

# Non-Financial Reporting Directive – a call for views on effective reporting alongside proposals to implement EU requirements

IOSH response to the Department for Business, Innovation and  
Skills call for views



Submission

15.04.16



## Introduction

The Institution of Occupational Safety and Health (IOSH), the Chartered body for health and safety professionals, is pleased to respond to this important *Non-Financial Reporting Directive call for views on effective reporting alongside proposals to implement EU requirements*.<sup>1</sup>

In the response that follows, we provide a summary of our position; responses to the call for views questions; additional comments; a reference and further reading section; and information about IOSH.

## IOSH summary position

IOSH believes that organisations, investors and society at large will benefit from greater corporate transparency, which can help drive stronger long-term performance and sustainability. Investors and others are increasingly interested in non-financial information, in order to improve their understanding of organisations' performance.

IOSH fully supports the aim of enhancing consistency and comparability of non-financial disclosures across Europe (and particularly the health and safety content), in order to raise standards and incentivise improved performance. IOSH welcomed the UK's narrative reporting requirements and the Modern Slavery Act's anti-slavery disclosures and believe that the UK can help lead the way on this.

IOSH is working to help ensure transparency on health and safety risk management performance across operations and supply chains. We advocate the use of meaningful and comparable data; standardised leading and lagging performance metrics; and that significant health and safety risk management data is externally verified and presented in a combined or integrated report.

IOSH has been championing important health and safety issues as 'material' since 2003 and is currently inviting research proposals on '[materiality](#)' and reporting. We are keen to work with Government and others to improve performance reporting and supply chain management and embed good health and safety within the CSR and sustainability agendas.

# IOSH responses to the call for views questions

## PART 1 – IMPLEMENTATION OF THE DIRECTIVE (Q1-9)

***Q1 Flexibility on where to provide the non-financial statement: What is your view on permitting companies flexibility to place information where they feel most appropriate within the boundaries laid out by the EU NFR Directive? Please explain your reasons.***

Although IOSH believes there should be some flexibility around location of report e.g. which part of an organisation's website is used, this is only if key stakeholders are not disadvantaged in terms of ready-access to high-quality information. IOSH advocates combined or integrated reports rather than separate ones (see answers to Q2 and Q3 below).

***Q2 Information that could be placed in a Separate Report: We would welcome suggestions for information, currently required by law that could be placed in the separate report***

IOSH does not advocate separate non-financial statements because we believe that information about significant health and safety issues should be included in a combined report to ensure it receives the attention it requires.

***Q3 Advantages and Disadvantages of a separate non-financial statement: What do you see as the advantages and disadvantages, for your organisation of the separate statement?***

IOSH believes that the disadvantage of separate non-financial reporting data is that it could be wrongly taken by the organisation and its stakeholders to mean that significant health and safety issues are less strategically important than finance or other risk areas. Given the increasing stakeholder demand for more transparency on non-financial performance and its relation to ethical investment, 'social licence to operate' and reputation – we believe this would be unhelpful.

In terms of advantages; while separation could mean that organisations have more time to gather and present the data, we believe adequate planning would achieve this too.

***Q4 Advantages and disadvantages of the Implementation Options. What do you see as the advantages and disadvantages of the various implementation options? Comments***

IOSH supports 'option 1', which is to update the existing UK reporting framework to reflect the new disclosure requirements for large Public Interest Entities (PIEs) that the Directive introduces. The advantage of 'option 1' is that it will help support increased transparency and improved performance and will minimise the changes required.

The disadvantage of 'option 2' is that it would reduce transparency and potentially raise doubts about both the importance of performance reporting and about the requirements, which we believe would be unhelpful.

***Q5 Preferred option relating to scope. Considering the possible advantages and disadvantages provided by the flexibilities contained within the EU NFR Directive, which would be your preferred option in terms of which companies should be required to disclose non-financial information?***

IOSH's preferred option in terms of which companies should be required to disclose non-financial information is that it should be both quoted companies and large- and medium-sized non-quoted organisations.

***Q6 Alternative Options. Are there any other options for implementing the EU NFR Directive the Government should consider?***

IOSH is not aware of any other options for implementing the EU NFR Directive.

***Q7 Assurance of Non-Financial Information. Should the Government require that the non-financial statement be verified by an independent assurance service provider?***

Yes, IOSH believes that it would be beneficial to require non-financial statements to be verified by independent assurance service providers, similar to the requirement for financial data.

***Q8 Advantages and Disadvantages of third-party validation. What do you see as the advantages and disadvantages of requesting third party assurance?***

IOSH believes the advantage of third-party verification would be to increase the value of the data available to stakeholders and strengthen the perceived reliability and credibility of the reports.

Our view is that any downside (the cost and time involved for the organisation) is far outweighed by the benefits to stakeholders and to society.

***Q9 Other Options. Are there any other options the Government should consider for Third Party Verification?***

IOSH is not aware of other options for third-party verification that the Government should consider.

## **PART 2 – CALL FOR VIEWS ON WIDER REPORTING (Q10-18)**

***Q10 Advantages and Disadvantages. What do you see as the advantages and disadvantages of preparing or receiving the non- financial statement electronically via a company's website?***

IOSH sees the advantages of an electronic non-financial statement as:

- It allows hyperlinks to other data, navigation from the contents page and a search facility
- It enables analysis of user data and user surveys
- It reduces publishing / printing and distribution costs
- It allows 'audio' and large print versions to be provided
- It can be made publicly available
- It is more environmentally-friendly

The disadvantage is that some users may prefer hard copies, but this can be overcome by providing hard copies on request.

***Q11 Additional Protections. Considering your response to Q7, are there any additional protections that the government should consider?***

IOSH believes that a variant of the approach used for the Modern Slavery Act's anti-slavery disclosures could also be considered for other non-financial reporting information i.e. reporting organisations without websites should be required to provide copies of their reports to stakeholders on request and also enabled to deposit their reports in a central online repository (see Modern Slavery Act 2015 – [Part 6](#)).

***Q12 Number of Companies Providing an Electronic Report. BIS are interested in the number of companies that currently send their annual report electronically. Considering your shareholders, how many, as a percentage, opt to receive their annual report as a printed copy?***

IOSH is a Chartered professional body, registered charity and international NGO. We do not have shareholders, but do have a wide range of other stakeholders. Our annual report is available as a PDF on our website.

***Q13 Definition of Senior Manager BIS would welcome suggestions as to how this definition may be improved to reflect better the intention of this requirement.***

IOSH suggests that BIS should go back to those companies that are challenged by the definition of 'senior manager' to discuss their feedback and explore what the issues and solutions are.

***Q14 Other Comments on this requirement BIS would also welcome other comments on this regulation including views on the approach suggested.***

IOSH has no further comments on this requirement at this time.

***Q15 Reporting Regulations. What other reporting regulations would you suggest that could be repealed?***

IOSH is not aware of any reporting regulations that could usefully be repealed.

***Q16 Other Information. Is there any information that could be moved outside the Annual Report?***

IOSH is not aware of information that could be moved outside the annual report. IOSH believes that information relating to significant health and safety risk management issues should be included in annual reports because of its importance to the long-term success, reputation and 'social license to operate' of organisations and to the wellbeing of the wider community.

***Q17 (a-g) Analysis of the Costs and Benefits of implementing the NFR Directive (by type of Organisation)***

***“17(f) Please describe any benefits to your company you expect will arise because of the EU NFR Directive (to your organisation or more widely)”***

IOSH believes that there are many benefits that will arise from the EU NFR Directive. We believe that increased transparency will mean that organisations are further incentivised to improve the health and safety performance of their operations and their supply chains. This will mean that there are potential reductions in work-related injury, illness and death and also that productivity, profitability and customer and worker loyalty are all enhanced. So we would anticipate that well-designed and executed NFR would bring benefits for individuals, their families, employers, the economy and wider society.

***Q18 Additional comments.***

IOSH has been calling for improved corporate reporting on health and safety as a driver to better performance for many years and has worked with others to help achieve this. Examples have included our work with Business in the Community, our submissions regarding materiality and operating and financial review and our free guidance on reporting performance.<sup>2, 3, 4, 5</sup>

IOSH advocates the use of standardised performance indicators that are both 'leading' (measurement of activities intended to prevent health and safety failures) and 'lagging' (measures of undesired consequences of inadequate health and safety).

In 2011, IOSH co-founded the Center for Safety and Health Sustainability (CSHS) to create an international forum for this work. Recent research commissioned by CSHS has shown worrying weaknesses in a ranking system for the world's top 100 sustainable companies, some of which were identified as having sustained several worker fatalities. It also highlighted inconsistency in reporting methods and lack of comparability.<sup>6</sup> Further information about CSHS and its work on developing reporting metrics can be found on its website.<sup>7</sup> The CSHS has recently published a paper *The Accounting Revolution and the New Sustainability: Implications for the OSH Professional*.<sup>8</sup>

In support of the Modern Slavery Act, IOSH was pleased to respond to the Home Office consultation on anti-slavery disclosures.<sup>9</sup> We are currently commissioning research into 'materiality' and are keen to work with Government and others to improve performance reporting and supply chain management and embed health and safety within the CSR and sustainability agendas.

## References

1. Department for Business Innovation and Skills. *The Non-Financial Reporting Directive: A call for views on effective reporting alongside proposals to implement EU requirements*. London: BIS, 2016. [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/500760/BIS-16-35-non-financial-reporting-directive-consultation-February-2016.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/500760/BIS-16-35-non-financial-reporting-directive-consultation-February-2016.pdf)
2. IOSH. *IOSH response to The operating and financial review working group on materiality* (Department of Trade and Industry consultation). Wigston: IOSH, 2003.
3. IOSH. *IOSH response to Draft regulations on the operating and financial review and directors' report* (Department of Trade and Industry consultation). Wigston: IOSH, 2004.
4. IOSH. *IOSH response to The future of narrative reporting – a consultation* (Department for Business, Innovation and Skills consultation). Wigston: IOSH, 2010
5. IOSH. *Reporting performance – guidance on including health and safety performance in annual reports*. Wigston: IOSH, 2011. [www.iosh.co.uk/performance](http://www.iosh.co.uk/performance)
6. Center for Safety and Health Sustainability. *Current practices in occupational health and safety sustainability reporting*. Des Plaines: CSHS, 2013. <http://viewer.zmags.com/publication/cc7e8078#/cc7e8078/1>
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9. IOSH. *IOSH response to the Modern Slavery and Supply Chains consultation* (Home Office). Wigston: IOSH, 2015

## Further reading

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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 46,000 members in over 120 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 resources for business start-ups; an occupational health toolkit; and a risk management tool for small firms.

IOSH has 38 Branches worldwide, including the Caribbean, Hong Kong, Isle of Man, Oman, Qatar, the Republic of Ireland, Singapore and UAE, 16 special interest groups covering aviation and aerospace; communications and media; construction; consultancy; education; environment; fire risk management; food and drink; hazardous industries; healthcare; 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 2,000 organisations. We issue around 160,000 certificates per year.

For more about IOSH, our members and our work please visit our website at [www.iosh.co.uk](http://www.iosh.co.uk).

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