

Australian Council of Superannuation Investors

The Future of Health and Safety Reporting

A Framework for Companies



December 2019

acsi

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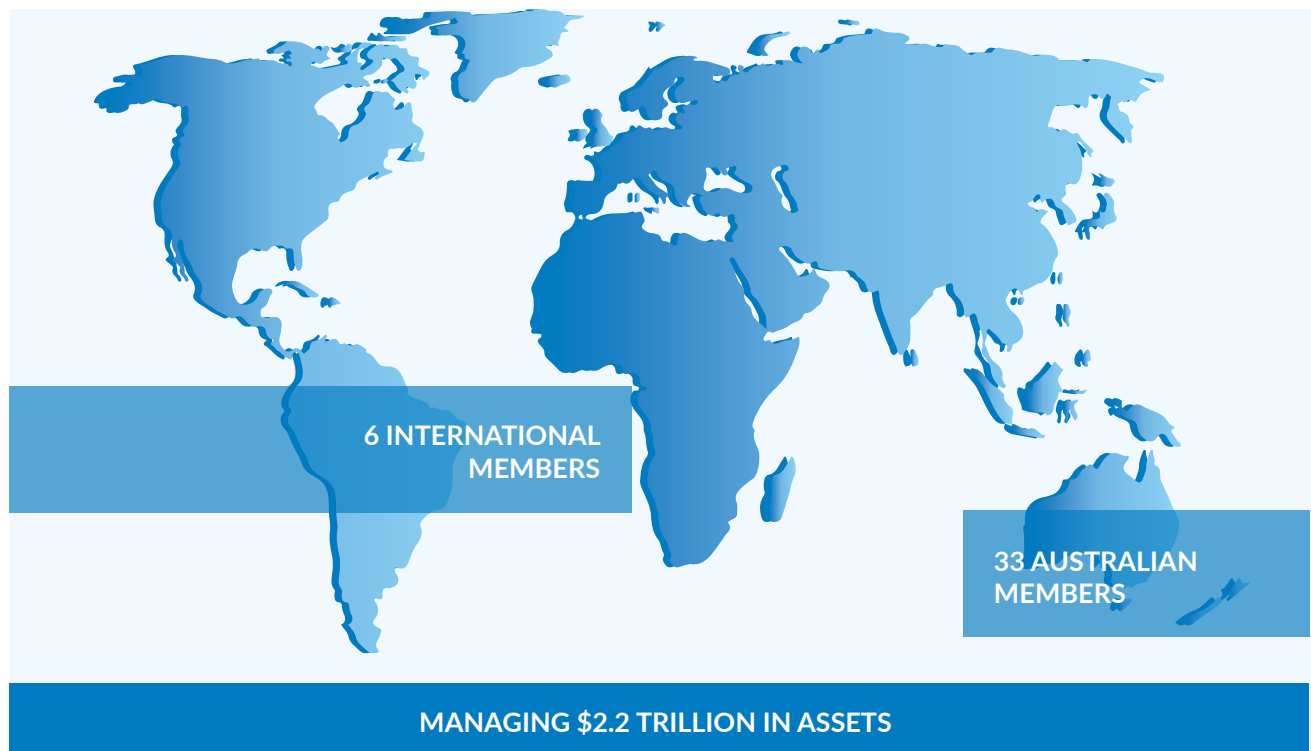
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ABOUT ACSI

Established in 2001, ACSI provides a strong, collective voice on environmental, social and governance (ESG) issues on behalf of our members.

Our members include 39 Australian and international asset owners and institutional investors. Collectively, they manage over \$2.2 trillion in assets and own on average 10 per cent of every ASX200 company. Our members believe that ESG risks and opportunities have a material impact on investment outcomes. As fiduciary investors, they have a responsibility to act to enhance the long-term value of the savings entrusted to them.

Through ACSI, our members collaborate to achieve genuine, measurable and permanent improvements in the ESG practices and performance of the companies they invest in. We undertake a year-round program of research, engagement, advocacy and voting advice. These activities provide a solid basis for our members to exercise their ownership rights.



ACKNOWLEDGEMENTS

We acknowledge the helpful insight and comments from ACSI members and Trustee Directors, ASX200 companies and health and safety experts. Thank you to Ernst & Young (EY) who in collaboration with ACSI led the research, engagement and development of the framework for reporting.

The EY environment health and safety (EHS) team who led this research is part of the broader Climate Change and Sustainability Services (CCASS) practice. Key team members include:

Meg Fricke, Partner, CCASS
Non-financial risk and reporting

Olivia Ryan, Senior Manager EHS, CCASS
Health and safety performance reporting, risk and governance

EY's team also included contribution and reviews: Lene Pritchard, Kaitlyn Bruschi, Sherridan Cluff (EHS project team), Michael Negendahl (Senior Manager, EHS) Karen Mealmaker and Roberto Garcia (Directors, EHS); Andi Csontos and Rebecca Dabbs (Partner, EHS CCASS); Yolande Foord, Partner EY, People Advisory and executive remuneration.

EY acknowledges the existing body of work which is referenced throughout and existing reporting standards and industry body guidance that has set the basis for this paper.

EY is committed to contributing to progressing better health and safety performance reporting as one way of improving worker health and safety outcomes. The information and framework in this report are of a general nature and are not intended to address the objectives or needs of any particular individual or entity. EY recommends that appropriate professional advice is sought in order to conduct a thorough examination of health and safety performance needs relevant to the industry, location and company context.

We would also like to acknowledge the input from:

- Dr Tristan Casey – Lecturer and Researcher, Safety Science Innovation Lab, Griffith University
- Dr Kirstin Ferguson – Non-Executive Director, SCA Property Group Limited
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- AusNet Services Limited
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- Boral Limited
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- Domino's Pizza Enterprises Limited
- DuluxGroup Limited
- Invocare Limited
- James Hardie Industries Plc
- Mirvac Group
- National Australia Bank Limited
- New Hope Corporation Limited
- Nufarm Limited
- Orica Limited
- Origin Energy Limited
- Qantas Airways Limited
- QBE Insurance Group Limited
- Rio Tinto Limited
- Sims Metal Management Limited
- Super Retail Group Limited
- Sydney Airport
- Viva Energy Group Limited

FOREWORD



Louise Davidson
Chief Executive Officer

As long-term investors, ACSI and our members have a strong interest in supporting better health and safety of workers in Australian companies. For many years investors have viewed health and safety as clearly linked to the quality of management of a company, its operational performance and its culture.

Our primary concern is reducing the tragic human consequences of unsafe working environments. It is a sobering fact that there were 23 workers killed in ASX200 companies in 2018. Across the broader economy, according to Safe Work Australia, 144 Australian workers were killed at work in 2018. Sadly, despite many years of focus from boards of Australian companies, serious health and safety risks remain a feature of many Australian workplaces.

We have engaged with companies on health and safety performance for many years. Each year, we collect data on health and safety from company reports as part of our annual survey of ESG reporting. This work demonstrates the gap in current ASX200 disclosures on health and safety. Almost one third of ASX200 companies provide their investors and other stakeholders no information on

health and safety performance. For the companies that do provide some information, the disclosure often provides no insight into how many severe incidents occurred, leaving investors in the dark about where systemic health and safety risks might exist: the most frequently used health and safety indicators (LTIFR and TRIFR) do not distinguish between severe injuries or illnesses (permanent impairment) and minor ones (for example, cuts) and generally do not include fatalities.

To address this gap, we commissioned EY to conduct research into the current state of health and safety reporting, and to propose a framework for better public reporting on health and safety. In our view, better disclosure includes:

- Information on the company's overall approach to health and safety management
- Reporting of any fatal incidents involving employees, contractors or members of the public
- Reporting relating to the severity of incidents, illnesses and injuries (both actual and potential).

We will use this framework in our ongoing engagement with companies, to encourage companies to provide more meaningful and targeted health and safety disclosure. Over time, it is our intention that this research will contribute to healthier, safer Australian workplaces.

A handwritten signature in black ink, appearing to read 'Louise Davidson'. The signature is fluid and cursive, with a large initial 'L'.

Louise Davidson
Chief Executive Officer

EXECUTIVE SUMMARY

This report presents the findings of our research into ASX200 health and safety disclosures and introduces a guide to promote better health and safety reporting. The guide was developed following interviews with ASX200 health and safety executives and independent health and safety experts, consultation with investors, and analysis of current health and safety reporting across the ASX200.

Current disclosure on health and safety across the ASX200 shows wide variation in maturity. While our interviews revealed extensive internal health and safety data collection at many companies, often this information is not communicated effectively to investors. Overall, public reporting does not currently provide a clear picture of how companies are managing health and safety. Better reporting is required for companies to demonstrate to investors that they are managing health and safety effectively, and for investors to assess related investment risks.

KEY FINDINGS

- **34 per cent of ASX200 companies did not disclose** any health and safety information.
- **Information on fatalities was often difficult for investors to find.** There is no requirement to report fatalities publicly or in a consistent way.
- **Contractors were over-represented in fatalities** (16 of the 23 reported deaths in 2018) but not always included in public reporting.
- **Reporting on the severity of incidents was limited**, which makes it difficult for investors to assess their materiality. Only 14 companies reported a severity indicator publicly.
- Only 17 companies reported information on **occupational health**.
- Company remuneration reports often fail to explain in adequate detail the **link between safety performance and executive pay**.
- There were **inconsistencies in calculation methodologies, definitions and reporting boundaries**. This is understandable as companies adapt reporting to fit their own businesses. However, clarity of reporting could be improved.
- Some companies had **limited qualitative disclosure on material health and safety risk profile** and the effectiveness of risk management approach.
- Some companies reported **initiatives on mental health**, but efforts appeared to be in early stages and were not always focused on the cause of mental health risk.

ACSI GUIDE TO BETTER HEALTH AND SAFETY REPORTING

In response to gaps in current health and safety reporting, ACSI has worked with EY to produce a framework to help companies provide investors targeted and meaningful information about their approach to health and safety and to support investors to understand the complexities in health and safety and ask better questions of companies.

Crucially, we are not advocating a 'tick the box' approach. Instead, we provide a principles-based approach: companies should decide how best to describe their health and safety risks and management of those risks, using the framework to guide decisions on disclosures so that the information produced is relevant to investors and other stakeholders.

The framework differs from traditional, indicator-led approaches to health and safety reporting in that it emphasises four key themes underpinning health and safety management (section 4.1). The four themes of **health and safety management** are:

- health and safety leadership
- health and safety risk management
- people capability
- assurance and continuous improvement.

Reporting on these themes enables investors to assess the longer-term trajectory of the health and safety performance of the company.

Good practice **incident reporting** (section 4.2) focuses on the most material incidents. At a minimum, companies should:

- report any fatal incidents involving employees, contractors, or members of the public
- provide disclosure relating to the severity of incidents, illnesses and injuries (both actual and potential).

Effective incident reporting allows investors to gauge how well health and safety management systems are working.

Specific disclosures or measures are provided as examples only and we strongly recommend companies use the **principles** of materiality, relevance, reliability and comparability (section 4.3) to determine qualitative and quantitative measures that will best help them monitor and communicate the effectiveness of their health and safety risk management effort.

WHY INVESTORS NEED BETTER CORPORATE HEALTH AND SAFETY REPORTING

Above all, workplace injuries, illnesses and fatalities have clear human costs. There are also well-established direct and indirect financial costs to businesses associated with poor safety management. Conversely, there is a growing

body of evidence that stronger corporate health and safety cultures are associated with improved long-term financial returns as well as stronger reputation and management of human and regulatory factors. For investors to be able to work constructively with companies to improve health and safety outcomes, companies must provide information allowing investors to understand how (and how well) health and safety are being managed.



BACKGROUND TO THIS REPORT

1. INTRODUCTION

Most companies recognise the importance of health and safety, both for their workers and for the positive impact on the operational performance of the business. This has historically led to health and safety performance reporting and analysis that is driven by internal needs to understand and address risks specific to the business.

Approximately two-thirds of ASX200 companies disclosed health and safety performance data in their publicly available reports in 2018. However, reporting is varied and inconsistent, both in what is measured and how it is measured and reported. Investors, as a key stakeholder, can find it difficult to assess how well companies are managing health and safety and thus such reporting contributes little to informed investment decisions.

Over the past five years there has been a real change in the willingness of companies to participate in a discussion about improving health and safety performance reporting.¹ The push for better health and safety reporting is multi-faceted.² Investors are now placing greater emphasis on 'non-financial' indicators as longer-term value drivers, including more comprehensive health and safety reporting from companies.³ As ASIC Chair James Shipton notes, *'the truth is that all risk ultimately has financial consequences.'*⁴ This is certainly true for safety: workplace injuries, illnesses and fatalities have direct and indirect financial costs to businesses: workers' compensation premiums and payments, lost productive time, investigation and legal costs, regulatory costs, employee engagement and retention, remediation costs, and loss of social licence to operate.⁵ Moreover, there is evidence that safety performance may 'provide a window into company management quality',⁶ and there is a growing body of evidence that stronger corporate health and safety cultures are associated with improved long-term financial returns.⁷

From a company perspective, there are clear legal, financial and strategic reasons for business investment in safety.⁸ On the regulatory side, recent changes in state legislation⁹ are driving re-examination of internal health and safety

performance reporting to support due diligence obligations for company officers. Central to this is the role of unions in advocating for reduction of injury and illness in the workplace. They are an important part of Australia's health and safety landscape and play a central role in monitoring health and safety performance. Through their members, unions have insight into everyday health and safety risks, and have contributed to the introduction of health and safety standards and legislation, including at the state, territory and federal levels, and continue to assist in the implementation of these standards and laws. Reporting guidance such as the GRI Standards¹⁰ and various industry bodies guidance has evolved to emphasise more robust and relevant health and safety reporting. Collectively these influences demonstrate that the focus and demand for improved health and safety performance reporting is strengthening.

1.1 The aim of this report

This report aims to improve health and safety reporting in Australia by promoting and informing a conversation between the ASX200 and investors and introducing a framework that will help companies select meaningful health and safety indicators to report to investors and other stakeholders (section 4). The framework will help investors to:

1. Ask more targeted questions about health and safety.
2. Begin to set a benchmark for better practice health and safety reporting.
3. Better assess companies' health and safety performance when making investment decisions.

The framework supports a common foundation for more transparent and consistent health and safety performance reporting. We believe that over time it will lead to improved health and safety outcomes for Australian workers and better long-term financial returns.

¹ Interview with Sharron O'Neill. 13 September 2019; interviews with ASX200 company health and safety experts.

² See O'Neill, S., Wolfe, K. *Measuring and reporting on work health and safety*. Canberra, Safe Work Australia, 2017.

³ EY 2018 investor survey 'Does your nonfinancial reporting tell your value creation story?'

⁴ *Speech* by James Shipton, Chair, ASIC, to the Australian Institute of Company Directors, October 2019.

⁵ See, e.g., Safe Work Australia, *Business Case for Safe Healthy Productive Work* (2014), p. 25.

⁶ Citigroup, *Safety Spotlight* (2017). The authors note that these insights require relevant reporting (for example, in relation to productivity, days lost due to injury).

⁷ Fabius R, Thayer RD, Konicki DL, et al. 'The link between workforce health and safety and the health of the bottom line: tracking market performance of companies that nurture a culture of health' *J Occup Environ Med*. 2013;55:993–1000.

⁸ O'Neill, S. et al., *The Business Case for Safe, Healthy & Productive Work*. Canberra, Safe Work Australia, 2014.

⁹ Industrial manslaughter laws are currently in place for Queensland (2017) and ACT, proposed for Victoria and the Northern Territory and in discussion for Western Australia. This law makes it an offence for a person conducting a business or undertaking (PCBU), or a senior officer, to negligently cause the death of a worker.

¹⁰ Global Reporting Initiative (GRI) Sustainability Reporting Standards, 2018, GRI 403: Occupational Health and Safety.

2. METHODOLOGY AND APPROACH

2.1 Research process

The research was undertaken through three streams of work:



Desktop review

Desktop review of relevant research and academic literature to identify indicators that are associated with improved safety outcomes for workers, including guidance documents and reports published by influential industry bodies and global standards: Safe Work Australia, Sustainability Accounting Standards Board (SASB), the International Council on Mining and Metals (ICMM), Occupational Safety and Health Administration (OSHA), International Association of Oil and Gas Producers, Chemistry Australia, Global Reporting Initiative (GRI) Standards, and the Australian Constructors Association.



Analysis of current health and safety reporting

Analysis of current reporting standards as well as annual safety data for ASX200 companies to assess the 'current state' of safety reporting in Australia. This data was extracted from publicly available company annual reports and/or sustainability reports. The data included was publicly reported in the 12 months up to 31 March 2019, covering the 2018 reporting period for most companies.



Stakeholder engagement

Consultation with company executives and directors across the ASX200 as well as leading industry experts to gain a comprehensive understanding of health and safety reporting across the ASX200. Care was taken to select interviewees from a range of industries to gain exposure to sector-specific nuances. Consultation with a number of health and safety reporting experts was also undertaken to corroborate findings and test the proposed framework.

2.2 Development of a future state framework

Insights from the above streams of work allowed us to complete a comprehensive analysis of the current state of health and safety reporting (set out in section 3). We then developed our future state framework in three steps:

- We used our analysis of the gaps in current reporting combined with the views of health and safety experts to establish what health and safety information should be reported publicly. We structured this around the four key themes of health and safety information that emerged as being relevant to all companies and sectors.
- We then set out the types of questions investors will ask in order to understand how companies are managing each theme. Examples of qualitative and quantitative indicators are included as examples for how companies might demonstrate their management of each theme. The indicators are provided for guidance and the framework should not be seen as prescriptive. Companies should decide how best to describe their management of health and safety and draw on the example indicators where they provide relevant insights.

In response to the shortcomings with current health and safety reporting, we established a set of principles for how health and safety should be reported: materiality, clarity, reliability and comparability.

2.3 Limitations

Views from C-Suite level executive interviews were not conducted due to project constraints. Some stakeholder references to limitations or challenges in reporting are anecdotal as they were obtained through interview.

THE CURRENT STATE OF HEALTH AND SAFETY REPORTING

3. RESEARCH FINDINGS

Health and safety measurement and reporting is well established. Publicly available information on health and safety performance is typically found in sustainability or annual reports with additional risk and performance information produced for internal use.

The following insights were drawn from our review of the publicly available health and safety data and disclosures across the ASX200 in 2018:

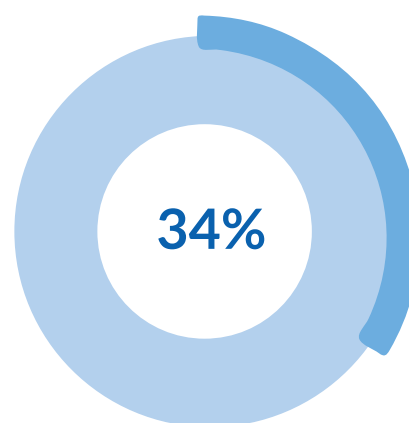
- A wide variety of health and safety indicators were presented (3.1)
- Reporting of fatalities was inconsistent (3.2)
- There were inconsistencies in the selection and presentation of indicators (3.3)
- Companies were starting to measure the severity of injuries and illness (3.4)
- A minority of companies reported publicly on employee health (3.5)
- Approaches to health and safety-linked remuneration varied between companies (3.6)

Stakeholder interviews with ASX200 companies provided a deeper understanding on the decision making around public health and safety reporting. Inclusion of indicators other than lost time injury frequency rate (LTIFR) or total recordable injury frequency rate (TRIFR) was often limited by concerns over data quality and for some companies the use of inadequate systems which required a high degree of manual effort. Qualitative disclosure on health and safety was also limited for some companies, including disclosures on material risk profile, risk management approach and its effectiveness. Exploring the reasons for this, we noted that some companies did not consider that no or limited disclosure would be perceived negatively by investors. Another contributing factor was public report space restrictions, however this may be less of an issue for those companies that have begun to develop online reports.

3.1 Indicators reported publicly by the ASX200

Our research found that 34 per cent of ASX200 companies disclosed no health and safety information, including eight companies that pay executive bonuses based on health and safety outcomes (**Figure 1**). This apparent lack of publicly disclosed data is in direct contrast to the significant internal reporting described in our stakeholder interviews. Importantly, this lack of external reporting is out of step with investor expectations that companies describe material health and safety risks, and how they manage them.

Figure 1: Proportion of ASX200 that did not disclose any health and safety information (in 2018).



Across the ASX200, a total of 60 health and safety indicators were reported. The most commonly reported indicators were the traditional lag indicators: LTIFR, reported by 95 companies, and TRIFR, reported by 71 of the ASX200 respectively. Both LTIFR and TRIFR convey a limited amount of information about health and safety management.

LTIFR is a traditional indicator that has been incorporated into recognised 'safety performance reporting' standards such as Worksafe Australia National Standard AS1885, and the US Occupational Safety and Health Administration (OSHA) detailed guidance for injury and illness recordkeeping rule.¹¹ LTIFR is not a true measure of injury or illness but rather a productivity indicator because it reports the number of incidents that have resulted in lost productivity.¹² LTIFR only captures a subset of injuries, and does not represent severity of injuries or illnesses, particularly those where no time is 'lost'. LTIFR does not provide a complete picture of safety performance, nor does it provide a complete picture of safety risk. A low LTIFR does not necessarily mean that a company is 'safer', or risk is reduced. Despite being widely recognised as an insufficient indicator of health and safety performance it continues to be used for a variety of reasons (see Definitions section).

TRIFR is a newer indicator that includes a broader scope of injury and illness incidents than LTIFR. It captures injury and illnesses requiring treatment that is considered 'recordable' by the company. TRIFR has been an internal reporting metric for many companies for over 15 years, but more recently has been elevated to executive, board and public reporting due to increasing awareness of the insufficiency of 'LTIFR'. Importantly, definitions and

inclusion of what is 'recordable' varies greatly between companies and may include but is not limited to: fatality, lost time incident, restricted work incident and medical treatment incident. As with LTIFR, TRIFR is still a count of the number of incidents and does not account for the severity of injuries or illnesses captured. The reasons for its continued prevalence are similar to those associated with LTIFR (see Definitions section).

Both LTIFR and TRIFR focus on high frequency low consequence injury and illness incidents and ignore impacts of low frequency high severity injury and illness outcomes.¹³

Thirty-two of the 60 indicators reported by ASX200 companies were incident-focused indicators, either on an injury or illness or more broadly on an incident; 27 relating to personal injury or illness and 5 relating to an incident other than injury or illness. Companies report these to complement or as an alternative to LTIFR and TRIFR. **Figure 2** shows the incident-focused indicators reported excluding LTIFR and TRIFR. Medical treatment, near miss and occupational exposure/disease rates are the most common indicator disclosed after LTIFR and TRIFR by the ASX200 along with a variety of unique injury frequency rates.

¹¹ OSHA regulations (Standards – 29 CFR) <https://www.osha.gov/laws-regs/regulations/standardnumber/1904>

¹² O'Neill, S., Martinov-Bennie, N., Cheung, A., & Wolfe, K. (2013). *Issues in the measurement and reporting of work health and safety performance: A review*. Sydney: Macquarie Lighthouse Press.

¹³ Hopkins, A. (1994). *The Limits of Lost Time Injury Frequency Rates. Positive Performance Indicators for OHS: Beyond Lost Time Injuries*. Canberra: Australian Government Publishing Service, Commonwealth of Australia; Hopkins, A. (2005). *Safety culture and Risk: The Organisational Causes of Disaster*, Sydney: CCH Australia Ltd.

Figure 2: Incident-focused indicators reported excluding LTIFR and TRIFR reported in 2018. The area of each coloured rectangle corresponds to the number of ASX200 companies reporting a given indicator.



Figure 3 presents sectors with limited health and safety performance disclosure. Note that it excludes the following sectors that had no companies not reporting health and safety indicators or only reporting LTIFR, this includes: utilities; transportation; capital goods; food & staples; pharmaceuticals, biotechnology & life sciences; and household & personal products.

Figure 3: Sectors with limited health and safety disclosure

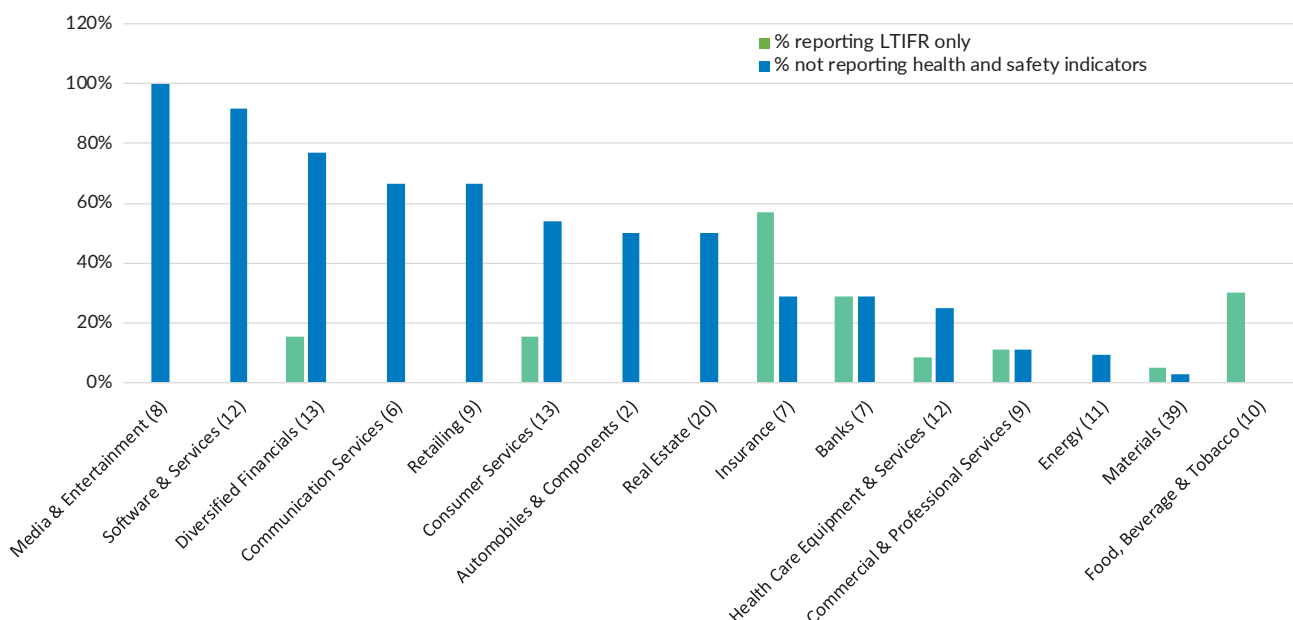


Figure 4 shows companies, by sector, reporting health and safety indicators. Encouragingly, many companies in sectors generally considered to have higher health and safety risks are now reporting a wider range of health and safety indicators. The most frequently reported 'Other' indicators are included in **Figure 5**, which shows a continued focus on injury and illness.

Figure 4: Portion of companies, by sector, reporting various health and safety indicators

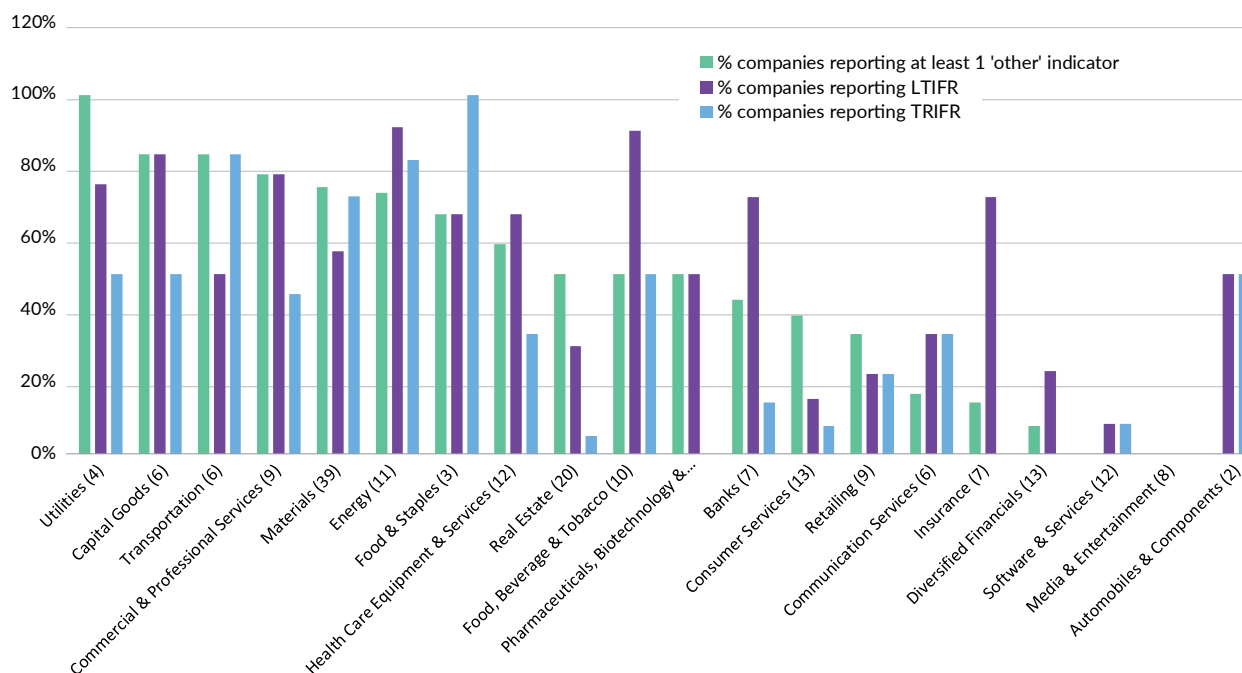
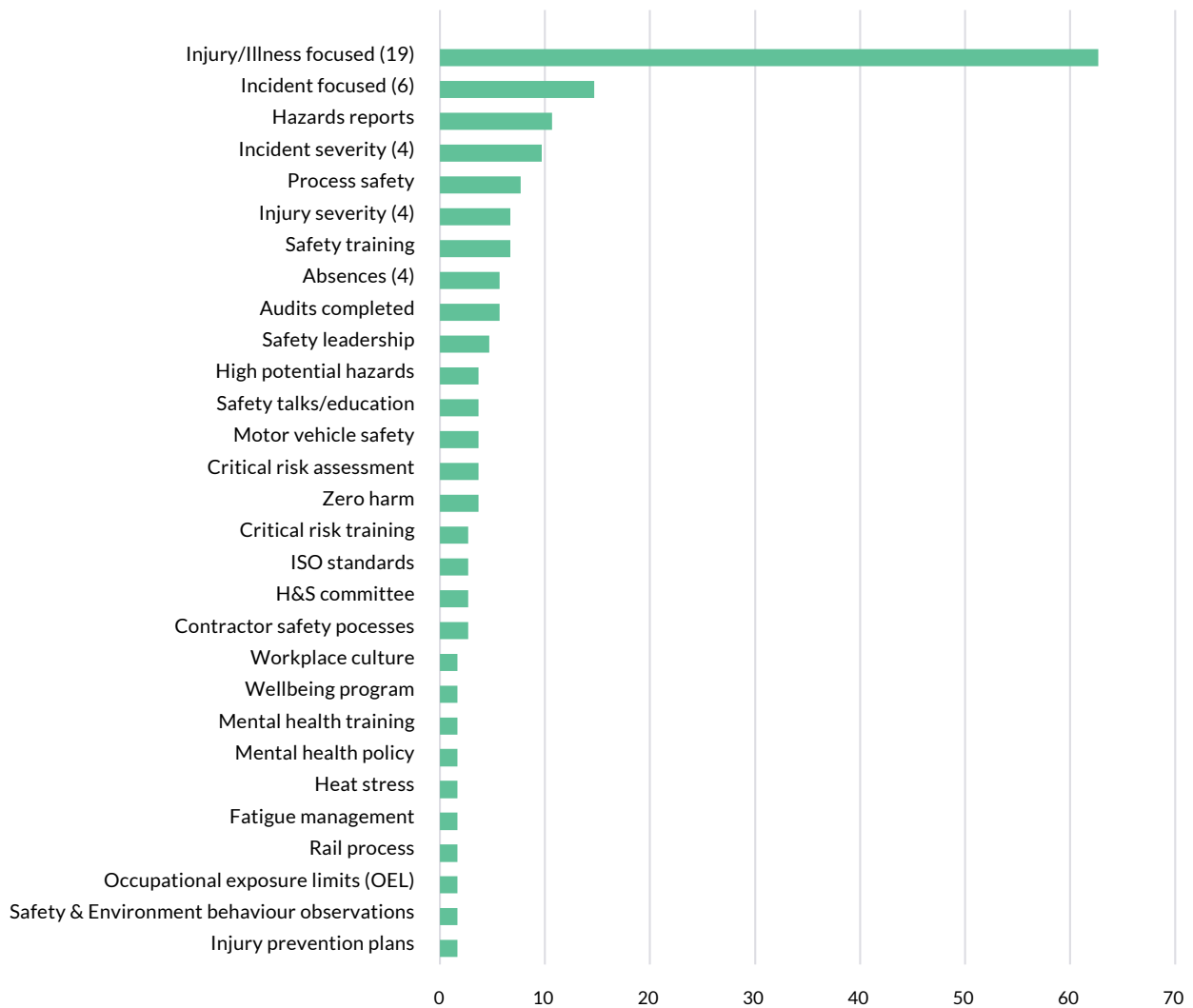


Figure 5: Number of times ASX200 companies reported an indicator other than TRIFR or LTIFR grouped by indicator theme in 2018.



3.2 Reporting of fatalities is inconsistent

As ACSI has previously reported,¹⁴ there is no requirement to report fatalities to the market. Instead companies report to state-based agencies and requirements may vary by sector, making information on fatalities difficult to find. In 2018, 32 per cent of ASX200 companies did not explicitly state whether they had a fatality during the period. Of the remaining 68 per cent of companies that did explicitly disclose fatality data (including noting zero fatalities), there was a notable variation in the location of this information. It was found variously in the 'chairman's letter', sustainability report, company annual report, annual general meeting speech or ASX announcement.

Twenty-three people died in workplace fatalities across the ASX200 in 2018. Sixteen (70%) of these fatalities were contractors (**Figure 7**). Contractors are significantly overrepresented in fatality data but underrepresented in company health and safety reporting. This appears to relate to the reporting boundary drawn by some companies which focuses on employees and excludes contractors. The high incidence of contractor fatalities suggests that the safety practices of companies are not fully translating to their contracting workforces. The Materials sector had the highest number of companies reporting a fatality (seven companies) and the highest number of overall fatalities of any sector (14 fatalities).

There should be a requirement for listed companies to report any fatalities in their workplace (including employees, contractors, and members of the public) to the market. While the information is collected by state-based agencies, it can be difficult to locate and is not readily publicly available. We are concerned about the lack of transparency about workplace deaths: aside from obscuring the human impact, it may hamper the identification of systemic risk.

Figure 6: Proportion of ASX200 companies disclosing fatalities (including zero fatalities) in 2018.

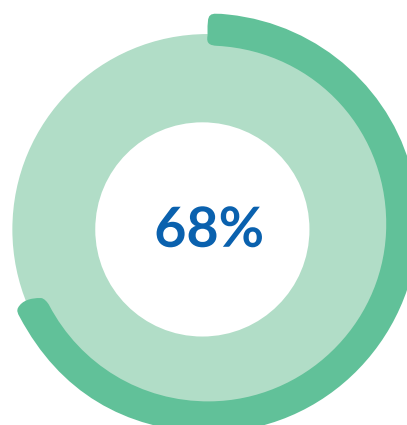
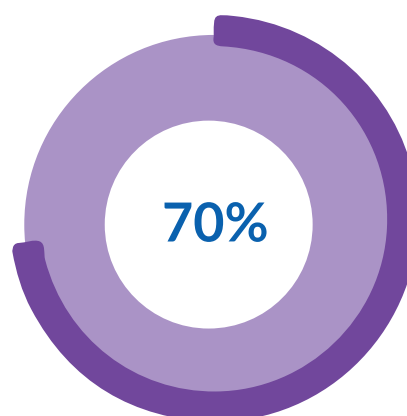


Figure 7: Proportion of fatalities who were contractors in the ASX200 in 2018.



¹⁴ ACSI, ESG Reporting by the ASX200 (August 2019).

3.3 Inconsistencies in the selection and presentation of indicators

Our review identified significant inconsistencies in the selection and presentation of health and safety information. Many investors and companies seek to benchmark against peers, which is made difficult when they cannot compare 'apples with apples'.¹⁵ Whilst comparability is helpful for investors and company benchmarking, we note the limitations of proposing a standardised set of indicators rather than transparent reporting based on material health and safety risks.

Interviewees reported following a wide range of guidance documents and standards, including: the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI) Standards, Safe Work Australia, and the Occupational Safety and Health Administration (OSHA) guidance.

Without regulation, as exists for financial statement reporting, inconsistency is understandable and is reflected as a challenge across all non-financial reporting.¹⁶ Some companies used industry-specific guidance materials such as those provided by the International Council on Mining and Metals (ICMM). In addition, variation in reporting could be influenced by multi-jurisdictional reporting requirements and the company's own board requirements.

The variation is particularly evident in the determination of reporting boundaries. In 2018, only 19% of ASX200 companies disclosed whether contractors were included in their LTIFR or TRIFR (or both) figures. The rest did not disclose contractor injury rates or did not indicate whether contractors were included in their data. Companies in the transportation (67%; n=4/6), energy (55%; n=6/11) and utilities (50%; n=2/4) sectors are most likely to report on contractors.

Companies should disclose health and safety data in relation to both employees and contractors, and, where possible, provide separate data on each group. Transparency on the criteria and boundary used is critical for accurate interpretation of disclosures.

3.4 Companies are starting to report the severity of injuries and illness

While many interviewees acknowledged the need to move beyond traditional lag indicators and to include measures of severity within their reporting frameworks, only 14 reported a severity measure publicly.

A severity measure provides disclosure relating to the impact of an incident, reflecting 'how much harm' was realised (actual) or could have occurred (potential). Importantly, a severity measure may relate to either an incident and its circumstances (work environment), or to the degree of human harm i.e. injury or illness. The latter is more commonly referenced; however, both are equally important for understanding the extent of damage or harm that arises as a consequence of failure.¹⁷

The reporting of severity measures is beneficial for investors as it provides a better indication of the impact of actual events and can provide insight into the effectiveness of risk management activities. Multiple severe incidents are more likely to indicate a material regulatory, reputational and investment risk. DuluxGroup Limited provided the example of how a severity indicator may provide better context and insight into magnitude of impact to people and the company than a Lost Time indicator: *'the individual may be off work for two days (LTI) but on restricted duties for four weeks. The two days has little operational relevance compared with the four weeks. The impact on the individual and the business are the more crucial components to consider'*.¹⁸ From a financial perspective, the greatest costs to employers often originate from more severe incidents or injuries.¹⁹

¹⁵ Interview: Sean Walker, Ian Hosegood, Peter Prasad. Qantas Airways Limited (1st August 2019).

¹⁶ Kotsantonis, S. and Serafeim, G. (2019), 'Four Things No One Will Tell You About ESG Data'. *Journal of Applied Corporate Finance*, 31: 50-58. doi:10.1111/jacf.12346. The authors found over 20 different ways that companies reported their health and safety performance.

¹⁷ See O'Neill, S., Wolfe, K. *Measuring and reporting on work health and safety*. Canberra, Safe Work Australia, 2017.

¹⁸ Interview with Tim O'Connell - Safety & Sustainability (S&S) Group Lead, DuluxGroup Limited.

¹⁹ Citigroup, *Safety Spotlight: ASX100 Companies & More*. Citi Research. 2016.

3.5 A minority of companies reported publicly on employee health

Seventeen ASX200 companies reported publicly on occupational health performance. The majority of these focused on the lag indicator of occupational disease or incidence rate (10). Four²⁰ companies reported positive performance health indicators, such as training relating to fatigue, heat stress, wellbeing and mental health. Some companies with more significant health exposures set health targets publicly which drives greater transparency and accountability. BHP Group Limited notes that *'Public targets are driving reporting disclosure, with our focus areas driven by materiality. Public targets, particularly related to the prevention of long-term health impacts through exposure reduction, being externally disclosed supports a focus on these things and supports investment in initiatives to drive the outcome. It helps to hold people to account'*.²¹

Occupational health historically related to the environmental determinants of disease, over which the company has greater control and responsibility. Occupational health is unique in that there is often a long latency between occupational hazards and health outcomes, which makes causality harder to demonstrate.²² This is further complicated by the fact that many health outcomes are influenced by a variety of factors outside the workplace.

An increased focus on total employee health including both physical and psychosocial risks, and social wellbeing, has expanded the scope of health considerations for companies. We noted a number of qualitative disclosures related to health and wellbeing initiatives in the ASX200. Companies as well as investors are increasingly aware of psychosocial risks and the importance of having a positive impact on the mental and physical health of employees to harness the benefits of a healthy workforce – more innovation, creativity and better customer outcomes. We anticipate with company maturity and understanding of the interrelationship between physical, psychological and operational factors affecting the health and safety of workers, that the prevalence and robust nature of psychological health-related reporting will increase in the future.

A forward-looking discussion of mental health reporting is in section 5.2.

3.6 Approaches to health and safety-linked remuneration varied between companies

Remuneration is an important factor in setting a strong health and safety reporting culture, helping to signal what a company measures and values.²³

Eighty-five companies disclosed in public reporting that they link health and safety performance to executive remuneration, and health and safety accounted for between 5% and 25% of the total short-term incentive for executives. Interviews highlighted a strong focus on injury frequency rates (primarily TRIFR and LTIFR) within remuneration scorecards. Almost all companies explicitly linking pay to health and safety did so in their short-term incentive. Across the ASX200, four companies disclosed some form of health and safety performance criteria for long-term incentive plans. Fifteen companies also considered some aspect of health and safety culture and leadership in their remuneration frameworks.

Of the 85 reporters, half stated that the health and safety component of remuneration was awarded in part. A further 19 companies reported that the health and safety component of remuneration was awarded in full. Of the 67 companies that did not disclose health and safety information in public reporting, eight paid executive bonuses based on health and safety outcomes.

Of the 67 companies that did not disclose health and safety information, eight paid executive bonuses based on health and safety outcomes.

There is established market practice incorporating health and safety in remuneration frameworks, including in balanced scorecards, or as gateways. ACSI supports the use of 'non-financial' measures in remuneration. Like financial measures, the hurdles must be objective, transparent, measurable and truly at risk.

Where disclosure on safety targets and performance is limited or unclear, it is difficult for investors to determine whether health and safety performance aligns with the remuneration outcomes, and whether the health and safety performance targets are appropriately challenging.

²⁰ One company had two indicators; occupational exposure limits and occupational disease rate.

²¹ Interview: Rob McDonald, Vice President Health and Hygiene, BHP Group Limited (5th July 2019).

²² International Council on Mining and Metals. *Overview of leading indicators for occupational health and safety in mining*. 2012.

²³ The use of non-financial indicators in executive remuneration is becoming more common among ASX200 companies. This trend reflects both investor demand and regulatory guidance: See e.g. APRA's Discussion Paper: Strengthening prudential requirements for remuneration (July 2019), which includes for consultation APRA's proposal focused on non-financial risk performance indicators in remuneration.

Interviews revealed differing views from companies on how best to address health and safety through remuneration. Some experts felt that linking health and safety indicators to remuneration can drive an increased focus from executive leadership on health and safety priorities. For example, it can lead companies to prioritise education of their leaders in health and safety and increase interest in health and safety actions and outcomes across the company. Indicators linked to remuneration should drive the right behaviours at executive level to support effective management of health and safety risks. Regular reviews of executive remuneration structures are necessary to ensure that remuneration continues to align with health and safety strategy and organisational priorities.

Some stakeholders were more cautious about the benefits of including a safety measure in remuneration.

For example, some experts highlighted the risk that executives may be incentivised to change reporting processes to improve perceived outcomes, rather than to reduce physical risk.²⁴ More fundamentally, some argued that including safety as a measure in executive pay may undermine its importance. Boral Limited's 2018 Annual Report notes that *'safety is considered so fundamentally important that there is a strong belief that safety should not be financially rewarded and therefore should not be a component of remuneration incentives.'*²⁵ Instead, safety management is taken into consideration in performance reviews and performance management at Boral Limited.

Where a company chooses not to incentivise health and safety through remuneration, but nonetheless states that safety is a priority, investors need enough information to be able to assess whether the company's actions and disclosure support this claim.

²⁴ See e.g. Harris, M., & Tayler, B., Don't let metrics undermine your business. Harvard Business Review. September-October 2019. <https://hbr.org/2019/09/dont-let-metrics-undermine-your-business>. This article explains how a company can 'lose sight of its strategy and instead focus strictly on the metrics that are meant to represent it.'

²⁵ Boral Limited Annual Report (2018) p. 62.

THE FUTURE STATE OF HEALTH AND SAFETY REPORTING

4. FRAMEWORK FOR BETTER PRACTICE HEALTH AND SAFETY REPORTING

Recognising the limitations with current reporting on health and safety across the ASX200, this section presents a framework for better health and safety public disclosures. The framework aims to help companies provide investors targeted and meaningful information about their approach to health and safety, and to aid investors in interpreting and evaluating company health and safety performance reporting.

We recognise that nuances exist between companies and sectors. We expect that each company will disclose health and safety information that is relevant to its operational circumstances and level of health and safety systems maturity. In determining what information may be relevant, companies should consider their key risks (in line with risk assessment frameworks), guidance from industry associations, relevant unions, and health and safety organisations.

A mature health and safety management system will *'measure and address outcomes rather than simply outputs'*²⁶ that is, a mature system measures how successfully an activity has changed behaviour or outcomes, rather than just whether an activity has occurred. ACSI recognises that health and safety performance indicators should mature as management of health and safety evolves. We also believe that gradual improvement of disclosure over time is better than no disclosure. Building a mature health and safety model takes time, and ultimately involves developing measures that are meaningful and relevant for their operating and organisational context, rather than relying on traditional indicators (LTIFR and TRIFR).

ACSI's framework differs from traditional, indicator-led approaches to health and safety reporting in that it emphasises four key themes underpinning health and safety management, and highlights what investors need to understand in order to be comfortable that each theme is being addressed. It sets out detailed investor questions on health and safety management (section 4.1) and incident reporting (section 4.2). For each, it provides example qualitative and quantitative disclosures to support companies to demonstrate their management approach and performance.



²⁶ Interview: Duncan Spencer, Head of Advice and Practice, Institution of Occupational Safety and Health (17th July 2019).

Health and safety management themes:

- health and safety leadership
- health and safety risk management
- people capability
- assurance and continuous improvement.

Incident reporting covers:

- any fatalities
- the severity of an incident (both actual and potential)
- the severity of an illness or injury.

Crucially, we are not advocating for companies to take a 'tick the box' approach. Instead, we provide a principles-based approach where companies use the principles of materiality, clarity, reliability and comparability (section 4.3) to determine qualitative and quantitative disclosures that best describes their health and safety management and performance. Companies should avoid focussing narrowly on health and safety indicators, and instead consider how they might use indicators to demonstrate their overall approach to health and safety management and incident reporting.

4.1 Better practice health and safety management reporting

Reporting on proactive health and safety management provides investors a clearer picture of the longer-term trajectory of health and safety performance of companies. We have identified four themes that underpin well-functioning health and safety management systems:

- health and safety leadership
- health and safety risk management
- people capability
- assurance and continuous improvement.

These themes are widely recognised as central to a company's approach to managing health and safety.

Strong **health and safety leadership** ensures governance and commitment which is led from the top. Leadership plays a critical role in driving and promoting a strong health and safety culture through commitment, governance and is demonstrated through authentic and ethical leadership.

Robust **health and safety risk management** helps to focus a company's health and safety management system on

its most material risks. Better worker health and safety outcomes rely on effective management systems to identify and control health and safety risks. Material health and safety risks should reflect the full spectrum of health and safety risk (e.g. process safety, psychosocial, physical health, public safety, security etc.)

A focus on **people capability** contributes to better safety outcomes throughout the company at all levels. A person (worker or contractor) must have the skills, demonstrated capability and experience (competency) to perform their work and make decisions independently, including an understanding of health and safety impacts and controls.

An effective **assurance program** demonstrates a company's willingness to test how robust and effective its systems are and its commitment to mature and **continuously improve**. Assurance programs include internal and external programs and are critical in identifying control weaknesses before harm occurs and remediation of actions to address the health and safety risk. Assurance programs should align with the company's material health and safety risk management priorities and support continuous improvement.

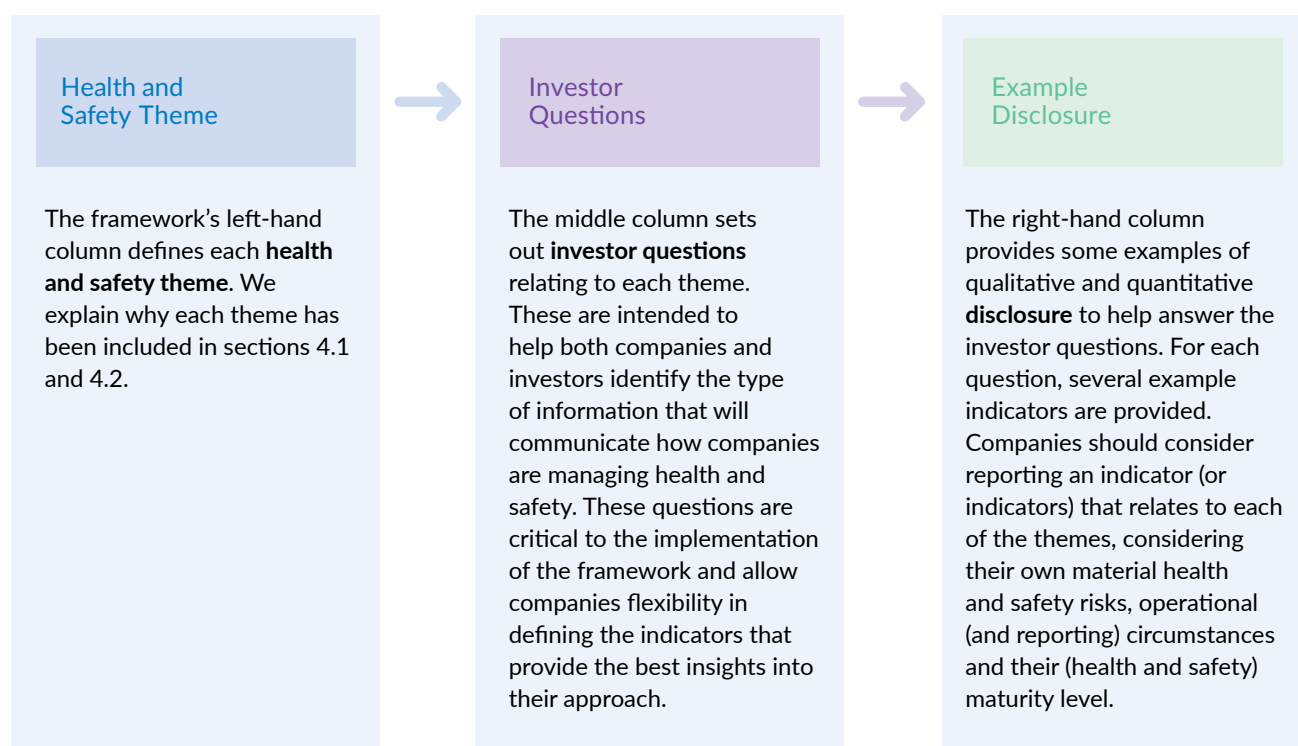
We acknowledge that health and safety culture is very important. This framework has consciously not defined health and safety culture as a separate theme, as we see the four inter-related themes as contributing to health and safety culture. We believe that companies that proactively drive a health and safety culture based on trust and openness will drive lawful, ethical, and responsible behaviours which should in turn lead to improved health and safety outcomes. Interviews with stakeholders highlighted an increasing focus on health and safety culture and the challenges in comprehensively measuring and reporting on it.²⁷

Table 1 below sets out ACSI's framework for reporting on health and safety management. As noted above, we do not expect companies to report on every example indicator included in the framework. Instead, companies should decide how best to describe their approach to health and safety, using the framework to ensure that the information produced is relevant to investors, and understanding that gradually improving disclosure is better than no disclosure. The investor questions relating to each theme are intended to help both companies and investors identify the type of information that will communicate how companies are managing health and safety.

²⁷ Companies may choose to measure and report on health and safety climate as a reflection of their culture. This type of disclosure requires regular assessment and consistency in reporting over a long period of time.

HOW TO USE THE FRAMEWORK

In practice, companies face time and space constraints on reporting. The example indicators are for guidance only. Companies must select the indicators that are most relevant for demonstrating health and safety performance within their business. Similarly, we do not expect all companies to report an indicator in relation to every investor question listed but rather to report against those areas that collectively will provide investors with the most accurate view of companies' approach to health and safety. We note that more reporting does not necessarily equate with better reporting.²⁸ Companies should be pragmatic in their reporting and keep in mind the principles of materiality, clarity, reliability and comparability (discussed in 4.3).



²⁸ O'Neill, S., Flanagan, J., Clarke, K. .2016. Safewash! Risk attenuation and the (Mis)reporting of corporate safety performance to investors. Safety Science 83:114-130. Doi: <http://dx.doi.org/10.1016/j.ssci.2015.11.007>.

Table 1: ACSI Health and Safety Disclosure Framework: Health and Safety Management

Health and Safety Theme	Investor Questions	Example Disclosure (qualitative and quantitative)
Health and safety leadership		
Leadership plays a critical role in driving improved health and safety and driving strong safety culture. Leadership should consistently and authentically engage with the workforce to inspire a sense of shared vision about health and safety.	What is the governance and oversight of health and safety?	Disclosure provides insight into overall accountability for health and safety including the structure, function, cadence and reporting. Example indicator or disclosure: Qualitative description of health and safety structure, responsibility and cadence at the most senior level (e.g. board)
	What is the overall health and safety leadership commitment?	Disclosure provides insight into the overall leadership commitment in to improve health and safety outcomes. Example indicator or disclosure: % of workers reporting positive perceptions of management of health and safety commitment (e.g. from an annual leadership-oriented survey) - Linking health and safety program performance reporting with the relevant executive program sponsor (accountable for the program) - Evidence that leadership survey results are incorporated into health and safety strategy and planning - Executive remuneration (if health and safety are criteria) should disclose alignment with the health and safety strategy and existing measures
	What is the overall health and safety leadership capability of managers and executives?	Disclosure provides insight into the overall leadership capability of managers and executives in relation to health and safety. Managers and executives hold the critical roles in responsibility and accountability of health and safety. Example indicator or disclosure: % of workers reporting positive perceptions of leadership capability for management of health and safety (e.g. from an annual leadership-oriented survey) - Performance outcomes of programs specifically designed to uplift health and safety leadership capability of managers and executives (e.g. from an annual leadership-oriented survey)
	How are leadership skills contributing to the company's health and safety culture?	Disclosure provides insight into how leaders are positively contributing to the company's health and safety culture. Example indicator or disclosure: - Key themes, results and programs from health and safety leadership or culture assessments - Outcomes of change through positive or appreciative inquiries

Health and Safety Theme	Investor Questions	Example Disclosure (qualitative and quantitative)
Health and Safety Risk Management		
Adequate and effective risk management processes and practices are in place to identify and control material health and safety risks.	Does the company have a systematic approach that manages material health and safety risks?	Disclosure reflects the overall approach to health and safety risk management, focusing on material health and safety risks across the company. Example indicator or disclosure: A qualitative description of the approach or framework for identifying, managing, monitoring and reporting material health and safety risks
	Is the company's material health and safety risk profile reflected in what is being measured and reported?	Disclosure provides comfort that the company's health and safety material risk profile is being reflected in what is being measured and reported. Material health and safety risks should reflect the company's most significant risks which for example could include fatal, catastrophic and/or low chronic exposure or high frequency risks. Example indicator or disclosure: - Summary of health and safety material risks for the company informed by the risk management processes in place. It should reflect the full spectrum of health and safety risk (e.g. process safety, psychosocial, physical health, public safety, security etc.) and mitigating measures in place to manage the risk - Statement showing how reported health and safety indicators directly relate to risks identified in risk register or risk management profile
	What controls are in place to manage material health and safety risks?	Measurement focuses on the identification, implementation and effectiveness of controls for health and safety risk management. Refer to assurance theme for control effectiveness verification. Example indicator or disclosure: - Critical controls (or equivalent) program implemented (% complete actual vs planned) - Occupational exposure monitoring results compared to exposure limits across workforce % of significant risks without high order controls (per the hierarchy of controls) - Refer to assurance and continuous improvement theme for control effectiveness verification
	What is the level of investment to manage material health and safety risks?	Measurement focuses on transparent reporting of planned and unplanned investment into management of health and safety. Example indicator or disclosure: - Safety, occupational health, mental health and wellbeing (planned) budget as % of total operational budget - Spend (\$) on new control measures that directly relate to material risks, with a focus on higher order controls - Reporting of analysis of return on investment on health and safety compared with improved productivity or financial outcomes (decreased injuries or restricted time, decreased absenteeism, increased production rates, comparison with industry specific rates or indicators etc.)

Health and Safety Theme	Investor Questions	Example Disclosure (qualitative and quantitative)
People Capability		
Having workers who are capable and competent to perform their everyday roles with an understanding of the health and safety impacts is a critical component in implementing an effective health and safety system.	How does the company assess and manage the competency of its workforce?	Disclosure provides comfort that the company's people are competent to perform their work in a way that supports positive health and safety outcomes. Example indicator or disclosure: ▪ Qualitative description on the key areas for training and competency for current and emerging workforce requirements ▪ Demonstrated commitment to ongoing compliance with competency frameworks across entire workforce at all levels (e.g. % compliance of workforce competent against training and competency matrix, which includes but is not limited to health and safety)
	Does the company invest in building worker capability?	Measures provide insight into the level of investment by the company into building and maintaining operational and health and safety capability. This could be reflected as time, money, people, other resources. Example indicator or disclosure: ▪ Investment in supervisor and frontline leadership training (number of people, hours, \$ spent per supervisor) ▪ Investment in training and competency aligned to health and safety risks and findings from incidents and assurance activities (e.g. training developed to address incident learnings)

Health and Safety Theme	Investor Questions	Example Disclosure (qualitative and quantitative)
Assurance and Continuous Improvement		
An effective assurance program includes internal and external assurance to manages material health and safety risks and drive continuous improvement.	Is there a clear framework for assurance that aligns with the material health and safety risks?	Assurance programs and findings publicly reported should focus on material health and safety risk management processes. Example indicator or disclosure: ▪ Qualitative description on the alignment of the assurance framework with material health and safety risks ▪ Results of internal or external audits on health and safety risk management processes (e.g. management system audit)
	How does the company manage the effectiveness of critical controls?	Measurement provides comfort that the company proactively identifies, implements and manages the effectiveness of critical controls to mitigate material health and safety risks. Example indicator or disclosure: ▪ Completion of critical controls (or equivalent) verification program (% planned vs actual) ▪ Close out of audit recommendations by hierarchy of controls and priority (% completed within agreed time frames, year on year) ▪ Reporting of the audit results and the correlation with related material health and safety residual risk rating
	Has the company received any regulatory breaches or penalties?	Disclosure clearly outlines any breaches or penalties received by regulatory bodies. Example indicator or disclosure: ▪ Number of breaches, penalties and responsiveness of company to manage and close corrective actions ▪ Responsiveness of company to verify control effectiveness of corrective actions
	Does the company undertake assurance activities over health and safety disclosures?	Recommendation 4.3 from the ASX Corporate Governance Principles and Recommendations states that a company should disclose its process to verify the integrity of any periodic corporate reporting (including sustainability reports). This may be done through internal or external verification activities. Example indicator or disclosure: ▪ Description of approach to verify the integrity of health and safety information including internal checks undertaken ▪ Inclusion of an external assurance statement covering key health and safety performance information

4.2 Better practice incident reporting

In addition to reporting relevant disclosures relating to their health and safety management, companies should continue to report health and safety incidents. Incident reporting allows investors to gauge the effectiveness of health and safety efforts. This research has highlighted that the majority of ASX200 health and safety reporting is incident-driven, focusing on injuries and illness (generally TRIFR and LTIFR). Many companies interviewed noted that traditional lag indicators such as TRIFR and LTIFR provide a historical record of health and safety.

This report strongly encourages companies to focus on severity measures in incident reporting. Severity measures focus on the impact of an incident, injury or illness. In contrast, TRIFR measures the number of incidents that have occurred, no matter how minor, and does not consider the impact to the person. As discussed in section 3, LTIFR measures loss of productivity and does not account for the severity of injuries or illnesses captured. Nor do these indicators capture near misses. Investors are more interested in ensuring that companies are managing the most material risks.

Effective incident reporting allows investors to gauge how well health and safety management systems are working. At a minimum, companies should:

- report any fatal incidents involving employees, contractors, or members of the public, and
- provide disclosure relating to the severity of incidents, illnesses and injuries (both actual and potential).

It is important to recognise that a company's definition of a 'health and safety incident' may extend beyond injury and illness to include process safety, public safety, security, equipment damage or a specific type of operational activity.²⁹ This broader boundary provides a more holistic view of material organisational health and safety risk and performance. Given the variability of company health and safety incident-focused indicators, reporting boundaries must be clearly defined in public reports.

Table 2 presents the three proposed areas of incident-focused lag indicators: fatalities, severity of incidents (both actual and potential), and severity of injury or illness outcomes).³⁰ The most commonly used indicators refer to 'High' consequence, 'Critical' or 'Serious' incidents, and reflect high risk or potential risk incidents for the company. The measurement of injury/illness severity should include chronic low-impact, high frequency incidents (e.g. high number of musculoskeletal injuries) to provide complete picture of impact. Reporting this way will enable investors to understand the number of times a person may have been killed or permanently disabled (for example) which is more important than knowing how often a person lost a day of work.

²⁹ Examples include: rail safety, level crossing incident, transport incident.

³⁰ See O'Neill, S., & Wolfe, K. *Measuring and reporting on work health and safety*. Canberra, Safe Work Australia, 2017. This paper outlines a framework for classifying injury and illness.

Table 2: ACSI Health and Safety Disclosure Framework: Incident Reporting

Incident Reporting Theme	Investor Question	Example Disclosure (qualitative and quantitative)
Fatalities	Have there been any fatalities associated with the company's activities?	Disclosure provides a count and context of each fatal incident and the actions taken by the company. This should include contractor fatalities and any fatalities involving members of the public associated with activities performed by the company.
Severity of incidents (Both realised (actual) and potential consequence of a health and safety incident)	What critical consequence incidents have occurred? (i.e., actual consequence that was classified as 'critical' or the relevant equivalent consequence such as 'high' or 'serious') What incidents occurred that had the potential to have critical consequences?	Measurement shows a description, count, or rate of critical incidents*. Actual or potential critical incidents should be reported as they may reflect material risks to the company. Refer to 4.1 Health and safety risk management. Example indicator: ▪ Actual critical incidents – number or count ▪ Potential critical incidents – number or count ▪ Initial and repeat actual/potential critical incidents – categorised and aligned to risk profile and business unit ▪ Comparison of potential vs actual incidents over time – focus on the relationship between the two * 'Critical' incident as a term may be replaced with 'high consequence', 'serious' or similar. This includes incidents such as process or equipment failures where a person could have killed or seriously injured (e.g. permanent disability). Companies will have their own definitions of severity, or may refer to external definitions and should be transparent about these.
Severity of injury or illness outcomes	How many illnesses or injuries did people experience and how severe was the harm?	Measurement considers the number of people impacted and the level of harm experienced. As injuries and illnesses may have a delayed onset, severity measures may be revised. Companies should note where severity measures have been revised over time. Example indicator: ▪ Total number of injuries and illness assessed by degree of impairment, for example: across Class 1 (permanent impairment), 2 (temporary impairment) and 3 (no impairment)³¹ ▪ Duration of impairment (e.g. for Class 1 and 2) ▪ Time spent away from usual duties or 'days away restricted or transferred' (DART)

³¹ O'Neill, S., & Wolfe, K. (2017). *Measuring and reporting on work health and safety*. Canberra: Safe Work Australia.

4.3 Reporting principles

Investors need to be able to critically analyse health and safety indicators to make informed decisions regarding company performance. This report has highlighted several shortcomings in current ASX200 reporting on health and safety. Reporting principles play an important role in driving better, more material and more reliable disclosures. Many companies within the ASX200 are already using reporting standards and principles such as GRI, AA1000 or SASB to guide measurement and disclosure. The principles set out

below are drawn from these standards and reflect reporting principles commonly suggested by industry bodies. These principles should be applied by companies when selecting, defining and disclosing the health and safety performance and should assist investors to evaluate the performance data provided. There is in any set of principles a tension in application and we acknowledge that comparability between companies is not always possible and should not be the primary driver for the selection of performance measures.

Table 3: Principles suggested to guide company disclosure and investor examination of health and safety performance indicators

Principle	Definition	Questions to aid application of these principles
 Materiality	The indicators should reflect information that is material (most important) to management decision-making.	- What are the company's material (most important) health and safety risks? - How does the company measure its management and performance against these material risks? - Do the indicators clearly link to the company's health and safety strategy and performance?
 Clarity	Health and safety indicators should be clearly defined and transparently disclosed so that those using them can interpret organisational performance. The boundary of each indicator should be determined and clearly articulate the level of control of the company has over outcomes.	- Is it easy to understand performance from reading the disclosures and indicators? - Is the relevant definition and supporting information presented in one location and in a format that is easily understood and clear? - Are the boundaries of the information clearly articulated?
 Reliability	Health and safety indicators must be free from error and free from bias through being sufficiently accurate, complete and reliable.	- What internal controls are in place over the reported metric to ensure accuracy and completeness? - Have performance measures and disclosures been internally or externally assured?
 Comparability	Health and safety indicators should be consistently measured to ensure comparability of organisational performance over time. Where changes are made the organisation should be transparent about this change. Comparability within a sector or industry is also desirable for investors and company benchmarking, however it should not override the focus on materiality and organisational context.	- Are the indicators providing insight about performance over time, including reflecting changes due to delay in illness or injury onset? - Are the boundaries of the reporting consistent and allow for comparison with other companies? - Does this indicator enable comparison with the performance of other companies within the same sector where practical?

Better reporters make use of graphics to support the interpretation of data, particularly trend data and performance against targets. Case studies can be helpful to support understanding but should not be a substitute for a description of overall approach or representative sample of performance for the company.

The public reporting of health and safety performance indicators may on occasion be driven by ethical

considerations as well as by regulations and guidance documents. This may apply particularly in instances of poor health and safety outcomes outside the traditional reporting boundary. For example, failing to report a contractor fatality at the company's worksite could have significant consequences for reputation and employee perception when uncovered, particularly if executives have received remuneration supposedly linked to health and safety performance.

5. EMERGING THEMES

The stakeholder interviews identified three additional themes that are regarded as growing in importance.

5.1 The role of industry groups

Stakeholders highlighted the importance of peer benchmarking and collaboration, and commonly refer to the work of their respective industry bodies as a platform for learning and support. Examples include the Financial Institutions Group (FIG), the International Council on Mining and Metals (ICMM), the Australian Constructors Association (ACA), and the Rail Safety Industry (RSI) group. Their work complements the research and guidance of companies such as OSHA. Not only is benchmarking important for guiding and maturing a company's health and safety strategy, it also enables companies to better understand the health and safety performance of prospective joint ventures (JV) or mergers and acquisitions to ensure their profiles are aligned. This is particularly important as JV performance is commonly integrated into the company's performance reporting.

Sector benchmarking should be performed with caution, however, as the health and safety risk profile of a company may fit across multiple sectors. For example, DuluxGroup Limited found that its risk profile aligned more closely with those in the retail sector rather than materials: 'Having a large retail arm, we don't necessarily compare that well to other materials companies on the ASX200 and need to seek out more meaningful comparison with other retail companies.'³² Comparisons become increasingly difficult with companies working internationally, where reporting standards can differ significantly.

5.2 Mental health

Work-related mental health claims, also known as psychological injuries, have become a major concern in Australian workplaces. Safe Work Australia estimates that 7,200 Australians are compensated for work-related mental health conditions annually, equating to around 6% of workers' compensation claims.³³ It is estimated that one in five people will experience mental illness in any given year.³⁴ This is concerning from a personal impact perspective and further presents implications for business performance.

Seventy per cent of companies interviewed for this report raised mental health as a challenging and evolving component of workplace health and safety, referring not only to compensation claims but also the direct correlation between poor mental health and workplace injury rates.

Mental health can be adversely affected by a variety of circumstances (or psychosocial hazards) in the work place, such as high job demand, low control, low support, and remote work. Recognising that individuals bring their whole selves to work, many companies are grappling with the question of whether psychological injuries should be seen as occupational or non-work-related illnesses. This can contribute to inconsistencies in disclosures and performance measures around mental health. Due to this uncertainty, most mental health measures collected internally are not reported publicly. Furthermore, companies are still dealing with the stigma of mental health, as individuals have concerns about confidentiality and consequences of reporting mental ill health.

Despite these challenges, many companies recognise the benefits of a mentally healthy workforce and have started monitoring and managing this as part of their health and safety activities. With this increased awareness of psychosocial risk in the workplace, companies are building targeted contingencies into their health and safety strategy. Some examples of current initiatives can be seen below in **Table 4**. Also highlighted are example indicators associated with psychosocial health.

³² Interview: Tim O'Connell, Safety and Sustainability Group Lead, DuluxGroup Limited (18th July 2019).

³³ Safe Work Australia. *Mental Health*. [Online] 29 July 2019.

³⁴ Australian Institute of Health and Welfare. *Mental health services in Australia*. AIHW. [Online] 16 July 2019.

Table 4: Example initiatives and indicators in psychosocial health

Current Initiatives	Psychosocial Health Indicators
- Tracking use of company Employee Assistance Program (EAP) and celebrating higher use as an indication of a positive culture (three of the 24 ASX200 companies interviewed) - Investigating absenteeism data to understand time off as a proxy for poor mental health - Monitoring human resource performance indicators such as productivity, staff retention or workers compensation claims - Staffing organisational psychologists - Including and monitoring responses to psychological risk in health and safety climate or engagement surveys	- Understanding the prevalence of mental health issues using employee engagement surveys, health and safety culture surveys, alignment surveys, or regular one-question pulse survey - The facilitation of focus groups to gather feedback on psychological health and safety and organisational climate around mental health reporting (e.g. EAP use, improvement rates, employee awareness) - The use of committee meetings to share information on psychosocial risk management processes (e.g. feedback, experiences, outcomes, improvement opportunities) - Return to work monitoring (e.g. number of workers returned to pre-work hours and duties after being off with a mental illness, recovery duration, trends and any relationship to initiatives and processes in place).

While these initiatives are helpful, it is critical for companies to understand and address the workplace causes of mental health as a preliminary management action. It would be expected that, with an increased focus on psychosocial risk in the workplace and the introduction of new standards such as the proposed International Standard 45003: Psychological Health and the Workplace, public reporting or illnesses will increase. This should not be perceived as poor performance, rather a better representation of the actual state of mental ill-health in the workplace. Over time, with the introduction of targeted lead indicators and the appropriate implementation of initiatives to improve mental ill-health, it can be expected that these figures will decrease. Increased transparency for investors on workplace causes of mental health and leading initiatives would be a significant advancement.

5.3 The role of systems, data analytics and reporting platforms

ASX200 company representatives noted that the resource effort, costs and maturity of systems and processes to collect data remains a challenge in achieving consistent and robust disclosure. Much is being achieved through software innovation in this space however *‘moving beyond traditional reactive reporting patterns will require an investment of effort beyond routine.’*³⁵

Encouragingly, companies are starting to use dynamic reporting platforms to present health and safety performance information internally. Some leading companies with more mature systems and reporting cultures are also seeking to advance their data agenda through predictive analytics (predictive analytics is a form of advanced analytics which examines data or content to answer the question ‘What is likely to happen?’, and is characterised by techniques such as regression analysis, forecasting, multivariate statistics, pattern matching, predictive modelling, and forecasting).³⁶ One interviewee was making use of their advanced operational data analytics capability to drive improvement in their relatively immature health and safety systems and reporting. In time, advancements in this area are likely to improve public disclosures.

Determining what data to collect, and how to most effectively analyse, report on and use the data to drive strategic action, are important decisions. A combination of company-defined and data driven reporting could increase investors’ confidence in the representation of a company’s health and safety performance.

³⁵ Interview: Duncan Spencer, Head of Advice and Practice, Institution of Occupational Safety and Health (17th July 2019).

³⁶ Gartner IT Glossary: <https://www.gartner.com/it-glossary/predictive-analytics-2>.

DEFINITIONS

Health	Includes physical, mental and social wellbeing, and not merely the absence of disease or impairment.
Health and safety	The use of 'health and safety' throughout this paper refers to workplace health and safety unless otherwise stated.
Incident	An unplanned event that resulted in or had the potential to result in harm. A health and safety incident may extend beyond people (i.e., injury and illness) to include assets and the work environment. This broader boundary provides a more holistic view of material organisational health and safety risk and performance.
Lead(ing) indicator	Future-focused measurement of an action, event, incident, output, or outcome. Note that whether an indicator is lead or lag is dependent upon the reference point of the measure.
Lag(ging) (traditional) indicator	A retrospective measurement of an action, event, incident, output, or outcome. Note that whether an indicator is lead or lag is dependent upon the reference point of the measure.
LTIFR	Lost time injury frequency rate (LTIFR) is a traditional measure that has been incorporated into recognised 'safety performance reporting' standards such as AS1885, and Occupational Health and Safety Management (OSHAS). LTIFR is not a measure of injury or illness but rather a productivity indicator (O'Neill, 2013) because it reports the number of incidents that have resulted in lost productivity. LTIFR only captures a subset of injury and does not represent severity of injuries or illnesses particularly those where no time is 'lost'. LTIFR does not provide a complete picture of safety performance, nor does it provide a complete picture of safety risk. A low LTIFR does not necessarily mean that a company is 'safer', or risk is reduced. Despite being widely recognised as an insufficient indicator of health and safety performance it continues to be used for a variety of reasons: LTIFR is seen as more 'comparable' across companies due to its widespread use and many companies have years of historical data for to assess LTIFR trends. Some companies see no simple alternative to LTIFR. Finally, weaknesses with the traditional indicators LTIFR and TRIFR may not be adequately understood or communicated at board level. Note that there are variations in denominator used depending on the safety standard relied on.
TRIFR	Total recordable injury frequency rate (TRIFR) is a newer indicator that includes a broader scope of injury and illness incidents than LTIFR. It captures injury and illnesses requiring treatment that is considered 'recordable' by the company. TRIFR has been an internal reporting metric for many companies for over 15 years, but more recently has been elevated to executive, board and public reporting due to increasing awareness of the insufficiency of 'LTIFR'. Importantly, definitions and inclusion of what is 'recordable' varies greatly between companies and may include but is not limited to: fatality, lost time incident, restricted work incident and medical treatment incident. As with LTIFR, TRIFR is still a count of the number of incidents and loss of productivity and does not account for the severity of injuries or illnesses captured. The reasons for its continued prevalence are similar to those associated with LTIFR (see above). Note that there are variations in denominator used depending on the safety standard relied on.
Materiality	Materiality is the threshold at which health and safety risks become sufficiently important that they should be reported. Material risks may substantively influence the assessments and definitions of stakeholders.
Positive performance indicator	A term used to describe measures of health and safety performance that focus on improvement in outcomes. Importantly this term can include either lead or lag indicators.
Severity	The seriousness of an incident, either realised (actual) or potential. Measurement of severity considers 'how much harm' has or could have occurred. Importantly, a severity indicator may measure either an incident and its circumstances, or an injury/illness. ³⁷

³⁷ See O'Neill, S., & Wolfe, K. (2017). *Measuring and reporting on work health and safety*. Canberra: Safe Work Australia.

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