



Insight and the Health and Safety Executive collaborate to define best-practice governance framework

The UK Health and Safety Commission (HSC) and the Health and Safety Executive (HSE) are responsible for the regulation of almost all the risks to health and safety arising from work activity in Britain. In November 2004, the HSE set up a Business Involvement (BI) Programme, intended to promote, using a range of non-regulatory measures, appropriate health and safety management as an integral part of effective business management.

Insight supports HSE in promoting leadership on health and safety

Insight has been working with the BI Programme from the outset to try to ensure that it helps to improve understanding in the business and investment communities of the business benefits of good occupational health and safety. To that end, we have collaborated on the development of a series of case studies demonstrating the financial and social benefits of director leadership on health and safety. We also helped to develop the Corporate Health and Safety Performance Index (CHaSPI), an index that evaluates companies' management of health and safety.

The role of boards upholding health and safety standards

The debate catalysed by this work has highlighted that the HSE has yet to define its view of how boards should govern health and safety issues. Insight is particularly keen to work with the HSE to close this gap. Insight will therefore be working with the HSE on a new research project to define standards of best practice in the area of Corporate Occupational Health and Safety (OHS) Governance. The report is due to be published in the spring of 2006. Boards are responsible for setting companies' policies and

strategy, motivating and reviewing executive performance and disclosing this performance to shareholders. This project will seek to address the following questions about the role of boards with respect to OHS:

- Incentives: How should incentive structures of the executive directors, non-executive directors and the senior management be designed in order to motivate appropriate OHS performance?
- Management framework: What is best practice in how boards delegate responsibility for OHS? How should they monitor performance in this area? What is the specific function of non-executive directors in this regard?
- Strategy and disclosure: Do boards recognise the strategic relevance of good OHS management? What key performance indicators should they disclose to investors?

The final point regarding disclosure is of particular relevance because boards must now consider which key performance indicators (KPI) to disclose in their company's new Operating and Financial Review (OFR). OFRs are expected to cover a range of non-financial issues that are of strategic importance to the company; OHS performance is likely to be one such issue for some companies. Further, one of the actions proposed in HSC's Revitalising Health and Safety Strategy is to encourage investors to pay greater attention to health and safety management performance when making investment decisions. Thus, in addition to being of direct use to company directors, another output of this project will be to establish a set of principles and guidelines on OHS governance that should be of value to institutional investors in their dialogue with the boards of companies in which they invest.

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