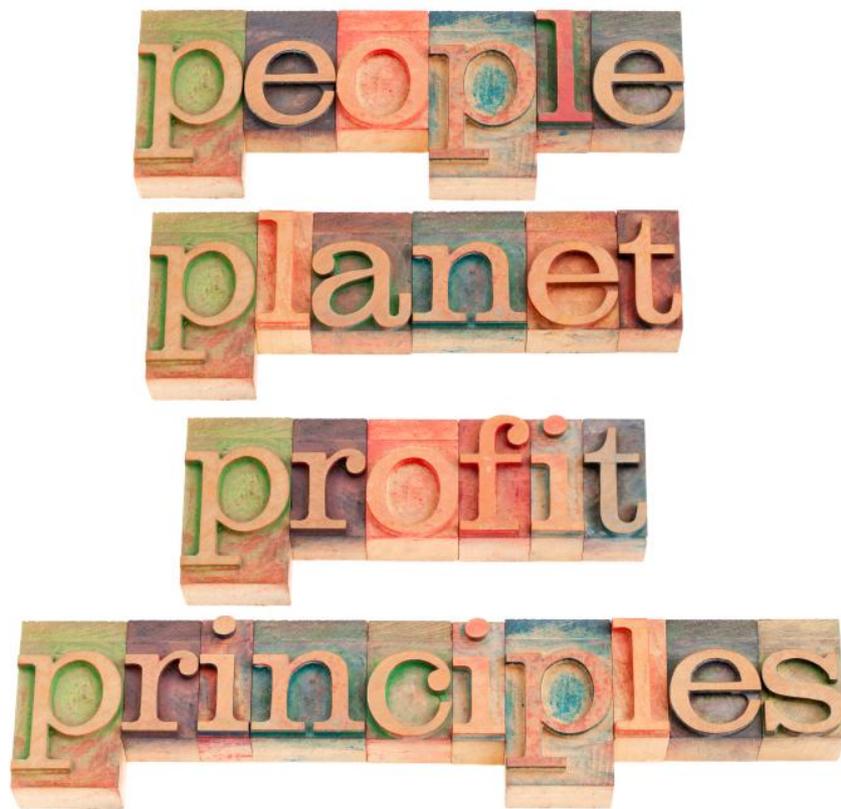


Exposure Draft: Guidance on the Strategic Report

IOSH response to the Financial Reporting Council's consultation



Submission

15.11.13



Introduction

The Institution of Occupational Safety and Health (IOSH), the Chartered body for health and safety professionals, is pleased to respond to this important consultation on the *Exposure Draft: Guidance on the Strategic Report* from the Financial Reporting Council (FRC).¹

In the response that follows, we provide a summary of our position and recommendations; comments on the health and safety-related elements of the 'exposure draft'; reference to relevant IOSH free resources; the background to our previous work in this area; a reference section; and information about IOSH.

IOSH summary and recommendations

IOSH has long-called for improved corporate performance reporting, arguing that significant health and safety risks **are** 'material' to an organisation's overall risk management and strategic delivery and should be appropriately covered under 'social, environmental and human rights considerations'. We believe better public reporting on health and safety can help provide transparency and accountability and can also help drive improvements in performance.

IOSH would like to see both increased levels of public reporting on health and safety performance; and also improved **quality, consistency and comparability** of data, so that such information is **meaningful** and readily understood. In order to provide stakeholders with greater assurance, we advocate more **reliable verification** of occupational safety and health (OSH) performance data and for reporting to reflect directors' OSH duties and supply chain management.

As well as covering the points above, we recommend that the FRC's guidance should include a variety of health and safety examples (IOSH would be pleased to assist with this) and also highlight the risks to corporate reputation, business operations and stakeholder trust that result from serious health and safety failures, including within supply chains.

IOSH comments on the consultation 'exposure draft'

The IOSH comments relate to the health and safety content and are pertinent to consultation questions in Section 6: The Strategic Report (Q6 and Q10), as follows:

Q6 In this draft guidance, we have aimed to strike a balance between the need to ensure that the structure and presentation of the strategic report is sufficiently tailored to the entity's current circumstances and the need to facilitate comparison of the strategic report from year to year. Do you think the guidance in paragraphs 6.26 and 6.27 achieves the correct balance?

Q10 This draft guidance includes illustrative guidance (the 'linkage examples') on how the content elements might be approached in order to highlight relationships and interdependencies in the information presented. Are these linkage examples useful? If not, what alternative examples or approach should be used?

Page 26 and 27, paragraphs 6.64-67

It would be helpful if this first 'Linkage example' also included reference to the risk of serious damage to corporate reputation, business operations and stakeholder trust that poor management of employees, supply chains and social and community and human rights issues can bring.

Paragraph 6.66: we note the principle of 'linking' to further information, such as an organisation's corporate social responsibility or sustainability report. We would urge that reporting organisations make clear whether they include further information about health and safety performance (including of their supply chains) in these reports; and if not, indicate where this information can be readily found.

It is also vital that 'linked to' (and 'supplementary' or 'appended') information follows adequate verification and quality control criteria, to help ensure it is reliable and meaningful.

Paragraph 6.67: we very much welcome inclusion of the example pertaining to local labour practices in the supply chain and risk associated with stakeholder concerns. However, we recommend that this should particularly specify 'health and safety' concerns, including important issues such as building integrity and fire safety. The risk here should extend to the challenges of ensuring **reliable** external verification. These issues were brought into stark focus by the recent Rana Plaza disaster in Bangladesh, in which more than 1,200 lives were tragically lost. A number of Western brands were being supplied by textile factories housed within the multi-story building that collapsed and a joint-retailers 'Accord' was subsequently produced, aiming to help improve conditions in the region.

We would advocate the inclusion of a variety of health and safety risk examples in this guidance. As well as those involving overseas suppliers, examples could relate to poor working practices within the UK, such as inadequate control of contractors and failure to manage emerging new technologies (there are many others). In addition to the human toll, this type of ineffective management can attract adverse publicity and damage both business operations and corporate reputation.

Relevant free IOSH resources

IOSH provides free guidance on the inclusion of health and safety in annual reports ‘*Reporting performance*’, aimed at those responsible for internal and public reporting of health and safety performance of organisations.² We would encourage businesses to include meaningful health and safety performance information in their Strategic Reports, as outlined in Appendix II (*The Companies Act 2006 strategic report disclosure requirements*),¹ including:

- The strategic report must contain a description of the principal risks and uncertainties facing the company. [s414C(2)(b)]
- (ii) where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters. [s414C(4)(b)]
- The strategic report must, to the extent necessary for an understanding of the development, performance or position of the company’s business, information about:
 - (i) environmental matters (including the impact of the company’s business on the environment);
 - (ii) the company’s employees; and
 - (iii) social, community and human rights issues including information about any policies of the company in relation to those matters and the effectiveness of those policies.If the report does not contain information of each kind mentioned in s414C(7)(b)(i), (ii) or (iii), it must state which of those kinds of information it does not contain. [s414C(7)(b)]

[Note: typographical error – we appreciate this will probably be picked up in the publishing phase, but would point out that from the 3rd bullet point above [Appendix II, page 39, s414C(7)(b)]; the opening sentence should read: “...position of the company’s business *contain* information about...”]

IOSH also believes it is helpful for businesses to keep track of the amount they are losing each year through health and safety failures. Within this calculation, issues such as the effects of poor morale; business interruption; sickness absence; and reputational damage, will need to be accommodated. Such estimates allow organisations to better understand the human, financial and business costs of inadequate health and safety risk management.

The IOSH Li£e Savings website³ provide free tools to help businesses to track their losses and also to estimate what they have saved. There are some notable examples of these savings, such as:

- E.ON saved nearly £12 million in just one year
- AstraZeneca saved an estimated £5 million in one year
- Rolls-Royce saved around £11 million in three years

Background

In the IOSH response to the 2003 consultation *The Operating and Financial Review Working Group on Materiality*,⁴ we made the case that significant health and safety risk was 'material' to all organisations whose activities can impact people's wellbeing – workers, local communities and the wider public – and to business objectives and strategy.

And in 2004, the IOSH response to the consultation on the *Draft Regulations on the Operating and Financial Review and Directors' Report*,⁵ suggested potential benefits of improved corporate performance reporting, additional to those identified in the Government's regulatory impact assessment, including:

- helping to drive improvement in health, safety and environmental performance
- attraction of ethical investment
- improved ability to recruit and retain key personnel
- the possibility of being able to negotiate lower insurance premiums

More recently, in our 2010 response to *The future of narrative reporting – a consultation*,⁶ we suggested the introduction of a statutory reporting standard and guidance on health and safety key performance indicators and for organisations to commit to reporting on health and safety improvement targets.

Also, in 2010, IOSH co-founded the Center for Safety and Health Sustainability (CSHS).⁷ The CSHS manages projects related to improving sustainability indicators, conducts and promotes OSH sustainability research, and acts in a consultative capacity for international organisations with mutual interests in OSH and sustainability. CSHS is currently developing OSH reporting metrics and is working with the Global Reporting Initiative (GRI) to improve the OSH content of its guidelines.

In February 2013, the CSHS commissioned research into '*Current practices in OSH sustainability reporting*',⁸ which has shown worrying weaknesses in a ranking system for the world's top 100 sustainable companies, some of which were identified as having several worker fatalities (five companies had sustained ten or more; and one, 49 deaths in a single year). It also highlighted inconsistency in reporting methods and lack of comparability.

IOSH is keen to work with Government and others to improve performance reporting and supply chain management and to move health and safety higher-up the corporate social responsibility (CSR) and sustainability agendas. We would highlight the more proactive approach taken by Denmark. In order “...to inspire businesses to take an active position on social responsibility...” Denmark has had a statutory requirement since 2009 for large businesses to account for their CSR activities in their annual reports. This was part of the Danish Government’s 2008 action plan for CSR, which they intended would “...help improve the international competitiveness of Danish trade and industry.”⁹

In September 2013, IOSH was pleased to respond to the Department for Business Innovation and Skills ‘call for evidence’ on Corporate Responsibility. In this we call for the reinstatement of the Corporate Health and Safety Performance Index (CHaSPI) and the Health and Safety Performance Indicator (HaSPI) and that the Government works to ensure that this new narrative reporting guidance adequately covers health and safety.¹⁰

References

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About IOSH

Founded in 1945, the Institution of Occupational Safety and Health (IOSH) is the largest body for health and safety professionals in the world, with around 43,000 members in over 100 countries, including over 13,000 Chartered Safety and Health Practitioners. Incorporated by Royal Charter, IOSH is a registered charity, and an ILO international NGO and CIS collaborating centre. The IOSH vision is:

“A world of work which is safe, healthy and sustainable”

The Institution steers the profession, providing impartial, authoritative, free guidance. Regularly consulted by Government and other bodies, IOSH is the founding member to UK, European and International professional body networks. IOSH has an active [research and development](#) fund and programme, helping develop the evidence-base for health and safety policy and practice. Summary and full reports are freely accessible from our website. IOSH publishes an international peer-reviewed journal of academic papers twice a year titled *Policy and practice in health and safety*. We have also developed a unique UK resource providing free access to a health and safety research database, as well other free on-line tools and guides, including websites for business start-ups and young people; an occupational health toolkit; and a risk management tool for small firms.

IOSH has 33 Branches worldwide, including the Caribbean, Hong Kong, Isle of Man, Middle East, Oman, Qatar, the Republic of Ireland and Singapore, 17 special interest groups covering aviation and aerospace; communications and media; construction; consultancy; education; environment; fire risk management; food and drink; hazardous industries; healthcare; international; offshore; public services; railways; retail and distribution; rural industries; and sports grounds and events. IOSH members work at both strategic and operational levels across all employment sectors. IOSH accredited trainers deliver health and safety awareness training to all levels of the workforce from shop floor to managers and directors, through a professional training network of more than 1,600 organisations. We issue around 100,000 certificates per year.

For more about IOSH, our members and our work please visit our website at www.iosh.co.uk.

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