



The Operating and Financial Review Working Group on Materiality

IOSH response to the OFRWG
consultation document on Materiality
September 2003

Consultative
document

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Introduction

IOSH, Europe's leading professional body for individual occupational safety and health practitioners, has 27,000 members and is one of the two largest such organisations in the world. A Chartered, 'not for profit', registered charity, we have strong links across the globe including Asia, Australasia, Europe and North America. We welcome this opportunity to comment on the consultation document of the Operating Financial Review Working Group on materiality and to contribute to the development of guidance for directors on this important subject.

IOSH is fully supportive of the move towards more holistic UK annual reporting of organisational 'footprints', as an additional driver for improved performance. Overall, we find this document to be helpful, well structured and well written and are pleased to note that the IOSH guidance on reporting health and safety performance is referenced in Annex B. Our only reservations concerning the content of this consultation document, are that:

- a) the impression given is that health and safety issues are not business objectives and are not strategic [please see general comments below]; and
- b) there seems to be a reluctance to explicitly use the term 'health and safety', whilst other related terms such as environment, social, ethical and HR issues are used frequently throughout [please see detailed comments below].

General Comments

On page 10, paragraph 4, the document states that there are two categories for inclusion in an OFR, the 'musts' and the 'shoulds, if deemed material'. It states that:

"...items that in the CLR's view could not fail to be judged as material...were the company's business and business objectives, strategy and principal drivers of performance; a fair review of the development of the business over the year and position at the end of it; and the dynamics of the business."

implying health and safety is none of these things. However, IOSH takes the view that health and safety can be a strategic issue and should be an integral part of the overall business objectives. We would suggest that the basis for inclusion in the OFR, should be an item's significance with regard to the overall risk profile of an organisation and not simply the category that it falls under. Please also see comments below:

- We believe it is probably the case that, if asked, most directors would acknowledge "people are the company's most valuable asset" and that consequently, protection of employees is material to all employers. It is by ensuring the health and safety of their workers that businesses help maintain their reliability and their skill and experience base – crucial in today's competitive environment.
- In our view, the increasing interest of investors in the health and safety performance of companies and the growth in CSR and Ethical investing, indicate that significant health and safety issues are material to companies, and are considered to be so by certain stakeholders. It should be noted that in 2000, a MORI poll on consumer attitudes to CSR in 12 European countries showed that 77 per cent of respondents ranked 'protecting the health and safety of workers' as the most important area for companies to contribute to or support.

Detailed Comments

As already stated above, we suggest the document should either explain that the terms 'social' and 'ethical' include health and safety issues, or these terms should be explicitly used. The following are suggested improvements and comments made on a page-by-page basis:

- 1) Page 11, first paragraph – could read “...performance on [health, safety](#), environmental...”
- 2) Page 12, paragraph 9 – refers to the involvement of the company auditors in the OFR process, but should also refer explicitly to the possible role of external [health and safety auditors](#) and their reports.
- 3) Page 15, paragraph 20 iv – could read “...company manages a particular [health, safety](#) or environmental challenge to affect, directly or indirectly, significant numbers of people...”
- 4) Page 18, paragraph 25 – could read “...such as [health and safety](#), environmental... considerations...”
- 5) On pages 18 (paragraph 25) and 24 (2nd to last line), reference is made to the role of ‘advisers’ in helping to inform decisions on materiality. We suggest it would be helpful to give examples of the types of advisers who could be engaged, including [health and safety advisers](#) where appropriate.
- 6) Page 19, paragraph 32 – could read “...threats facing the business, including an assessment of [non-financial](#) issues, such as [health, safety](#), environmental, ethical or reputational risk.” [It could be misleading to imply that these risks are entirely non-financial – they may be difficult to quantify in financial terms, but this does not mean there is no monetary cost involved e.g. lost business revenue, fines, uninsured losses, etc.]
- 7) Page 19, paragraph 32 – could read “Or, for a business involved in mobile telephony, [society’s](#) views on possible [health and safety](#) hazards arising...”
- 8) Page 24, paragraph 44 – the last paragraph could read “This may apply, for example to issues in the [health, safety](#) and environmental areas...”
- 9) Page 25, Q2 first and second paragraphs and Q3 – could read “...[health, safety](#), environmental and ethical...”
- 10) Page 26, Q5 – could read “...such as environmental, community, [health and safety](#) and HR issues...”
- 11) Page 29, Q9 – could read “...community, [health and safety](#) or social report...”
- 12) Page 29, answer to Q9 – consideration should be given to recommending that OFR reporting is done via the website. This will help reduce publication and distribution costs; increase accessibility; allow easy linkage to other related documents and sources of further information; and make revision quicker and easier.
- 13) Annex B *Suggested sources of information* – this could perhaps be made more useful if converted into a reference section, cross-referenced with the appropriate places in the text.

Enquiries about this response should be directed to:

Richard Jones, IOSH Head of Technical Affairs, or Murray Clark, IOSH Technical Affairs Researcher, The Grange, Highfield Drive, Wigston, Leicestershire, LE18 1NN. Tel: 0116 257 3100, email: richard.jones@iosh.co.uk or murray.clark@iosh.co.uk