

Implementing Social Safeguards in Human Capital Management

White Paper Volume 8
Sinergis HR Consulting & Services



Table of Contents

1	Introduction of ESG Safeguard	12	Financial Benefit of Safeguard Implementation
2	The Need for ESG Safeguards	16	Enhancing Company Reputation Through Safeguard Implementation
4	Diversity equity and inclusion	18	Implemented Safeguard Case Studies
9	Prevention of sexual exploitation and abuse		



FOREWORD

In today's rapidly evolving business landscape, the integration of Environmental, Social, and Governance (ESG) principles has become a critical aspect of sustainable growth. As organizations strive to build more resilient and responsible enterprises, the implementation of social safeguards in human capital management emerges as a vital component. This whitepaper, titled "Implementing Social Safeguards in Human Capital Management," explores the essential role of ESG safeguards, particularly in fostering diversity, equity, and inclusion, and in preventing sexual exploitation and abuse to mitigate reputational risk.

The need for ESG safeguards in human capital management is clear. Companies that prioritize social safeguards not only protect their workforce but also enhance their financial stability and reputation. This whitepaper delves into the practical aspects of implementing these safeguards, providing a straightforward roadmap for organizations to follow.

The benefits of implementing social safeguards are significant. Financially, companies can reduce risks and increase profitability by fostering a more inclusive and safe workplace. Reputationally, organizations that are seen as leaders in social responsibility attract top talent and gain the trust of stakeholders.

Through this whitepaper, we aim to present a compelling case for the importance of ESG safeguards in human capital management. By examining successful case studies, we hope to inspire and guide organizations in their journey toward more responsible and sustainable human capital practices.

Sincerely,

Partner, Sinergis HR Consulting & Services

Introduction of ESG Safeguard

The growing importance of ESG factors for investors, regulators, and consumers necessitates a proactive approach to integrating these principles into core business strategies. Environmental, Social, and Governance (ESG) safeguards are essential practices for identifying, assessing, and managing risks that can impact the long-term sustainability and ethical operation of businesses.. This framework guides businesses in integrating ESG factors – including climate change, resource use, labor practices, diversity, and ethical conduct – into all aspects of decision-making.

To achieve this holistic integration, ESG Safeguards encompass key areas like finance, human resources, legal, and procurement.

Finance: Aligning financial decisions with ESG principles, such as sustainable investments and responsible resource allocation.

Human Resources: Fostering a diverse, equitable, and inclusive workplace with fair labor practices, a commitment to employee well-being, and the prevention of Sexual Exploitation and Abuse (SEA).

Legal: Ensuring compliance with environmental and social regulations, upholding ethical business conduct, and promoting Diversity, Equity & Inclusion (DE&I) practices within the organization.

Procurement: Sourcing materials and services from environmentally and socially responsible suppliers, prioritizing companies with strong DE&I initiatives.

By integrating ESG Safeguards throughout their decision-making processes, businesses can:

- Mitigate environmental and social risks while maximizing positive impacts.
- Enhance reputation and brand value by demonstrating a commitment to sustainability and ethical practices.
- Attract and retain talent by fostering a socially responsible work environment that prioritizes DE&I and prevents SEA.
- Improve access to capital from investors who prioritize ESG practices.

The Need for ESG Safeguards

Environmental, Social, and Governance (ESG) factors are increasingly playing a critical role in investment decisions. Investors are looking beyond just financial returns and considering the long-term impact companies have on the environment, society, and their own governance practices. This shift has led to the rise of ESG investing, which aims to integrate these non-financial factors into the investment process.

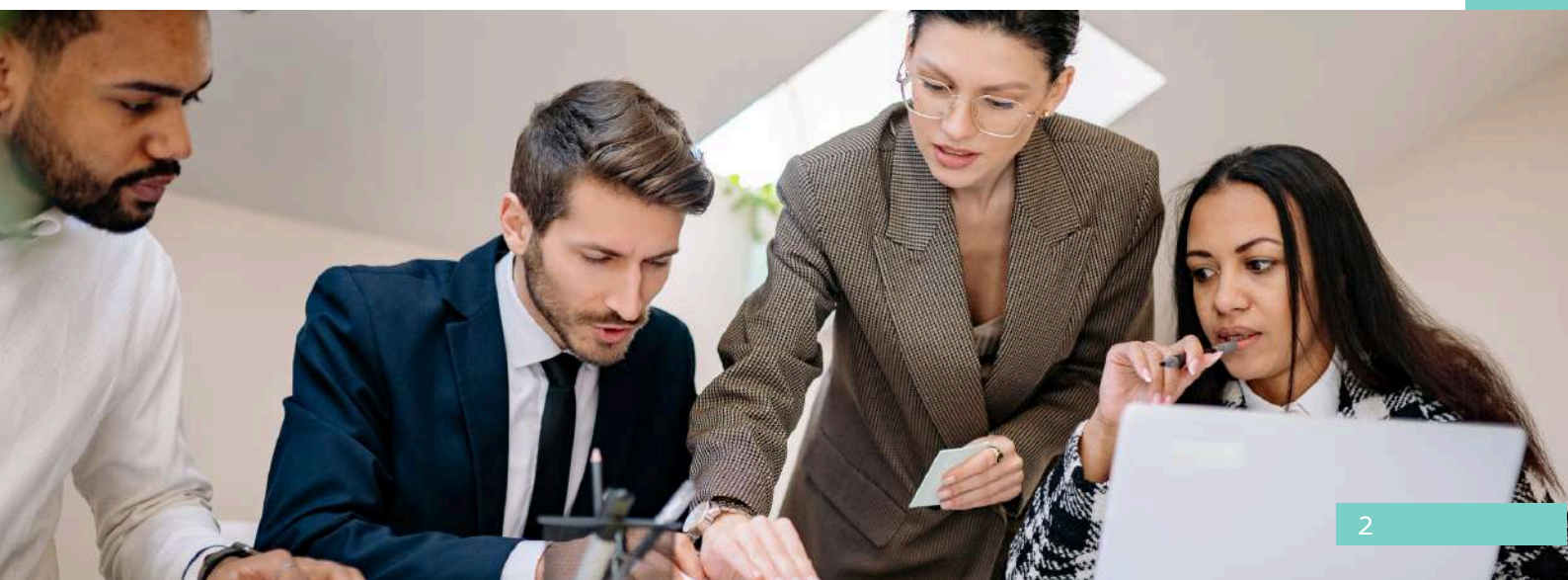
However, the growing emphasis on ESG also presents new challenges. One key challenge is the potential for greenwashing – where companies make misleading or exaggerated claims about their ESG performance. This can erode investor trust and hinder the progress of sustainable investing.

Here's why ESG safeguards are crucial:

Maintaining Investor Confidence: Greenwashing undermines the credibility of ESG investing and discourages investors from participating. Robust safeguards ensure transparency and accountability, fostering trust in the system (Ferreira & Sequeira, 2022).

Mitigating Risk: Companies with poor ESG practices face potential risks like environmental fines, social unrest, and reputational damage. Safeguards help identify and manage these risks, protecting investors from negative financial impacts (GGGI, 2021).

Promoting Sustainable Practices: Effective safeguards encourage companies to genuinely improve their ESG performance. This can lead to positive environmental and social outcomes, aligning investor interests with long-term sustainability goals (Architecture for REDD+ Transactions (ART) Program, 2021).



Types of ESG Safeguards:

Standardized Reporting Frameworks:

Frameworks like the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) provide a common ground for companies to report on ESG metrics. This allows for better comparability and analysis by investors.



Independent Verification:

Third-party verification of ESG data by reputable auditors adds a layer of assurance to company reports, reducing the risk of greenwashing.

Regulatory Oversight:

Regulatory bodies can play a vital role in setting ESG disclosure standards and enforcing them. This ensures consistency and prevents misleading practices.



Looking Ahead:

Developing a comprehensive system of ESG safeguards is crucial for the future of sustainable investing. Collaboration between investors, companies, regulators, and standard-setting bodies is essential to create a robust framework that promotes transparency, mitigates risk, and fosters genuine progress towards a sustainable future.

Diversity Equity and Inclusion

What & Why Equality and Diversity In The Workplace?

Equality and diversity in the workplace encompass several aspects. They involve treating every staff member fairly and equally, and respecting them based on age, race, gender, cultural background, skills, beliefs, sexual orientation, career experiences, and more. But how are equality and diversity different?

Equality ensures that everyone has the same opportunities and is treated equally, regardless of their characteristics. Diversity, on the other hand, goes beyond equality. It is about creating a culture that values individual differences for the benefit of individuals, businesses, and society. A diverse workplace typically includes a variety of people with differences such as age, ethnicity, religion, beliefs, race, sex, sexual orientation, and more.

A diverse workplace offers numerous advantages that can give your company a competitive edge. It introduces a variety of ideas, skills, and resources, along with unique energy that is especially beneficial in an office setting.






Companies that embrace diversity attract a larger talent pool, allowing them to benefit from a broader market and increased productivity. Additionally, the organization gains respect from the community, boosting its reputation and visibility.

Furthermore, promoting diversity and inclusion leads to:

- Reduced absences due to employee happiness
- Enhanced teamwork and collaboration
- Strong employee loyalty and retention from feeling understood
- Fewer discrimination claims with proper policies and procedures

Excellent diversity and inclusion practices not only foster happy, productive, and loyal employees but also ensure compliance with the Equality Act 2010.

At The HR Dept, we ensure your business meets compliance requirements through tailored policies, procedures, and contracts. We review each business individually, offering personalized suggestions to improve diversity, inclusion, and equality, driving your business forward.



Examples of Equality and Diversity in the Workplace

Every organization, irrespective of its industry or specialty, is advised to implement an equal opportunities policy. This policy safeguards employee rights and ensures that employers and businesses adhere to legal standards.

The purpose of an equal opportunities policy is to prevent workplace disputes and ensure the following:

- Age does not hinder employment opportunities if the individual possesses the required skills
- Employees performing the same job receive equal pay
- Promotion opportunities are fair, without bias based on gender, disability, or sexual orientation
- Physical disabilities do not limit job roles; for example, a receptionist in a wheelchair can perform desk-based tasks as effectively as one without a disability

It's crucial to recognize that equality pertains to both employers and employees in the workplace. Discrimination is unacceptable and can result in accountability, regardless of one's role.

7 Tips for Workplace Equality & Diversity

1. Identify & prevent unconscious bias

Take an Implicit Association Test to identify your own biases. Focus especially on biases related to the nine protected characteristics (such as age, disability, gender reassignment, marriage, pregnancy, race, religion, gender, and sexual orientation) as these constitute discrimination.

2. Create equality, diversity & inclusion policies

Everyone should be treated fairly in daily activities and work-related decisions, such as recruitment, training, promotions, task allocation, and pay. Embracing people's differences is crucial, as diverse workforces tend to be more profitable. Diversity and Inclusion expert Verna Myers aptly stated, "Diversity is being invited to the party; inclusion is being asked to dance." It's important to not only treat everyone fairly but also to go further by truly embracing and valuing their differences.

3. Mind your language

Ensure all your communications are free from discriminatory and sexist language. Even unintentional or careless language and stereotyping can create a perception of inequality and make people feel vulnerable. Remember to update corporate forms and documents to respect individuals' pronouns.

4. Use objective criteria

When recruiting, training, and promoting, it's essential to establish clear, objective criteria to ensure decisions are always based on merit and free from bias. Encourage group decision-making or conduct audits if there are concerns about a particular team, manager, or business unit.

5. Be proactive

Don't blindly adhere to rules if you believe they are flawed, create unintended bias, or result in certain groups being treated unfairly. Instead, work towards changing them. If no action is taken to challenge the status quo, unconscious biases will continue to influence our workplaces.

According to The Independent, the encouraging news is that Generation Z is twice as likely as older generations to question norms and advocate for inclusion.

"There's a new glass ceiling that has gone unnoticed, but Generation Z seems to have better eyesight - they can see it [inequality] and they want to break it."

(Debbie Klein, Group Chief Marketing & Corporate Affairs Officer, Sky).

Empower your employees to speak out against discriminatory behaviors or practices.

6. Get advice if needed

Your HR or Legal and Compliance departments can provide valuable advice on how to avoid unconscious bias or discrimination when making complex decisions, such as terminating contracts or conducting layoffs, to ensure adherence to the rules.

7. Watch out for indirect discrimination

Ensure that your company policies do not inadvertently disadvantage certain groups. For instance, a requirement to be 'clean-cut' could discriminate against individuals who wear their hair long for religious reasons. Conversely, do not ignore harassment by a predatory manager by dismissing it as "just banter" or excusing it with "he doesn't mean anything by it". Such behavior has the potential to permanently damage your reputation. Finally, achieving workplace equality is not just about implementing procedures to prevent discrimination. That's the easier part. We must also actively promote equality and inclusion, ensuring that people are empowered to focus on what matters most—making our company the best it can be.

Prevention of Sexual Exploitation and Abuse



Sexual exploitation and abuse refer to acts where individuals are sexually exploited or abused, often through coercion, manipulation, or force. These acts have far-reaching impacts on victims, including physical, psychological, and social consequences. Addressing SEA is essential for promoting human rights and gender equality.

SEA is a widespread problem with significant global repercussions. According to the United Nations, there were over 2,000 reported allegations of SEA involving UN personnel and associated entities in 2022. The World Health Organization reports that one in three women globally experiences some form of sexual violence in their lifetime, highlighting the urgent need for effective prevention measures.

Prevention Strategies

Preventing SEA requires a comprehensive and multi-faceted approach, including legal, organizational, community-based, and educational strategies.

1. Legal Frameworks and Policies

- **International Standards:** The Istanbul Convention provides a robust legal framework to combat violence against women, including SEA. It mandates that signatory countries implement comprehensive measures to prevent and prosecute SEA and support victims.
- **National Legislation:** Countries must enact and enforce laws that criminalize all forms of SEA, ensure victim protection, and establish clear reporting and accountability mechanisms.

2. Organizational Measures

- **Policies and Codes of Conduct:** Organizations should develop and enforce strict policies against SEA, including clear codes of conduct for employees and affiliates.
- **Training and Capacity Building:** Regular training sessions should be conducted to educate staff on recognizing, preventing, and responding to SEA. The Inter-Agency Standing Committee (IASC) guidelines provide a framework for such training.
- **Reporting Mechanisms:** Establishing confidential and accessible reporting channels is crucial for victims and witnesses to report SEA incidents without fear of retaliation.

3. Community-Based Approaches

- **Community Engagement:** Engaging local communities in SEA prevention efforts is essential. Community watch programs and local advocacy groups can help monitor and report SEA incidents.
- **Public Awareness Campaigns:** Raising awareness about SEA and available support services through public campaigns can empower communities to take action against SEA.

4. Education and Training Programs

- **School-Based Programs:** Integrating SEA prevention into school curricula can educate young people about consent, healthy relationships, and bystander intervention. Programs like the CDC's "Stop SV" (Sexual Violence) provide effective models.
- **Empowerment Initiatives:** Programs that empower vulnerable groups, such as self-defense training for women and girls, have been shown to reduce the risk of SEA significantly.

Code of Conducts

- A code of conduct is a clear and concise guide of what is and is not acceptable behaviour or practice when employed or engaged by the organisation.
- Include acceptable and unacceptable behaviour with regards to children.
- What action the organization will take if the code is broken or not followed correctly.
- All staff and associates including volunteers should agree to the code of conduct when they are employed and/or start their job.
- It is an essential element of an organisation's child safeguarding and PSEA policies; and
- When implemented properly, should reduce or limit the risk of child abuse occurring

Executive Summary

Sexual exploitation and abuse (SEA) is a global issue affecting millions of individuals, predominantly women and children. This white paper provides an overview of the current landscape of SEA, evaluates effective prevention strategies, and offers actionable recommendations for policymakers, organizations, and communities. The goal is to create safer environments and mitigate the risks associated with SEA.



The Benefit of Safeguard Implementation: Financial

In the current business environment, there are benefits that come alongside ESG safeguards than just imposing ethical concerns; these are also drivers of substantial financial advantages. Integrating ESG principles into business operations yields tangible financial benefits, as evidenced by various studies and reports:

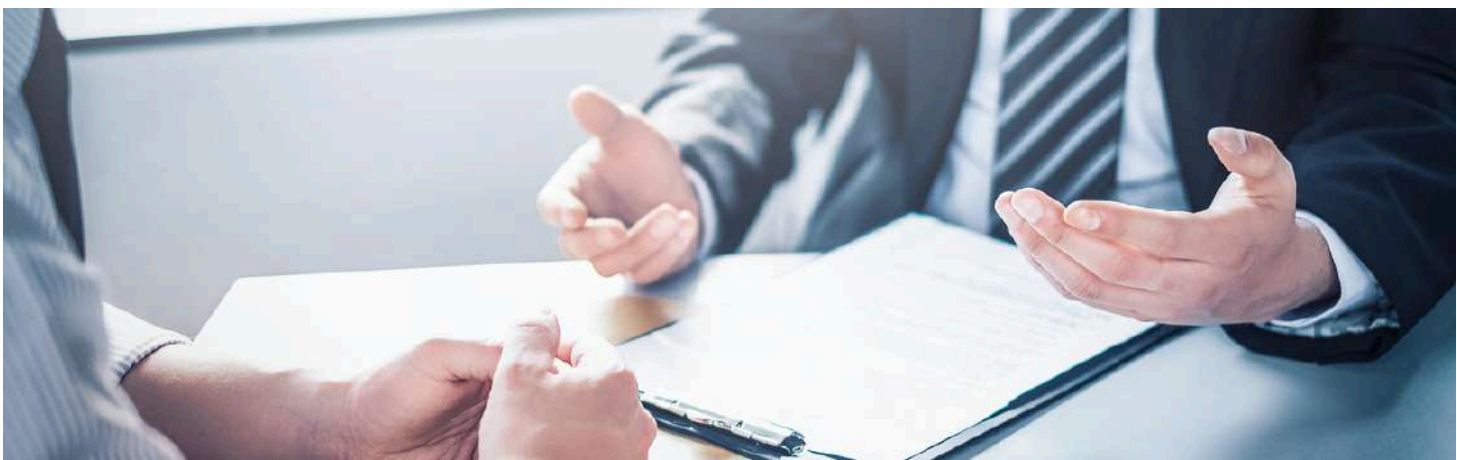
- **Mitigating Risks and Seizing Opportunities:** ESG's shield will give companies a chance to recognize and handle environmental, social and governance issues in relation to their business to avoid financial consequences such as additional expenses, fines or a drop in investor confidence. Businesses can therefore gain an edge as forward-looking and adaptable entities by taking proactive measures in dealing with the long-term risks and seizing windows of opportunity for advancements and growth.
- **Cost Savings:** McKinsey, believes that due to efficient usage of the resources and applying the ESG parameters the operational income can be increased up to 60% and it is apparently the most crucial factor that positively influences the profitability of Indonesian service companies. Take for instance the Unilever case in the water-scarce markets. It registered sales growth higher than the category growth by around 20% following use of ESG products.



-
- **Access to Finance:** Company's robust ESG performance increases firms' potential to secure finance favorably, which is in line with the growing ESG-directed financing throughout the globe. Initiatives like Green Sukuk and SDG Bonds in Indonesia, for example, shows that there are options in terms of capital access that also aligns with the sustainability goals. Companies that are possessing strong ESG policies have experienced lower cost of capital and equity which is witnessed on an average of 0.58% decline compared to their peers. Official studies by MSCI show this.
 - **Regulatory Compliance and Reporting:** Enforcing ESG safeguards helps to deal with the changes in the laws in order to set aside risks of receiving fines or penalties. Organizations with quality standards and regulations earn these stakeholders and investors their confidence. Such organizations also increase their chances of attracting future lenders. For instance, businesses with higher carbon emissions are charged more for their debt cost, an increase of 8 percent according to the CDP report.
 - **Increased Revenue:** Significant number of consumers ready to pay more for the sustainable products raises brands profits level. There have been studies indicating a relationship between sturdy ESG attributes and capital gains, these studies further underline the financial benefits that accompany ESG integration. Recent research from McKinsey demonstrates that as many as 70% of consumers are willing to pay an additional 5% if they choose green products meeting the standards that non-green options meet. This is also an added responsibility for businesses with good community engagement practices who often find it easier to obtain resources and this contributes to revenue generation.
-



- **Improved Employee Performance:** ESG ideas support the recruitment of new, and the retention of the current staff, boost morale and thus promote the productivity of individuals, which, in turn, strengthen organizational performance. These businesses which oversee the particular ESG practices have been found to have more affordable equity charges than their rivals, which indicates the financial advantages for the environment with the ESG initiatives are positive. One of the studies' results, which Alex Edman investigated, was that the companies on Fortune's '100 Best Companies to Work For' list generated higher stock returns. In addition to this, an inadequate ESG results in protests and strikes, which in turn decrease the production and cause the increments of cost.
- **Better Investment Opportunities:** A strong ESG framework confirms investors. They, presumably, are likely to get more favorable lending terms and possibly higher returns, which can lead to financial sustainability and competitiveness in the long run. Research has shown that companies with good ESG metrics tend to be perceived as more valuable in contrast to their peers, which also states the financial benefits of such integration. "As suggested by S&P Global, firms with high ESG scores had 15% higher valuation than their peers" – according the S&P Global. Moreover, the ESG-based model offers downside protection during social or economic breaks. It generates higher outcomes than negatively screened options, thus preserving constant investment returns over time.





- Protecting Reputation: Corporations that address ESG as a non-negotiable practice provide proof of their dedication to sustainability and corporate responsibility and consequently secure their reputation. Routine ESG disclosures as sustainability reports produced according ought to internationally accredited standards develop trust between companies and investors. This transparency goes beyond the credibility, even it aligns stakeholders such as investors, customers, employees, and regulators.

Engaging ESG in business strategy is not only beneficial for the long-term, but it also offers numerous financial advantages, such as more income, less spending, easier access to funds, to mention but a few. On the contrary, these benefits mean that ESG practices sustain and guarantee business growth, thus, the practice should be embraced by companies that want to be sustainable in their ventures.

Implementing Safeguards in A Company Can Significantly Enhance Its Reputation

Implementing safeguards in a company can significantly enhance its reputation. Here are some key benefits:

➤ **Enhanced Trust and Credibility:**

Implementing robust safeguards, such as data protection measures and ethical business practices, builds trust among customers, partners, and stakeholders. When stakeholders see that a company prioritizes their safety and privacy, they are more likely to trust the organization.



➤ **Risk Management:**

Effective safeguards help prevent security breaches, financial fraud, and other risks. By minimizing these risks, companies can avoid negative publicity and maintain a positive reputation.



➤ **Compliance with Regulations:**

Adhering to legal and regulatory requirements through safeguard implementation demonstrates a company's commitment to lawful and ethical operations. Compliance can prevent legal issues and penalties, thereby protecting and enhancing the company's reputation.



➤ **Customer Loyalty:**

Customers are more likely to stay loyal to companies that they perceive as safe and reliable. Safeguards that protect customer data and privacy can lead to higher customer satisfaction and retention rates.



➤ **Competitive Advantage:**

Companies with strong safeguards can differentiate themselves from competitors. A reputation for security and ethical practices can be a unique selling point that attracts customers who prioritize these values.



Investor Confidence:

Investors are more likely to invest in companies that demonstrate sound risk management and safeguard practices. A strong reputation for security and compliance can attract more investment and support from the financial community.

Positive Public Perception:

Companies known for their proactive approach to safeguards and risk management are often viewed more favorably by the public. This positive perception can lead to better media coverage and enhanced public relations.

Crisis Resilience:

Companies with established safeguards are better equipped to handle crises effectively. Quick and efficient responses to incidents can mitigate damage to the company's reputation and demonstrate resilience and responsibility.

Long-term Sustainability:

Implementing safeguards contributes to the long-term sustainability of the company. By ensuring secure and ethical operations, companies can maintain their reputation over time and build a legacy of trust and reliability.

Employee Morale and Retention:

A safe and ethical work environment contributes to higher employee morale and retention. Employees are proud to work for a company with a strong reputation for safeguarding their interests and operating with integrity.

■ Implemented Safeguard Case Studies



Implementation of social safeguards such as Diversity, Equity, and Inclusion (DEI) and Prevention of Sexual Exploitation and Abuse (PSEA) is considered as imperative in today's world. These measures not only foster a more inclusive and equitable environment but also ensure the protection and well-being of vulnerable populations. The following case studies of Salesforce's Equal Pay Strategy and Save the Children's PSEA framework in the Rohingya crisis response are examples of successful implementation of these critical safeguards, demonstrating significant impacts through dedicated efforts and strategic interventions.

Salesforce's Equal Pay Strategy

Salesforce is one of the first companies to evaluate and address any gaps in pay among their global workforce since 2015. They have continued to improve upon their processes and broaden the scope of their pay assessment to include gender globally, race and ethnicity in the U.S., merit, bonuses, and stock.

Each year, Salesforce conducts an equal pay analysis as part of their annual compensation process, making necessary adjustments to ensure pay fairness. In their 2022 analysis, Salesforce found that 8.5% of their global employees required pay adjustments. Of these adjustments, 92% were based on gender discrepancies globally, and 8% were based on race or ethnicity in the U.S. Since 2015, Salesforce has spent over \$22 million to address unexplained pay differences, including \$5.6 million in their most recent analysis.

Salesforce's methodology involves grouping employees into comparable roles and analyzing for unexplained pay disparities based on gender globally and race in the U.S. Their approach accounts for legitimate job-related factors such as work location and experience. In 2021, Salesforce expanded its assessment to include equity grants, analyzing the distribution of stock awards to eligible employees. By 2024, the company added adjusted pay ratios across gender and race to their reporting, aligning with industry standards.

Save the Children's Prevention of Sexual Exploitation and Abuse Framework Implementation in Rohingya

In response to the Rohingya crisis in Bangladesh, Save the Children implemented comprehensive PSEA measures focusing on camps and host communities. The organization trained around 1,500 staff and volunteers on PSEA principles. Awareness sessions reached 75,000 community members, resulting in a 45% increase in knowledge about PSEA.

The introduction of anonymous reporting channels led to a 30% increase in reported SEA cases. Response time to incidents improved by 50%, with immediate action taken in high-risk cases. Additionally, over 150 survivors accessed medical and psychological support services, with satisfaction surveys indicating an 80% approval rating for the support provided.

CONCLUSION

The integration of social safeguards within human capital management is not just a trend but a necessity for organizations committed to sustainable and ethical business practices. By embedding Environmental, Social, and Governance (ESG) principles into their operations, companies can mitigate significant risks, protect their workforce, and build stronger reputations in the market.

The case studies of Salesforce and Save the Children demonstrate the tangible benefits of implementing social safeguards like Diversity, Equity, and Inclusion (DEI) and the Prevention of Sexual Exploitation and Abuse (PSEA). These examples show that dedicated efforts towards these safeguards can lead to measurable improvements in workplace equity, community protection, and overall organizational resilience.

The financial and reputational advantages of implementing these safeguards further emphasize their importance. Companies that prioritize ESG principles are better positioned to attract investment, retain top talent, and achieve long-term success. By learning from successful implementations and proactively adopting these safeguards, organizations can foster a more inclusive, safe, and equitable environment for all stakeholders.

In conclusion, the adoption of social safeguards in human capital management is a powerful strategy that aligns with both ethical responsibilities and business objectives. As we move forward, it is imperative for organizations to continue embracing these practices, ensuring they remain at the forefront of responsible and sustainable business.



Contact Us



Website

sinergis.co.id



Phone

+62 812 8787 9838



E-mail

info@sinergis.co.id



Address

Infinity Office - Menara Cakrawala 12th Floor
Unit 05A
Jl. MH Thamrin Kav. 9 Menteng, Jakarta Pusat
10340