



# Your Safety Record Could Be Life or Death for Your Business

Accounting for OH&S in Sustainability Reporting

Everybody wants to be part of a “sustainable and socially responsible” business these days. But what exactly does that mean? What does it have to do with profitability and good business practices, and how is it connected to occupational health and safety (OH&S)?

Recent developments in sustainability expectations and metrics have done much to clarify the connection between occupational health and safety and an organization’s long-term sustainability. Here’s a look at what the term has evolved to represent, in general terms, for professionals in OH&S, and how to include in your corporate reporting.

## What Is Sustainability?

Defining “sustainability” is more difficult than one would think and has changed over time. The term originally arose out of the environmental protection movement, where it generally referred to the long-term survival of renewable natural resources like forests and fisheries, but even in that context, had no clearly delineated meaning. In July /August 2009, the Federal Trade Commission (FTC) conducted a consumer perception study of environmental benefit claims. The purpose of the study was to create guidance for businesses attempting to comply with federal truth-in-marketing laws. The FTC ultimately refused, in 2012, to define “sustainability” for use as an environmental marketing claim, stating that it “lacked a sufficient basis to provide specific advice” on using the term for marketing purposes and further noting that “there is no consensus definition” of the term that consumers would automatically understand. Rather, the FTC found that “the term can include a variety of economic, social, and environmental considerations.”<sup>1</sup>

Indeed, when the U.S. Environmental Protection Agency developed its “Database of Sustainability Indicators and Indices (DOSII)” —which it calls “a searchable inventory of sustainability indicators and metadata from peer reviewed sources classified into a single taxonomy”—the agency identified more than 2,500 such indicators. Only four of these were directly linked to occupational health and safety, and three of them were essentially the same metric: worker injuries; incidence of occupational injuries, illnesses and fatalities; rates of occupational diseases, lost days, and absenteeism, and number of work-related fatalities all measure similar things. The fourth indicator connected to occupational health and safety was workforce participation in joint management/worker health and safety committees.<sup>2</sup>

During the initial push for businesses to account for environmental “sustainability” of their business models, the meaning of the term became scattered and fragmented almost to the point of uselessness. Now a few independent standard-setting agencies have formed to standardize the definition of “sustainability”. Since the word can be applied to almost anything, “sustainable development” is generally used to reference business models that account for business costs and benefits in terms beyond dollars and cents, that attempt to forecast the impact of nonfinancial and nonproduction factors on corporate performance.

Two organizations have emerged at the forefront of consensus standard-setting for sustainable development: the Global Reporting Initiative (GRI), which is widely used globally, and the Sustainability Accounting Standards Board (SASB), a U.S.-based organization that issues industry-specific sustainability reporting standards that are aligned with the accounting practices set by the Financial Accounting Standards Board.

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<sup>1</sup>Federal Trade Commission (2017). FTC: The Green Guides, Statement of Basis and Purpose. Retrieved 19 February 2017 from <https://www.ftc.gov/sites/default/files/attachments/press-releases/ftc-issues-revised-green-guides/greenguidesstatement.pdf>

<sup>2</sup>U.S. EPA (2017). Learn About Sustainability|Sustainability|EPA.gov. Retrieved 19 February 2017 from <https://www.epa.gov/sustainability/learn-about-sustainability#what>

The GRI has adopted the World Commission on Environment and Development's definition of sustainability, which was first formulated in 1987: sustainable development "meets the needs of the present without compromising the ability of future generations to meet their own needs."<sup>3</sup> To measure progress toward this goal, businesses are encouraged to account for their "triple bottom line" of financial, environmental, and social performance. The SASB further defines sustainability accounting as "the measurement of a company's management of various forms of non-financial capital that impact the organizations ability to create sustained, long-term value [including] human, social, and environmental capital."<sup>4</sup>

## The Problems and the Pitfalls

When you are considering how best to incorporate OH&S into your company's sustainability reporting, it's important to be aware of the challenges you may encounter. One potential challenge arises from the sustainability movement's roots in environmental protection. The focus of sustainability reporting, and the overwhelming majority of existing metrics designed to support it, have to do with the sustainability of environmental resources such as energy usage and materials consumption. Safety, in contrast, focuses on the sustainability and corporate social responsibility of human resources. Because of this, OH&S professionals may have to work more diligently than their environmental counterparts to explicitly make the connection between safety, sustainability, and organizational goals and objectives.

The task is complicated both by the lack of clear and consistent sustainability metrics around OH&S, and by the tendency of OH&S to operate in a "corporate silo." The sustainable business model is an integrated model, but in many organizations, safety is not fully integrated into the overall organizational culture. Environmental concerns have emerged from their isolation and been welcomed into the boardroom with help from the sustainability movement and societal pressure. In many organizations OH&S still functions as a compliance "command and control" operation separate from (and possibly at odds with) "actual" business concerns. The good news is the current integration of factors that contribute to the long-term survival of an organization is what the sustainability movement intends to accomplish—and safety is certainly critical to a business's long-term prospects and success.

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<sup>3</sup>Global Sustainability Standards Board (2017). GRI 101: Foundation 2016. Retrieved 19 February 2017 from <https://www.globalreporting.org/standards/gri-standards-download-center/>

<sup>4</sup>Sustainability Accounting Standards Board (2017). Fundamentals of Sustainability Accounting. Retrieved 20 February 2017 from [http://library.sasb.org/wp-content/uploads/2016/11/FSA\\_Study-Guide-Level1and2-EXCERPT-072716.pdf?hsCtaTracking=4b1149b5-b2fe-4c04-bed6-ed77eea076a1|6dfa2b0d-5edd-4750-ad24-8be8d4da30c1&\\_\\_hstc=105637852.b8819ee7deccc80b25e9761866ea9cf0.1487465127053.1487465127053.1487602775221.2&\\_\\_hssc=105637852.15.1487602775221&\\_\\_hsfp=158113565at](http://library.sasb.org/wp-content/uploads/2016/11/FSA_Study-Guide-Level1and2-EXCERPT-072716.pdf?hsCtaTracking=4b1149b5-b2fe-4c04-bed6-ed77eea076a1|6dfa2b0d-5edd-4750-ad24-8be8d4da30c1&__hstc=105637852.b8819ee7deccc80b25e9761866ea9cf0.1487465127053.1487465127053.1487602775221.2&__hssc=105637852.15.1487602775221&__hsfp=158113565at)

## How Is the Intersection of Sustainability and OH&S Beneficial to Business?

In the past, businesses have made decisions and reported their long-term value creation purely from a financial performance point of view. If the business was profitable, and profits were steady or growing, the business was “sustainable.” However, there are other factors that weigh heavily on a business’s ongoing ability to create value, and the sustainability movement seeks to identify, quantify, and report these non-financial performance measures. These metrics provide businesses and investors valuable leading insights to make more informed decisions concerning the future of the organization.

Occupational health and safety falls into the category of “social impacts.” A business has many potential social impacts—businesses can bring attention to and have a measurable effect on prominent social issues, such as child labor rights or disability rights; issues that affect public perception and legal liability, such as bribery and corruption; or issues that affect its own personnel, like worker safety and health. While it would be ideal to accomplish these in parallel, it is unlikely that any one business entity could focus and execute all of them effectively. For purposes of sustainability reporting, social impacts that are closely linked to business performance and liability should be prioritized.

Worker safety and health is one such social impact: This has the potential to affect both the internal efficiency and the public perception of a business. It is, in sustainability parlance, a “material issue”—one that can affect a business’s financial performance and long-term survival prospects. Paying attention to material issues is beneficial to a business, per a working paper released in 2015 by the Harvard Business School. In “Corporate Sustainability: First Evidence for Materiality,” the authors state that:

... [F]irms with good performance on material sustainability issues significantly outperform firms with poor performance on these issues, suggesting that investments in sustainability issues are shareholder-value enhancing. Further, firms with good performance on sustainability issues not classified as material do not underperform firms with poor performance on these same issues, suggesting investments in sustainability issues are at a minimum not value-destroying. Finally, firms with good performance on material issues and concurrently poor performance on immaterial issues perform the best.<sup>5</sup>

What’s “material” to a business varies by industry. The SASB has determined that one or more aspects of worker safety and health are a material issue in at least 22 different industries.<sup>6</sup> The Harvard Business School classified those industries into major employment sectors in which some or most employers should view worker safety as a material issue, including healthcare, technology and communication, nonrenewable resources, transportation, and services.

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<sup>5</sup>Khan, Mozaffar, George Serafeim and Aaron Yoon (2017). “Corporate Sustainability: First Evidence on Materiality.” Retrieved 21 February 2017 from <https://dash.harvard.edu/bitstream/handle/1/14369106/15-073.pdf?sequence=1>

<sup>6</sup>Center for Safety and Health Sustainability (2017). The Accounting Revolution and the New Sustainability: Implications for the OSH Professional. Retrieved 21 February 2017 from [http://www.centershhs.org/assets/docs/CSHS\\_2015\\_Accounting\\_Revolution\\_and\\_the\\_New\\_Sustainability.pdf](http://www.centershhs.org/assets/docs/CSHS_2015_Accounting_Revolution_and_the_New_Sustainability.pdf)

## How Have Organizations Incorporated OH&S into Sustainability Reports?

The field of occupational health and safety is highly specialized, and early attempts to include it in sustainability metrics failed to clearly and consistently connect occupational health and safety with business performance. In order to more thoroughly and uniformly assess and report the relationship between sustainability and worker safety and health, another third-party standard-setting organization was formed: the Center for Safety and Health Sustainability (CSHS).

In February 2013, the CSHS published a review of sustainability reports from the Corporate Knights' 2011 Global 100 Most Sustainable Corporations in the World that were prepared in compliance with the GRI sustainability reporting standards, which are used by many large global corporations to provide a template for their corporate social responsibility and sustainability reports. The CSHS found that occupational health and safety reporting among the global 100 was highly variable, with terms, definitions, formulas, and methods that were so widely divergent as to provide no basis for comparison. None of the organizations reviewed provided complete information on the four occupational health and safety topics included in the GRI reporting standards, nor did any of them report data on fatal occupational diseases.<sup>7</sup>

The four topics that are outlined in the GRI reporting standards for occupational health and safety are:

- Workers' representation in formal joint management/worker health and safety committees
- Types of injury and rates of injury, occupational diseases, lost days, absenteeism, and number of work-related fatalities
- Workers with high incidence or high risk of diseases related to their occupation
- Health and safety topics covered in formal agreements with trade unions<sup>8</sup>

## What are the Current Best Practices for OH&S in Sustainability Reporting?

Following its 2013 report, the CSHS published the CSHS Best Practice Guide for Occupational Health and Safety in Sustainability Reports in 2016 to assist employers in providing complete information that will be consistently comparable across organizations.

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<sup>7</sup>Center for Safety and Health Sustainability (2017). Current Practices in Occupational Health & Safety Sustainability Reporting. Retrieved 21 February 2017 from [http://www.centershhs.org/assets/docs/CSHS\\_SustainReport\\_2013\\_FinalZ.pdf](http://www.centershhs.org/assets/docs/CSHS_SustainReport_2013_FinalZ.pdf)

<sup>8</sup>Global Sustainability Standards Board (2017). GRI 403: Occupational Health and Safety. Retrieved 21 February 2017 from <https://www.globalreporting.org/standards/gri-standards-download-center/>

The Guide outlines what the CSHS considers to be minimum occupational health and safety reporting requirements, and it is designed to be usable by businesses of all sizes, in all territories and across boundaries, and to cover contract workers and suppliers, as well as regular employees.<sup>9</sup> It is divided into two sections:

- Essential elements, which are applicable to all sectors and categories
- Optional elements, which are intended to provide information that will enable those who evaluate the report to more accurately judge the quality of the employer's occupational health and safety programs

Although sustainability reporting tends to focus on metrics (especially in SASB's "sustainability accounting" model), the CSHS recommendations include both descriptive and measurable elements. The descriptive elements give background and context that enable the reader to better evaluate the metrics, and include:

- A description of organizational structure and reporting relationships. What are the organization's occupational health and safety staffing levels, and what is the highest level at which occupational health and safety are overseen?
- The organization's occupational health and safety policy or codes of conduct. Both corporate and vendor policies, as well as policies or codes that apply to specific business units, should be briefly summarized
- A description of the occupational health and safety management system(s). If the organization has implemented a management system, such as OSHA's Voluntary Protection Program, the OHSAS 18001 Occupational Health and Safety Management Standard, or any other nationally or internationally recognized management system, that information should be identified in the report. If the organization has its own custom management system, the report should describe its key components and any recognized standard from which it draws
- The organization's system for conducting compliance inspections and audits. This should focus in inspections or audits that assess compliance with regulatory or industry standards, not routine operational inspections
- A description of the performance metrics included in the report. Details of any modifiers to the metrics in the report—the absence of historical data, for example, or any exclusions or adjustments specific to the organization—should be provided

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<sup>9</sup>Center for Safety and Health Sustainability (2017). CSHS Best Practice Guide for Occupational Health and Safety in Sustainability Reports. Retrieved 22 February 2017 from [http://www.centershhs.org/assets/docs/CSHS\\_Best\\_Practice\\_Guide\\_Final.pdf](http://www.centershhs.org/assets/docs/CSHS_Best_Practice_Guide_Final.pdf)

The CSHS recommends reporting all occupational health and safety metrics as both numbers and graphs, covering a 5-year period when possible. The specific performance metrics recommended include:

- For all employees and contractors, the lost-time injury and illness frequency and severity rates, and the number of fatalities
- Implementation and compliance auditing rates for nationally or internationally recognized occupational health and safety management systems, as a percentage of all manufacturing, production, or warehousing facilities owned by the organization
- Auditing rates for occupational health and safety standards compliance for all direct or first-tier suppliers

The CSHS also recommends reporting additional, optional elements as applicable to the specific organization, including:

- Progress toward goals. If the organization has been measuring progress toward specific occupational health and safety goals, those metrics should be included in the report
- Incorporation of occupational health and safety oversight in capital investments. Is the occupational health and safety program actively involved in and contributing to capital investments like new construction or process redesigns? That involvement should be described in the report
- Worker involvement. This could describe worker involvement in occupational health and safety committees, inspections and audits, job safety analyses, or other programs that should be described in the report
- Training. Include a description of the occupational health and safety training that is provided at all levels of the organization, including for contractors
- Risk identification practices. Describe how the organization identifies and manages occupational health and safety risks

## Sustainability, a Life-or-Death Issue

Occupational health and safety professionals are accustomed to thinking of their field as involving life or death for the workers they're trying to protect. It is time to begin thinking of it as an issue of long-term business survival as well.

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