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L'ORÉAL

Putting People Back into Sustainability

A report on the 4th Human Capital Global Summit Paris, 03 April 2019

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Center for Safety and Health Sustainability

Human Capital Project – Global Summit report

The summit's challenge

Kathy A. Seabrook
Chair of CSHS

This is a summary report of the Human Capital Global Summit in Paris on 03 April 2019, the fourth in a series of events as part of our Human Capital Project to focus on the importance of human capital and health and safety in creating value for organizations.

We brought together experts in the occupational health and safety field, standards bodies, leaders from sustainability-related research organizations, financial market players and international standards organizations.

The Center was born to connect the dots between human capital, sustainability and occupational safety and health. We know that effective occupational safety and health management helps people operate safely in their work environments, making it a fundamental part of human capital that underpins corporate performance and sustainability.

This is why CSHS supports research that advances the use of OHS metrics that help organizations achieve optimal human capital/OHS performance – and improve long-term corporate financial performance.

We believe businesses thrive because of productive workers, and this means ensuring their people are safe and healthy. This message, however, is simply not being heard and acted upon universally.

The summit, therefore, was a multi -stakeholder conversation to identify the gaps and to discuss potential next steps in this area of work. And it highlighted many things, not least the importance of comparable and consistent metrics, how organizations are evaluating the value created by people, and the differences of opinion in public reporting.

Should an organization use lagging indicators, such as accident rates, or leading indicators that can show where things are going well? We heard from corporations such as Google, Nike, L'Oréal and AP Moller-Maersk, who are doing some excellent work in occupational safety and health management. It was clear that there is no single, common approach, and yet there is clearly a growing consensus that people must be central to sustainability.

We were pleased, therefore, to see delegates join CSHS in signing a commitment to 'put people back into sustainability', and this is a call to action for business – that workplace safety and health is integral to sustainable business performance. Businesses should take pride in measuring, evaluating and sharing their performance on human capital issues, such as basic health and safety issues, as well as the knowledge, skills and abilities that workers bring to create value to their organizations.

"This is the culmination of five-plus years of effort the Center has undertaken to make the linkages between OHS, human capital and sustainability." Mike Wallace, Special Adviser to the Center and Chair of the Center's Human Capital workshops.

People, people, people

"Very seldom do companies talk about the sustainability of their people," said L'Oréal Corporate Health and Safety Director Malc Staves, at the opening of the summit. "L'Oréal has for many years been quite advanced about how we look after ours but it's not the same everywhere … Everyone has the right to work safely. It should be all about people, people, people. We need to put people back into sustainability."

So why are 'people' not universally held to be central to sustainability? Delegates were invited to consider the United Nations' Sustainable Development Goals (SDGs). In a sub-section of SDG8, on economic growth and decent work, the wellbeing of people can be found. "You have to dig for it," said Staves.

Compare this, Summit attendees were asked, to the growth in sustainability reporting by businesses on environment and climate change. In his keynote presentation, Paul Dickinson, founder of CDP, told how the pressure for environmental reporting had pushed up disclosure – the number of companies releasing data on their environmental impacts had soared from 220 in 2003 to more than 7,000 in 2018, he said.

If sustainable development has come to mean 'planet' rather than 'people', conservation of the Earth rather than the wellbeing of its population, a rebalance is required, said representatives of CSHS and its co-founders IOSH, ASSP and CSSE in the summit's opening session, chaired by Mike Wallace, Special Adviser to the Center.

For panellist and IOSH president-elect Andrew Sharman, this must include a change of focus on health and safety. "For too long we have concentrated on health and safety processes over people," he said. "When we reposition people at the heart, that ensures the sustainability of human capital in workplaces."

It is about delivering to business the positive message of investing in workplace safety and health, added Rixio Medina, president of the American Society of Safety Professionals. "We're not only talking the regulatory requirements, we are talking about efforts to have a more productive, energized and effective workforce," he said.

Trevor Johnson, president of the Canadian Society of Safety Engineering, said: "It creates an opportunity for the health and safety profession to look beyond compliance to the impact of health and safety performance on business on a much larger scale."

From the conference floor, Kevin Furniss, vice-president, health, safety, security, environment and sustainability of AP Moller-Maersk, said the UN's Global Compact for Business which the UN's SDGs were designed to help fulfil, fail to mention occupational safety and health explicity. CSHS and the OHS community were challenged to get such a reference inserted in the goals.

If people are to become a core focus of business in its sustainability planning, the safety and health profession must evolve and its representatives must make the case robustly at the highest level.

Key insights

- The safety and health profession must evolve to advise business on the impact of safety and health performance on human capital and therefore sustainability
- To be a core consideration in sustainability strategy planning, occupational safety and health needs greater prominence in the UN's sustainable development goals
- Organizations of all sizes and sectors rely on well-trained and equipped people (their human capital) to deliver environmental, social and financial sustainability.

> "The Center's Human Capital Project and its series of workshops has been instrumental in raising awareness about the linkages between OHS, human capital and sustainability"
>
> **Mike Wallace** Human Capital Project workshops Chair

"One key driver for the Center's work was the growing number of 'most sustainable company' lists where the CSHS research found known fatalities existed within some of the companies." Kathy A. Seabrook, Chair CSHS

Latest trends and developments

In his keynote presentation, Paul Dickinson said the rise in environmental reporting could be followed by similar growth in OHS performance disclosure, driven in part by the success of the Workforce Disclosure Initiative (WDI).

And the summit highlighted the latest research and trends in the field from ShareAction, the Chartered Institute of Personnel and Development (CIPD), EcoVadis and ERM.

Amy Metcalfe, of responsible investment campaign group ShareAction, spoke about the WDI, an initiative backed by 120 investors managing more than $13 trillion. "There's an investor appetite to go beyond compliance and link to sustainable growth," she said. Under the pressure of regulators, investors' expectations are rising", she said, in how companies articulate their management of workplace risk. Investors, however, are "still not getting the information" from all.

Although it is funded by the UK's overseas aid ministry and charity Oxfam, the WDI also focuses on the treatment of the direct workforces of major corporations as well as those of their suppliers in developing economies, and there are discrepancies, she said. Not enough attention was being paid to low-paid workers, delegates heard.

Ed Houghton, head of research at the Chartered Institute of Personnel and Development (CIPD), told the summit that large institutional investors and fund managers had "a great appetite for information about 'good jobs'". A key issue, he said, was how companies could glean trust from their annual reports of accounts.

"It tends to be more a case of reinforcing our view of management quality when we see that the workforce is managed well," said one fund manager surveyed by CIPD who had £33.5 bn in funds under management. "Or, potentially, when it's not managed well, that erodes our view of management quality."

The CIPD's report *Hidden Figures* showed, however, that workforce data is missing from corporate reports. Yes, businesses should take the lead in reporting workforce information more readily and international standards such as ISO 30414 Human Capital Reporting can help, but professions such as occupational safety and health and personnel and development can play their part in improving corporate reporting, said Houghton, by helping investors to ask the right questions of business.

88%

of respondents agreed/strongly agreed that the safety performance expectations placed on them by stakeholders are increasing
ERM Global Safety Survey

62%

agreed/strongly agreed that regulators are taking an increasingly tougher stance in relation to safety performance.
ERM Global Safety Survey

Pierre-François Thaler is co-founder and co-CEO of EcoVadis, which is enabling a Global CSR Ratings Network, based on a methodology covering 21 corporate social responsibility (CSR) criteria, under the headings environment, ethics, sustainable procurement and labour and human rights, which includes employee health and safety.

The summit heard that current data had revealed clear discrepancies in health and safety measurement according to size, with larger companies more likely to measure health and safety training, risk assessments and mandatory health check-ups.

An EcoVadis survey found that 14 per cent of companies are ISO 45001 or OSHAS 18001 certified. Nearly half (48 per cent) of companies were reporting on health and safety metrics, and there the survey found significant differences depending on regions of the world.

Sustainability' in corporations does not "have teams on the ground … so chief procurement officers are driving change in reporting", said Thaler. His presentation raised the key issue of engaging suppliers in improvements. There must be a focus on supply chain issues in corporate reporting, he said.

Keryn James, CEO of ERM, reported on ERM's Global Safety Survey. She said stakeholders' expectations on occupational safety and health management were rising but most companies do not understand how much they are investing in OHS, and that risk was continuing to shift to contractors. "The vast majority of data around OHS is lagging indicators, not leading indicators … a recipe for disaster," she said. "And there's inconsistency across companies, making it difficult to benchmark."

Key insights

- Champion the workforce being at the heart of business management and decision-making
- Gather disaggregated data across your supply chain on workforce composition, hours and wages
- Impact on workers is key and what investors want to understand
- Companies are increasing their investment – but most companies do not understand how much they are investing in safety
- Harnessing data and technology to improve safety is becoming a major focus
- Leadership engagement is key, but leaders need to step up and gain new skills

What do investors want and expect?

The next session invited representatives of the corporate investment and fund management community to share their views.

James von Claer, Director of Arabesque, invited key financial market players to share their views and explain how they are assessing human capital and sustainability performance of the companies they own.

"Data is very powerful," said von Claer. "It is about understanding what it can do for you and how it can inform you in terms of how you make investments."

Delegates heard from Natacha Dimitrijevic, senior engager at investment managers Hermes, on a statement issued in 2018 by the CEO of the world's largest asset management corporation BlackRock, which handles around £4.5 trillion on behalf of its customers. BlackRock's stewardship team was talking to companies, it said, about their corporate purpose, culture and strategy and that its priorities for 2019 were "governance, including your company's approach to board diversity; corporate strategy and capital allocation; compensation that promotes long-termism; environmental risks and opportunities; and human capital management".

Dimitrijevic said her own company had set up a business unit to engage with companies on behalf of its clients – including the major pension funds – to see how they were managing CSR issues such as human capital.

Adam Kanzer, of BNP Paribas, added that his company was also asking companies questions about human capital management as part of its stewardship programme. But he acknowledged that so far, corporate investors had only ever spoken to executives in the companies they invested in. The safety, health and wellbeing of those companies' employees had been "a blind spot, a black box", he admitted.

"If investors got sick and died from investing in your stock, we'd get the point right away," said Kanzer.

Key insights

- Data is powerful in informing the decisions of investors and asset managers
- Corporate purpose, culture and strategy are an increasingly important consideration for asset managers
- Companies are being questioned on their human capital management – but the safety, health and wellbeing of employees is often 'a blind spot' for many corporations

What are leading companies doing?

For the penultimate session, OHS leaders from large corporations – L'Oréal, Nike, Google and AP Moller-Maersk – discussed where occupational safety and health fit into the sustainability and human capital of their organizations.

They discussed the problem of generating workforce information for executive boards other than the standard accident and ill health statistics. AP Moller-Maersk doesn't have a safety strategy – it has a business strategy with safety elements, explained Kevin Furniss from the shipping giant. The company's focus was on leading, not lagging indicators, he said.

Anita Tarab, Google's global director of sustainability, environment and health and safety, continued this theme. She had invested in "happy or not" monitors to provide instant leading indicators on issues from fatigue to PPE use. The units, familiar to visitors to airports and shopping centres, have a red button with a frowning face and a green one with a smiling face and users are invited to press one in answer to a question on the console. Deploying the units so employees would pass them just after clocking in for a shift generated hundreds of responses to questions that included "Are you tired?" and "Do you have what you need to work safely today?" Some questions, such as "Do you have your safety shoes?" served a dual purpose, she noted, as they reminded employees of requirements while checking compliance levels.

Eric Wolff, director of quality, environment, health and safety at summit hosts L'Oréal, said his company was not just trying to impose OHS standards on its 1,000-plus suppliers, though it did have some rules they had to follow. Insisting on OHS performance indicators created traps, he said, because it encouraged contractors to falsify their returns. Instead, he said, L'Oréal promoted a dialogue with suppliers, trying to teach them to raise their standards by example.

"We are humble too," said Wolff, "we learn from them."

Key insights

- Organizations are now implementing business strategies incorporating OHS elements across the board, rather than a 'safety strategy'
- Maintain a robust dialogue with suppliers to ensure safety and health standards are consistent across your business

> "Our people are the lifeline of Nike's business. We have always known that we have to invest in them but with organizations like IOSH and the Center, we are finding different ways to do that"
>
> Choke Huckuntod
> Health and Safety Director, Nike Inc.

The evolution of disclosure and corporate reporting

The standards bodies session was the final panel of the day and was specifically placed here to align with previous workshops.

All the standards organizations shared their latest work on integrating OHS issues into their respective efforts. All agreed that OHS does fall within the concepts of Human Capital Management and all agreed that if human capital issues (and performance) were material issues for a company, the company should find some mechanism for sharing these material risks or opportunities publicly.

GRI 403, the final Standard, represents global best practice on reporting about occupational health and safety management systems, prevention of harm and promotion of health at work, was formally released on 28 June 2018 and the Center and IOSH were both members of the GRI 403 Project Working Group. GRI recommends adoption of 403 by 1 January 2021, but earlier adoption is encouraged. Sustainability Accounting Standards Board (SASB) mentioned their evolving research agenda, which included an update on their previous human and social capital components and invited attendees and the Center to participate.

The International Integrated Reporting Council (IIRC), which has always focused on the six capitals – financial, manufactured, intellectual, human, social and relationship and natural – shared their latest work in this area, as well as their effort in forming the Corporate Reporting Dialogue.

The Corporate Reporting Dialogue aims to promote greater coherence, consistency and comparability between corporate reporting frameworks, standards and related requirements. ISO shared its latest work on the topic of human capital, through ISO TC 260, which comes at the issue from a human resources perspective.

Notes from the workshop groups

The summit ended with reports back from afternoon workshop groups, led by IOSH, in which delegates sought answers to four questions. Here is a summary of notes taken from those discussions

Question 1 How do we close the evidence gaps on the links / dependencies between OHS performance and social, economic and environmental sustainability impacts?

- Clarity on the definition of Human Capital and Social Capital - we need to have simple measures
- Focus on leading indicators but don't throw away our lagging indicators – we can then analyse the connectors between both
- We should have more of a qualitative focus to strengthen our strong current activity focus
- We recognise that environmental impacts are global. In contrast, health and safety doesn't have this global impact in the same way to drive us to action

Question 2 What are the key skill-sets for promoting and delivering OHS within the human capital and sustainability agendas, who is affected and how can these skills best be developed?

- Safety Professionals need to have greater understanding of Sustainability and how OHS sits within it
- The relationship between sustainability professionals and safety and health professionals needs to be more greatly understood and defined
- People-focused organizations appear to evidence a greater level of organizational maturity. Safety professionals need to set that 'beyond compliance' vision and put in place the strategy to increase organizational maturity which may be non-system and non-compliance in approach and focused on culture
- Our skills sets are honed around short term rather than longer term sustainable impact and are more on safety than on health
- We need change management techniques, influencing skills and how we articulate our work outside of our community
- Emotional intelligence and leadership are required and currently there is a fundamental shortfall
- Education to links between mega trends and the impact on an organization's behaviour/ mental health issues

Question 3 What types of opportunities, incentives and actions would motivate a change in the voluntary measurement and public reporting of OHS within the human capital and sustainability agendas, and who can best provide and promote them?

- With Government, we need more visible policy frameworks in this area
- Business – weight of organizations undertaking reporting consistently. More organizations comparing the same things
- Work engagement is key, and we need to integrate safety and HR
- It assists in enhancing reputation and retention
- The belief and purpose of the company needs to link
- Looking at voluntary and public, we need to consider each audience and the incentives and motivations can be made. This will provide the business case
- The key is to drive outcomes – how do we get simplification of the reporting process. What is 'material' for the business and what are their material risks and report on these
- Investors need to realize they don't need to report on everything. We want better business performance, not reporting for the sake of it!
- In the UN Global Compact, OHS is not represented, so how do we strike a balance?
- We need the same matrix for everyone, so we can identify problems and show we care, to make better policy for the future and for standardisation
- The Boardroom within business needs a motivation for change
- Research from new generation of workers is required.

Question 4 What is the role of the Center in promoting evidence-based policy and practice; opportunities; incentives; collective action and competence development?

- We need to continue to find ways to ensure our respective memberships better understand the topic and how they can contribute within their organizations and supply chains
- We should continue to reach out, positively connect and actively engage with other global bodies
- We need a single, multinational reporting system and a clarity of reporting indices. Could the Center undertake research to understand the plethora of reporting indices, what their purpose, audience and outcome is?
- A research body providing evidence base for action, and broaden the research from purely reporting to the social pillar of sustainability
- To articulate the value of what we do holistically
- Focus on practical things that we can operationalize – safety is easier to implement in the shorter term, but health will need a longer lead time
- We need to talk outside of our community (not just to the converted). Either the Center does this or how can the Center help us do it by providing the tools
- We need to challenge the broad expectations that the supply chain is managed and therefore how do we help people to manage their supply chains better

Call to action

What's next, you ask? What are the next steps to action and what was clear thought leadership during the Summit? Let's recap.

Key Summit take-aways:

- People, an organization's human capital, are essential for a sustainable business to thrive
- OHS Metrics Matter: they need to be consistent, comparable, reportable and relevant and embedded in a company's business strategy
- Data drives decisions and public reporting informs accurate data

So this is our call to action:

1. Engage corporates on the connectivity of OHS and sustainable business performance: create levers for mainstreaming a fundamental understanding across corporate boards and C-suite that people positively impact their sustainable business performance including productivity and efficiencies, innovation, reputation and talent management within a changing and accelerated pace of business and way of work.
2. Affirm OHS metric data: engage corporates and other stakeholder groups to affirm consistent, comparable, reportable and relevant OHS metrics that demonstrate true OHS performance within the context of human capital and sustainability reporting.
3. Identify current and future state gaps: Increase the global body of knowledge through collaborative research, studies, surveys across stakeholder groups on the current and future state of people working in organizations, human capital and sustainability. Specific focus on OHS measurement and public reporting (disclosure)
4. Collaboration and Partnerships: create levers to influence OHS measurement and public reporting with rating agencies, standard setters, corporates, asset owners and managers (investors) and others, such as the call to action by Paul Dickinson, Executive Chair, CDP, to create an Index on OHS disclosure. For example, corporate engagement in the development of global collaboration between stakeholders is a key driver for OHS measurement and public reporting (disclosure)

Kathy A. Seabrook
Chair of CSHS

Summary

Andrew Sharman
CFIOSH
IOSH President Elect

IOSH supported this important summit on human capital with our CSHS partners because we realize that good health and safety plays such a key role in looking after the human capital of every organization. It's important that employers, industry bodies and practitioners of health and safety around the world realize that investing in human capital does not just produce social and organizational value, but is the right thing to do as we drive forward into the future world of work.

The summit highlighted that enterprises that nurture and protect their people, creating social value, are better placed to become sustainable organizations within sustainable communities. In the first panel discussion of the day, we discussed that health and safety professionals have a leading role to play in helping employers and countries to implement policies that ensure they develop their greatest asset, their human capital.

They also work to support corporate and supply chain transparency, so that employers and stakeholders can see how well human capital and OHS are being managed and where improvement should be focused. It was encouraging to hear consensus on the need to go beyond legal compliance on OHS. This is essential for a sustainable workforce in a globalised world in which there are extended, complex and sometimes unregulated supply chains.

We believe it is socially irresponsible and unsustainable for organizations to fail to protect their workers. On the other hand, better-managed businesses thrive, contributing more to and benefitting more from healthy and sustainable economies and societies, and this was illustrated vividly in the summit's session with Nike, Google, L'Oréal, AkzoNobel and AP Moller-Maersk.

IOSH CE Bev Messinger, CSSE Executive Director Perry Ruehlen, ASSP CE Jennifer McNelly and CSHS Chair Kathy A. Seabrook sign the summit commitment to 'put people back into sustainability'.

The summit highlighted the global debate around sustainability, including the UN's Sustainable Development Goals and the Global Compact. It is important to emphasise the benefits of good OHS to global economies, stressing that many of the growing health challenges, including healthy ageing and extended working lives, are long-term and affected by decisions made today. This is particularly true of 'long-latency' work-related health conditions – where exposure today leads to long-term societal costs, while action to prevent disease and promote health and wellbeing leads to future societal gains.

On behalf of IOSH and our CSHS partners, I would like to thank everyone who contributed to such a thought-provoking, stimulating debate on such a critical area in business, and thank L'Oréal for being such outstanding hosts for the event. With a clear call to action, outlined in this report, we hope it is a platform for greater recognition of occupational safety and health in the sustainability and human capital agenda.

Center for Safety & Health Sustainability

Our Founders

The Chartered body for occupational safety and health

AMERICAN SOCIETY OF SAFETY PROFESSIONALS

AIHA Protecting Worker Health

Center for Safety and Health Sustainability (CSHS) and the Human Capital Project

Launched in 2011 by founding members IOSH, ASSP, CSSE and AIHA, the Center for Safety and Health Sustainability was established to create awareness of the fact that organizations can only be sustainable if they ensure safe and healthy working conditions for their employees and contractors.

The Center's vision is for all organizations to recognise and act on the value of occupational safety, health and well-being as part of their sustainable business practices.

When business talks about its human capital, it is focusing on the skills, knowledge and abilities that its workers bring to their work and how they use them. CSHS's Human Capital Project is a focus on the benefits of effective occupational health and safety (OSH) management in helping workers safely operate in their work environments, making OHS a foundational element of human capital.

Supported by IOSH and hosted by L'Oréal as part of the Human Capital Project, the fourth Human Capital Global Summit, in Paris on 03 April 2019, brought together industry, financial institutions, ratings agencies and other interested organizations to discuss the effective management of an organization's human capital and its underpinning of corporate performance and sustainability.

"The Center's Human Capital Project and it's series of workshops has been instrumental in raising awareness about the linkages between OHS, human capital and sustainability," said Human Capital Project workshops Chair Mike Wallace.

"Without global, cross-sector collaboration and alignment, none of us will be able to truly appreciate the value of our human capital."

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