

# Safety & Sustainability

## Understanding the Business Value

By Darryl C. Hill and Kathy A. Seabrook

**S**ustainability is a widely used term in business 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 include a business's social and economic impacts. For example, many in the investment community track a company's sustainable business practices and in so doing consider its environmental, social and governance (ESG) effects, such as water use, labor practices, carbon emissions and supply-chain management material to complete company valuations (Chouinard, Ellison & Ridgeway, 2011).

In the context of this article, *sustainability* is used to refer to an organization's environmental and social aspects. The term is further qualified to incorporate considerations for ESG and economic impacts as well as the commonly used phrase, "people, planet and profit."

Executives are increasingly adopting sustainability as a business strategy. It is embraced by more than 50% of member companies represented by the U.S. Busi-

ness Roundtable (2012), an association of CEOs from leading U.S. companies with a combined \$6 trillion in annual revenues and nearly 14 million employees. According to a 2010 McKinsey & Co. study of 1,946 executives, 50% consider sustainability "very" or "extremely" important to shaping corporate strategy, building reputation and brand, and informing product development.

### IN BRIEF

- **Sustainability is becoming a business practice driven by the investment community. 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 affect an organization's brand and long-term viability.**
- **Successful SH&E professionals, who understand sustainability principles and can effectively communicate with senior management about how sustainability affects their organizations, will only become more relevant to their organizations and their sustainability strategy.**
- **SH&E professionals who align their organization's safety and health initiatives with existing sustainability strategies can create value for their company's overall workplace safety and health objectives.**

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Sustainability is not only a trend in the U.S; global corporations have taken note as well. According to a 2011 KPMG International Survey, 95% of the Global 250 (G250), representing the largest companies in the world, publicly reports on corporate responsibility activities within their organizations (KPMG, 2011). Global Reporting Initiative (GRI) reports that its guidelines are followed by 80% of these same G250 companies that 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 KPMG (2011), 60% of China's largest companies report on corporate responsibility.

### 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 SH&E performance and social responsibility, and in management practices that improve these areas. 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 SH&E issues (e.g., climate change) are gaining attention in corporate boardrooms (Soyka, 2012).

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 improve an organization's competitive advantage. Through an understanding of processes and products, a company can more

broadly assess its effect on the environment and society while discovering the intersection between improved social and environmental impacts and increased long-term financial performance.

Social, economic and environmental impacts of organizational actions must be evaluated to make effective operational and capital investment decisions that positively affect organizational objectives and satisfy the objectives of various stakeholders. Reducing these impacts often increases long-term corporate profitability through higher production yields and improved product quality (Epstein, 2008).

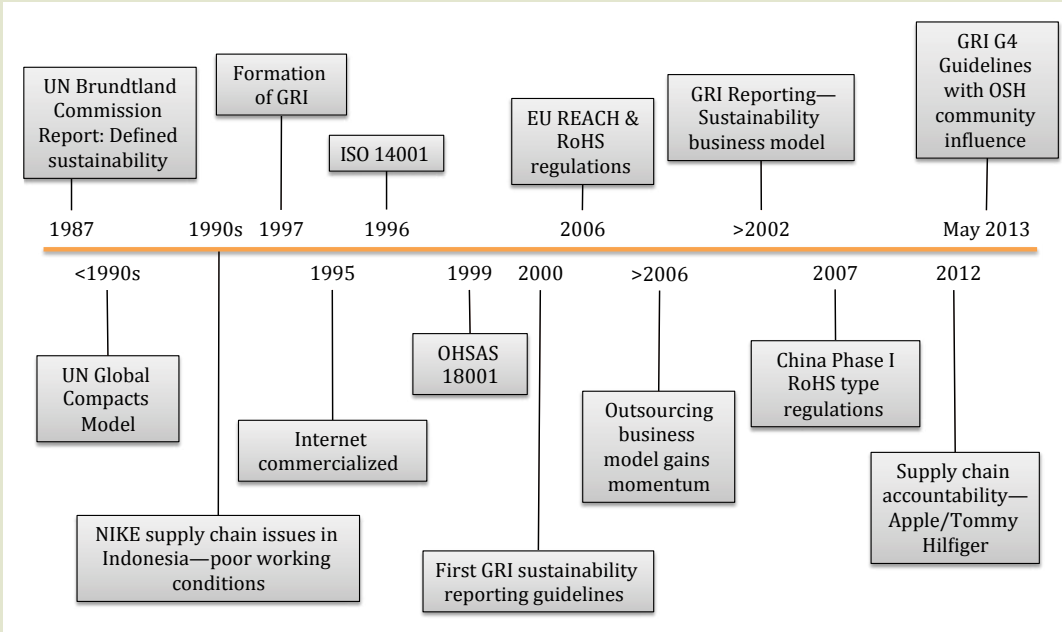
Evidence suggests that the financial sector's involvement in corporate management of ESG issues will likely increase in coming years. Ninety-three percent of global CEOs surveyed said that sustainability issues are critical to their companies' future success. Furthermore, 96% believe that sustainability must be fully integrated into a company's strategy and operations (up from 72% in 2007) (UN, 2010). More than 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 G250 companies publicly reported on social and environmental data in 2008 (up from 50% in 2005) (Lydenberg, Rogers & Wood, 2010).

Sustainability is increasingly important to investors. Socially responsible investing now accounts for \$2.71 trillion (12%) of the \$25.1 trillion invested in the American marketplace. More than 800 investment institutions have signed the Principles for Responsible Investment, an initiative backed by the UN that "aims to help investors integrate consideration of ESG issues into investment decision making and ownership practices, and thereby improve long-term returns to beneficiaries" (Social Investment Forum, 2010). The SH&E function in compa-

Figure 1

## Sustainability Timeline

The concept of an environmental management system evolved in the early 1990s and its origin can be traced back to 1972, when the UN organized a Conference on the Human Environment in Stockholm and the UN Environment Programme was launched (Corbett & Kirsch, 2001). These early initiatives led to the establishment of the World Commission on Environment and Development and the adoption of the Montreal Protocol and Basel Convention.



panies has an opportunity to demonstrate value and help achieve organizational sustainability goals.

Sustainability may affect 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 SH&E management practice (e.g., 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 and are taking a proactive approach to ESG issues.

A study by Goldman Sachs indicates that among the six industry sectors covered—beverages, energy, food, media, mining and steel—companies that are considered leaders in implementing ESG policies have outperformed the general stock market by 25% since 2005 (Alderton, 2007; Averill, 2011). Another study by Goldman Sachs shows that investors could have increased returns 25% to 38% over the past 4 years had they integrated workplace safety and health measures into their strategy (Averill, 2011; Were, 2007).

An analysis of pharmaceutical industry stock performance based on 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).

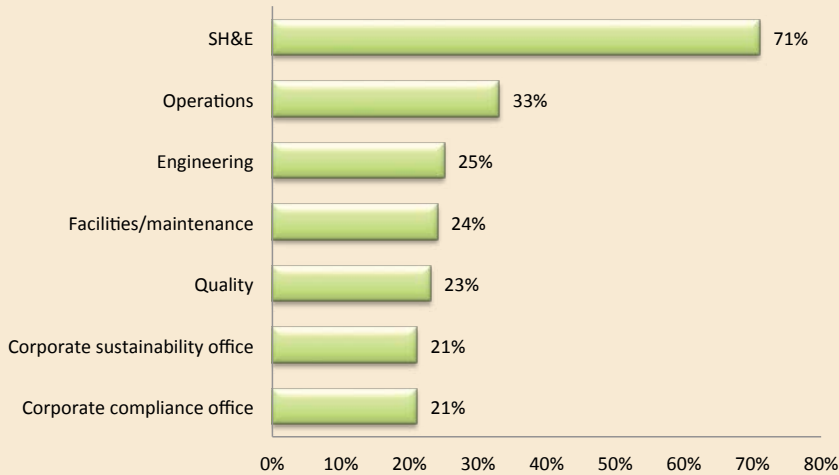
Zook (2001) defines *adjacent business opportunities* as a company’s continual moves into related segments of the profitable core. Sustainable market leaders intrinsically believe that embracing sustainability will create more value for shareholders and other stakeholders (Lowitt, 2011). To convert their sustainability-led competitive strategy advantages into actual earnings-drivers of enhanced financial performance, these companies identify adjacent business opportunities to pursue new revenue on the basis of their sustainability efforts. Following are 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.
- Ask questions through the lens of sustainability.
- Apply a sustainability lens to reevaluate customer considerations (Lowitt, 2011).

Stanwick and Stanwick (1998) examined the importance of sustainability based on financial im-

Figure 2

## Who Is Responsible for Sustainability?



Note. Adapted from Environmental, Health and Safety: Going Beyond Compliance, by N. Ismail, 2012, Boston, MA: Aberdeen Group.

When asked who was responsible for the sustainability strategy within an organization, an overwhelming 71% of survey respondents indicated that it fell to the SH&E team.

plications. They studied approximately 100 firms listed on the Fortune Corporate Reputation Index that also had reported Toxics Release Inventory data in one or more of the most recent 5 years. The companies examined had a positive reputation for social responsibility but were also 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 ESG 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.

Some forward-thinking companies understand the importance of safety to sustainability and are incorporating safety as part of their sustainability initiatives. This article highlights real-world insights into how and why safety contributes to the overall sustainability of business, as well as environmental sustainability and corporate social responsibility (CSR) initiatives within organizations. Across industry sectors, companies such as ABB Inc., Wood Group PSN, IBM, SBM LLC, L'Oréal and Sigma-Aldrich Co. LLC are demonstrating that safety positively affects 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 socially responsible investing; transparency and reporting; customer service; brand and reputational risk; competitive advantage; operational cost efficiencies; and risk reduction. Sustainability is an emerging area of opportunity for SH&E professionals to extend their influence within their organizations. This article explains how to go about achieving such alignment.

### Historical Perspective

The UN 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 global discourse on sustainability that continues today (Figure 1, p. 83).

### Defining Sustainable Development: The Brundtland Report

The UN General Assembly tasked the World Commission on Environment and Development to address sustainable development and the environment, and to develop long-term strategies for the mutual benefit of both. In 1987, an independent UN commission chaired by Gro Harlem Brundtland published a report, "World Commission on the Environment and Development: Our Common Future," commonly known as the Brundtland Report. In the report's foreword, Brundtland suggests that the report furthers "a general understanding of (sustainable development and its issues) and a common spirit of responsibility so clearly needed in a divided world" (UN, 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" (UN, 1987). It marked the beginning of a global acknowledgment that sustainable development needed to be promoted and that a business that damages the societal, economic and environmental systems on which it depends will ultimately be unsustainable.

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

### Aligning Business With Sustainable Development

The UN Global Compact was launched July 26, 2000. It was launched in conjunction with institutional investors and members of the business community who share a commitment to sustainable and socially responsible policies (including labor policies). The group focuses largely on the commitment and extent of implementation (UN, 2012).



The UN Global Compact was the first nongovernmental organization to attempt to align business with universally accepted sustainable development principles. With 8,000 participants, including more than 6,000 businesses in 135 countries, it has significantly affected 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, visit [www.unglobalcompact.org/participants/search](http://www.unglobalcompact.org/participants/search).

### **Aberdeen Study**

The Aberdeen Group conducted a study that outlined the importance of moving beyond SH&E compliance (Ismail, 2012). Companies that are unable to meet SH&E requirements in an effective manner may lose their competitive advantage. The Aberdeen study provided insight and a roadmap to effective SH&E strategies within an organization.

It is difficult to have a conversation about SH&E without discussing the *Deepwater Horizon* oil spill and other tragic environmental and safety events. Although it has been 3 years, manufacturers have not forgotten how an adverse event can affect not only an organization's bottom line, but also its public image. This incident raised the profile of the SH&E profession and created an environment in which more manufacturers are focusing on ensuring SH&E compliance. Many progressive companies are focusing on exceeding regulatory requirements.

Organizational structure is an important consideration to achieving a holistic SH&E strategy. An organization should have actively engaged senior leadership, which includes executive sponsorship to facilitate collaboration across functional groups. The study also identifies which function has the primary role for sustainability. As shown in Figure 2, when asked who was responsible for the sustainability strategy within the organization, 71% of all respondents indicated that it fell to the SH&E team, while the remaining responses varied from manufacturing operations, to engineering to quality to the corporate sustainability office. The study demonstrates that SH&E professionals will play an increasing role in organizations as sustainability gains importance.

### **Emerging & Continuing Trends**

#### ***The Investment Community***

The investment community is a key driver of sustainability measures and performance for publicly traded companies. The investment community considers 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 is tied to sustainable business practices. McKinsey and Co. (2010) reports that "76%

of the responding executives indicated engaging in sustainability contributed positively to shareholder value in the long term." ESG factors offer the investment community an additional qualitative, nonfinancial insight into various aspects of a company, such as its culture, risk profile and management, that may not otherwise be accessible (Chouinard, et al., 2011).

Some safety professionals believe that sustainability is a fleeting trend, as was total quality management several years ago. This is likely an inaccurate assessment of sustainability's broader, long-term impact. According to Chouinard, et al. (2011), a confluence of purely economic factors is merging that "will make it inevitable that successful business will become synonymous with sustainable business." Sustainability has evolved from eco risk mitigation (e.g., reducing carbon emissions) into a more holistic value proposition tied to innovation and the way business is conducted.

The Wood Group, featured in a case study later in this article, demonstrates how sustainability, specifically safety-driven sustainability, is at the core of its business. Operationalizing the cost of biodiversity and ecosystem services for a food manufacturer is another example. That manufacturer may ask, "What would it cost to replenish a depleted fresh water supply that is currently provided to a processing facility by nature?" A company that does not manage the environmental effects of its processing plant faces a direct, tangible cost, as well as other risks, such as lost revenue, lost profit and lost market share. In some cases, reputation risk and damage to valuable brands can be material costs (Chouinard, et al., 2011).

Socially responsible investing has existed for several decades. Such investors believe that corporations should demonstrate leadership in the areas of social justice, corporate governance and the environment. They recognize that these elements can materially affect an organization's financial performance and its ultimate valuation. Chouinard, et al. (2011), report that "nearly one in every eight investment dollars goes to a company that qualifies as a socially responsible investment." This demonstrates the direct relationship between sustainability and a company's ability to attract capital to support and sustain its business.

This presents SH&E professionals with an opportunity to engage corporate leaders and educate them on the value of SH&E risk management and how it relates to overall corporate goals. Several case studies highlighted later in this article demonstrate how involving SH&E professionals and implementing best practices have enhanced sustainability efforts and initiatives.

### **Global Sustainability Performance Reporting: GRI Generation Four**

GRI was formed in 1997, with the first generation of its sustainability reporting framework published in 2000. The framework aims to promote transparency and meaningful disclosures. Presently, GRI is working with sustainability stakeholders to devel-

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op the G4 (fourth generation) of the sustainability reporting guidelines that provide a template for reporting sustainability performance.

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

In May 2012, GRI formed an OSH working group to review current OSH indicators for a future generation of the GRI guidelines. Center for Safety and Health Sustainability (CSHS) is working through the GRI process to influence the G4 working groups to raise awareness about areas in which OSH may affect the GRI working group. An example of this is with the Supply Chain Disclosure Working Group, which presents an opportunity to align supply chain accountability, working conditions and safety.

CSHS also published "Current Practices in Occupational Health and Safety Sustainability Reporting." The report provides a snapshot of actual OHS reporting by analyzing reports from organizations currently considered sustainable. CSHS says the study also "aims to help GRI improve OHS indicators in future iterations of its sustainability reporting framework."

At the time of this writing, the G4 guidelines are in a public comment period. Two key changes are a focus on the materiality and management of an organization's economic, environmental and social impacts (Environmental Leader, 2012a).

G4 were set to launch May 23, 2013, in Amsterdam, The Netherlands. The G4 working groups are:

- Supply Chain Disclosure
- Disclosure on Management Approach
  - a) Governance and Remuneration
  - b) Boundary
  - c) Application Level

The GRI-G3 guidelines have influenced the information organizations include or disclose in their sustainability reports (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.

### **Integrating Corporate Reporting & Sustainability Reporting**

Integrated reporting is another sustainability trend and, as with GRI, could affect a company's reporting on safety and health performance to 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, 2012b). International Integrated Reporting Council (IIRC) is the driving force behind the development of a global framework for integrated reporting that began in

August 2010 through collaboration between The Prince's Accounting for Sustainability Project and GRI (IIRC, 2012c).

This development could lead to greater prominence for both the profession and SH&E data. If sustainability is integrated into corporate reporting worldwide, and workplace safety and health is an integrated sustainability performance metric, then performance reporting on workplace safety and health within organizations will increase. Therefore, this trend bears watching, particularly by professionals in global organizations.

IIRC is represented by a diverse group of stakeholders from corporate, investment, accounting, securities, regulatory, academic, standard-setting sectors and civil society. According to IIRC (2012d), "linkages [exist] between an organization's strategy, governance and financial performance and the social, environmental and economic context within which it operates." IIRC (2012d) encourages organizations to disclose these linkages in a "clear, concise, consistent and comparable format" through a globally accepted integrated reporting framework that could eventually be a requirement by governments.

To accomplish this goal, in 2012 IIRC formed a secretariat, similar to other standards-development bodies such as ANSI and International Organization for Standardization; on July 11, 2012, the secretariat published a draft integrated reporting framework outline document ([www.theiirc.org/wp-content/uploads/2012/07/Draft-Framework-Outline.pdf](http://www.theiirc.org/wp-content/uploads/2012/07/Draft-Framework-Outline.pdf)).

This document provides background on IIRC's integrated reporting work 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 will be followed by a 1.0 version of the framework for public use toward the end of 2013 (IIRC, 2012b).

At the time of this writing, a 2-year integrated reporting pilot program is in progress with 70 reporting organizations and 20 investors developing and testing the framework's principles, content and practical applications. U.S. organizations participating in the project are Coca Cola Co., Microsoft Corp., Prudential Financial Inc., Clorox Co., Cliffs Natural Resources and Edelman, all regarded as sustainability leaders in the U.S. (IIRC, 2012a).

### **Center on Safety & Health Sustainability**

CSHS was launched in 2010 by ASSE, AIHA and Institution of Occupational Safety and Health (U.K.). Its mission 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, CSP, CIH, chair, CSHS board of directors, "a key linkage between safety and sustainability is that a sustainable organization is a safe organization." Linking safety and health with sustainability creates a message to all stakeholders that an organization is looking at its sustainable business model in a holistic way. When this message comes from the CEO,

chair or president, it becomes a core value of that organization. To cite a practical example, CSHS believes that protecting a company's employees and workers in its supply chain must be a key business goal and a core value. Cecich continues, "Protecting their employees is something that responsible organizations use to their competitive advantage."

The investment community provides another linkage for safety and health sustainability. CSHS has developed a Safety and Health Sustainability Framework that "provides better global metrics companies can use to report on publicly and to measure themselves internally relative to workplace safety and health performance," according to Cecich.

CSHS has focused on influencing the GRI, which has had a significant voice on sustainability reporting for organizations and the investment community. Specifically, the investment community uses an organization's sustainability report (many based on GRI performance indicators) to evaluate potential investment opportunities. Asked about the future, Cecich says, "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."

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, 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.

### Safety & Health Value

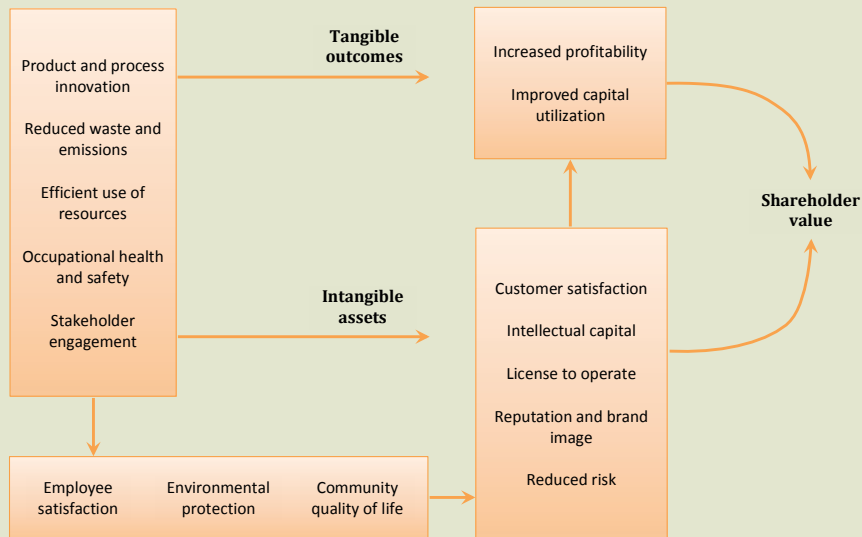
Safety and health are related to sustainability as each function focuses on similar objectives.

- 1) Eliminate incidents, waste and overall losses.
- 2) Improve operational excellence.
- 3) Conduct business in a sustainable way that protects human and natural resources, and reduces the business's environmental footprint.

Safety and health is viewed increasingly as a value-add in many companies. The function is moving beyond compliance and being viewed as a strategic business imperative. Sustainability allows safety and health to demonstrate the value proposition by not only achieving the noted objectives but also creating shareholder value. The Global Environmental Management Initiative (GEMI, 2004) developed an excellent model (Figure 3) that conveys the safety and health value proposition.

Figure 3

## GEMI Model: Pathways Linking SH&E to Shareholder Value



**Note.** Adapted from "Clear Advantage: Building Shareholder Value, Environment: Value to the Investor," by Global Environment Management Initiative, p. 5, 2004, Washington, DC: Author.

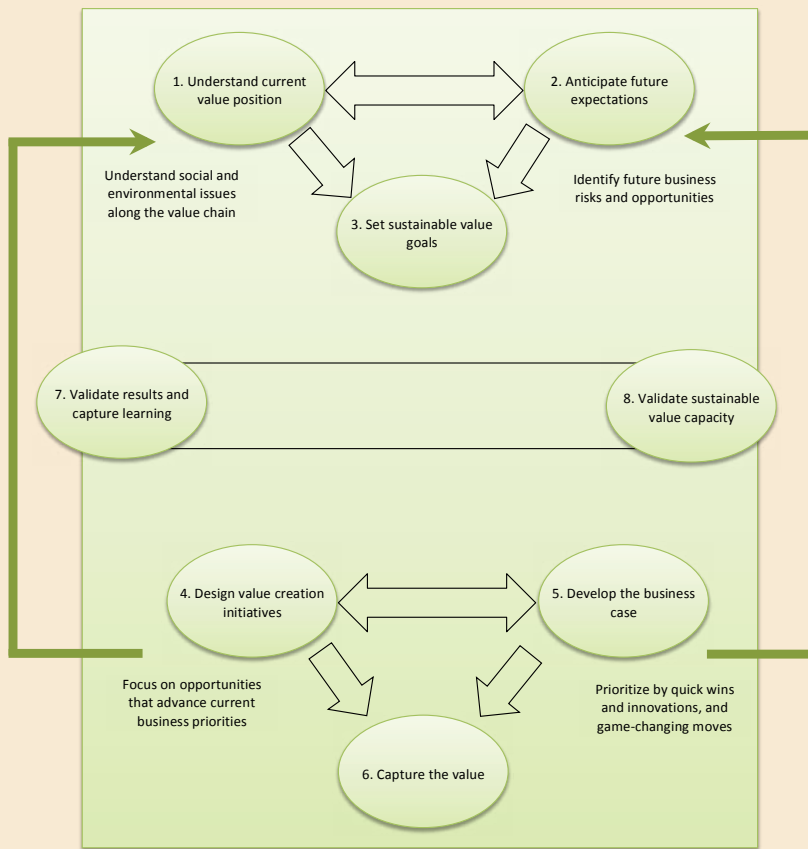
GEMI identifies three pathways by which SH&E excellence contributes to shareholder value: a) direct and tangible; b) direct and intangible; and c) indirect and intangible.

Also, leading organizations note that new strategic and organizational skills are required to integrate stakeholder considerations into their organization's value delivery capability. Sophisticated managerial competencies are needed to manage stakeholder value, including investment metrics, economic value-added and multidimensional mapping to assess customer preferences. Competencies to manage stakeholder value that integrates SH&E and social issues into core business decisions remain elusive in many companies. Figure 4 (p. 88) summarizes eight disciplines that form the core competencies required to create sustainable value:

- 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).

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## Figure 4 Discover Value Opportunities



*Note.* Adapted from *Sustainable Value: How the World's Leading Companies Are Doing Well by Doing Good*, by C. Laszlo, 2008, Stanford, CA: Stanford University Press.

## Sustainability 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, 2011a, b). The company has been thoughtful and comprehensive in its approach to corporate responsibility, ensuring its corporate responsibility activities align with its corporate values. This alignment helps IBM maximize the impact of these values throughout the company. Employee well-being is one such focus area. IBM has integrated the traditional areas of workplace safety, occupational health (e.g., medical surveillance), health benefits design and health promotion into its 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 its corporate policy, which states that the company has responsibility for employee well-being and product safety (IBM, 2011a). WBMS objectives are translated into initiatives that are both relevant and flexible to accommodate various unique well-being and safety requirements that are present at 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 safety and health actions. IBM (2011a) believes this is "a smarter way to optimize a

company's most important asset—its employees." This system considers all aspects of employee well-being: in the workplace, in their community and at home.

This holistic approach to employee safety and health highlights IBM's focus on wellness, including employee safety and health promotion opportunities for IBM employees, 24/7. From a bottom-line perspective, this has measurably increased productivity by promoting safe work both on and off the job. Highly skilled individuals who are injured cannot contribute and IBM takes the view that it does not matter where the injury occurred, at home or at work, since they cannot be productive if injured or ill. In addition to being good for employees, IBM has seen a direct positive impact on its bottom line. Calculating lost workdays 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 affected the company through employee productivity, cost management and the elimination of unnecessary expenses (IBM, 2011b).

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8) Build sustainable value capacity (develop the discipline, management capabilities, and competencies necessary to obtain stakeholder and shareholder value) (Laszlo, 2008, p. 136).

Companies are identifying the need to integrate sustainability, including safety and health, into business operations. Safety and health increasingly are included in risk and business reviews. Customers are requesting sustainability performance in prequalification questionnaires, which often address safety and health, as do many 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 company operations. The firm recognizes that financial performance is positively affected by recognizing the value for enhanced management of social and environmental impacts.



### Wood Group PSN

This case study highlights a CEO's perspective on how core values align safety and 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 define what the business is, how it works, in what its people believe and what they stand for. Core values are a foundational element of an organization's culture.

According to CEO Robert Keiller, "Safety and assurance is our top priority; it supports the business. It is in our DNA" (Seabrook, 2012a). It is also one of the company's core values (Wood Group, 2012). To that end, the company focuses on worker safety and ensures the safety of everything it designs, constructs, operates and maintains. This is the ethos of Wood Group and it is integrated into its business strategy for long-term sustainability and success in the oil and gas sector.

The Wood Group is an international energy services company with \$6 billion in revenues, operating in more than 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 positive and negative behaviors that improve or undermine safety culture and performance. The firm's safety behavioral standard touches every level of the organization, and details the key positive and negative behaviors for all personnel. The standard is based on insights gained from the company's significant operational experience, expert research and feedback from representatives of 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 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, 2011b).

Wood Group implemented a safety leadership program in 2011 to raise HSE awareness among all leaders in the organization and to promote their role in delivering safe performance. Training emphasized the importance of achieving balance between managing occupational safety and health, and major accident risks. All board and management leaders worldwide completed the program and by the end of 2012, nearly 1,200 people had done so. The 2013 objective is to develop and embed a suitable training program to incorporate all senior leaders throughout the organization (Wood Group, 2011a).

For facilities in which Wood Group has operational control, major incidents are prevented by timely and appropriate management interventions.

To know when to intervene, the company has developed an innovative asset integrity management tool that takes information from various 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 information is used in two ways: 1) as part of managing day-to-day operations by informing decision making; and 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. In turn, this enables team members to ask relevant, searching questions of operations teams, and obtain assurance that asset integrity issues are being managed appropriately and in a timely, consistent manner aligned with the risk involved.

For Wood Group, safety is a sustainable business strategy in its own right since it directly supports the business. 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, 2012a).

### Sigma-Aldrich

Sigma-Aldrich is a leading life science and high technology company that provides chemical and biochemical products, kits and services for use in scientific research, biotechnology and pharmaceutical development. With \$2.5 billion in revenues for 2011, Sigma-Aldrich operates in 35 countries with nearly 9,000 employees.

The company's sustainability program began in 2007 when company leaders looked to introduce a new way of thinking and operating that better aligned with growing requests from customers and shareholders about sustainability initiatives. Since then, the company has set a goal to be a leader in global citizenship or corporate social responsibility, regardless of industry.

Jeffrey Whitford, global citizenship manager, says, "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, its employees, who are evolving in their engagement and feedback. No longer is it just about recycling. It is "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, 2012b).

The biggest integration of safety into the company's Global Citizenship program is its greener

**Companies are identifying the need to integrate sustainability, including safety and health, into business operations.**

chemistry alternatives. One key measure is the reduction of chemical hazards in manufacturing process. This is driven by the focus on safety. Each 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 extends the internal company mission to an even broader audience. With more than 1.3 million individual customers, it is a compelling challenge for all of Sigma-Aldrich teams, including safety professionals working on this initiative (Seabrook, 2012b).

### ***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 sq. ft of space throughout the U.S., Canada and Latin America. When it comes to CSR, SBM considers it core to the business and believes it positively affects 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, such as chemicals that contain pesticides. When high-risk products used in facilities services are identified, SBM works with an outside vendor to find lower-risk alternatives. To date, the firm has eliminated 50 hazardous chemicals through this process (Seabrook, 2012c).

According to SBM, this chemical approval, substitution and elimination process has had a direct, positive effect on creating a safer work atmosphere for employees, subcontractors and customers, as well as reducing possible detrimental environmental impacts—both outcomes being fundamental to SBM's sustainability model. In addition, eliminating high-risk products has reduced product costs significantly. Chemical product-related incidents decreased 70% from 10 incidents in 2010 to three incidents in 2011, and the total cost in workers' compensation dollars has declined since the process was launched (Seabrook, 2012c).

Eliminating and substituting chemicals has proved value to SBM in other ways as well. It reduces the need for respirators in some areas, which reduces costs associated with a respiratory program (Seabrook, 2012c). This includes costs to manage the program, purchase equipment, conduct training and give employees time away from work to attend training. Reducing chemical risks also eliminates the potential for noncompliance with regulatory requirements such as labeling bottles, storage issues including chemical compatibility, maintaining MSDS, and compliance and updating (Seabrook, 2012c). 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 businesses successfully. The company's 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% 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 partners such as policy makers, nongovernmental 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, the company focuses on phasing out the use of hazardous substances in its products and processes. Second, SH&E aspects are considered in product development. Finally, early assessment of social, security, SH&E and environmental risk in ABB's project risk management process contributes to better managed projects. Based on a recent safety culture survey, employees stated that safety and health provides a business competitive advantage. Company business and risk review meetings include safety and health to ensure that the topic remains highly visible 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 has been a leading beauty product company for more than 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 have selected L'Oréal among the Global 100 Most Sustainable Corporations in the World for its leadership in sustainable development for 5 consecutive years. L'Oréal's commitment to CSR continues to be a passion as it closes in on the realization of zero incidents. To build on established risk reduction practices, the firm's North American operations teams eagerly pursue 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's Voluntary Protection Programs (VPP) for

many years. In 2012, the company committed to implementing the OHSAS 18001 management system in new acquisitions. Lessons learned as a result indicate that the combination of VPP and OHSAS 18001 could provide a better roadmap to help the firm achieve and maintain safety excellence. As a result, its 2015 vision is to have dual management systems certifications validated by third parties in all operations locations.

The end game will be a powerful dual certification that recognizes the strengths of OSHA's VPP (employee engagement and work site analysis) and OHSAS 18001

(management systems accountability and audits) and positions the company to achieve its zero incident ambition. 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 in organization's sustainability/CSR efforts.

#### Sustainable Ergonomics Excellence

L'Oréal USA operations embraced safety excellence through the deployment of the Ergonomics Culture Maturity Model in 2011. To create a culture of ergonomics sustainability, the model's road map establishes a process for continuous improvement in ergonomics. Using established KPIs, all operations sites are held accountable for achieving continuous improvement in occupational ergonomics.

#### SH&E Performance

Since 2008, the company has achieved several results that demonstrate corporate social responsibility in North America:

- Reduced lost-time and restricted-duty rate by 80%.

- Increased the safety engagement rate by 13%. This rate is a measure of employee safety involvement at the line level. It is calculated by measuring the number of spontaneous safety improvement opportunities (SIOs) generated by employees per million hours worked. SIOs must not be generated through formal audits or risk reduction activities. Rather, they must come from employees during the course of a workshift and represent their level of engagement in the safety process for themselves and others.

## L'Oréal EHS Values

- 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

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•Increased the management behavior observation rate by 600%. This 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 credit to its workers' compensation budget.

As stated in the firm's global policy statement released in 2011, L'Oréal is a company where safety is nonnegotiable and environmental conservation is a core value. This is a fundamental ethical principle of the company. Its approach to safety is reinforced in the organization's SH&E values (see sidebar, p. 91; L'Oréal, 2012).

## Conclusion

Sustainability is not a fleeting trend. It is being driven by the investment community and when properly and thoughtfully implemented, it can make an organization and brand better and more profitable. As these case studies show, many successful companies are beginning to understand the business value of integrating sustainability, including safety and health, into their business operations. SH&E professionals must understand sustainability principles and trends, and recognize how they affect senior management and overall business operations. The ultimate goal is to align safety and health initiatives with existing sustainability strategies to create value for a company's overall workplace safety and health objectives. Sustainable companies protect people, property and the environment. **PS**

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