 2012)

Sigma-Aldrich

Sigma-Aldrich is a leading life science and high technology Company providing chemical and biochemical products, kits and services for use in scientific research, biotechnology and pharmaceutical development. With \$2.505 billion in revenues for 2011, Sigma-Aldrich operates in 35 countries with nearly 9,000 employees.

In 2007, Sigma-Aldrich's sustainability program began when company leaders looked to introduce a new way of thinking and operating into the organization. This new way of thinking and operating aligned with the growing requests from customers and shareholders on their sustainability initiatives. Since then, the company has set a goal to be a leader in Global Citizenship or CSR, regardless of industry. According to Jeffrey Whitford, Global Citizenship Manager at Sigma-Aldrich, "interest in our (sustainability) program has significantly increased in all of our stakeholder groups. Our customers want to know what we are doing and they want detailed information about our progress and what that means in terms of what they purchase from us." These stakeholders include shareholders and investment groups, who are also asking more questions about sustainability initiatives and performance. Sigma-Aldrich is also engaging another stakeholder group, their employees, who are evolving in their engagement and feedback. No longer is it just about "can I recycle that?" It's "have you thought about adjusting this process in manufacturing because it'll be greener and safer." That's the evolution the company wants to see. (Seabrook, 2012)

The biggest integration of safety into the company's Global Citizenship program is in their greener chemistry alternatives. One of the key measurements is the reduction of chemical hazards in their manufacturing process. This is driven by the focus on safety at Sigma-Aldrich. Every employee understands that safety is a core value. When the company can engineer products that are inherently safer, and extend that value to customers, it is helping to extend an internal company mission to an even broader audience. With over 1.3 million individual customers, it's a compelling challenge for all of Sigma-Aldrich teams, including EHS professionals working on this initiative. (Seabrook, 2012)

SBM Management Group

SBM Management Group (SBM) provides facility services for a cross section of business and industry. As a supplier to many Fortune 500 companies, SBM employs more than 6,400 individuals servicing more than 350 million square feet of space throughout the United States, Canada and Latin America. When it comes to corporate social responsibility (CSR), SBM considers it core to their business and believes it positively impacts profit, reputation, business differentiation and competitive advantage.

Internally, SBM has implemented a chemical approval process to eliminate high risk products used by company employees and subcontractors. An example includes chemicals containing pesticides. When high risk products used in facilities services are identified, SBM works with an outside vendor to find lower risk alternatives. To date, they have eliminated 50 hazardous chemicals from their facilities services through this process. (Seabrook, 2012) According to SBM, this chemical approval, substitution and elimination process has had a direct, positive impact on creating a safer work atmosphere for their employees, subcontractors and the

customers they service as well as reducing possible detrimental environmental impacts – both outcomes being fundamental to SBM’s sustainability model. In addition, reduction in the use of high risk products has reduced product costs significantly. Chemical product related incidents were down 70% from 10 incidents in 2010 to 3 incidents in 2011, and there has been a significant reduction of total cost in workers compensation dollars since the chemical approval process was launched. (Seabrook, 2012)

Eliminating and substituting chemicals has proved a value add to SBM in other ways as well. Eliminating or substituting a less hazardous chemical reduces the need for respirators in some areas which in turn reduces costs associated with a respiratory program. (Seabrook, 2012) This includes costs to manage the respiratory program, purchase equipment, conduct training and employees’ time away from work. Reducing chemical risks to their business also eliminates the potential for non-compliance with regulatory requirements such as labeling bottles, storage issues including chemical compatibility, keeping a material safety data sheet book and compliance and updating. (Seabrook, 2012) These are just some of the value added benefits associated with the integration of workplace safety and health and sustainability at SBM.

ABB

ABB is a leader in power and automation technologies that enable utility and industry customers to improve their performance while lowering environmental impact. ABB operates in more than 100 countries and employs approximately 135,000 people to give its global and local customers the support they need to develop and conduct their business successfully. The products and solutions help customers along the entire energy chain to extract, transform and use energy effectively and to increase industrial productivity in a sustainable way. Mitigation of climate change is likely to be the most complex, long-term energy challenge that societies need to address and solve within the coming decades. With more than 80 percent of primary energy supplied by oil, coal and natural gas, and an increasing demand for energy, mostly in emerging economies, greenhouse gas emissions reach new record levels every year (ABB Group, 2011). At the country level, ABB works with a variety of partners, including policy makers, non-governmental organizations, academic institutions, industry peers and customers to raise awareness about technology solutions for improving energy efficiency, to share understanding about the risks and opportunities of different policy approaches, and to test technical solutions.

ABB views safety and health as a key strategic and business advantage. Safety and health is integrated into sustainability throughout the organization. First, there is a focus to phase out the use of hazardous substances in ABB’s products and processes. Second, environmental and health and safety aspects are considered in product development. Finally, early assessment of social, security, OHS and environmental risk in ABB’s project risk management process contributes to better managed projects. Based upon a recent safety culture survey, employees stated that safety and health contributes to ABB having a business competitive advantage. Company business and risk review meetings include safety and health to ensure that the topic remains a high visibility throughout the organization. This focus contributed to ABB Inc. (North America) being named as one of the America’s Safest Companies during 2012.

L'Oréal USA

L'Oréal continues to be the world's leading beauty company for over 100 years, with 27 international, diverse and complementary brands, sales of 20.3 billion euros (2011) and 68,900 people employed in 66 countries. Global Responsible Investment Network and Corporate Knights, has selected L'Oréal among the Global 100 Most Sustainable Corporations in the World for its leadership in sustainable development for five consecutive years. L'Oréal's commitment to corporate social responsibility (CSR) continues to be a passion for the company as it closes in on the realization of zero accidents. To build on established EHS risk reduction practices, L'Oréal North American Operations teams are eagerly continuing their pursuit of third party validated management systems (including new acquisitions), and establishing new commitments to sustainable ergonomics.

Management Systems Excellence

L'Oréal USA has been associated with the OSHA Voluntary Protection Program (VPP) for many years and will continue to be an active participant and proud supporter in the United States. In 2012, L'Oréal USA committed to implementing the OHSAS 18001 management system in new acquisitions. Throughout this process, lessons learned indicated that the combination of VPP and OHSAS 18001 could be a better roadmap for the organization in achieving and maintaining safety excellence. As a result, the new 2015 vision for L'Oréal USA is to have dual management systems certifications validated by third parties in all operations locations.

The end-game for L'Oréal USA will be a powerful dual certification that recognizes the strengths of the OSHA VPP Program (Employee Engagement & Worksite Analysis) and that of the OHSAS 18001 (Management Systems Accountability and Audits) and well positions the company to achieve its the zero accident ambition. The achievement of dual certifications will stabilize the systems in which L'Oréal operates as it keeps pace with the dynamic nature of the cosmetics business, the high volume of personnel changes, integration of safety and health programs in new acquisitions and the necessity to achieve performance excellence in employee safety and health. The subsequent increase in audit scope and activity will also provide further real-time validation of the current system gaps and display transparency of the organization's efforts in sustainability/CSR.

Sustainable Ergonomics Excellence

L'Oréal USA operations embraced the future of safety excellence through the deployment of the Ergonomics Culture Maturity Model (ECMM) in 2011. In an effort to create a culture of ergonomics sustainability, the ECMM road map establishes a process for continuous improvement in ergonomics. Using established key performance indicators (KPIs), all L'Oréal operations sites are held accountable for achieving continuous improvement in occupational ergonomics.

L'Oréal USA EHS Performance

Since 2008, L'Oréal has achieved the following results that demonstrate corporate social responsibility in North America:

- L'Oréal USA Operations has reduced the Lost Time and Restricted duty rate by 80%;
- L'Oréal USA Operations has increased the Safety Engagement Rate by 13%. The safety engagement rate is a measure of employee safety involvement at the line level. The rate is calculated by measuring the number of spontaneous safety improvement opportunities generated by employees per million hours worked. These safety improvement opportunities, or SIO's to L'Oreal, must not be generated through formal audits or risk reduction activities. Rather, they come from employees during the course of their work shifts and represent their level of engagement in the safety process for themselves and others.
- L'Oréal USA Operations has increased the Management Behavior Observation Rate by 600% The management behavior observation rate measures the amount of structured management safety observations at an operations site and is the rate of management safety observations per million hours worked.
- In 2011, L'Oréal USA Operations recognized a \$2.2 Million dollar credit to its workers compensation budget.

As stated in L'Oréal's global policy statement released in 2011, L'Oréal is a company where safety is non-negotiable and environmental conservation is a core value. This is one of the fundamental ethical principles of L'Oréal. Further reinforcement of the company's approach to safety is stated in the organization's EHS values. (L'Oréal, 2012) See Figure 5.

- ✓ Commitment to zero incidents
- ✓ Be proactive and set an example
- ✓ Respect for the environment in all our activities
- ✓ Nothing justifies a risk of workplace injury
- ✓ Management is responsible for the safety of its teams and must visibly demonstrate this
- ✓ Be an actor in our own safety and that of our work colleagues

Figure 5: L'Oréal EHS Values

CONCLUSION

Sustainability is not fleeting trend, mainly because it is being driven by the investment community and when properly and thoughtfully implemented within an organization, it can make the business and brand better and more profitable. Many successful companies are beginning to understand the business value of integrating sustainability, including safety and health, into their business operations. The Wood Group demonstrates that workplace safety and health is not only integral to a business it is a driver of results which can impact the long term viability of an organization. As SH&E professionals it is imperative we understand sustainability principles and trends and know how our senior management and the business are impacted by them. Our ultimate goal is to align safety and health initiatives with existing sustainability strategies to

create value for our company's overall workplace safety and health objectives. Sustainable companies protect people, property and the environment.

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