

Health and Safety Commission Paper		HSC/03/105	
Meeting Date:	14 October 2003	Open Gov. Status:	Fully open (post meeting)
Type of Paper:	Above the line	Paper File Ref:	
Exemptions:	None		

## HEALTH AND SAFETY COMMISSION

### Corporate Responsibility and Accountability for Occupational Health and Safety:

#### A progress report on HSC/E initiatives and measures

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#### Issue

1. To provide an update on progress on a range of measures put in place by HSC/E over the last three years aimed at promoting greater corporate responsibility and accountability for the management of risks to occupational health and safety, and to seek the Commission's advice and agreement to the further work proposed. This work will form a major contribution to the new strategic programme which the Commission considered at its meeting on 23 September (see paper HSC/03/136).

#### Timing

2. Routine.

#### Recommendation

3. The Commission is asked to note the progress that has been made on a range of measures and consider options for the way forward on:

- integration of this work into a single coherent major block (see paragraph 5 and Appendix A);
- directors' responsibilities (see paragraphs 7 -11 of this paper and Appendix B);
- public reporting of health and safety (see paragraphs 12 - 17 and Appendix C);
- development of the health and safety management and performance index and case studies to show the business benefit of effectively managed health and safety (see paragraphs 18 - 20 and Appendices D and E).

#### Background

4. A key part of the strategy for "*Revitalising Health and Safety*" (RHS) sought to motivate and encourage employers to work towards taking greater responsibility for managing risks to occupational health and safety. RHS action point 2 on public reporting of health and safety performance and action point 11 on directors' responsibilities underpin the Government and the Commission's goal of promoting and encouraging greater corporate responsibility and accountability for occupational health and safety.

5. The Commission has considered measures designed to promote greater corporate responsibility for health and safety on a number of occasions over the last three years including papers on : health and safety in annual reports; health and safety responsibilities of directors; an action plan for corporate responsibility and accountability, and; reports of research on public reporting and directors responsibilities (8 July 2003). As yet we do not have evidence of the impact of these measures on health and safety performance. We have integrated all of this into a major block of work with an overall goal, key measures and strands of activity to enable us to reach the goal. This is represented diagrammatically in Appendix A. **Does the Commission believe that this now makes a coherent block of work?**

## Argument

6. Appendices B to H outline the different ways in which HSC/E has so far approached corporate responsibility and accountability for health and safety and set out work in hand to take this forward. Whilst we believe these align with discharging the RHS action points and the Commission's previous guidance, there are some specific issues about which we need the Commission's further advice:

(a) *Directors' responsibilities for health and safety*

7. In Appendix B we explain how HSC/E have taken forward action point 11 of RHS including through the publication of guidance, *Directors' responsibility for health and safety*, in July 2001. That promotes health and safety as a key boardroom issue and calls for the appointment of a board member with the role as the health and safety 'champion' for the company. The action point also committed HSC to advising Ministers how the law would need to be changed to make statutory the appointment of a board member responsible for health and safety. The action recorded the intention of Ministers to introduce legislation when Parliamentary time allowed.

8. In Summer 2001 HSC advised Ministers that, "*it had asked HSE to commission research to identify the extent to which companies and other organisations currently operate in accordance with the guidance and to explore the impact of the guidance in improving the situation*". This research was carried out by Greenstreet Berman, on behalf of HSC/E, with a remit to survey the current arrangements medium and large employers had in place concerning board and director leadership on health and safety and to help evaluate the effectiveness of the HSC guidance. HSE published the research in July 2003. Together with the views of stakeholders, it helps us get a better sense of the effectiveness of the current voluntary approach to directors' responsibilities and of the HSC guidance.

9. Whilst the overall picture revealed by the research is good, at least one-in-six organisations do not consider board level direction and leadership necessary or desirable and have no plans to change. As Appendix B makes clear, there are stakeholders who believe that new legislation is necessary to assist the prevention of health and safety failures and to aid prosecutions.

10. In considering the way forward, the Commission may wish to take note of the Better Regulation Task Force's guidance on policy development<sup>1</sup> which indicates that a voluntary approach should always be pursued rigorously in the first instance. It is only when this is shown to be inadequate that regulatory routes should be followed.

11. To enable the Commission's advice to Ministers to be framed, **HSC is invited to consider the following options and agree the way forward and whether HSC/E should :**

- i. continue with the existing 'voluntary' approach; OR
- ii. enhance the present voluntary approach by, for example, re-invigorating the current HSC guidance and seek through publicity, case studies and conferences to influence those directors and organisations currently not providing direction and leadership on health and safety; OR
- iii. undertake work to develop legislative options bearing in mind the lack of consensus in support of legislation and challenge of differing points of view and no indication that legislative time could be found.

(b) *Public reporting of health and safety targets and performance*

12. In Appendix C we explore the effectiveness of the measures put in place by HSC/E to take forward action point 2 of RHS including guidance published by HSC in March 2001, *Health and safety in annual reports*, for the top 350 companies and challenged them to report publicly to the standards it sets out. Action point 13 of RHS commits public bodies too to reporting publicly from 2002 on their management of health and safety.

13. The guidance initially produced a disappointing response. Consequently, HSC's Chair, HSE's Director General and Deputy Director Generals put in place a number of initiatives to promote and publicise the 'challenge' including through a series of top level meetings with senior executives in top companies and through conference presentations and press interviews. The meetings provide the Chair, DG and DDGs with the opportunity to press the case for public reporting and greater board level leadership and direction. Where appropriate the meetings include discussion of having a health and safety champion. It has also been found useful to include members of the Commission and representatives of local authorities at some meetings.

14. In turn, a pilot has been set up to trial the benefits of ongoing top-level dialogues with top 350 companies - the HSE 'National Account Manager' (NAM) pilot. The Commission has also responded to DTI's review of company law and its consultative document on materiality (see HSC/03/110 of 5 August 2003 and the letter from HSC Chair to DTI of 2 September 2003 attached at Appendix I) making the case for health and safety to be made a topic that all significant companies should report on.

15. HSE's research shows over 78% of the top 350 companies and public bodies now report. But the quality of reporting, judged against the criteria set out in the HSC guidance, varies considerably. Some sectors have a high incidence of reporting and to a high quality – including chemicals, petroleum, construction, pharmaceuticals and utilities. However the incidence and quality of reporting by companies in the IT and finance sectors for

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<sup>1</sup> 'Imaginative Thinking for Better Regulation', published September 2003, website: [www.brff.gov.uk](http://www.brff.gov.uk)

example is of great concern. Exemplars of good reporting performance have been identified in the research report.

16. Additionally, as outlined below and in appendix D, HSE is having a health and safety management and performance index tool developed for companies and public bodies. With the Commission's agreement we plan to use the index as the basis of revised guidance on health and safety reporting.

17. Securing legislation to require reporting could take time, particularly if the representations to DTI are unsuccessful and will require evidence to back this approach. In the meantime we propose that the HSC guidance, *Health and safety in annual reports*, should be revised to better encourage those who do not currently report and to enhance the overall quality of health and safety information that is reported. This will include using the index as a basis for doing so. **The HSC is asked to consider and if appropriate agree to the following actions :**

- i. Pending the outcome of a decision on legislation on health and safety reporting we propose that the HSC guidance, *Health and safety in annual reports*, should be enhanced to encourage those who do not currently report and to improve the overall quality of health and safety information reported on and measured against HSC guidance.
- ii. To use the index of health and safety management and performance (see Appendix D) as the basis of revised HSC guidance on health and safety reporting – findings of the research to develop the index should be available to the HSC for its consideration in December 2003.
- iii. Confirm the extension of the “challenge” to all businesses with over 250 employees to report publicly on health and safety as set down in Action point 2 of RHS.
- iv. To focus top 350 meetings on those sectors and organisations that fail to adequately report.

18. In Appendices D and E we explain in more detail the background to the development of the health and safety management and performance index and case studies showing the business as well as the social benefits of effectively managed health and safety agreed by the Commission in Spring 2002. HSE commissioned researchers to produce an index that would be of use to large employers (including public bodies), investors, insurers and other stakeholders to assess health and safety management and performance. The index they have developed includes sections on the health and safety management system, injury and absence rates, occupational health management and a major incident rating. We have asked the researchers to consider developing a version for use by small businesses.

19. In producing the index our researchers have consulted with a number of stakeholders including employers, employers associations, trade unions, insurers and investors. The structure and content of the index reflects and takes account of the views put forward by these and other stakeholders. Work on producing the twenty case studies (see Appendix E) is proceeding. It is expected that the draft research findings on the index and the case studies will be available for HSC's consideration in December 2003.

20. There is still further work to be done on corporate responsibility and accountability in engaging more widely with the CSR movement (see Appendix G) and in linking up with the work of other Government Departments and external organisations (see Appendix F).

### **Consultation**

21. This paper has been circulated to the Director General, Deputy Director Generals, Co-Director Policy Group and Head of SID. Both the measures the HSC/E has put in place to promote greater corporate responsibility and accountability and initiatives under development or for consideration have attracted wide-ranging stakeholder interest. We have kept in touch and consulted extensively with stakeholders on reporting, directors' responsibilities, the business case for health and safety, the health and safety management and performance index and on raising the profile of health and safety as part of CSR. The paper and appendices take account of views put forward to us.

### **Presentation**

22. Appendix H sets out our strategy for advice, guidance and publicity necessary to take forward our goal of promoting greater corporate responsibility and accountability. This work is ongoing.

23. There is considerable stakeholder support for many of the measures put in place by HSC/E and described in this paper. However as noted above there is a clear lack of consensus on further legislation in the area of directors' responsibilities.

### **Costs and Benefits**

24. There are costs associated with the extension of public reporting of health and safety - though there is no requirement for organisations to formally adopt the guidance. The costs could include:

- set up costs for establishing the information systems necessary to gather and collate the factual data required by the guidance;
- costs associated with drafting and agreeing the "policy" related issues to be covered in reports;
- a very marginal increase in printing/publishing costs for annual reports (the required data takes half a page (6 paragraphs) in HSC/E's Annual Report for 1999/2000)

25. Organisations adopting the guidance will find that they have a better grasp on the management of risks to occupational health and safety in their organisations, with the financial and social benefits that this brings. There are also less tangible benefits, for example in terms of corporate reputation, that public accountability brings.

### **Financial/Resource Implications for HSE**

26. To date the resources to take forward HSC/E's corporate responsibility and accountability goals have been used to fund research, guidance and publicity and staff involved.

27. For directors' responsibilities, described in paragraph 7, the voluntary options i. and ii. can be met under existing budgets and plans for 2003/2004 and we expect to be able to similarly do this for 2004/2005. However, resources to take forward the legislative option iii. have not been budgeted or planned for. Assuming consent is given for the necessary

legislation, we estimate the additional resources required for option iii. (including a consultation exercise) as £200,000 over this year and 2004/2005.

28. Resources for the public reporting, described in paragraph 17, principally for the production of guidance, publicity and staff travel are built into existing budgets and plans for 2003/2004 and we expect to be able to similarly do this for 2004/2005.

29. As paragraphs 18 and 19 indicate, we expect to be able to provide the Commission with the research findings for the case studies and the index in December 2003.

Financial/resource implications for taking forward these pieces of work will be included in that paper(s).

### **Environmental Implications**

30. None

### **Other Implications**

31. None

### **Action**

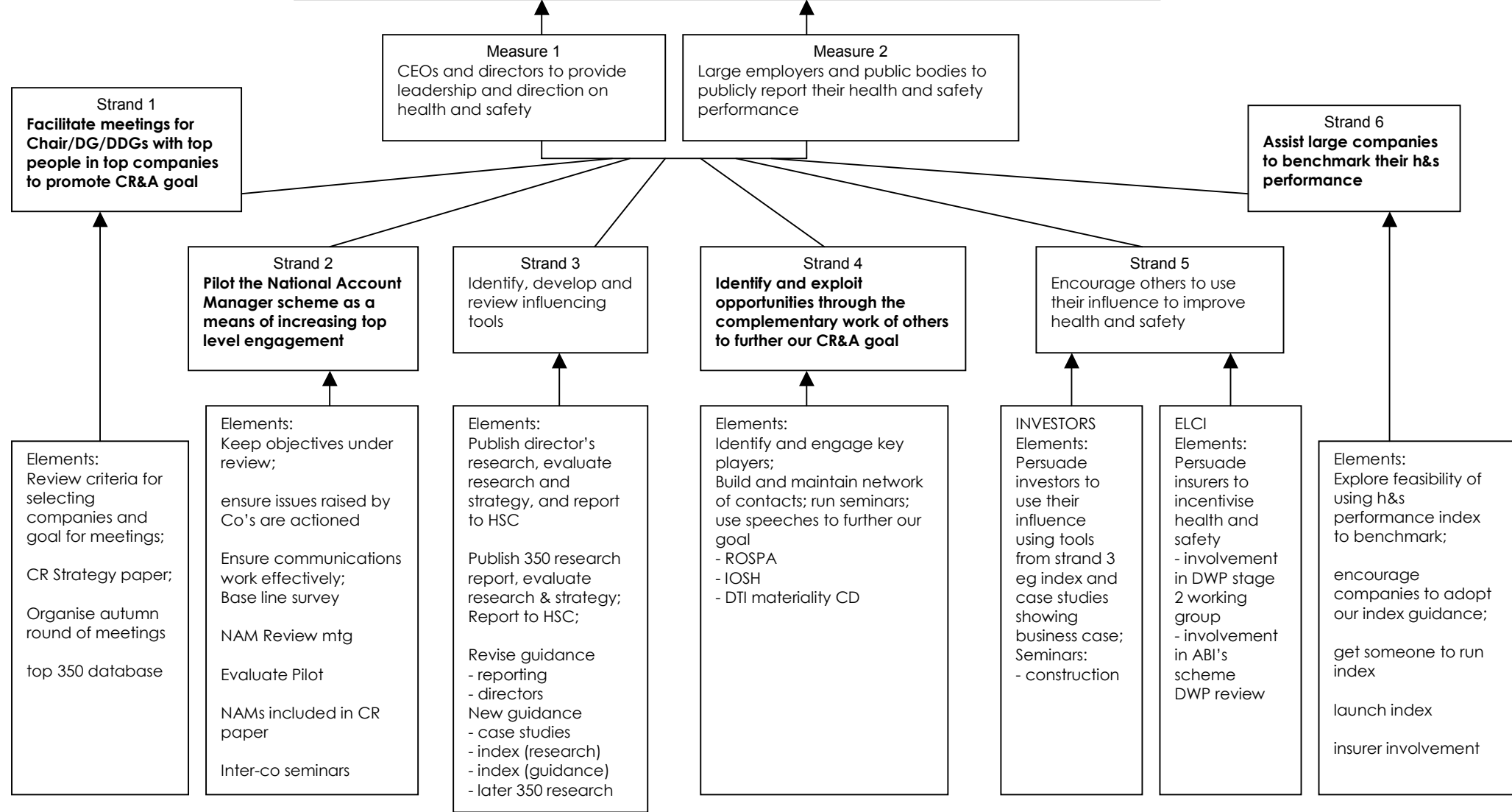
32. The Commission is asked to note the progress that has been made on a range of measures designed to promote greater corporate responsibility and accountability and to provide advice on:

- the integration of this work into a single coherent major block;
- a voluntary, as opposed to legislative, approach to directors' responsibilities; and,
- enhancing the challenge to organisations to report publicly.

## Index of appendices to HSC/03/105

Appendix A	Diagram on corporate responsibility and accountability measures HSC/E have put in place or have planned
Appendix B	Directors' responsibilities;
Appendix C	Public reporting of health and safety targets and performance;
Appendix D	Index of health and safety management and performance;
Appendix E	Case studies to demonstrate the business case for good health and safety
Appendix F	Other tools and mechanisms for promoting and encouraging corporate responsibility and accountability for health and safety
Appendix G	Engaging with the Corporate Social Responsibility movement;
Appendix H	Guidance and publicity
Appendix I	Letter to Secretary of State at DTI on the modernising company law white paper

**Goal: CEOs and directors to recognise the role that health and safety has to play in enhancing their business reputation and in achieving a high performance team**



## Directors' responsibilities

### *Issues for HSC consideration*

HSC is invited (at para 11) to consider the following options and agree the way forward and whether HSC/E should :

- i. continue with the existing 'voluntary' approach; OR
- ii. enhance the present voluntary approach by for example re-invigorating the current HSC guidance and seek through publicity, case studies and conferences to influence those directors and organisations currently not providing direction and leadership on health and safety; OR
- iii. undertake work to develop legislative options bearing in mind the lack of consensus in support of legislation, challenge of differing points of view and no indication that legislative time could be found.

### *Strategy*

- In June 2000 the Government and HSC agreed actions concerning directors' responsibilities for health and safety as part of the Revitalising Health and Safety (RHS) strategy. The first part of Action Point 11 of Revitalising provides,

"The Health and Safety Commission will develop a code of practice on Directors' responsibilities for health and safety, in conjunction with stakeholders. It is intended that the code of practice will, in particular, stipulate that organisations should appoint an individual Director for health and safety, or responsible person of similar status (for example in organisations where there is no board of directors.)"

- In July 2001 HSC published guidance *Directors' responsibilities for health and safety*<sup>2</sup> to take forward this part of Action Point 11. The guidance was founded on HSC's belief "*that health and safety leadership in all organisations needs to come from the board of directors or equivalent top level management board.*" The Commission considered it vital to provide advice and guidance to directors and senior managers to help them ensure that their organisation is effective in managing health and safety risks.
- Action point 11 also addressed the issue of the case for further legislation on directors' responsibilities,

"The Health and Safety Commission will also advise Ministers on how the law would need to be changed to make these responsibilities statutory so that directors and responsible persons of similar status are clear about what is expected of them in their management of health and safety. It is the intention of Ministers, when Parliamentary time allows, to introduce legislation on these responsibilities."

- In Summer 2001 HSC advised Ministers that, "*it had asked HSE to commission research to identify the extent to which companies and other organisations currently operate in accordance with the guidance and to explore the impact of the guidance in improving the situation*". Information is now available, from HSE research and from stakeholders' views, which

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<sup>2</sup> Published by HSE Books INDG343 and available their website: [www.hsebooks.co.uk](http://www.hsebooks.co.uk)

helps us to get a better sense of the effectiveness of the current voluntary approach to directors' responsibilities and of the HSC guidance. The objectives and key findings of the research are detailed below.

- The Commission will also be aware of Private Members' legislative proposals tabled earlier this year by the Labour MP Ross Cranston. This Ten Minute Rule Bill sought to amend provisions of the provisions of the Companies Act 1985 to make explicit in law directors' responsibilities for health and safety. DWP Ministers in a written reply of 20 June 2003 to a Parliamentary Question tabled by Ross Cranston informed MPs that a report from the HSC on the research findings, the effectiveness of the current strategy, the success of the voluntary approach and the need for further legislation was awaited. The HSE research report was sent to DWP Ministers for information at the time of publication.

### *Actions*

- The HSC guidance, *Directors' responsibilities for health and safety*, has been widely circulated and accessed in large numbers via the HSE web site. To date over 217,000 printed copies have been distributed including 55,000 direct to IoD members. HSE commissioned Greenstreet Berman to undertake a baseline survey of large and medium private, public and voluntary sector employers in the months following publication of the HSC guidance in July 2001 to:
  - Establish the proportion of large firms that have appointed a board level director for health and safety;
  - Develop a profile of board level health and safety management arrangements;
  - Develop an understanding of the factors influencing the design of board level arrangements;
  - Measure awareness of the HSC guidance.
- A second follow-up survey was undertaken in early 2003. Some 403 organisations were included in the baseline survey and 436 organisations in the follow up survey.

### *Results*

- The report of the Greenstreet Berman research findings, "*Health and safety responsibilities of company directors and management board members*"<sup>3</sup> was published in July 2003. Main findings include:
  - 66% in 2003 reported health and safety directed at board level compared to 58% in 2001;
  - 70% of top 350 companies and 55% of public bodies surveyed in 2003 reported that health and safety directed at board level - largely unchanged on 2001;

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<sup>3</sup> Research Report 135, published by HSE Books, July 2003.

[[www.hse.gov.uk/research/rrhtm/rr135.htm](http://www.hse.gov.uk/research/rrhtm/rr135.htm)]

also HSC Press Release, "*More Top Firms Report on Safety*", CO31:03, 16 July 2003.

[[www.hse.gov.uk/press/2003/c03031.htm](http://www.hse.gov.uk/press/2003/c03031.htm)]

- 82% of respondents in 2003 reported that they have a board level person responsible for health and safety – a small increase on 75% reported in 2001 – the breakdown by type of organisation in 2003 was as follows: top 350 companies – 90%; large firms – 88%; public sector organisations – 78%; voluntary sector – 55%;
- in 2003 survey 80% had heard of HSC guidance compared to 75% in 2001;
- in 2001 and 2003 60% of those organisations surveyed who reported board level involvement reported identified that health and safety was discussed by the board at least quarterly;
- in 2001 and 2003 65% of those board receiving health and safety performance reports were notified of enforcement notices;
- of particular concern, around 15% of organisations surveyed have no arrangements in place to facilitate board level involvement and no plans to do so.
- Top reasons given for board level direction in the 2003 survey were:
  - board level direction is best practice
  - power and control is at board level
  - corporate direction is needed
  - new legislation/health and safety law
- Respondents also identified main reasons for not having board level direction:
  - health and safety is an operational matter
  - employer has policy of delegation
  - operations are too diverse to act corporately
  - health and safety not an issue for directors
- The research identified that boards discharged their health and safety responsibilities in the following ways:
  - formulating policy
  - setting targets
  - reviewing incidents
  - receiving reports on performance considering reports and
  - plans to review board level arrangements
- The research report concluded, “... *that the HSC guidance is a significant factor in prompting boards to review their arrangements. Given that it is CEOs/MDs and other board members who decide upon board responsibilities, any further promotional work should target these people.*”

### *Stakeholder views*

- The views of many stakeholders remain polarised around the questions of the need for further legislation and the appointment (whether voluntary or legislative) of a board member with responsibility for health and safety. Stakeholders representing employers and directors, including the CBI and IoD, oppose further legislation. They point to growing evidence of directors' providing increased direction and greater leadership rendering further legislation unnecessary. The Centre for Corporate Accountability (CCA), with support of the TUC and individual trade unions, is active in promoting the case for further legislation. Legislation is called for by the CCA and T&G among others that would place a positive duty on company directors to ensure that their company is complying with health and safety law.
- Ross Cranston's Ten Minute Rule Bill sought to give legal effect to actions contained in the HSC guidance specifically regarding the collective responsibility of boards of directors to exercise their duties in the interest of the health and safety of their employees and other affected by their operations and to ensure that the company acts in accordance with health and safety law. In addition directors should keep themselves informed about the company's health and safety obligations for its operations and consider reports from the health and safety director.
- The legislative proposals also include a new duty to appoint a health and safety director to monitor performance, ensure management systems provide for effective monitoring, to report significant failures to other directors and on the health and safety implication of its decisions. Although these duties would be owed to the company (voluntary and public sector organisations are out with the scope) and it would be for the company to enforce it is possible that failure to carry out these duties could be used as evidence to support a prosecution under health and safety law. Ross Cranston's Bill fell through lack of Parliamentary time. There are indications that the Bill may return in the next Parliamentary session.

### *Way forward*

- It is clear from the evidence provided by the research undertaken on behalf of HSC/E and from the views of stakeholders that there are clear signs of a growing number of boards of large and medium organisations providing the leadership and direction Government and HSC/E consider essential if we are to achieve our health and safety targets. HSC's strategy has played an important part in producing these improvements.
- There remains however a need to reach out and persuade and influence a considerable number of organisations, at least one-in-six, who do not consider board level direction and leadership necessary or desirable and have no plans to make the required changes. It is clear also from the research that the level of real Board involvement in some cases is fairly superficial – while health and safety may be on board agendas direction and leadership is lacking. The options set out above attempt to build on HSC's strategy on directors' responsibilities and take it forward.

## Public reporting of health and safety targets and performance

### *Issues for HSC consideration*

HSC is invited (at para 17) to consider and if appropriate agree to the following actions

- i. Pending the outcome of a decision on legislation on health and safety reporting we propose that the HSC guidance, *Health and safety in annual reports*, should be enhanced to better encourage those who do not currently report and to improve the overall quality of health and safety information reported on and measured against HSC guidance.
- ii. To use the index of health and safety management and performance (see Appendix D) as the basis of revised HSC guidance on health and safety reporting – findings of the research to develop the index should be available to the HSC for its consideration in December 2003.
- iii. Confirm the extension of the “challenge” to all businesses with over 250 employees to report publicly on health and safety as set down in Action point 2 of RHS.
- iv. To focus meetings on those sectors and organisations who fail to adequately report.

### *Strategy*

To implement:

- action point 2 of Revitalising Health and Safety which states :
  - HSC would issue guidance to allow large businesses to report publicly to a common standard
  - the government and HSC would challenge the top 350 businesses to report to these standards by the end of 2002
  - going on to work to extend the challenge to all businesses with more than 250 employees by 2004.
- action point 13 which says public bodies will summarise their health and safety performance and plans in their Annual Reports from 2000/01 by 2004.

The Government and HSC’s Revitalising strategy clearly identifies that occupational health and safety risks if not managed effectively can impact detrimentally not only on workers lives, but on business too. The reporting challenge is founded on the belief that Government and HSC’s belief that openness and transparency concerning health and safety will act as a spur to improve performance.

To test:

- a means of raising the profile of health and safety with the directors of UK top companies, and
- sustaining a strategic dialogue about health and safety with them.

Testing both through a National Account Manager (NAM) pilot.

### *Actions*

- Guidance *Health and Safety in Annual Reports* published in 2001
- In 2001 Michael Meacher (then Minister of State, DTLR) and Bill Callaghan wrote to 350 of the top companies in the UK. They challenged them to report publicly on their health and safety performance.
- HSC has responded to the recent DTI consultation paper on making it a legal requirement for major companies to publish health and safety as part of an Operating and Financing Review.
- Timothy Walker and Richard Mottram wrote to Government Departments in July 2001 seeking their support in implementing the Government's RHS commitment on health and safety reporting. Nine departments replied.
- NAMs have been appointed to 11 major UK companies. The initial dialogues began around June 2003. The pilot should last for 6 months.

### *Results*

- Baseline research (CRR446/2002) and follow up research already published *The provision of health and safety information in annual reports, websites and other publicly available documents produced by the UK's top companies and a sample of government departments, agencies, local authorities and NHS trusts*. (Research report 134). The baseline research was undertaken soon after the challenge was made and before there was time for the guidance to have any effect. The follow up research was extended to include a sample of public bodies.
- Companies and public bodies were scored on what they said about their health and safety principles, performance and targets – basing the scores directly against points in the guidance.
- The follow up research showed over 78% (companies and public sector) now report. In 2000 only 47% of companies reported.
- The research named 13 companies as exemplars of reporting, and included examples of the Internet pages of United Utilities plc and the Boots Company plc.
- However, very few or no companies in the following sectors have been persuaded to report – investment companies, speciality & other finance, diversified industrials and software & computer service.
- Whilst the frequency of company reporting has improved, the quality of what is reported is much more variable. Those bodies that do report are best at reporting their health and safety principles, but less than half report on their performance or targets.
- Following the challenge we have been in correspondence with over 150 companies and have so far arranged for the Chair, DG and DDGs to hold 55 meetings with representatives of top companies (mostly Chief Executives or board level directors). More meetings are being arranged.
- Researchers have been appointed to monitor the effectiveness of the NAMs – so far they have only conducted baseline research. Evaluation is not expected until January 2004.

### *Stakeholder views*

- Reactions to the top-level meetings have been overwhelmingly positive. Very few companies have turned down the opportunity to meet - those who have, do not appear to see them as worthwhile.
- Recent research by ROSPA ([www.gopop.org.uk](http://www.gopop.org.uk)) indicates that more people are aware of and looking at the health and safety data that an increasing number of companies are making available on their websites.
- ROSPA have also indicated that they are considering using our reporting research as the basis for a Going Public on Performance (GoPoP) award.
- There has been little feedback from individual companies on the research, but one stakeholder commented that they found this is a solid, transparent and useful piece of work that clearly illustrates how reporting has progressed.
- All of the companies approached were content to participate in the NAM pilot. Our researchers are approaching them for more detailed comments.
- The Hazards Campaign has identified one of their demands on government as “making publication of H&S performance in annual reports compulsory”
- Our researchers say the companies in the NAM pilot see their contact as the “friendly face” of HSE, fulfilling a different role to that of a regulator. Both sides see this as an excellent opportunity to better understand each other and discover how to better communicate.

### *Way forward*

- Revise guidance to improve its clarity and bring it more into line with recommendations from the index research (should help quality). See appendix D.
- Continue programme of top-level meetings, but review the selection criteria in the light of the RR134, to target those who might benefit from a visit and reconsider with whom we try to make contact in companies – the board member for health and safety, rather than the CEO?
- In the press release for the research Bill Callaghan said “It’s good to see companies responding to our challenge and we will continue pursuing this cause. It’s not just about how you, your company and your employees stand to benefit from a reduced likelihood of being injured or killed at work; I believe you also stand to enhance your company’s reputation and its value.” He went on to say “The HSC will consider these reports and discuss proposals for the way forward in October.”
- Extend the Challenge to all businesses with more than 250 employees by end of 2004 (Revitalising action point 2).
- Encouraging departments and the wider public sector to report on health and safety performance will now be taken forward through the "Government Setting an Example" programme.
- Publicise the outcome of top-level contacts with top organisations among HSE colleagues.
- Arrange for further research on the extent that top companies and public bodies report in 2005.

- Continue to seek a legal requirement to report. The Commission has in effect decided to seek this in its response to DTI's materiality CD; when it asked that health and safety be made a topic of material importance on which all significant companies should report. But note that if this is not successful, all is not lost, because pursuing the voluntary approach has had good results.
- Review the researchers findings of the NAM pilot and decide if and how it should be continued.

The options set out above seek to develop HSC's strategy on the public reporting of health and safety by large and medium organisations in the private, public and not-for-profit sector.

## Index of health and safety management and performance

### *Issue/Progress*

Research to develop an index of health and safety management and performance is nearing completion and it is anticipated that it will be available for HSC consideration in December 2003.

### *Strategy*

- to implement a recommendation in Claros Consulting's research report *Health and safety indicators for institutional investors* (Annex to HSC/02/82) that a health and safety management index should be developed. The Commission agreed to this at its meeting on 28 May 2002 (HSC/02/82).

### *Actions*

- The research company Greenstreet Berman was appointed to develop an index in January 2003. They have piloted two versions of it. We expect the final report shortly.
- They were asked to produce a management index, comprising a maximum of five or six headline indicators (quantitative and qualitative), which would enable investors to make informed decisions about investment choices and as a consequence influence health and safety management. It needed to gain universal acceptability among investors, insurers, large employers and other stakeholders to properly assess health and safety management performance. It is also intended that public sector employers, when reporting publicly on health and safety performance would use the index.

### *Results*

- Although we have not had the final report, we understand feedback from the companies involved in the pilot was favourable. Their comments say that it covers the right issues and gives an adequate range of responses.
- Greenstreet Berman has said the results indicate that a table of company health and safety performance indices could be developed, enabling organisations to be compared. The Index is practical and takes a reasonable amount of time to complete, although it is not clear that all organisations can readily include contractor injury or absence rates in their responses.

### *Stakeholder views*

- Claros indicated that investors wanted a health and safety performance management index for use when making key decisions. There are a number of other indices and confusion at the number of approaches they suggest. An index 'badged' by HSC/E would assist.
- To establish representative views Greenstreet Berman spoke to a range of stakeholders (24 organisations), including potential users (i.e. organisations who would complete the forms), employer and employee

representative bodies, pressure groups, health and safety specialists, insurers, investors, and CSR specialists.

- interest from DWP and the Association of British Insurers (ABI) for insurers to use the index to determine terms (eg set premiums) and hence incentivise health and safety. ABI sees it as generic tool that trade associations might incorporate in a health and safety scheme in order to obtain more favourable terms. This is in line with recommendations in:
  - DWP's Review of Employers' Liability Compulsory Insurance first stage report; and,
  - action point 5 of Revitalising which says HSC will consider how best to involve the insurance industry more closely in its work.
- interest from banking and insurance companies and local authorities who wish to use it for benchmarking purposes.
- those involved in the pilot said they could see a range of stakeholders who would find the index useful for their own purposes. As well as insurers and investors, companies have indicated they could use it to assess their own performance. Companies have also indicated they might use it to help determine with whom they wish to do business.
- the majority involved in the pilot felt strongly that for successful implementation with a substantial uptake, there must be a loud fanfare launch and high profile backing from all the agencies with an interest in health and safety.
- RoSPA have indicated that in the future they may use the index as a basis for awards.
- We expect both ROSPA and IOSH will support the index.

#### *Way forward*

- test the acceptability of the index with a wider range of organisations (we have already trialled HSE's performance against the index)
- re-engage investors as part of this acceptance study
- negotiate the method of running the scheme
- develop a marketing strategy to get comprehensive take up by large companies
- publish the index as guidance, thereby providing a tool
- we have asked Greenstreet Berman to look at developing a small business version of the index.
- consider revising the existing guidance on health and safety in annual reports to align with the index
- support and encourage insurers to use the index as mean to incentivise health and safety. We are already working with the ABI to get them to promote use of the index in a scheme they are developing for Trade Associations.

## Appendix E

### Case studies to show business benefits of effectively managed occupational health and safety

#### *Issue/Progress*

The research to develop the case studies an index of health and safety management and performance is nearing completion and it is anticipated that it will be available for HSC consideration in December 2003.

#### *Strategy*

- In 2001 HSC/E began looking at the benefit of engaging with the Corporate Social Responsibility (CSR) movement and major investors to raise the profile of good health and safety as a business requirement. Contacts have been established with a number of major CSR players and investors and research was commissioned from Claros Consulting - *Health and safety indicators for institutional investors* ([www.hse.gov.uk/revitalising/csr.pdf](http://www.hse.gov.uk/revitalising/csr.pdf) - published May 2002) to explore with investors and the wider investment community the degree of support in using health and safety as an indicator to enable investors to assess a company's health and safety performance when making investment decisions.
- Emerging from this research was the need to produce robust data on the business benefits that effective management of occupational health and safety can bring.
- One of the recommendations of the Claros research was the need for HSC/E to:  
*"Support further research on the business case for H&S, whether case studies, industry based, whole market or macroeconomic. This includes both the commissioning of new research, and identifying and disseminating existing research."*
- The Claros research was discussed at the HSC meeting on 28 May 2002 where it was agreed that HSE would take forward research to produce case studies.
- This was underlined by the use of case studies produced for the *Revitalising Health and Safety* conference on 29 May 2002, which proved to be very powerful in illustrating the benefits of well-managed health and safety.
- Case studies will be used to support revised HSC guidance on Directors' responsibilities for health and safety.

#### *Actions*

Using external consultants to:

- Provide robust data on the costs and benefits of health and safety initiatives to persuade companies of the business benefit of health and safety improvements;
- Highlight the costs and benefits of a variety of health and safety initiatives across all industrial sectors;

- Provide material which might assist in the development of links that HSE is building with senior managers in larger organisations, and;
- Provide material which other players such as investors, trade unions etc. can use to engage with decision-makers to persuade them of the business case for improved health and safety.

### *Results*

Twenty case studies with 15 examples from the private sector and 5 from the public sector covering a range of initiatives, including:

- introducing voluntary flu jabs for staff;
- using an osteopath to provide manual handling training more suited to an industry need (rapid and repetitive movements), pre-employment medicals and rapid access to treatment when injured;
- giving drivers 1/2 day driving training, a consequential training programme in which all drivers sign-up to change personal driving behaviours and training for managers to enable them to monitor driving standards effectively;
- more effective sickness absence management regime;
- multi-strand approach to MSDs including equipment re-design, fast track to physiotherapy etc, staff training, staff medical assessment prior to employment, and introduction in coaching/monitoring scheme;
- introduction of an HSG65 management system;
- multinational introduced a partnership initiative involving employees, employee representatives, managers and SHE professionals to tackle the lost time accident rate;

### *Stakeholder views*

- There is a generally held view by business that the practical business benefits of occupational health and safety in terms of cost and production needs to be demonstrated and disseminated throughout the wider business community.
- This was borne out by the positive feedback to the use of the business case studies used at the *Revitalising Health and Safety* conference on 29 May 2002. The need for case studies was raised in both the Claros research, and subsequent seminar organised by HSE at Rose Court on 19 March 2002, and the research done by the Health and Safety Laboratories *Case Examples: Business Benefits Arising From Health & Safety Interventions*
- Claros said that *“OHS business benefit case examples have the potential to influence a number of employers of the economic justifications for improving health and safety controls. Presumably managers will be able to relate such case examples to their own companies and business context.”*

### **Other tools and mechanisms for promoting and encouraging corporate responsibility and accountability for health and safety**

#### *Issues/Progress*

- Continue to make use of conferences, seminars and other events to get key messages across to stakeholders on the vital contribution corporate responsibility and accountability have to play in the achievement of our health and safety goals.
- Clear that a number of organisations, including the CBI, TUC, IoD, IOSH and RoSPA, support some or all of key aspects of our work in this area. Important to continue working in partnership with these and other stakeholders.

#### *Strategy*

- to identify and exploit opportunities through the complementary work of others to further our corporate responsibility and accountability goal. This reflects HSE's inability to do all of the work it would like on its own;
- produce more guidance.

#### *Actions*

- include outlines of our plans and goals for corporate responsibility and accountability in suitable speeches and seminars that are being prepared for HSE officials and members of the Commission
- build and maintain a network of contacts, making these contacts aware of what we are doing and listening to them so we are aware of developments that may be of help to us.
- Contacts with IOSH and ROSPA have revealed much common ground in what we are all trying to achieve at a corporate level.
- Contact with a number of other organisations has shown their interest in advocating particular certain aspects of our work, for example, the Institute of Directors and the Centre for Corporate Accountability

#### *Results*

- We have included our corporate responsibility message in over 40 different speeches. It has produced a number of contacts that we have successfully used for example for top 350 purposes and in the NAM pilot.
- ROSPA has carried out and published research to explore and assess the presence and quality of health and safety information on company's websites. They have said it needs to be viewed alongside recent HSC's initiatives, particularly the 'challenge' to Britain's top 350 companies.

#### *Stakeholder views*

- The top 350 company reporting research RR134 showed that an increased number companies report on their management of health and safety. But there remain a considerable number who do not report and are unlikely to do so whilst the approach remains a voluntary one.

- Both IOSH and ROSPA appear willing to work alongside us to achieve common goals.

### Engaging with the Corporate Social Responsibility movement

#### *Strategy*

- Corporate Social Responsibility (CSR) is an instrument of positive change taking place in organisations and businesses. It sets the framework and defines the method in which organisations and businesses must operate to be able to meet the ethical, legal, commercial and public expectations that a society has of any organisation. CSR is also an approach to 'Good Business', which takes into account the social impact an organisation has on the community both local and global. The main aim of the concept is to bring together all sectors (private, public and voluntary) and work together to eliminate the old idea that economic and environmental issues are in conflict.
- The Health and Safety Commission set out a number of actions in Revitalising Health and Safety strategy (see action points 2, 11 and 13 in particular) that were aimed at promoting and encouraging greater corporate responsibility and accountability for health and safety across the private, public and voluntary sectors. The HSC issued guidance in 2001 on directors' responsibilities and public reporting of health and safety performance to help take these actions forward.
- The HSC returned to the strategy at meetings in April and May 2002 (see HSC/02/11 and HSC/02/82). Further actions were agreed, including:
  - o research to develop a health and safety management index; case studies to show the business case for health and safety (see Appendix E);
  - o helping investors identify good and bad health and safety performance (see Claros Consulting report of February 2002 produced for the HSC, *Health and safety indicators for institutional investors*);
  - o identify and work with key CSR players.
- These research projects have been completed or are nearing completion.

#### *Actions*

- Another action agreed by HSC was to work with the CSR movement and business to promote health and safety and move it up the CSR agenda. A paper by Windsor Fellow, Maxine Lyseight, "*Engaging with CSR movement and Investors*" was produced for internal HSE use in August 2002 and has helped guide us in our engagement with investors. However we need a better understanding of what the key issues are for successful engagement with the CSR movement and who the key players are. There remains a gap in our knowledge and understanding.

HSC/E have developed a number of useful and supportive CSR and business contacts but have concluded that more needs to be done to:

- identify key CSR players;
- identify what success our health and safety regulatory counterparts have had in the United States, France and Germany in moving health and safety up the CSR agenda;

- develop and publicise key messages that need to be got over to key CSR players in Great Britain.

Research is required to help take these actions forward and will enable us to:

- assess of our success so far in engaging with the CSR movement;
- identify who the key CSR players are in GB;
- set out a strategy that includes the evidence and arguments we need to employ to win them to working with us to raise the profile of health and safety on CSR agenda;
- set out a strategy based on evidence drawn from the CSR movement in the UK, USA, France and Germany;
- develop HSC/E Guidance and publicity on CSR issues.

#### *Stakeholder Views*

- It is impossible to use a one- size fits all approach to CSR and HSE needs to tailor its engagement with business to address specific industry needs. Research produced from Claros Consulting (*Health and safety indicators for institutional investors* - published May 2002) recommends that HSE identifies and works with key players on CSR in the business community.

### Guidance and publicity

#### *Strategy/Objectives*

- For HSE's various CSR initiatives to have an impact they require support through practical advice and examples of good practise in the working environment. Large companies may see the benefits of having in place good health and safety systems but it is more difficult to instil this expectation into the medium sized and small companies particularly in some business sectors.
- By using a combination of clear and simple guidance backed up with practical examples from the business world showing that companies that manage occupational health and safety can expect benefits in terms of lower costs and higher production.

#### *Stakeholder Views*

- There is a generally held view by business that the practical business benefits of occupational health and safety in terms of cost and production needs to be demonstrated and disseminated throughout the wider business community.

#### *Actions*

Guidance published by HSC:

- Health and Safety in Annual Reports - published March 2001;
- Directors' responsibilities for health and safety (INDG343) – published July 2001.

HSE published research (in order of publication date):

- *Health & Safety Indicators for Institutional Investors – A Report to the Health and Safety Executive* by Mark Mansley of Claros Consulting - [www.hse.gov.uk/revitalising/csr.pdf](http://www.hse.gov.uk/revitalising/csr.pdf) (May 2002);
- *A Study of the Provision of Health and Safety Information in the Annual Reports of Top UK Companies* by System Concepts– Ref: CCR 446/2002 [www.hse.gov.uk/research/crr\\_pdf/2002/crr02446.pdf](http://www.hse.gov.uk/research/crr_pdf/2002/crr02446.pdf) (May 2002);
- *Engaging with the CSR Movement and Investors on Health and Safety: Action Programme* by Maxine Lyseight (Windsor Fellow) (August 2002);
- *The Provision of Health and Safety Information in the Annual Reports. Websites and Other Publicly Available Documents Produced By the UK's Top Companies and a Sample of Government Departments, Agencies Local Authorities and NHS Trusts* by System Concepts – Ref: RR 134/2003 <http://www.hse.gov.uk/research/rrpdf/rr134.pdf> (16 July 2003);
- *Health and safety Responsibilities of Company Directors and Management Board Members* – Ref: RR 135/2003 <http://www.hse.gov.uk/research/rrpdf/rr135.pdf> (16 July 2003)

### *Way forward/Planned Work*

Look for opportunities to promote our CSR work. For example:

- Carry out research to produce case studies showing the benefits of good management of occupational health and safety;
- Case studies to cover a wide range of business sectors;
- Use case studies wherever possible to support existing or new guidance,
- Use case studies in speeches by HSC Chair, Director General, Deputy DGs, members of the Commission, etc:
- Revise HSC guidance on Directors' responsibilities using feedback from stakeholders and using good practice examples from both the private and public sector;
- Revise HSC guidance on open reporting in annual reports using good practise examples with reference to the research '*The provision of health and safety information in the annual reports, websites and other publicly available documents produced by the UK's top companies and a sample of government departments, agencies, local authorities and NHS trusts*';
- Act on advise on publicising CSR via conferences, seminars, etc from the recommendations due from the research on *Engaging with the Corporate Social Responsibility movement* due for completion in January 2004;
- Link work on top 350 with RoSPA research on health and safety reporting on business websites. And see if similar links are feasible with bodies like IOSH and the British Safety Council.

Rt. Hon. Patricia Hewitt MP  
Secretary of State for Trade and Industry  
Department of Trade and Industry  
1 Victoria Street  
London SW1 0ET

2 September 2003

Dear Secretary of State,

### **Modernising Company Law White Paper**

The Health and Safety Commission (HSC) has considered your Consultation Document '*The Operating and Financial Review Working Group on Materiality*' and in particular the key information to be included in the Operating and Financial Review (OFR).

As I stated in my letter of 3 December 2002 we see important benefits in including health and safety as a significant matter to be reported on alongside employment, environmental, social and community matters. It would send a clear signal to the all companies that the Government and other key stakeholders see health and safety as a core element of corporate responsibility.

Good health and safety practice is an indicator of the social responsibility that the Government wishes to promote. And social responsibility, like charity, begins at home. Good health and safety practice is a clear indicator of the respect for people, which lies at the centre of this important new agenda.

With our sponsoring Ministers (then in DETR/DTLR) I challenged the top 350 UK companies in 2001 to report publicly on their health and safety performance from 2002 onwards. We have followed up with visits to discuss reporting and the response has been favourable as it has to other efforts we are making to encourage Boardroom attention to health and safety, such as encouraging directors to take responsibility. We are also encouraging investors to have regard to health and safety performance when making investment decisions.

We recently published some research, which shows that there has been a significant increase in the number of FTSE 100 companies publicly reporting - from 47% in 1995, to 56% in 2000, and now 91% in 2002. The strongest sectors on reporting include: chemicals, construction and building materials, mining, oil and gas, tobacco and water. The research highlighted that there remain a considerable number of top companies who do not report on health

and safety and are unlikely to do so while the approach is a voluntary one. These are the companies we must reach and a requirement to include health and safety information in the OFT is a way of achieving this objective.

Including health and safety must be seen as going with, not against, the grain. Suppliers, customers, workers, investors, insurers and other stakeholders are increasingly seeking information on health and safety performance as a key business risk. The costs of health and safety failures are significant – not only from catastrophic failures in high hazard plants but the significant drain of resources from 24 million working days lost each year from work related injury and ill health (bad backs, stress, falls, workplace transport incidents)

We would therefore urge you to include health and safety as a specific topic for company reporting to make clear that health and safety is an important element of the Government's commitment to developing sustainable work and communities.

I am copying my letter to Des Browne, Minister of State, Department of Work and Pensions.

**BILL CALLAGHAN**

**Chair, Health & Safety Commission**