



## CONNECTING THE DOTS: OCCUPATIONAL SAFETY AND HEALTH AND BUSINESS PERFORMANCE

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### Value Creation: People, their Health and Safety at Work and Sustainable Business Performance

Today, forward thinking companies and their stakeholders recognize people create value when they are safe, healthy and fulfilled at work. Worldwide, the maturity curve in this thinking is still in its infancy. Many organizations have yet to connect the dots between the value of their workers' safety, health and well-being (OSH) and the associated risks and opportunities to their sustainable business performance.

#### People:

- Workers & their representatives
- An Organization's Human Capital.

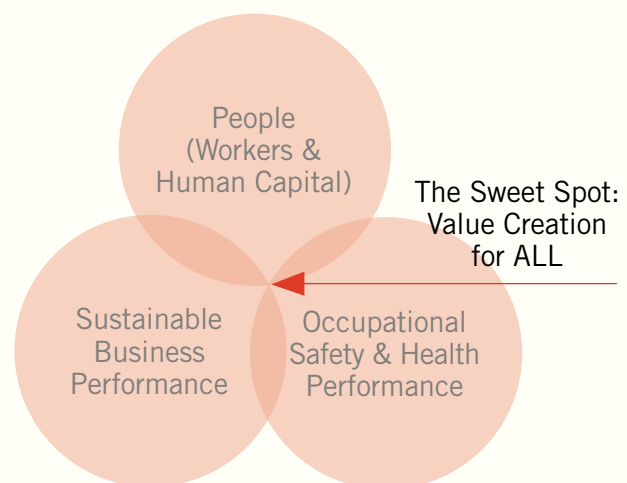
This is beginning to change. Stakeholder expectations on transparency in identifying, measuring (i.e. OSH metrics), valuing and publicly reporting (disclosing) non-financial impacts of corporate activity is evolving and proving to be one of the greatest levers for change. According to [the KPMG Survey of Corporate Responsibility Reporting 2017](#), OSH performance is considered a non-financial impact (risk) to a business. OSH performance is becoming part of the change in non-financial impact (risk) measurement, valuation and public reporting on human capital. Human capital is the investment community's language for people who work in an organization or business. People in this context are workers and include their representatives. Organizations include companies and other entities where workers work such as in value chains (supply chain and contractor's workers). Workers are employees, contingent, part time, agency and migrant workers, interns and visitors and their work or work activities may or may not be under the control or shared control of the organization. Workers and their safety and health at work contribute

to an organization's ability to attract and retain workers. In this example, OHS performance creates value and can have a direct impact on an organization's sustainable business performance. See Fig 1. below.

#### Organizations:

- Business, Company
- Other entities where workers work.

**Fig 1. Optimal Business Environment for All**



### Stakeholders: The Influencers

The dots are also beginning to connect with OSH stakeholders on a global level. These OSH stakeholders specifically include corporate boards, C-suites, investors, safety and health professionals, governments, regulators, NGOs, communities and people working in organizations and their value chains. Key global influencers include the [International Labor Organization \(ILO\)](#), the [United Nations](#), [Global Reporting Initiative \(GRI\)](#), [International Integrated Reporting Council \(IIRC\)](#), [Sustainability Accounting Standards Board \(SASB\)](#), [Center for Safety and Health Sustainability \(CSHS\)](#), [Social and Human Capital Coalition](#)

(SHCC) and the [World Business Council on Sustainable Development](#) (WBCSD). These stakeholders are aligning through partnerships, alliances and collaboration on the shared understanding that safe and healthy people working in organizations of any size is an indicator of sustainable business performance.

**Value Chain Workers include:**

- Supply chain workers
- Contractors' workers

The fact is, business needs engaged workers to thrive and workers need businesses that are thriving for good job opportunities. In some regions of the world there is a shortage of workers which is proving to be difficult for companies to manufacture products and deliver on service. This interdependency underpins a shift in thinking on the correlation between OSH and sustainable business performance. Business performance is interconnected with workers, their value and contribution. In the sustainability and human capital space, stakeholder expectation on value creation and good decision making is directly impacted by an organizations recognition that workers' safety and health risk (impact) are material to their business. This thinking is continuing to evolve in the investment community.

**Material Risks:**

- are significant internal and external economic, environmental and social impacts;
- substantively influence the assessments and decisions of stakeholders

source: GRI 101 Foundation 2016

## Performance Measurement & Reporting (Disclosure)

How does a company measure how well they are managing OSH performance? Globally, there has been a lack of proactive, consistent, comparable, measurable, relevant and reportable OSH metrics/disclosures that demonstrate a business' value and insufficient information regarding how they manage risks to their workers (human capital.) Data matters. The new GRI 403 OHS (OSH)

standard will influence this significantly. One of the key OSH metrics advocated by the CSHS and GRI is implementation of a sustainable, risk based Occupational Health and Safety management system (OH&S MS.) It is a key leading performance indicator, proactively incorporating repeatable and reliable processes and standard operating procedures into business operations to effectively measure how well a company is reducing potential worker injuries and Ill health, most importantly serious injuries, disease and fatalities.

## Sustainable Business Performance: The Value of Workers

According to [the Center for Safety & Health Sustainability](#), "More companies are gathering OSH metrics, but few are reporting publicly on their findings. Even fewer companies are measuring and reporting on OSH performance in the supply chain (including their contractors). A shift in mindset needs to take place among both OSH professionals and occupants of corporate boardrooms. Both groups need to fully appreciate human capital as much as they do investment capital."

Business performance is connected to workers. The key drivers for the uptake in OSH measurement and public reporting (disclosure) are the investment community and customers. The [Human Capital Management Coalition](#) (HCMC) represents over 25 institutional investors with US\$ 2.8 trillion assets under management and is focused on disclosure of human capital impacts (risks and opportunities) in annual Corporate financial reports. Their focus is on the adoption of standards by the US Securities and Exchange Commission (SEC) requiring listed companies to disclose information on human capital management policies, practices, and performance. This includes public reporting of OSH performance. While US based, the HCMC invests globally, and is looking for investment opportunities in companies who value their people. While Human Capital encompasses a myriad of issues for workers, OSH is one of the issues beginning to be considered by investors in their investment decision making.

## The Influencers of Change

Investors and customers are proving to be the greatest influencers increasing the velocity of change in measurement and public reporting of non-financial impacts/risks. Financial incentives afforded by investors and customers are at the forefront of this change. Private companies can be influenced by customers who are publicly traded. Publicly traded multinational organizations and their value chain in Europe, North America and parts of Asia are the early adopters to public reporting on human capital and sustainability performance.

### 1. Environmental, Social and Governance (ESG) Investing

In addition to the HCMC, individual institutional investors and other ESG focused asset owners and managers, such as [Blackrock](#), [BNP Paribas](#) and the 1,800+ [UN Principles of Responsible Investment signatories](#), are growing in number and looking to make good investment decisions. Companies who are transparent, measure and publicly report their ESG impacts/risks tend to be better investments. Human capital investors want to understand and assess how well the companies they own are managing their people. This trend is beginning to accelerate, turning non-financial and integrated financial public reporting into a corporate imperative.

As the interest in ESG issues, specifically human capital, among investors continues to grow, OSH stakeholders are also asking for more transparency through public reporting (disclosure). The dots are beginning to connect in this space.

### 2. GRI, ILO and CSHS Collaboration

According to the latest [KPMG survey](#), 75% of the G250 and 63% of the N100 companies surveyed use the GRI framework for public reporting on a company's ESG impacts. The GRI has recently launched an updated version of their [GRI 403: Occupational Health and Safety reporting standard](#). This standard was developed by the GRI Project Working Group, a collaboration of OSH stakeholders including the GRI's Global Sustainability Standards Board (GSSB), ILO, CSHS, corporate reporters, rating agencies, investors and government. This standard setting process provides a rigorous methodology for measuring and publicly reporting OSH performance based on consistent,

comparable, measurable and relevant leading and lagging indicators of performance (metrics/disclosures/impacts). The GRI 403 standard places emphasis on reporting proactive measures for risk reduction such as identifying impacts (work) with high consequence injury and ill health potential (includes fatalities) rather than just reporting on incidents that have already occurred. Use of the [ILO Occupational Safety and Health Management Standard- 2001](#) as a recognized national or international OH&S management system measure is referenced as a metric (disclosure) in the GRI 403 standard.

The GRI OHS (OSH) standard requires disclosure of material impacts (risks and opportunities), identifying hazards and risks, promoting healthy and safe working conditions, and developing processes and programs that reduce risk to workers, including workers in a reporter's value chain.

Influencers on the Corporate side include the [World Business Council on Sustainable Development \(WBCSD\)](#) and [Social and Human Capital Coalition \(SHCC\)](#). WBCSD is a CEO lead organization representing [200 companies](#) with \$8.5 Trillion in combined revenues and a collective 19M employees around the world. Their mission is to "accelerate the transition to a sustainable world by making more sustainable businesses more successful." They are helping companies connect the dots between social, human capital and business performance, including alignment with the [UN Sustainable Development Goals \(SDGs\)](#). In April 2018, the WBCSD launched the [Social and Human Capital Coalition \(SHCC\)](#) with a separate board of directors to focus on the belief that "Companies that truly value people and relationships will be more successful." The SHCC envisions harmonized, credible and comparable techniques for social and human capital measurement and valuation being consistently incorporated into corporate, investor and government decision making.

In February 2019, the SHCC launched the [SHCC Protocol](#) to advance current social and human capital measurement and reporting practices. It supports the financial community and capital markets in recognizing and rewarding social and human value creation in the companies in which they invest. The work of the SHCC is evolving, they are an influencer to watch.

### 3. The [UN SDGs](#), [UN Principles of Responsible Investment \(PRI\)](#), [UN Global Compact](#) and ILO

Another dot that is connecting globally is OSH alignment with the [UN SDGs](#). According to a recent KPMG survey of the G250 and N100\* companies, “within two years of the SDGs being launched in 2015, four in ten (40%) top companies acknowledged the UN SDGs in their corporate reporting. Of these, 84% identified the SDGs they consider most relevant to their business.” The SDGs most commonly prioritized by leading companies include SDG 13 Climate Action, SDG 8 Decent Work & Economic Growth and SDG 3 Good Health & Wellbeing. OSH performance lies within SDGs 8, 5 and 3. SDG 8 measures how an organization promotes sustained, inclusive economic growth, full and productive employment and decent work for all. It includes SDG 8.8 on how an organization will “Protect labor rights and promote safe and secure working environments of all workers, including migrant workers, particularly women migrants, and those in precarious employment”. This is the focus of the [ILO’s Decent Work Agenda](#).

From an OSH perspective, SDG 5 focuses on women and girls, their social protections for domestic workers, a workplace free of violence and harassment (includes sexual harassment) and effective engagement and involvement in leadership roles within the organizations in which they work. SDG 3 is to “ensure healthy lives and promote well-being for all at all ages.” Business, Investors, governments, standard setters and customers are beginning to recognize the relevance of the UN SDGs on sustainable business performance and the importance of disclosing (reporting) how an organization is meeting those goals.

The PRI and UN Global Compact are also lending weight, influencing the investment and corporate communities to think differently about longer-term responsible investments. PRI encourages investors to use responsible investment to enhance returns and better manage risks using six principles, “developed by investors for investors” to incorporate ESG issues into investment practice. PRI has attracted signatories representing many of the world’s professionally managed investments and is working with these signatories to align responsible investing to the broader sustainable objectives of society, defined in the UN SDGs.

The UN Global Compact includes over [12,000 + signatories](#) in 160 countries and is calling on companies and their CEOs to align strategies, operations and long-term success with the importance of their workers, communities and the planet. At the heart of the UN Global compact is actions to support companies achieving the UN SDGs by 2030.

## **The Value of Workers, a Business’ Human Capital**

Today, Top management does not always see the value of OSH in the overall performance of the business and its competitive advantage. This is part of the mindset change that needs to occur. According to a [CSHS report on the new sustainability](#), “effectively managing human capital results in an organization’s ability to recruit and retain employees.” The report goes on to say, “reputation is a key factor in attracting and recruiting talent and can have a significant financial impact. Reputation affects the strength and efficacy of supply chain relationships, too. Companies that recognize and report on metrics related to human capital create opportunities for recruitment and retention of high performing workers, engagement, innovation, improvement and performance in their business. New markets, products/services and disruptive thinking come from the people who know they are invaluable to an organization.” Additionally, the CSHS report says, there is “a spread of more than 5% in operating margin between companies with low versus high employee engagement.” Engagement by workers (includes employees), positively impacts a business’ ability to innovate, stay relevant, reduce risk, create efficiencies and improve sustainable business performance. Employee engagement impacts the ability of an organization to reduce OSH risk through feedback and participation in the assessment, measurement and management of OSH risk to the business. The benefits of measurement and public reporting that include OSH are evident. Whether one’s frame of reference is workers and their representatives or human capital, business, OSH professionals, supply chains, investors or an NGO, they all can align on the value of safe and healthy people working within a business and its value chain.

## CALL TO ACTION

The dots are connecting on OSH performance, the value of Human Capital and public reporting. However, a shift in mindset needs to occur among occupants of corporate boardrooms, C-Suites and with OSH professionals. Corporate boards, C-Suites and investors, in general, need to appreciate human capital as much as they do investment capital. OSH professionals need to see themselves as leaders and active partners in the human capital and sustainability arena as it relates to their job and ability to lead their organizations through this shift. Although OSH measurement and public reporting are at the beginning of this public reporting maturity curve, there are indications they are beginning to trend as environmental measurement and public reporting has evolved.

The most successful organizations are ahead of the curve. They recognize the impact a skilled, engaged and productive workforce can have on its operations, and ultimately, its perceived value and business performance. When organizations proactively identify hazards then assess, control and prioritize risks to people working in their organization through repeatable and reliable processes, procedures and a risk-based systems approach, OSH performance is positively impacted, reducing the potential for injuries and ill health, especially serious injuries and fatalities.

OSH professionals have a role to play in educating their leaders and other stakeholders and identifying and managing risks and opportunities. Many are just beginning to understand the power of sustainability to align their organization on the importance of reducing OSH risks and integration of an OH&S MS. Through performance measurement and public reporting, it's becoming clearer that workers aren't problems to be managed but are essential and create value for a sustainable business. Workers create opportunities for innovation, operational excellence, quality products and customer service excellence, delivering on an organization's promise. This is good for business and good for workers.

What is your OSH stakeholder group? What are your next steps to connect the dots between sustainable business and OSH performance? How will you influence the Human Capital and OSH agenda?

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