

Corporate Safety Responsibility for Directors and Investors

PRINCIPLES FOR RESPONSIBLE INVESTMENT

The Principles for Responsible Investment (PRI) are the UN's voluntary and aspirational guidelines for incorporating environmental, social, and governance (ESG) issues into mainstream investment decision making and ownership practices.

These practices will impact upon safety management in leading organisations that are sensitive to the effects of institutional investment as the numbers of signatories to the UN PRI programme increase.

The PRI Programme is a voluntary measure. Previous, Comparative Corporate Health & Safety Performance Indices (Such as CHASPI) have aimed at providing comparative information relevant to the institutional investor but they have also relied on voluntary reporting.

ESSENTIAL PRINCIPLES

Three core principles are at the heart of improving Health & Safety (as part of ESG) performance: Strong and active leadership from the top; worker involvement; and top quality assessment and review methods.

1. Strong and active leadership from the top involves:
 - 1.1 visible, active commitment from the board and all levels of management;
 - 1.2 establishing effective downward communication systems and management structures; and
 - 1.3 the integration of good ESG management with day to day business decisions.



2. In order to achieve worker involvement it is necessary to give them control. In addition it is possible to:

- 2.1 engage the workforce in the promotion and achievement of safe and healthy conditions;
 - 2.2 put into place measures for the effective upward communication of ESG management issues; and
 - 2.3 to provide high quality training.
3. Quality assessment and review procedures need to involve more than regular agenda items or unfocussed meetings:

- 3.1 The first step is to identify and manage the major health and safety risks;
- 3.2 The next step is to access, follow and review the advice of competent advisors; and
- 3.3 To monitoring performance, and to enable reporting and reviewing the performance of the system as a whole, not just the outputs from the system.

SIGNIFICANT OPPORTUNITIES

4. The benefits of good H&S performance can include many financial benefits such as:
- 4.1 reduced costs and reduced risks;
 - 4.2 lower employee absence and turnover rates;
 - 4.3 increased productivity . employees are healthier, happier and better motivated;
 - 4.4 fewer accidents and the threat of legal action is lessened;

- 4.5 improved standing among suppliers, partners and regulators; and
- 4.6 a better reputation for corporate responsibility among investors, customers and communities.

“An organisation will never be able to achieve the highest standards of health and safety management without the active involvement of directors. External stakeholders viewing the organisation will observe the lack of direction.”

HSE/loD Guide - “Leading Health and Safety at Work”

- 7.2 Workplace
 - 7.2.1 Employee involvement and relations;
 - 7.2.2 Equal opportunities and diversity;
 - 7.2.3 Health and safety policies and performance.
- 7.3 Social
 - 7.3.1 Human rights in business operations and supply chains;
 - 7.3.2 Access to essential goods;
 - 7.3.3 Community impacts.
- 7.4 Environmental
 - 7.4.1 Environmental policies, management systems and disclosure;
 - 7.4.2 Management of climate change, pollution, resource use and biodiversity.

INVESTMENT CRITERIA

- 5. One Investment fund established in September 2008 has published investment criteria which examine Corporate Social Responsibility factors. These factors are reviewed as part of the fund's requirement that investors should have risks managed in an ethical as well as a safe way.
- 6. Portfolio managers evaluate business practices to ensure that they have acceptable standards of corporate responsibility.
- 7. The portfolio managers focus on the following published factors when looking for positive practices in terms of Corporate Standards, Workplace Standards, Social and Environmental standards:
 - 7.1 Corporate standards
 - 7.1.1 Corporate governance policies and performance;
 - 7.1.2 Ethical business policies and performance.

RECENT DEVELOPMENTS

- 8. The Health & Safety (Offences) Act 2008 introduced imprisonment of individuals as a sentencing option for Magistrates and Crown Court prosecutions, levels of sentences have been increased and most cases can now be dealt with in the lower courts
- 9. Sentencing Guidelines are expected to introduce fines which are based on Turnover rather than Profits.
- 10. HSE has begun to use forensic accountants when assisting the Court on sentencing levels.

To review your organisation's performance (or those members of your supply chain that you wish to examine), or to keep your senior managers and the audit committee informed, contact Stuart Armstrong:

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