

ESG & The New Valuation of Safety & Health

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National Safety Council

Agenda

- 01 | Welcome, Introductions & Context
- 02 | ESG: What Safety Leaders Need to Know
- 03 | Insights: The Role of EHS & Current State of ESG
- 04 | What's Next & A Look Ahead

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About NSC

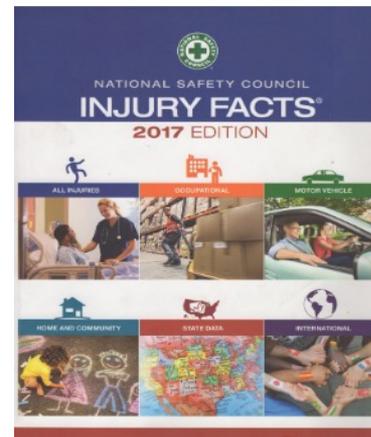
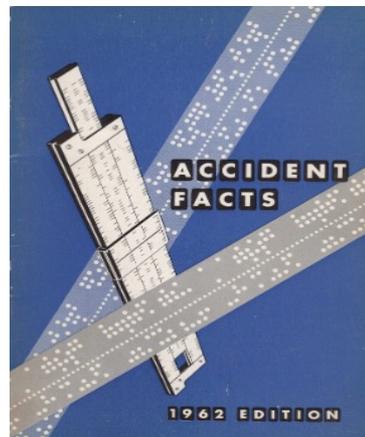
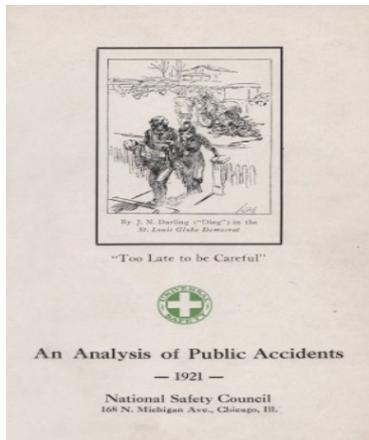
America's Leading Nonprofit Safety Advocate

- Over a century of safety leadership;
15,000+ member companies covering over
7,000,000 million workers
- Eliminating leading causes of preventable death
and injury so that people can live their fullest lives
- Focus efforts where we can make the biggest
impact: workplace, roadway, impairment
- **Saving lives – from the workplace to anyplace**



Following the Data

NSC has a long history of building programs and approaches based on sound data analysis and rigorous research



Workplace Practice At-a-Glance



THOUGHT LEADERSHIP

Identify and advance leading concepts to create value and impact for the field of EHS at large



TOOLS & RESOURCES

Develop and provide guidance, tools, and programs for organizations on their improvement journey



SOLUTIONS

Create, iterate, and activate proven solutions in the field, from workforce training to leadership consulting



MEMBERSHIP & IMPACT

Advocate for and amplify research-driven practices and policies across a variety of influential channels



What is “Thought Leadership?”

“The expression of ideas that shape or advance a particular field or discipline”

NSC history of thought leadership extends from our earliest days to the present:

- Robert W. Campbell –
“Safety is the study of the right way to do things”
- “Click it or Ticket” Campaign
- Distracted driving public awareness & legislation
- Opioid & substance misuse epidemic



Lean Work Teams



New Leadership Styles



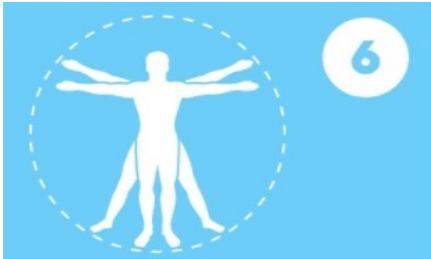
Reduced Footprints



Higher Transparency



Safety at Core



Whole Human Approach



Tech as a Mandate



Greater Partnership

Management System Best Practices

What are the core needs and continuous improvement opportunities in managing EHS in a mature and effective fashion?

SIF Prevention & HOP

What programs are organizations putting in place to prevent serious injuries and fatalities and better understand human error and decision making?

Safety Technology & Digital Readiness

What technologies will have the greatest impact in saving lives and preventing serious injuries?

MSD Prevention, Ergonomics & Fitness for Work

What are the most effective solutions & innovations for addressing the world's most prevalent & costly type of injury?

Safety & Health in a Post-COVID World

What will the world of work look like, and what will our safety & health priorities be, in the next 12-24 months?

Intersection of ESG & EHS

Where does safety & health belong in the discussion of human capital, ESG & sustainability and how can both sides of the conversation build trust and identify synergies?

Valuing the Whole Person

How are organizations valuing the "whole person" from a safety & health perspective?
How are the intersecting topics in this domain linked?

Emerging Topics in EHS

What are the macro trends and developing innovations or challenges that require attention and insight?
"Back to Basics" Post-COVID, Demographic Shifts, Talent Retention

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ESG



ENVIRONMENTAL

Climate change strategy,
Biodiversity,
Water efficiency,
Energy efficiency,
Carbon intensity,
Environmental
management system



SOCIAL

Equal opportunities,
Freedom of association,
Health and safety,
Human rights,
Customer &
products responsibility,
Child labour



GOVERNANCE

Business ethics,
Compliance,
Board independence,
Executive compensation,
Shareholder democracy



Early Reactions to Sustainability

"I don't understand why we're talking about this...where is safety?"

"I was disappointed by what I perceived as a less-relevant topic."

"Sustainability is a buzzword and has taken away from our focus on core safety issues."

The Rapid Rise of ESG Frameworks & Schema

Some organizations simply provide frameworks for disclosure and do not evaluate companies.



Some passively pull information from sustainability reports, aggregate data, and add ratings.



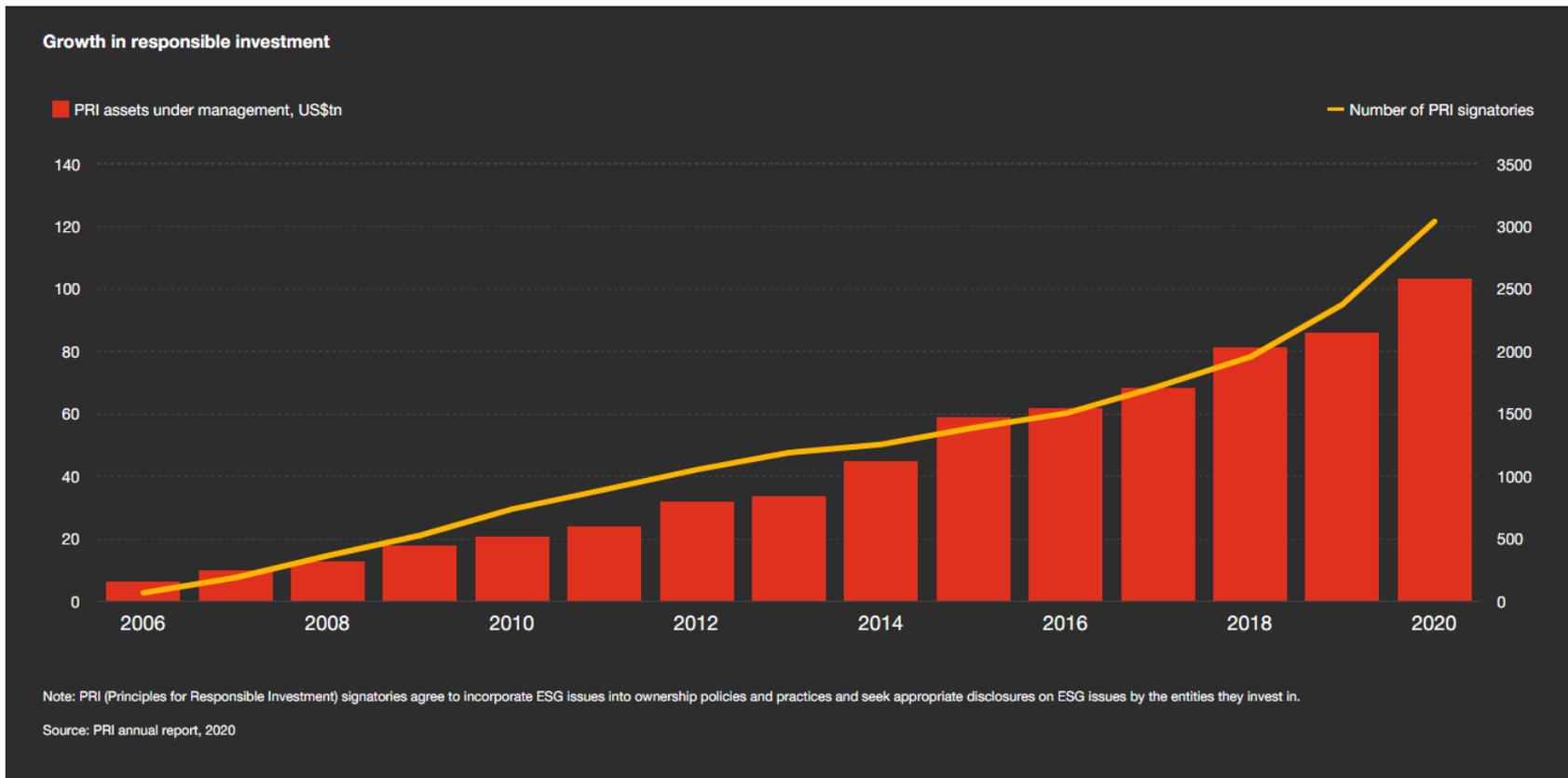
Some purchase data and ratings from other raters and add rankings.



Some actively request information, aggregate data, and add ratings.



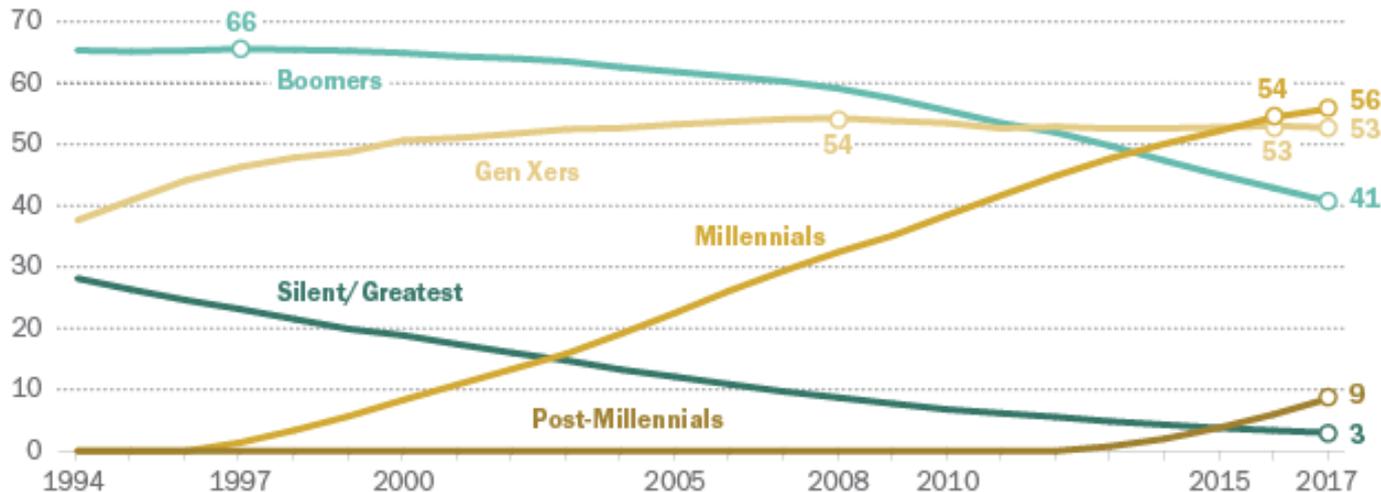
Concurrent Rise in Investor Interest



And in the meantime...

Millennials became the largest generation in the labor force in 2016

U.S. labor force, in millions



Note: Labor force includes those ages 16 and older who are working or looking for work. Annual averages shown.
Source: Pew Research Center analysis of monthly 1994-2017 Current Population Survey (IPUMS).

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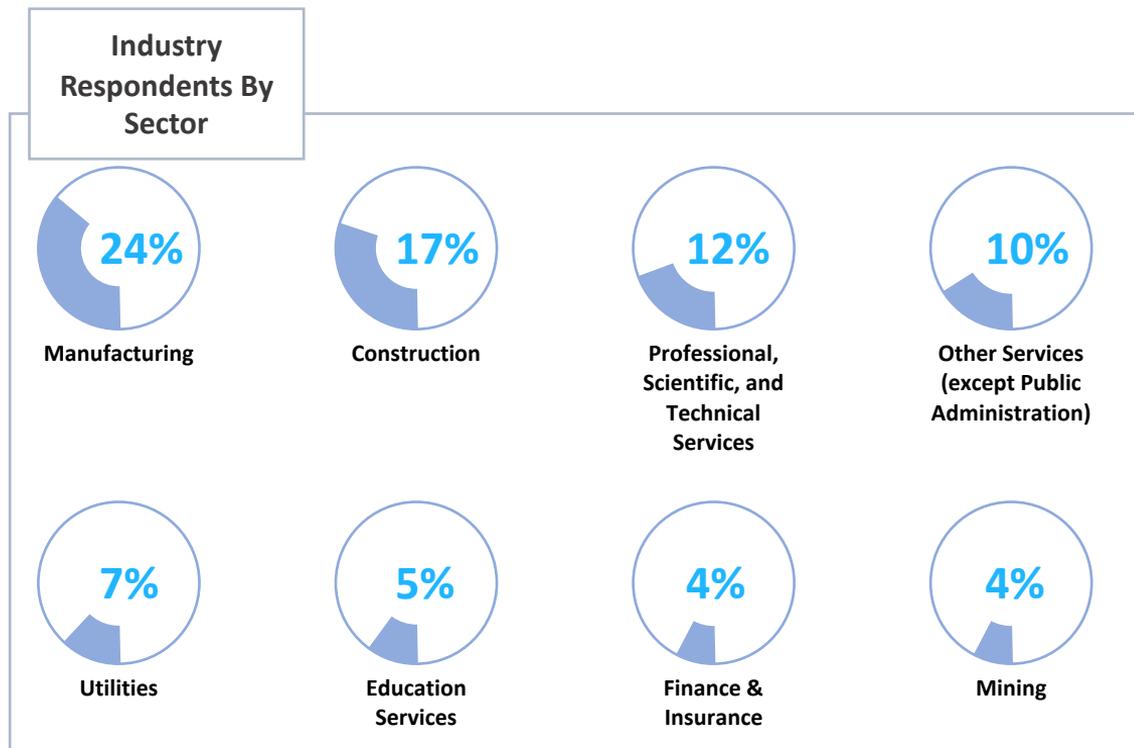
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Sourcing Insight: NSC/Avetta Survey

- Need to understand current state of safety & health/ESG engagement
- Focused on broad ESG practices, challenges, and S+H role in ESG
- Over 750 respondents, largely comprised of S+H/ESG leaders
- Baseline information for further action
- Findings and insights to come in second half of presentation



A myriad of industries are growing investment in ESG strategies

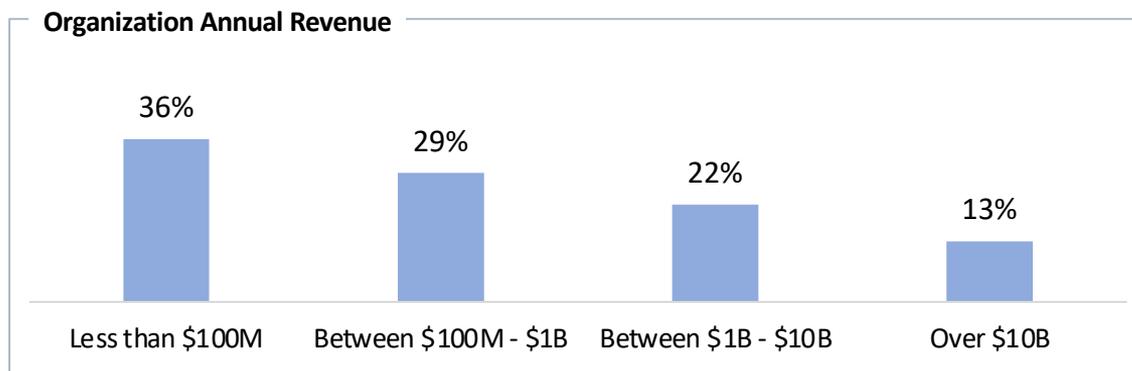
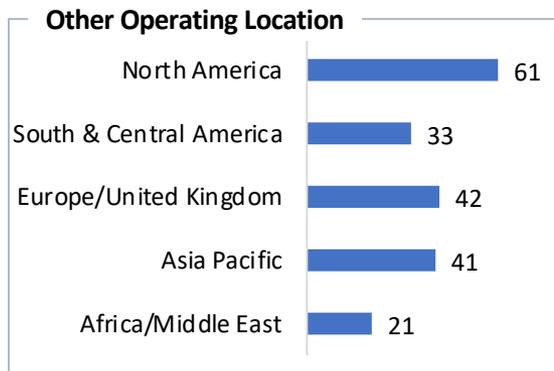
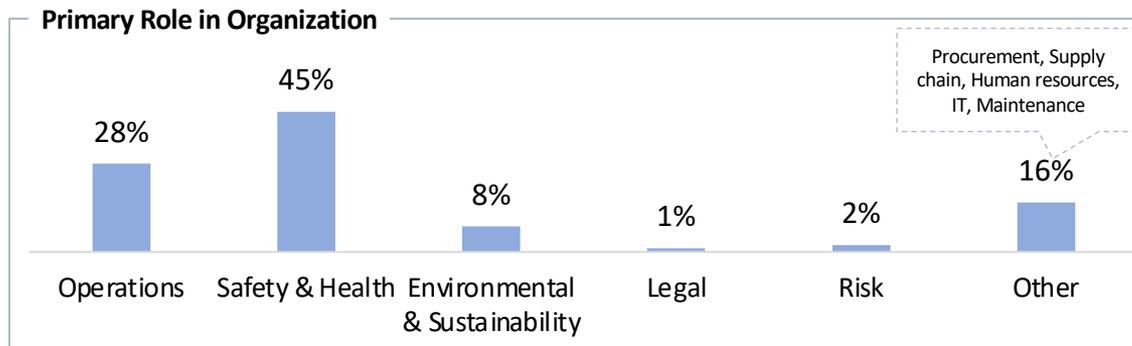
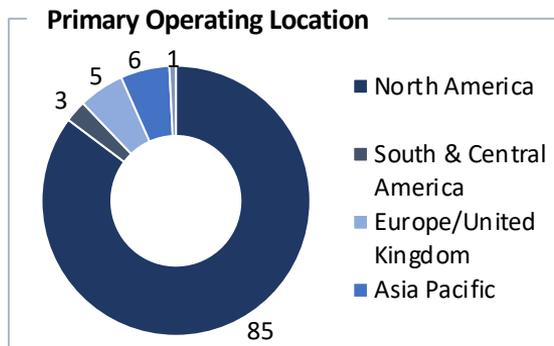


Interest in ESG Issues



Base : 765 (Among those who have completed the survey)
Top 8

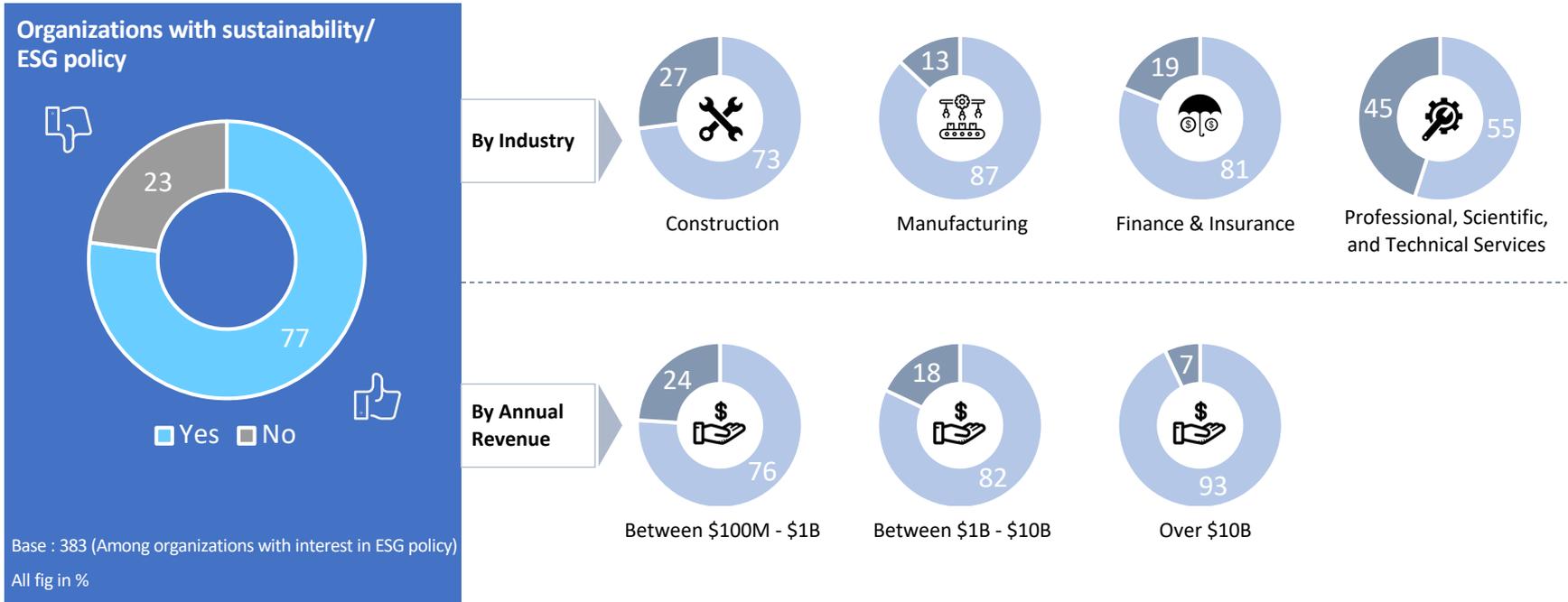
Respondents by operating location, role and revenue



Base : 765 (Among those who have completed the survey)

More than 3/4th of the organizations are committed to ensuring sustainability policy

The priority an organization gives to ESG policies increases with organization revenue

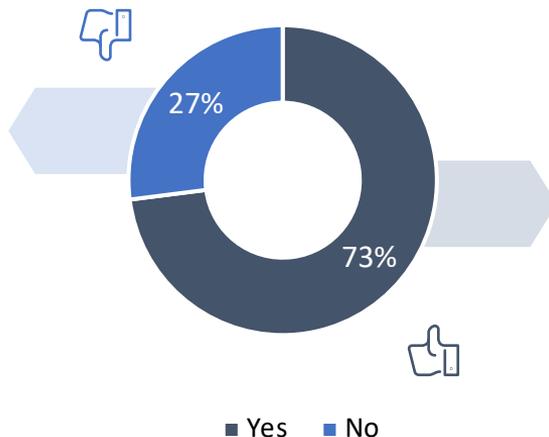


Nearly 3/4th of the organizations have leads or chief sustainability officer committed to ESG functions mainly reporting to the chief executive officer

Function leading to ESG in the organization

Operations	29%
Safety & Health	19%
Environmental	18%
Marketing	8%
Risk	8%
Legal	8%
Investor Relations	8%
Others	6%

Availability of chief sustainability officer or equivalent leader of ESG functions



Chief sustainability officer or equivalent leader reports to

Chief Executive Officer	43%
Chief Operating Officer	29%
Chief Risk Officer	4%
Chief Legal Officer	3%
Chief Investment Officer	1%
Others	19%

- Operations executive such as the Vice President, Director, SVP Manufacturing and Logistics and Supply Chain President
- EHS Executive such as Chief Zero-Carbon Officer, VP of ESSH, and Global head of EHS
- HR Executive

Base : 80
All fig in %

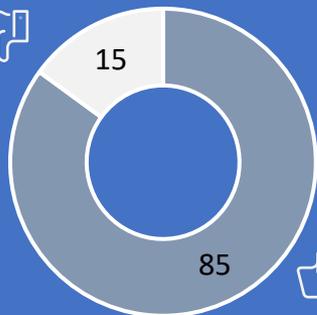
Base : 294 (Among organizations that have ESG policy)

Base : 214

Safety & health is an integral part of the ESG strategies for most of the organization

Organizations are focusing on improving operations and performance, and maintaining the highest level of commitment health and safety

Involvement of safety & health function in execution of ESG strategy



Yes No

Base : 294 (Among organizations that have ESG policy)

All fig in %

Role of safety & health in ESG



Base : 212 (Open-end responses)

Respondent voice

“Our safety and culture is a partner in our ESG, DE&I and every part of the organization - Utilities Industry”

“Safety is #1” within our company, and our EHS takes a proactive approach on serving the company for the stakeholders - Construction Industry”

“Wellbeing of all associates in creating a safe and compliant work environment that is proactive in sustaining regulations and associated changes through FDA/OSHA/EPA and other agencies – Manufacturing Industry”

“E-Health and Safety are a stakeholder in all projects and operations”

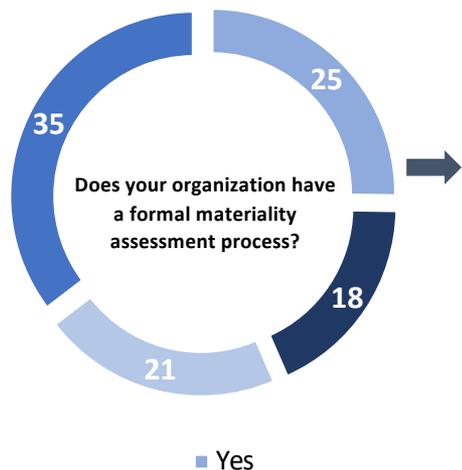
“Care for SHEQ is one of the Cora Values for the organization – Construction Industry”

ESG topics related to business goals are of increasing interest to organizations
Manufacturing industries are highly engaged with safety, waste, energy and water management, and GHG emissions; where as finance and insurance are inclined toward data security and privacy

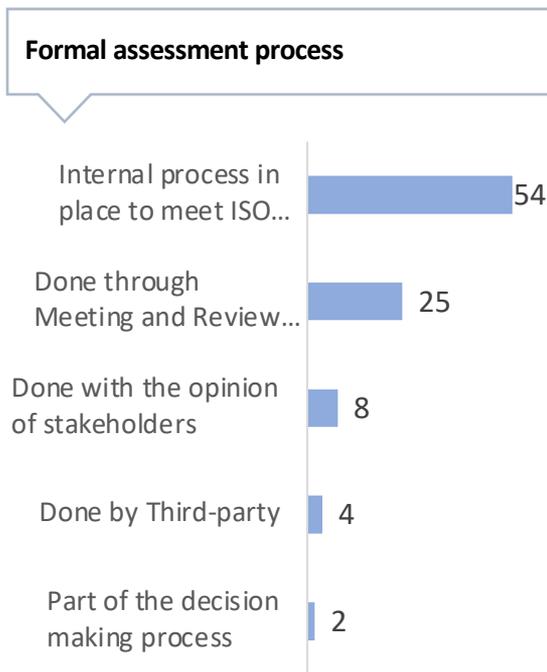
All fig in T2B% (very engaged/ extremely engaged)	By industry					By revenue		
	Overall	Construction	Manufacturing	Finance and Insurance	Professional, Scientific, and Technical Services	Between \$100M - \$1B	Between \$1B - \$10B	Over \$10B
Base	383	41	101	31	51	136	127	75
Data Security	81	83	83	97	67	79	88	91
Product Quality & Safety	75	76	90	77	67	77	77	87
Customer Privacy	71	80	70	87	61	71	76	80
Waste & Hazardous Materials Management	67	76	83	48	51	64	71	76
Energy Management	63	59	72	71	47	60	69	85
Water & Wastewater Management	62	59	79	48	45	62	64	73
Human Rights	58	66	62	65	41	57	61	72
Air Quality	56	49	69	68	45	54	62	67
Ecological Impacts	55	46	57	61	37	49	60	72
GHG Emissions	47	39	66	35	31	38	53	73

Over-indexed Under-indexed

Among organizations with ESG policies, only 25% have formal materiality assessments



Base : 294 (Among organizations that have ESG policy)



Base : 52 (Open-ended responses)

Respondent voice

- “ **Research based** and stakeholder engagement -
Utilities Industry ”
- “ **We use a materiality matrix** as part of our review in association with our ISO standard accreditations -
Construction Industry ”
- “ **We apply an internal sustainability model** and an industry consensus model – Manufacturing Industry ”
- “ **MOC and New Chem/ Material review process** –
Manufacturing Industry ”
- “ **We have set a 2050 goal for the whole organization** with milestones in the beginning of every decade –
Construction Industry ”

Budget constraints, high initial cost, safety training, labor management, and availability of limited resources are the major challenges related to ESG

Organizations biggest challenges related to ESG



Base : 327 (Open-ended responses)

Respondent voice

“ **As an infrastructure consulting company, emissions associated with projects designed or operated by us are a challenge - Professional, Scientific, and Technical**

Services ”

“ **Carbon management, GHG and air emissions, operating in countries with human rights issues – Manufacturing**

Industry ”

“ **Communicating & implementing ESG initiatives across an extremely large & diverse organization –**

Manufacturing Industry ”

“ **It is a company with over 400 years of experience, becoming agile and adaptive to change is always a challenge - Transportation and Warehousing**

“ **Our organization's challenges are limited resources**

– Finance & Insurance ”

“ **To understand the importance of ESG to the successes of the organization – Utilities**

Almost half of the companies have formal ESG metrics and targets in place

Close to 3/4th of the organizations use software, spreadsheet, or both, to track ESG metrics and targets

How are these metrics/targets set?



■ Yes



■ Reductions over baseline
■ Science-based targets



Software

32% use Software



13% use both Software and Spreadsheet



Spreadsheet

25% use Spreadsheet



BI Tool

4% use BI Tool



Scorecard

5% use performance metrics/ KPIs



Cloud-based technologies

5% use SaaS platform/ database

How are these metrics/targets tracked?



15% Do not know

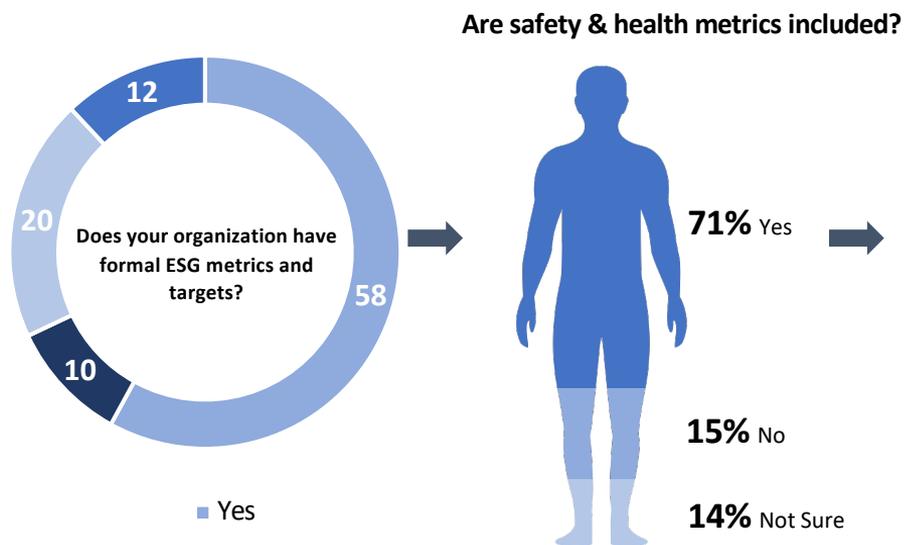


1% Use other systems

Base : 294 (Among organizations that have ESG policy)

Base : 171 (Open-ended responses)

Close to 3/4th of the firms include safety & health metrics in their ESG metrics;
Sustainability in the workplace and sustainable investing are included in the metrics to generate long-term competitive financial returns and to have a positive impact on society; core safety metrics remain less mature



“ TRIF, AIF, Hygiene procedure, ERPs - Utilities ”

“ TRIR, DART, LTIR, corrective action closure rate, behavioural based safety observation targets - Construction Industry ”

“ Both employee and patient metrics are included in the organizations global data - Health Care and Social Assistance ”

“ Employee well being and satisfaction – Manufacturing Industry ”

“ Injury rates, engagement, safety observations, public safety - Utilities ”

Base : 294 (Among organizations that have ESG policy)

Base : 171 (Open-ended responses)

Base : 79

Nearly 2/5th of the organizations extend ESG scope to supply chain and contractors as they are exposed to hidden risks typically driven by ESG factors, such as natural resource depletion, human rights abuses and corruption



Base : 383 (Among organizations with interest in ESG policy)

All fig in %

Suppliers compliance for achievement of ESG goals



Incentives provided to suppliers for complying with ESG targets



Base : 148

Health & safety leaders play a vital role in strategic decision-making for value creation, records for training, focus on SHEQ guidelines and support day-to-day activities

Role of safety & health leaders and professionals



Base : 320 (Open-end responses)

“ **Key support function for construction projects,**
possible PSM support, employee safety - Utilities ”

“ **Fully embedded within the business as SHEQ Business**

Partners – Construction industry ”

“ **They drive the process by collaborative support – Mining Industry**

“ **HSE department plays critical role in ESG programs**

and processes execution - Finance and Insurance ”

“ **Promoting all Company programs, rules and policies**
with effective training – Manufacturing Industry ”

“ **Initiating, executing, monitoring & control - Utilities** ”

“ **Leading and Implementation of process – Construction Industry** ”

“ **Safety and the Safety Managers play a huge part in**
most every decision our corporate executives make –

Manufacturing Industry ”

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5 Key Safety & Health Issues in ESG

- **Human & Social Capital** – doing right by people, both as a resource for business and as a good steward of communities in which we live, encompassing everything from child labor law to fair pay for work to occupational safety and health
- **Materiality and Risk** – the process of determining the most material Sustainability issues within your organization or scope, developing risk mitigation strategies and tactics, and setting goals and action plans
- **Supply Chain Management & Transparency** – addressing the complex and challenging global supply chain, from issues of safety to human rights and corruption to environmental management
- **Investor Engagement** – developing a fruitful relationship with the investment community who has become increasingly activist around sustainability issues; helping the investment community better understand and analyze organizational risk reduction
- **Reporting and Measurement** – tracking and communicating progress against goals, setting realistic science-based targets, engaging with external stakeholders

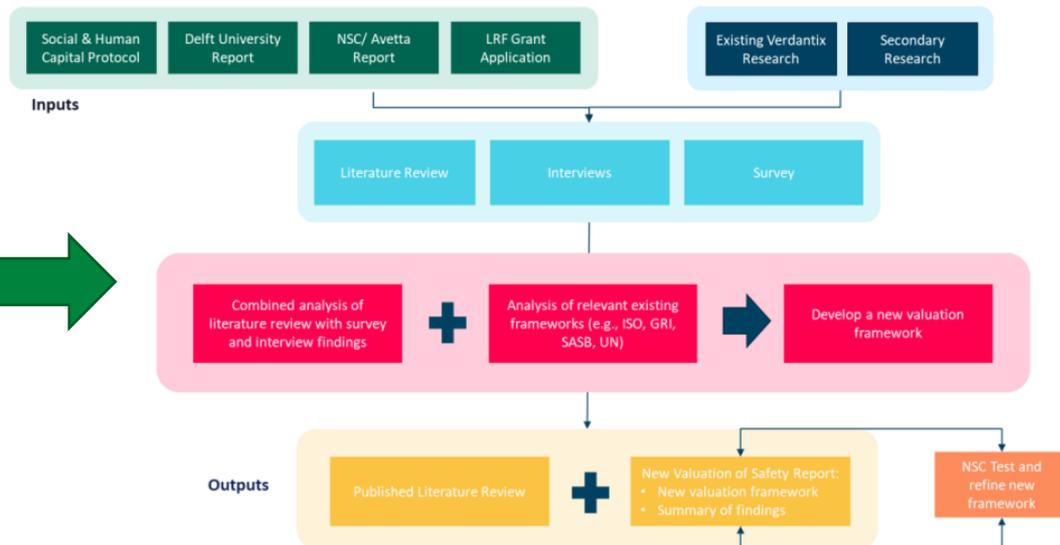
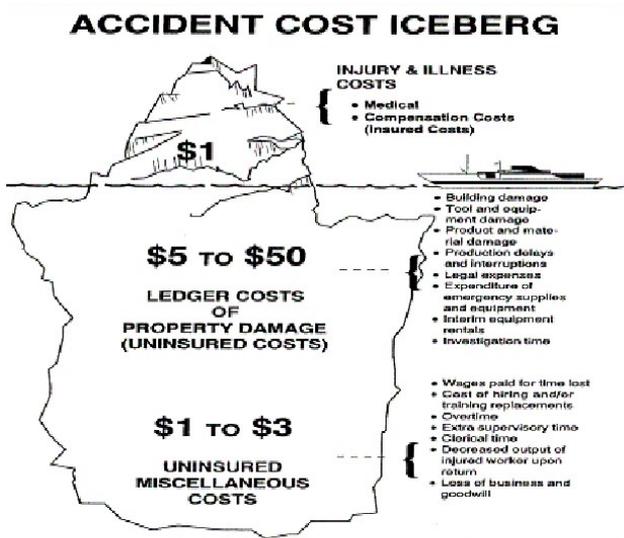
...and 5 more

- **Serious Injury & Fatality Prevention/Human Organizational Performance** – focusing on the areas of greatest potential harm and understanding what differentiates them; acknowledging humans as wired for error
- **Physical Wellbeing & Fitness for Work** – valuing the whole person and going beyond straightforward, non-risk-based wellbeing programs; tackling fatigue, impairment and other related factors
- **Mental Health & Stress** – particularly post-pandemic, addressing the needs of the workforce, supporting new approaches to mitigation and intervention, and reducing stigma
- **Psychological Safety** – creating a culture and platforms for workers to “feel safe” – both physically and in terms of speaking up on issues – in order to truly be safe
- **Diversity, Equity & Inclusion** – embracing and operationalizing a culture of true inclusion to identify hidden biases/gaps (sometimes as simple as PPE availability)



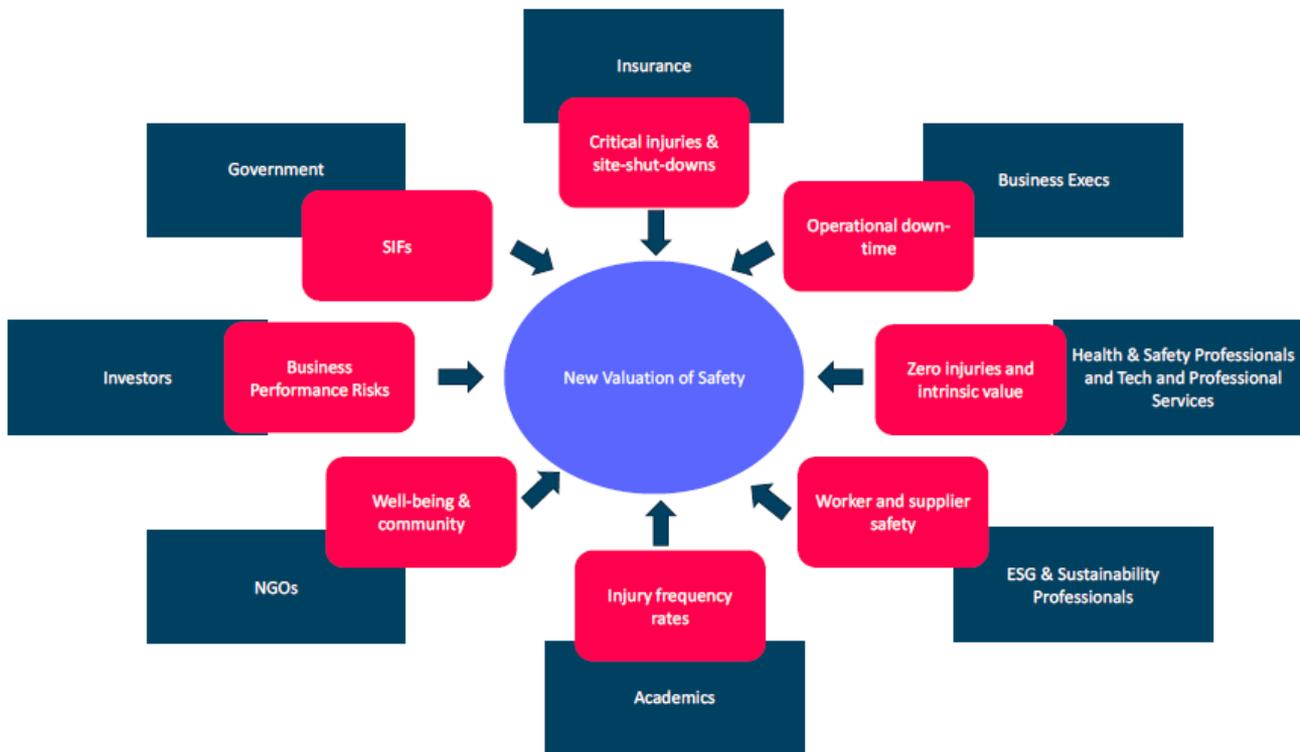
New Valuation of Safety – ESG & EHS

Evolving the understanding of the value and valuation of safety & health for 2022



New Valuation of Safety – Sample Inputs

Peeling back the layers & acknowledging safety “scope creep”



Join Us to Continue the Conversation

Thank you!

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