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HEALTH AND SAFETY COMMISSION

Corporate responsibility and accountability for health and safety - progress report on key initiatives

A Paper by Neal Stone, Strategy Division, SASD

Adviser(s): Peter Graham, Linda Derrick and Shelagh Molloy

Cleared by Peter Graham on 12 April 2002

Issue

1 This paper reports progress on three key initiatives that seek to promote greater corporate responsibility and accountability for health and safety :

- Government and HSC's 'challenge' to top UK companies to report publicly on their health and safety policies, targets and performance (see paras. 7 - 9 below);
- Research intended to establish the current arrangements and practices concerning board and director responsibility for health and safety (see paras. 10 - 11 below);
- Research undertaken by Claros Consulting on behalf of HSE to develop health and safety performance indicators for institutional investors (the research findings and recommendations will be presented to the Commission at the meeting on 30 April 2002 - and see paras. 12 - 14 below).

Timing

2 Routine

Recommendation

3 That the Commission notes progress of the various initiatives.

Background

4 "*Revitalising Health and Safety*" aims to motivate employers to work towards excellence in managing risks to occupational health and safety. Actions in *RHS* to take this aim forward include the 'challenge' to top companies to report publicly on their health and safety policies, targets and performance (Action point 2) and the publication by HSC of guidance to explain how directors can ensure that their

organisation has an active, effective approach to managing health and safety risks (Action point 11). These particular initiatives parallel other developments that have taken place in recent years in the sphere of responsibility and accountability for the management of corporate risk. The *Turnbull Report* (guidance for directors published by the ICCA on the management of risk) has raised the profile of corporate governance at boardroom level.

5 There are small but growing signs that not only employers and their workers, but other stakeholders including institutional investors for example, are paying far more attention to the performance of organisations not only in terms of managing risk but operating too in a socially responsible way. The adoption of Corporate Socially Responsibility (CSR) policies and practices - a term which refers to "business decision-making linked to ethical values, compliance with legal requirements, and respect for people, communities and the environment" - has been recognised by an ever increasing number of companies as having a positive impact on business and investment performance. Research reveals that *Socially Responsible Investment* (SRI) - including ethical screening, shareholder influence and caused-based investment - has increased significantly in recent years and has been due, in part, to increased pressure from investor groups on social issues. Currently environmental issues have a far higher CSR profile than health and safety.

Argument

6 Much is being done by a wide and diverse range of stakeholders to promote greater corporate responsibility and accountability for the management of risk, including risks to occupational health and safety. Our immediate task is to engage far more effectively with the sponsors of change and other stakeholders above in order to succeed in achieving our goals for the management of corporate risks to occupational health and safety.

'Challenge' to top companies on annual reporting

7 The Commission received a report at its 20 November 2001 meeting (see HSC/01/155) on the progress of the *health and safety reporting 'challenge'* by Government and the HSC to top UK companies - Action point 20 of "*Revitalising Health and Safety*" (RHS). Since then arrangements have been put in place to take forward actions agreed at that meeting including the submission of a progress report to Ministers, the publication of the results of the 'challenge' and associated research to coincide with the publicity launch for the *RHS* stakeholders conference and planned meetings on reporting with some 80 Chairmen and Chief Executives of top companies in 2002. The Minister has indicated his keenness to attend some of the planned meetings.

8 To date the Chair, Director General and Deputy Director General have met with Chairmen, Chief Executives and other senior managers of 20 of the top companies challenged. The purpose of the meetings are to secure the commitment of top companies to reporting on health and safety in line with the HSC guidance and to promote greater board and director responsibility for health and safety. Although most of the companies have given that commitment and have boards that provide direction and leadership on health and safety some remain to be persuaded that public reporting will bring business and social benefits.

9 The programme of visits planned for 2002 are in the main with companies which have not formerly responded to the 'challenge' and in many cases do not report publicly on health and safety. Further research is planned for 2002 to establish to what extent reporting practice has changed in the light of the 'challenge'.

Directors' responsibilities

10 The guidance issued by the Commission in July 2001, "*Directors' responsibilities for health and safety*", has attracted considerable interest across all sectors - private, public and voluntary. The guidance, published as leaflet and accessible via the HSE web site, has generally been well received. A number of queries have been raised concerning in the main the applicability of the guidance to public sector bodies such as local authorities and colleges and other organisations with complex management structures. We have produced answers to 'frequently asked questions' which is accessible too via the HSE web site.

11 Research has been commissioned by HSE to establish the baseline of current practice concerning board and director responsibility for health and safety. The survey, involving 400 employers drawn from top companies, large companies, the public and voluntary sectors, is nearing completion. We hope to have the report of the research completed and ready for Commission consideration in early Summer 2002. Preliminary findings may be with us in time for the Commission meeting on 30 April. The research investigated :

- Where health and safety is directed;
- Reasons for the present arrangements;
- Frequency of board discussions and action taken;
- Plans to increase role of directors in providing leadership;
- Awareness of the HSC guidance;
- Benefits of having designated board member.

It is intended to repeat the survey in 2003 to establish the extent to which board and director responsibility has changed in the light of the HSC guidance and other developments.

Corporate Social Responsibility (CSR)

12 HSE has undertaken work to explore the benefits of engagement with the CSR movement in order to raise the profile of health and safety and institutional investors pay proper regard to the management of health and safety when making investment decisions. Contacts have been established with a number of organisations active in the CSR movement, including interest groups, investment research organisations, investment and pension funds and meetings held to establish precisely what we need to do to raise the profile of health and safety.

13 What has emerged from those meetings is the need for HSE to produce robust data on the business benefits to be derived from the management of risks to occupational health and safety and simple, uniform health and safety performance measures that companies report to and that can be used by investment managers in assessing health and safety performance. While a number of organisations were persuaded by the social benefits argument in support of the effective management of health and safety others were clear about the need for a demonstrable case being

made in business terms. What is clear is that institutional investors are taking greater interest in business performance on health and safety. What we need to do is help in ensuring that their assessment of performance is robust and properly informed.

14 Sharing the findings of the Claros Consulting research, "*Health and safety indicators for institutional investors*", more widely with business, institutional investors, those active in the CSR movement and other stakeholders, will enable us to reinvigorate our efforts to promote public reporting of health and safety policies, targets and performance and further encourage board and director responsibility for health and safety.

Consultation

15 The paper has been cleared by the Director, SASD.

Presentation

16 None

Costs and Benefits

17 The analysis of costs and benefits on the reporting 'challenge' was set out in HSC/01/50 (30 April 2001) and on the guidance on directors' responsibilities in HSC/01/42 (8 May 2001).

Financial/Resource Implications for HSE

18 The work in progress described above places no immediate additional call on HSE resources. Further research, if agreed, would fall on HSE's S&T budget.

Environmental implications

19 None

Other Implications

20 None

Action

21 To note progress report (see para. 1 above).

Contact

Neal Stone
Strategy Division, SASD
HSE
Telephone : 020 7717 6484

E-mail : neal.stone@hse.gsi.gov.uk

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