

HOW TO MAKE SAFETY CORE TO YOUR COMPANY'S ESG EFFORTS

By Perri Richman

Safety leaders have long internalized the business and human cases for OSH. It is the right thing to do for the company and the people who work there. Employees gain enhanced safety, peace of mind and trust in their employers.

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Companies benefit from increased resilience and engaged employees. But finance leaders, investors and other stakeholders can view safety differently. Too often, safety is only prioritized in response to a crisis such as a workplace injury or fatality. But these incidents generate financial and reputation costs. Environmental, social and governance (ESG) principles aim to minimize the financial and reputation costs that such incidents generate. These ideals go beyond managing climate risk and advancing social justice. A framework to make businesses more resilient and help them accrue long-term value, ESG principles ensure that company leaders look holistically at their business model to make choices that enhance sustainable business practices. Safety is a critical piece of this equation.

Now is an excellent time for safety leaders at all levels to get involved. Why? Because without a strong safety component, the sustainability picture is incomplete. This article discusses three strategies to help safety leaders get started.

Strategy 1: Understand the Importance of Safety to Stakeholders

One of the most important strategic levers for ESG is a materiality assessment, which provides an

understanding of which business topics are most important to stakeholders and determines their impact on the business. Through a series of steps that include interviews and surveys, the assessment includes a multiblock mapping exercise whereby topics and issues are prioritized based on the importance to stakeholders versus the financial impact each component has on the company. These assessments are published in companies' ESG reports and are updated every 2 to 3 years. Figure 1 shows an example of a materiality assessment for a consumer products company. This assessment shows that OSH is not on the company's radar, which indicates a lower likelihood of securing major investments in safety than for initiatives related to environmental issues such as decarbonization.

Figure 2 shows an example of a materiality assessment for a food company. This assessment indicates that the company's top priority is employee safety and health. This company likely has public commitments to improve safety and thus approval for related initiatives is more likely.

Because safety leaders are responsible for employee well-being, they must ensure that OSH is part of the conversation and included when materiality assessments are conducted. When speaking with leaders about materiality assessments, consider separating safety into different categories such as employee safety, supplier and subcontractor safety, safety and health, and health and wellness. These categories can help stakeholders see safety in simpler terms.

FIGURE 1
MATERIALITY ASSESSMENT EXAMPLE 1

An example of a materiality assessment for a consumer products company.



Note. Reprinted from "Creating Shared Value and Sustainability Report 2020 Appendix," by Nestlé, 2020, p. 8 (www.nestle.com/sites/default/files/2021-03/creating-shared-value-appendix-2020.pdf).

Strategy 2: Understand ESG OSH Reporting Requirements

As part of ESG reporting, public companies report on their safety performance. They use reporting frameworks such as standards from the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board to guide levels of disclosures.

The GRI 403 standard, for example, asks companies to disclose the following:

- occupational health and safety management system
- approach to hazard identification, risk assessment and incident investigation
- occupational health services
- worker participation, consultation and communication on OSH

- worker training on OSH (including compliance)
 - promotion of worker health
 - prevention and mitigation of OSH impacts directly linked to business relationships
 - workers covered by an occupational health and safety management system
 - work-related injury data
 - work-related ill health data
- What does this all mean? There is an expectation that companies have a comprehensive data-driven OSH program in place with annual updates and disclosures. When discussing safety with executive teams, it is important to keep the human side of safety top of mind. At the same time, stakeholders hold your company accountable, so speak the language of the stakeholders. Following is an example of how to frame discourse:

There are opportunities to strengthen our safety management process and incident reporting and mitigation. Here at [insert location], we are applying a best practice approach that includes [insert examples of best practices], and the result has been [insert data point such as percentage drop in lost workdays]. We need a [insert dollar amount] investment to take this to scale and further mitigate. It involves [insert description of efforts required], and the return-on-investment period is [insert time frame].

Another approach is to share case examples in one or more of these categories as part of the ESG report and help the company communicate efforts, challenges and successes.

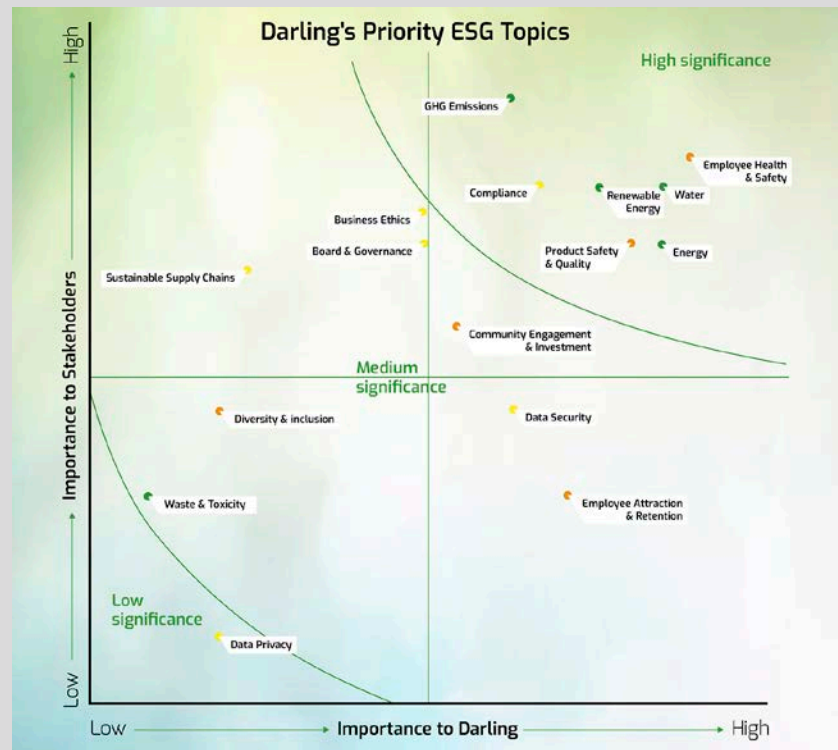
Strategy 3: Ask About Public Commitments to Safety

Companies that place material priority on OSH often make public commitments to reducing safety incidents and creating safety cultures. If the company's materiality assessment emphasizes safety but the company has not made a public commitment, ask why. To be clear, this point is not about "zero harm" commitments. Every company promises to send employees home safely at the end of each business day. It is about measurable public commitments.

As an example, one oil and gas company said as part of its ESG report, "We will achieve a 5% decrease in reportable and lost-time incidents per year and disclose annually as part of our reporting process." In industries with a large number of subcontractors, ensure that commitments cover these professionals. For companies with public commitments, the safety leader's role is to steward investments, programs, reporting, obstacles and progress that tie back to achieving the promise.

FIGURE 2 MATERIALITY ASSESSMENT EXAMPLE 2

An example of a materiality assessment for a food company.



Note. Reprinted from "Creating Value Through Circularity: Darling Ingredients ESG Report," by Darling Ingredients, 2021, p. 15 (www.responsibilityreports.com/Company/darling-ingredients-inc).

Small Steps, Big Sustainability Contributions

Sometimes safety managers do not feel they have the standing to weigh in on these discussions. But by understanding where safety lands in materiality assessments, knowing how the company reports to stakeholders about safety, and making progress on its promises, safety managers can successfully contribute to the company's sustainability efforts.

For managers who prioritize safety, getting involved in the ESG process is crucial to elevating safety's significance in company reporting. Importantly, safety has an incredibly high return on investment. OSH incidents can produce medical costs, lost time, low morale, productivity deficits and litigation. Preventing these outcomes is in everyone's best interest. **PSJ**

References

- Nestlé. (2020). Creating shared value and sustainability report 2020 appendix. www.nestle.com/sites/default/files/2021-03/creating-shared-value-appendix-2020.pdf
- Darling Ingredients. (2021). Creating value through circularity: Darling Ingredients ESG report. www.responsibilityreports.com/Company/darling-ingredients-inc

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