PRI in a Changing World. Signatory Consultation.

IOSH response to the Principles for Responsible Investment consultation on the future of responsible investment.

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Introduction

The Institution of Occupational Safety and Health (IOSH), the Chartered body for occupational safety and health professionals, with approximately 49,000 members in more than 130 countries, has a vision of ‘A safe and healthy world of work’. We are pleased to provide feedback to PRI on ‘PRI in a Changing World: Signatory Consultation’.

As an international non-profit organisation, IOSH ethically influences important decisions that affect the safety, health and wellbeing of people at work worldwide. We responsibly collaborate with governments, advise policymakers, commission research, set standards, engage with global, regional and local organisations and run high-profile campaigns to promote awareness of occupational safety and health (OSH) issues. The IOSH Policy and Regulatory Engagement function provides a strong foundation for key policy responses and public policy initiatives that focus on the crucial role of OSH. IOSH is working alongside international partners, which includes the World Health Organization (WHO), and International Labour Organization (ILO) in the interest of improving occupational safety and health (OSH) worldwide.

On corporate transparency we advocate for, promote and influence principles of good OSH globally which includes OSH metric frameworks from international standards (for example, ISO 45001: 2018 Occupational Safety and Health Management systems – Requirements with guidance for use and GRI 403: Occupational Health and Safety 2018). IOSH advocates a transparent, human-centred approach that properly recognises and values the role of OSH in the development and protection of human and relationship capital where workers are recognised as material to organisational success and sustainability. Where ‘people’ are positioned at the heart of the agenda, and is reflected in national and corporate governance reporting and disclosure. We joined the UN Global Compact as a ‘participant’, along with more than 14,000 other organisations, all of whom are committing to align their operations with universal principles on human rights, labour, the environment and anti-corruption — and to take actions that advance societal goals.

IOSH’s recently launched ‘Catch the Wave’ campaign[1] looks at stimulating commitment from capital markets, businesses and employers to ensuring that the operations they support are socially sustainable and to give profile to the ‘social’ pillar of sustainability and the role of OSH within it. Sound social management are critical elements to our vision to promote a safer, healthier and sustainable future of work, more equitable markets and inclusive societies.

Background

As I’m sure you’ll agree, COVID-19 and other global socio-economic issues are clear illustrations of how human and social factors interface with environmental factors, which can contribute (either negatively or positively)to health and economic outcomes. All of these are

[1] Institution of Occupational Safety and Health. Harnessing the power of social sustainability. https://iosh.com/media/10357/harnessing-the-power-of-social-sustainability.pdf Campaign is available at https://iosh.com/businesses/iosh-for-business/catch-the-wave/

factors that will continue shaping the future of responsible investment, sustainability reporting and sustainable corporate governance in the changing world that we operate within. In this challenging context we see a trend on how investors, finance and reporting stakeholders seek a more profound understanding of the composition and key characteristics associated to human capital and occupational safety and health management, but also an indication of whether the workforce is a strategic asset and how this relates to business longer-term value creation.

This period also seemed to shift the investor preference[2] and the consequent allocation to sustainable portfolios and assets. A positive trend was therefore seen on how investors rebalanced their portfolios during market turmoil towards sustainable funds over more traditional ones. It also saw an increased pressure, from both investor and consumers, for companies to report on and improve safety and health. This helped to reinforce the principle that sustainability and safety go hand-in-hand and organisations cannot be sustainable without protecting the safety, health and welfare of their most vital resource: workers.

Despite growing interest from company and investor, there is still a concerning lack of consistent disclosure on social aspects, namely workforce and human capital matters, including occupational safety and health aspects. A significant gap remains between what investors are looking for when it comes to financial and sustainability reporting and what is being practically disclosed. This is disappointing, as according the toll of workers that continue to lose their lives in occupational-related diseases and accidents in the world is unacceptable. In addition to this human and social tragedy, the economic losses due to poor working conditions and related accidents and diseases all contribute to more than 4% of the world's Gross National Product. Alarmingly, fifty million people were living in modern slavery in 2021, according to the latest Global Estimates of Modern Slavery.

With increasing evidence demonstrating how investing in companies with better records on social issues and good governance pays, IOSH believes that investing in OSH is also economically sound, not just in terms of comparing money spent in preventing injuries, illness, disease and absenteeism and money spent in dealing with consequences of non-prevention but also in the context of climate change, new technologies or workforce relations during a cost-of-living crisis that will undoubtedly affect business, workers, people and communities.

Recommendations for socially responsible investment in a changing world

- IOSH believes that **human capital indicators are interlinked with workplace wellbeing.** . Under this change of business paradigm, workplace wellbeing goes beyond the concept of just physical health and wellbeing, but it is one that is holistic and also recognises mental health and wellbeing, as it is multi-faceted and requires an integrated approach.
  We recommend that investment portfolios adopt a stronger positive correlation between employee wellbeing with business performance and financial performance. This will require revisiting health and wellbeing metrics to be incorporated into various levels of corporate reporting, in order to facilitate transparency and good governance for workplace wellbeing.

- **Labour conditions in the supply chain.** Making transparent the human capital contribution to the organisation in complex supply chains has been a historical

[2] BlackRock. Sustainable investing: resilience amid uncertainty. 2022.

challenge to support the sustainability of the value chain and the workforce. Due diligence obligations for larger companies to identify, prevent, mitigate and account for actual and potential adverse impacts on human rights, including labour rights and the environment along global supply chains are gaining increasing attention at both the investment and business level. In the shorter-term we will witness legislative developments requiring mandatory public reports on health and safety and corporate social responsibility and human rights in supply chains. Investment strategies will need to further support improving and enforcing laws and labour inspections that: tackle deficits in working conditions and environments; provide stronger measures to combat forced labour and trafficking in business and supply chains; extend social protection and strengthen legal protections to vulnerable workers.

- Socially responsible investors actively need to demonstrate transparency and consistency when it comes to investing in companies or organisations whose businesses run counter to their non-financial values and ethical principles or those they perceive to have negative effects on society or their human capital. Traditionally these sectors have been linked to corruption issues, conflict-affected and high-risk sectors such as alcohol, tobacco, nuclear energy, fire arms, fast food, garment, gambling, extractive industries, fossil fuel and others.

  In this changing world of work, **technology companies and those in the so-called online/digital platform economy** (that compile a wide variety of on-location platform, from app-based ride-hailing to delivery services, and online platform work) are quickly scaling up their businesses without robust investment screening and control processes. According to a 2018 report by the Principles for Responsible Investment, poor working conditions and job insecurity associated to this industry "has the potential to negatively impact institutional investors' portfolios as a whole while increasing financial and social-system-level instability. Likewise, a ShareAction report[3] published in 2020 found businesses that employ precarious 'independent contractors' are exposed to reputational and regulatory risks, which can negatively impact investors practices.

  With many ride-hailing and food-delivery businesses listed as publicly traded companies and with many others in constant competition for market share (as demonstrated in numerous mergers and acquisitions) digital labour platforms should face increasing scrutiny from investors over social issues, which should include occupational safety and health. They should also comply with increased obligations on reporting duties and public disclosure on their OSH risks.

- Investors need to carefully scrutinise corporate performance data on OSH and human rights. This may include familiarising themselves with, and the use of, a set of indicators covering human rights and OSH metric that can be instrumental for better informing investors decision-making:
  - Risk or history of poor OSH or labour governance
  - OSH, modern slavery disclosure statements, impact assessments
  - Human rights and OSH risks from operations
  - Lack of transparency of workers' data and claims
  - Social risks in the supply chain that go unmanaged.

[3] See Insecure work in insecure times, ShareAction, July 16, 2020

- ➢ Risk or history of poor social performance
- ➢ Risk from lack of OSH policies, practices and due diligence procedures

- With many investors and investment portfolios still unclear on their human, labour and OSH rights and responsibilities, there is a need for adaptation and education on latest developments such as the prospect of an international binding instrument on business and human rights – supported by the UN Working Group on Business and Human Rights and the UN Office of the High Commissioner on Human Rights. We also welcome international and European efforts in the form of a future legislative proposal addressing human rights and environmental duty of care and mandatory due diligence across value chains, aiming to ensure that sustainability and OSH is further embedded into the corporate governance framework. Other novel legislative proposal are also looking at effectively prohibiting the placing on the EU market of products made with forced labour. Only legislative actions that make reporting on social issues and risks mandatory is envisaged to create significant changes in the improvement of the sustainability reporting landscape.

Survey questions

What does responsible investment mean today?

Socially responsible investment strategies have a view to build a more sustainable world which ultimately can contribute to and lead to a safer and healthier world of work. IOSH sees a sustained trend in companies beginning to shift their practices to be more socially responsible. We share PRI's principles that support investors' efforts to address social issues such as human rights, unfair labour practices, child labour, decent work in supply chains, occupational safety and health and modern slavery risks within companies' investment portfolios. Responsible investment practices require more robust scrutiny for operations that can be allegedly involved in breaches of international law and norms on environmental protection, human rights, labour standards and anti-corruption. With the recent adoption of 'a safe and healthy work environment' as one of one of the five Fundamental Principles and Rights at Work in June 2022 by the International Labour Organization, investment practices and strategies will have to systematically require effective human rights due diligence (including that of a safe and healthy working environment) by the companies they invest in, and to coordinate with other organisations and platforms to ensure alignment and meaningful engagement with companies.

Which aspects of the financial system could the PRI and signatories influence more to create the right enabling environment for responsible investment?

With continued efforts to move the responsible investment agenda to the mainstream, the role of financial institutions in delivering just transitions to a net-zero world and incentivising climate-friendly business will become a priority in the policymaking, industry stakeholders, philanthropists, public institutions and financier's agendas. In practice this will require a revolution in finance and investment practices and will imply a drastic acceleration and mobilization of capital towards these green technologies, green human resource management and green human capital.

Let's not therefore forget the workers involved within these process, technological and operational advancements and changes for moving towards net-zero and green technology, and ensure that OSH is included in human capital metrics and skills development and responsible consideration of OSH hazards and risks in new developments and investments.

What do you consider the most significant barriers to investor action on sustainability outcomes?

Most investors remain ‘in the dark’ when it comes to integrating human rights into their investment strategies. Investment decisions are still viewed primarily as short-term profit operations. According to the UNGPS 10+ project[4], the UN Working Group on Business and Human Rights despite positive progress, human rights issues “*are still rarely addressed in a systematic or principled way among the institutional investor community*” with the vast majority of investors not yet engaging with their own human rights responsibilities. Requirements for companies to undertake human rights due diligence have also work-related implications. Human rights considerations linked to occupational safety and health might take the form of ensuring that favourable working conditions for all individuals are provided through OSH policy, physical and psychosocial risk management, the provision of adequate safety equipment, training, and OSH guidance.

Another significant barrier can be seen when social business performance issues and measures are not given much consideration in developing countries or emerging economies. The lack of reporting on health and safety aspects within the labour practices and decent work is a common lack in companies social footprints operating in these regions. This issue is even worse when it comes to the reporting of fatal and non-fatal occupational injuries, by sex and migrant status.

Comments on the PRI’s vision, purpose and mission

In the current world of work organisations cannot be sustainable without protecting the safety, health, and welfare of their most vital resource: workers. For that reason, IOSH welcomes the potential for increased investor pressure for companies to report on human capital matters and improve safety and health, as set in PRI’s expectations of responsible investment.

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[4] UN Human Rights, Next Decade 10+, https://www.ohchr.org/sites/default/files/2021-12/ungps10plusroadmap.pdf