

MAKING THE BUSINESS CASE FOR SAFETY: What OHS Professionals Should Know About Corporate Reporting of OHS Information



Many companies, particularly public corporations, are required to disclose financial information on their performance so that stockholders, investors and the public can make educated decisions on whether to invest or continue investing in them. Some companies have begun including sustainability information such as their environmental initiatives in such disclosures. Should they also include information on their OHS performance? The [Center for Safety and Health Sustainability](#) (CSHS), a not-for-profit organization committed to advancing the safety and health sustainability of the global workplace, released a report in Dec. 2015, which notes that there has been increasing recognition that many non-financial topics such as workplace health and safety are integral to a company's performance. Designed as a primer for OHS professionals, the report provides a comprehensive analysis of current sustainability policies and practices, and their implication for the management and oversight of workplace health and safety. Here's an overview of the report.

'Sustainability' & Integral Reporting

The concept of 'sustainability' has come to include a wide variety of social, environmental and governance issues, including promoting the rights of people with disabilities, climate change, bribery and corruption, child labor and worker safety and health. As a result, sustainability has emerged as a measure of corporate performance.

Governmentally-mandated reporting on sustainability-related information including OHS data will increase, adding clarity and a new level of rigor to this process. For example, in Ontario, the *Ontario Pension Benefits Act* was amended to require that pension plan's statement of investment policies and procedures to 'state whether environmental, social, and governance (ESG) factors are incorporated into the plan's investment policies and procedures.' In addition, key stakeholders such as NGOs, consumers, shareholders and employees (particularly millennials) may demand more transparency and accountability on OHS issues. (A [prior study](#) by the CSHS provided a 'snapshot' of actual OHS sustainability reporting.)

The recognition that material non-financial information is important gave rise to the concept of 'integrated reporting,' which is reporting on both financial and non-financial information in one report. Over the last few years, the focus of integrated reporting has been on the importance of organizational value creation through the so-called 'six capitals.' Although information is traditionally provided on the 'financial' and 'manufactured' capitals, integrated reporting also recognizes four more capitals intrinsic to value creation over the short, medium and long run: intellectual, human, social/relationship and natural. Information on workplace health and safety would fall under human and social/relationship capitals.

5 TIPS FOR OHS PROFESSIONALS

Thus, it's essential for OHS professionals to have a good

understanding of sustainability, including the terminology; the key stakeholders and their varied interests; standards, guidelines, and frameworks; and why sustainability is viewed by the financial investing and accounting communities as a source of value creation for organizations. The CSHS's recent report, entitled '[The Accounting Revolution and the New Sustainability: Implications for the OSH Professional](#),' recommends that OHS professionals do the following to prepare for integrated reporting and other organizational changes that may occur as a result of integrated reporting:

1. Develop a New Financial Literacy

OHS professionals need to understand the transformation taking place in the corporate world regarding accounting for non-financial information. There's new terminology and a new focus on concepts such as materiality and value creation. At a minimum, OHS professionals need to:

- Understand how an organization creates value for its key stakeholders via the six capitals mentioned above;
- Know their organization's public reporting obligations and what business and financial information is regularly disclosed to the public;
- Understand the concept of integrated reporting;
- Be able to define 'materiality' as it relates to financial reporting; and
- Understand the difference between outputs and outcomes in reporting on social impact performance.

2. Identify New Value Creation and Risk Mitigation Opportunities as to Human Capital

As a starting point, OHS professionals should seek to gain a broader perspective on the potential human capital-related issues and challenges facing their organizations. For example, consider your company's use of contract or temporary workers, who may not be included in its OHS metrics. Also, examine the range of ways in which the OHS decisions and activities can

affect workers or the working environment. Identify any gaps (such as training for temporary workers), opportunities for improvement (such as improving safety culture assessment tools), and consider whether there's an opportunity to work with management or other corporate functions to take a more integrated approach to managing human capital.

3. Review Supply Chain Operations to Identify OHS Risks & Opportunities

From a value creation and risk mitigation perspective, trouble in supply chain operations have the potential to cause major business interruptions and have a significant impact on a company's brand and reputation. For example, in the wake of tragedies at [clothing factories in Bangladesh](#), there were calls for the companies that were supplied by those factories to take some responsibility for the safety and work conditions in which the factory workers toiled. (Read [the accord](#) that some international companies signed, agreeing to make the garment industry in Bangladesh safer for workers.)

In preparation for a review of supply chain operations, OHS professionals should have an understanding of the various approaches that have been taken to improve worker health and safety in the supply chain, and an awareness of the tools and resources available to help businesses in the supply chain management process. For example, here are [Model Supplier OHS Standards](#) that you can adapt and incorporate into your agreements with suppliers.

4. Identify and Assess Engagement with Key External Stakeholders

ISO 26000 Guidance on Social Responsibility provides guidance on how to identify key external stakeholders and determine if there's an opportunity to better understand their needs, interests, expectations and issues raised, or improve engagement with them. ISO 26000 defines stakeholders as

‘organizations or individuals that have one or more interests in any decision or activity of an organization.’ Stakeholder engagement involves dialogue between the organization and one or more of its stakeholders, and can be used to:

- Increase an organization’s understanding of the likely consequences of its decisions and activities on specific stakeholders;
- Determine how best to increase the beneficial impacts of the organization’s decisions and activities’and lessen any adverse impact;
- Determine whether the organization’s claims about its social responsibility are perceived to be credible;
- Help an organization review its performance so it can improve;
- Reconcile conflicts involving its own interests, those of its stakeholders and the expectations of society as a whole;
- Address the link between the stakeholders’ interests and the organization’s responsibilities to society at large;
- Contribute to continuous learning by the organization;
- Fulfill legal obligations, such as those to workers;
- Address conflicting interests, either between the organization and the stakeholder or between stakeholders;
- Provide the organization with the benefits of obtaining diverse perspectives;
- Increase transparency of its decisions and activities; and
- Form partnerships to achieve mutually beneficial objectives.

Identify current methods of engaging key stakeholders and discuss with senior management how to improve communications with these groups.

5. Identify and Review Gaps in Publically Reported OHS KPIs & Make the Information More Useful

OHS professionals should be familiar with the OHS reporting initiatives relevant to their industries, both mandatory and voluntary. For example, if workplace health and safety has been found to be a material issue for your industry, it'll have developed related OHS key performance indicators (KPIs). Your organization may not currently be reporting on some of the KPIs, such as near misses, or it may be reporting relevant information but in a conflicting format.

An initial goal for OHS professionals should be to ensure that their KPIs are in a format that lends itself to comparison and benchmarking. Unlike the widely used Global Reporting Initiative's OHS indicators, the CSHS indicators provided in this paper are designed for this purpose because they're broader in scope and are more widely applicable to assessing workplaces worldwide and across all economies. The CSHS indicators extend coverage to temporary or fixed duration contract workers and increase focus on workers in the supply chain.

When reviewing one's KPIs, OHS professionals should be aware that the trends are towards industry specific indicators and those which relate to issues that are material to the organization. Ideally, the indicators should capture the impact of your operations on key stakeholders, which gives OHS professionals a chance to take a leadership role and collaboratively develop an industry-specific sustainability plan that incorporates best practices, standards and guidelines.

BOTTOM LINE

According to International Labour Organization data, one worker dies every 15 seconds. There are also 313 million nonfatal workplace incidents and 160 million people suffer from occupational diseases annually, amounting to economic costs that are estimated to average 4% of country GDPs. Integrated reporting and accounting for the six capitals hold

great promise for advancing the protection of the global workforce, says the CSHS. The new focus on human capital and integrated reporting will also give OHS professionals an effective platform for linking workplace safety to operational excellence' improving productivity and efficiency, increasing quality, reducing costs, minimizing the likelihood of catastrophic events'and in doing so, creating highly sustainable organizations with strong core ethical values, increased employee morale and a more positive workplace culture.

Insider Source

['The Accounting Revolution and the New Sustainability: Implications for the OSH Professional,'](#) Center for Safety and Health Sustainability, Dec. 2015