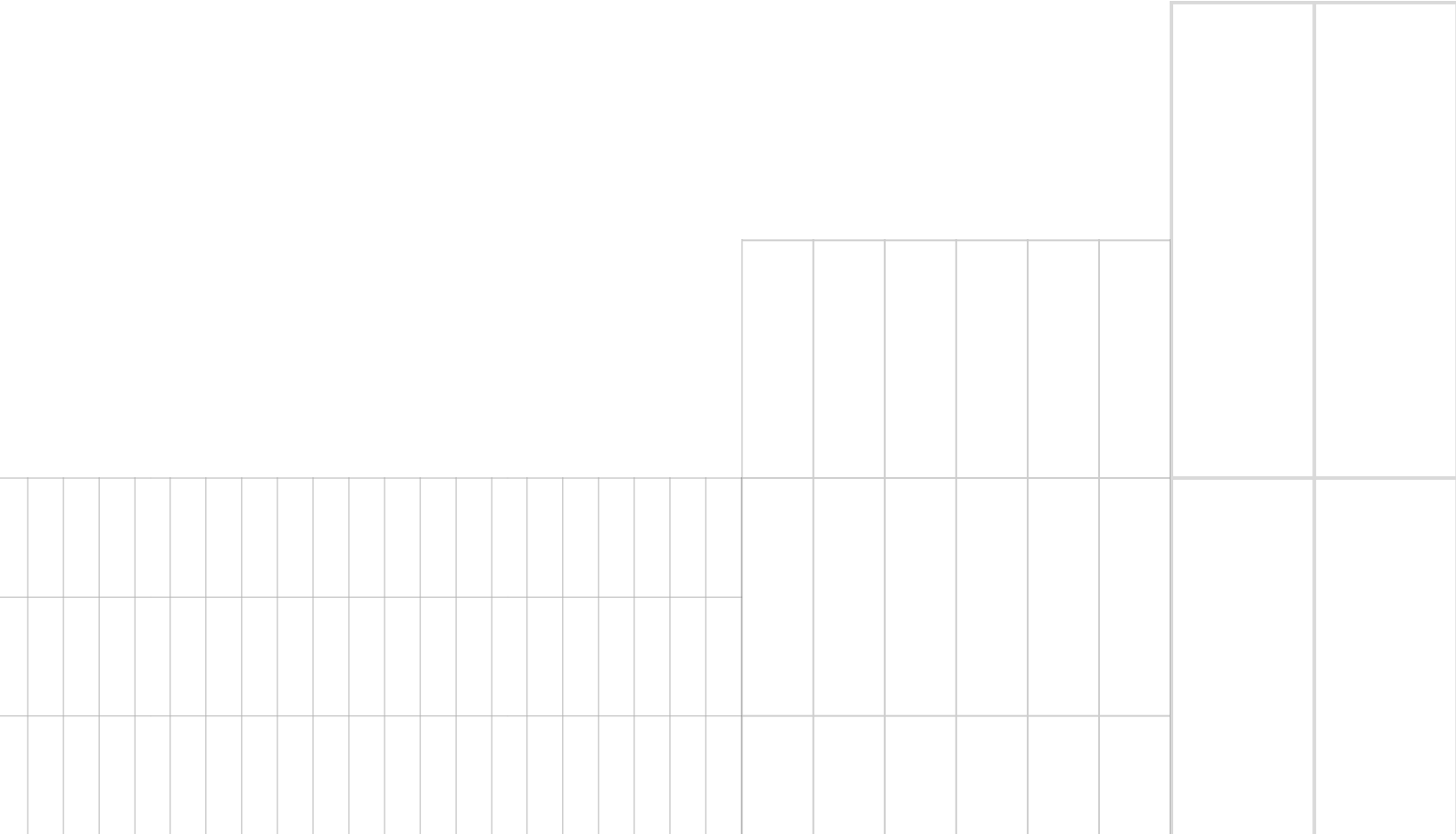


Companies See Value in Broadening Sustainability Efforts



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Environmental, social, and governance issues are no longer secondary considerations for companies seeking organizational resilience and global market growth. As consumers and investors call for the private sector to be more globally responsible, organizations across industries increasingly are heeding this expectation, or risk loss of reputation and investor and customer confidence.

Weaving the trio of sustainability concerns, collectively known as ESG, into the fabric of business operations demonstrates that company durability rests on more than economic factors.

While some reports have indicated the high-tech sector is not necessarily in the vanguard of the ESG movement,¹ the wider picture in recent years has illustrated that sustainability is nonetheless going mainstream. Nearly all fast-food, gasoline, and retail chains along major highways also have sustainability reports issued by corporate headquarters. This highlights the overall shift across industries. In 2011, 20 percent of S&P 500 companies published sustainability reports. By 2017, 85 percent did.²

The social aspect (or “S” of ESG) is a growing focus in the sustainability conversation, as investors and additional stakeholders call for greater transparency into health and safety practices.

In the early 1900s, writer Upton Sinclair shocked American consumers with depictions of the meat-packing industry, and food safety regulations followed. Today, customers and investors aren’t focused simply on bare-bones regulations, but on more expansive efforts that further strengthen the bottom line, protect assets, and minimize employee turnover. Health and safety concerns are evolving from mere compliance to proactive measures that enhance wellness across the supply chain and benefit recruitment and retention.

“Social sustainability is now recognized as being as important as environmental or economic sustainability.”

COMPANIES SHIFT TO NET-POSITIVE APPROACHES

Businesses face fresh demand to proactively address climate change and social equity concerns. This expectation is reflected in the growing interest among customers, investors, and employees for company ESG performance. In this environment, businesses can’t simply meet net-zero benchmarks. They must achieve net-positive results that enhance ecosystems and society.

“Resiliency is key to well-being, and businesses in particular play an incredibly important role in shaping our world,” said Sandy Skees, regional director of EHS services and solutions at BSI. “As businesses understand that in bringing their scale, reach, and impact to creating a resilient world, we all benefit.”

Companies are responding in kind. A global carpet manufacturer has developed material that prevents carbon re-release. A carbonated drink manufacturer puts clean water back into watersheds. And a hand soap company is helping eradicate disease through a global hand washing initiative. To implement similar measures, companies can look to the United Nations’ 17 sustainable development goals as a guiding framework, followed by ISO standards like 45001 (health and safety) and 14001 (environmental management).

“We recommend companies use these as organizing frameworks for prioritizing and reporting on progress,” Skees said. “Address the environmental and social challenges most relevant to your business.” As an example, a data center company, whose greatest expense and environmental impact is electricity use, may simultaneously deploy renewable energy. A chip manufacturing facility may look at logistical strategies to lower its supply transportation carbon footprint.

Response also rests on critical self-assessment. “Understand your purpose as an organization—what products you’re making, what service you’re providing, and how it enhances the world—and connect your environmental, social, and governance behaviors to that,” Skees said.

SOURCE: BSI

¹ Sustainability Academy, “Is There Truth in Silicon Valley Companies as Sustainability Leaders?” Feb. 1, 2017, <https://sustainability-academy.org/sustainability-leadership-silicon-valley-perception-versus-reality/>

² Governance and Accountability Research Institute, “S&P 500 Companies Sustainability Reporting,” 2017 Research, http://www.ga-institute.com/fileadmin/ga_institute/images/FlashReports/2018/G_A-Flash-S_P500-Chart-2018_600px.jpg

“Social sustainability is now recognized as being as important as environmental or economic sustainability,” said Michael Toole, dean of the University of Toledo’s College of Engineering. “We are increasingly recognizing the need for an integrated approach to safety that involves all parties in the supply chain.”

In 2018, the chief executive of BlackRock, the world’s largest asset management firm, amplified this view in an open letter to companies, stating they should “not only deliver financial performance, but also show how [they] ... benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.”³

This clarion call suggests the need to move ESG strategies away from typically siloed approaches into concrete procedures, embedded across the enterprise. This enlarged focus strengthens an organization’s viability and global competitiveness—an outcome illustrated by the 100 most sustainable companies outperforming the S&P 500 index this past year.⁴

Recognizing these potential gains, public companies now predominantly include non-financial disclosures in filings with the Securities and Exchange Commission. Customers, meanwhile, are asking privately-held companies for the same disclosures.

Similarly, real-time market performance reveals that more investors are viewing social-focused ESG matters, including occupational health and safety concerns, as material in assessing a company’s immediate and long-term viability. These efforts also help attract and retain talent, particularly in a tight labor market.

Assessing this terrain, organizations face the imperative to look beyond decades-old industry standards governing operations, and integrate this broad view of ESG across the entire business ecosystem to manage risk in new ways.

Strengthening Frameworks for Health and Safety

While companies assess how to integrate social sustainability into operations, it has been uncertain how these frameworks can link imperative to execution. While a company’s revenue, profit, and loss are quantitative benchmarks, the effectiveness of ESG

initiatives has been subjective, and investors have pushed back on boilerplate and nonspecific language in company filings that tout commitment. There is also a large push for a standardized agreement on ESG benchmarks, with transparency and accountability similar to the FASB standards.

Definitions of sustainability have varied widely, leading investors to reach widely different conclusions about the same company’s performance. Companies also have struggled to effectively implement ESG systems and risk mitigation strategies across the supply chain, as they deal with outdated business models that focused more on production, costs, and earlier theories of workplace safety.

The 100 most sustainable companies outperformed the S&P 500 index this past year.

Yet concrete frameworks and standards are slowly emerging. The ISO 45001 framework, published in March 2018, advances far more expansive global standards to manage occupational health and safety risks. The framework replaces a management system standard that had been in effect since 1999, and goes further by proactively identifying potential risks and safeguards to minimize and eliminate unfavorable outcomes.⁵ Employers spend nearly \$1 billion every week on direct workers’ compensation costs, according to the Department of Labor, but the social costs are more difficult to quantify.

The shift toward concrete, repeatable standards, with a broader focus, addresses this challenge. ISO 45001 emphasizes the “context of the organization,” extending internal health and safety concerns to the larger environment in which a business functions.⁶ And the emphasis on leadership commitment also relies on worker participation and communication.

³ Andrew Ross Sorkin, “BlackRock’s Message: Contribute to Society, or Risk Losing Our Support,” *The New York Times*, Jan. 15, 2018, <https://www.nytimes.com/2018/01/15/business/dealbook/blackrock-laurence-fink-letter.html>

⁴ Hank Boerner, “Proof of Concept for Sustainable Investing: The Influential Barron’s Names the Inaugural ‘The Top 100 Sustainable Companies—Big Corporations with the Best ESG Policies Have Been Beating the Stock Market,’” Governance and Accountability Institute, Feb. 4, 2018, <https://ga-institute.com/Sustainability-Update/2018/02/04/proof-of-concept-for-sustainable-investing-the-influential-barrons-names-the-inaugural-the-top-100-sustainable-companies-big-corporations-with-the-best-esg-policies-have-been-beating-t/>

⁵ ISO Update, “Differences Between ISO 45001 and OHSAS 18001,” Jan. 10, 2018, <http://isoupdate.com/resources/differences-between-iso-45001-and-ohsas-18001/>

⁶ Ibid

This enlarged view of a company's social footprint, across the supply chain, is bolstered by complementary concepts that have emerged over the past decade and a half. Total Worker Health® and Prevention through Design build on occupational health and safety concerns by actively seeking to enhance workers' well-being through innovative approaches to design and workplace environments.

"In addition to protecting the environment and being responsible consumers of our natural resources, organizations are realizing we also need to be good stewards of our human resources," said John Gambatese, an Oregon State University professor of civil and construction engineering.

"Total Worker Health and Prevention through Design are attractive concepts for addressing the sustainability of our workforce. TWH and PtD support organizations in their efforts to maintain a healthy and productive workforce, and to create a desirable, risk-free, and socially responsible work environment."

Collectively, these frameworks and concepts advance health and safety concerns beyond mere sentiment, or compliance, toward specific, verifiable practices underneath the larger ESG umbrella.

Rethinking Design for Safety and Wellness

Conventional wisdom asserts the majority of workplace accidents ensue from worker missteps. This conclusion, first advanced by industrial safety pioneer Herbert William Heinrich, is only now being upended by a relatively new concept.

Where previous theory focused on behavior, PtD shifts attention to integrating design considerations "at the source" to reduce environmental impact, workplace injury, and illness.⁷ This proactive focus minimizes risks that accompany the lifecycle of events spanning facilities, materials, and equipment.

The concept rests on a hierarchy of controls, with less dangerous elements substituted for more hazardous materials and approaches. Various administrative and engineering controls further solidify risk management.

Hierarchy of Controls

The Prevention through Design concept rests on five major hazard control measures:

- Elimination
- Substitution
- Engineering controls
- Administrative controls
- Personal protective equipment

Source: National Institute for Occupational Safety and Health

The PtD concept has reduced construction times, enhanced project quality, and lowered costs.⁸ One study found the benefits of accident prevention outweighed the costs 3-to-1 in the construction industry.⁹ PtD has carried into the health-care sector. Placing elderly patients at the center of design considerations has alleviated the burden on providers in a field with high workplace injury rates.¹⁰ Additional industries are benefiting.

"Companies that produce oil and gas, chemicals, computer chips, electricity, minerals—this sector involves major capital facilities with high levels of hazards," Toole said. "Large, successful companies have used Prevention through Design to reduce injuries during the initial construction and over the lifecycle of operations and maintenance." In the electrical field alone, hazards are reduced through design features such as permanently mounted voltage indicators, data access ports, and voltage portals.¹¹

Beyond safety, design features are now advancing wellness. Elements such as circadian lighting, collaborative spaces, and continuous monitoring of carbon dioxide and volatile organic compounds in office air boost employee recruitment and retention. One London-based firm with improved air quality saw a 27 percent reduction in staff turnover.¹²

⁷ Donna S. Heidel, "Prevention through Design Standard," Centers for Disease Control and Prevention, Sept. 22, 2011, <https://blogs.cdc.gov/niosh-science-blog/2011/09/22/ptd-2/>

⁸ Lisa Singh, "Critical Wrinkles of the New European Privacy Law," Bloomberg Law, June 2018, <https://biglawbusiness.com/new-special-report/>

⁹ Elias Ikpe, Felix Hammon, and David Oloke, "Cost-Benefit Analysis for Accident Prevention in Construction Projects," *Journal of Construction Engineering and Management*, August 2012, <https://ascelibrary.org/doi/10.1061/%28ASCE%29CO.1943-7862.0000496>

¹⁰ E. Stewart, D. Heidel, and M. Quinn, "Prevention through Design in the Health-Care Sector," *Environmental Health Risk*, August 2009

¹¹ Rachel Bugaris, "What Does Prevention Through Design Really Mean?" *Automation.com*, Oct. 3, 2018, <https://www.automation.com/automation-news/article/what-does-prevention-through-design-really-mean>

¹² Bloomberg interview with Angela Loder, vice president, research, International WELL Building Institute, Oct. 23, 2018

“By designing for health outcomes, whether through active design interventions such as prominent staircases to promote physical activity, or passive design interventions, such as increased access to daylight, businesses can increase the potential positive health impacts on their workforce,” said Angela Loder, a researcher in occupant health, buildings, and sustainability.

“As implementing health through design, policy, and operations become more commonplace, we expect this to lower costs and increase employee expectations of their workplace.”

The benefits of accident prevention outweighed the costs 3-to-1.

Total Worker Health

In 1965, the Highway Beautification Act was signed to limit billboards and other roadside clutter along America’s interstate highways. Supporters called it more than a cleanup. “The subject of Beautification,” wrote first lady Lady Bird Johnson, “is like a tangled skein of wool. All the threads are interwoven—recreation and pollution and mental health ... everything leads to something else.” The same interconnected approach now finds its voice in TWH.

“Total Worker Health approaches assume that safety, health, wellness, and wellbeing are not separate issues but are integrated within an organizational system,” said Donald Truxillo, a professor of industrial and organizational psychology at the University of Limerick’s Kemmy Business School in Ireland. He cites some of the causes of recent train accidents: untreated sleep apnea in an engineer, possibly caused by obesity.

“This would be an example of how health, wellness, and safety are all intertwined,” Truxillo said. “In that sense, organizations would be best served by addressing these not as separate issues but as part of a larger system in the organization.”

The number of worker deaths and injuries that occur outside the workplace now exceeds those occurring during business hours.¹³ TWH comprises policies and best practices that assess health risk factors previously viewed as unrelated to work. The framework connects the dots between work-related factors and many health conditions.¹⁴

Practically speaking, companies can minimize musculoskeletal disorders, for example, by offering ergonomic consultations. Work-related stress, which exacerbates depression, can be eased by more flexible schedules, exercise programs, and skill-building workshops.¹⁵

As the new economy shifts to gig workers, wellness standards apply across the supply chain. A global information technology company now mandates third-party suppliers offer their workers parental leave. Companies with a more myopic view risk reputation damage. Several years ago, for example, a major social-media platform sparked media attention as drivers, employed by a third party, documented long hours and low pay for shuttling company employees to work.¹⁶

Companies across the spectrum are steadily applying TWH. A global raw materials manufacturer and supplier has made the framework part of its 2025 sustainability goals.¹⁷ Similarly, a multinational metals technology, engineering, and manufacturing company has implemented workplace programs and policies to strengthen worker well-being.¹⁸

Efforts are unfolding in verifiable ways. A national outdoor clothing and equipment company minimizes injury and illness through robotic and vacuum-driven lift-assist equipment. The company also offers a voluntary exercise program. These measures have helped reduce compensation cases from 10 to two.¹⁹

¹³ Campbell Institute Research and Knowledge Sub-Committee, “Defining Off-the-Job EHS Excellence,” <https://www.nsc.org/Portals/0/Documents/CampbellInstituteandAwardDocuments/WP-Defining-Off-the-Job-EHS-excellence.pdf>

¹⁴ National Institute for Occupational Safety and Health, Centers for Disease Control and Prevention, “Total Worker Health,” <https://www.cdc.gov/niosh/twh/totalhealth.html>

¹⁵ Ibid

¹⁶ Aaron Taube, “Facebook Shuttle Bus Driver Explains Why He’s Furious About His Job,” *Business Insider*, Nov. 18, 2014, <https://www.businessinsider.com/facebook-bus-driver-explains-why-hes-furious-2014-11>

¹⁷ Chia-Chia Chang, “Promising Practices for Total Worker Health,” *Total Worker Health in Action!*, National Institute for Occupational Safety and Health, Centers for Disease Control and Prevention, Vol. 6, No. 4, December 2017, <https://www.cdc.gov/niosh/twh/newsletter/twhnewsv6n4.html#Promising>

¹⁸ Anita L. Schill and L. Casey Chosewood, *Total Worker Health in Action!* The National Institute for Occupational Safety and Health, Centers for Disease Control and Prevention, Vol. 5, No. 3, August 2016, <https://www.cdc.gov/niosh/twh/newsletter/twhnewsv5n3.html>

¹⁹ Ibid

Conclusion

In a global economy, companies no longer operate as an island of one but within a system of interdependent entities. What happens in one area of production, continents away, can ripple down to the company's bottom line. This is accelerated in an environment where customers and investors call for companies to integrate new benchmarks to assess overall performance and provide transparency.

As these frameworks and standards emerge, the focus is less on production, costs, and schedules alone, and more on an organization's overall context—the needs of external and internal stakeholders and clear messaging about an organization's motivation. This more socially-focused approach is gaining ground, as nonfinancial disclosures increasingly address health and safety.

Certainly, some companies have long been the subject of supply chain concerns yet maintain market dominance. Where consumers have greater choice, however, companies are finding questionable worker conditions only enlarge the target on their back. In a more ESG-focused environment, companies can take incremental steps to enhance their approach to social sustainability. The first step begins with the values articulated by leadership.

"Only when safety and health are recognized throughout the organization as being one of the most important values and priorities can leaders take the next step," Toole said. For TWH, steps include assessing the current state of safety, health, and well-being efforts; soliciting worker insights into challenges and suggestions; and developing improvements and interventions guided by ongoing feedback.²⁰

PtD also benefits from collaborative approaches. "A key component of health-focused design is to get human resources, management, and facilities maintenance together to discuss health goals and strategies for any design for health intervention," Loder said.

In initiating these steps, the most forward-looking organizations do more than satisfy compliance. They proactively foster wellness, maximizing organizational resilience and global competitiveness.

²⁰ Bloomberg interview with L. Casey Chosewood, physician and director, Office for Total Worker Health, National Institute for Occupational Safety and Health, Centers for Disease Control and Prevention, Oct. 22, 2018

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