

SAFETY IN NUMBERS

Safety reporting by ASX200
companies

September 2020



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 37 Australian and international asset owners and institutional investors. Collectively, ACSI members 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.

We also offer additional consulting services including: ESG and related policy development; analysis of service providers, fund managers and ESG data; and disclosure advice.



37 Australian & international investors



Leading voice on ESG issues and advocacy



Together ACSI members own around 10% of every ASX company

INTRODUCTION

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.

Serious safety incidents come at significant personal cost to employees and financial costs to employers. These incidents can have long term negative effects on employees and their families. For employers, these incidents bring a loss of productivity and operational performance while exposing the company to potential compensation claims. More broadly, companies risk losing their social licence to operate if such incidents are seen as systemic by the broader community.

Last year, in response to gaps in health and safety reporting, ACSI worked with EY to produce [a framework](#) to promote better health and safety reporting.¹ ACSI's framework states that companies should disclose leading information on the company's overall approach to health and safety management, and, at a minimum, 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).

In this report we analyse all safety reporting provided by ASX200 companies as at 31 March 2020.

KEY FINDINGS

- **Safety reporting is now common but can be limited** with the majority (130 of 200) of ASX200 companies reporting a safety metric. The most common metrics disclosed were traditional productivity-focused indicators, such as LTIFR and TRIFR, which provide limited insight into material safety risk exposure.
- **There are major gaps in reporting with 70 companies not reporting any safety data**, slightly up on 67 companies in the prior year. Crucially, 23 companies are in sectors including Industrials and Food & Beverage where safety issues are likely to be material.
- **Many companies link safety to executive remuneration, but several provide no performance metrics** - 90 companies linked their safety performance to executive remuneration outcomes, up from 85 companies in the prior year. However, our analysis identified 10 companies who linked safety performance to remuneration without disclosing any safety data or targets.
- **The number of fatalities decreased to 20 from 22 in the prior year.** These fatalities were at 12 companies compared with 13 companies in the previous year. Of concern, 94 companies did not provide any information on fatalities (leaving investors unsure of whether the silence meant zero fatalities). Contractors accounted for 5 of the disclosed fatalities.
- **36 companies went beyond basic disclosures and reported indicators relating to severe incidents or injuries.** In addition, 17 companies disclosed "near miss" data, up from nine in the previous year.
- **Contractor risk** - Despite the widespread use of contractor labour, only 11 companies in the ASX200 separately disclosed the safety performance of its contractor workforce.

¹ <https://acsi.org.au/wp-content/uploads/2020/02/The-Future-of-Health-and-Safety-Reporting-10-Dec-2019.pdf>

WHAT DATA DO WE COLLECT?

Each year, ACSI gathers data on key ESG issues, including safety. Building on the findings of our 2019 report, we included the following metrics in our 2020 data collection (highlighted) in addition to the data points previously gathered:

- Disclosures relating to **severe incidents or injuries** (new in 2020)
- Disclosures relating to potential severe incidents or injuries (near misses) (new in 2020)
- Disclosures relating to specifically to safety of **contractors** (new in 2020)
- Disclosures relating to fatalities of employees, contractors or members of the public
- Disclosures linking executive remuneration to safety performance
- Lost-time injury frequency rate (LTIFR)
- Total-recordable injury frequency rate (TRIFR).

The indicators added in 2020 provide important new insights into safety performance. Disclosure of the number of **severe incidents or injuries** (and **near misses**) provides investors a better indication of the effectiveness of safety management at a company than traditional indicators like **LTIFR** and **TRIFR**. Multiple severe incidents are more likely to indicate a material regulatory, reputational and investment risk.

LTIFR and TRIFR measure overall productivity loss rates due to incidents, and do not provide insight into the seriousness of individual injuries or illnesses captured in the total rate. An increased focus on **contractor** safety data will allow us to identify any disconnect between the safety practices and culture of companies' own workforces, and those of their contractors.

Analysis of safety data in the ASX200 remains a difficult task for investors largely due to:

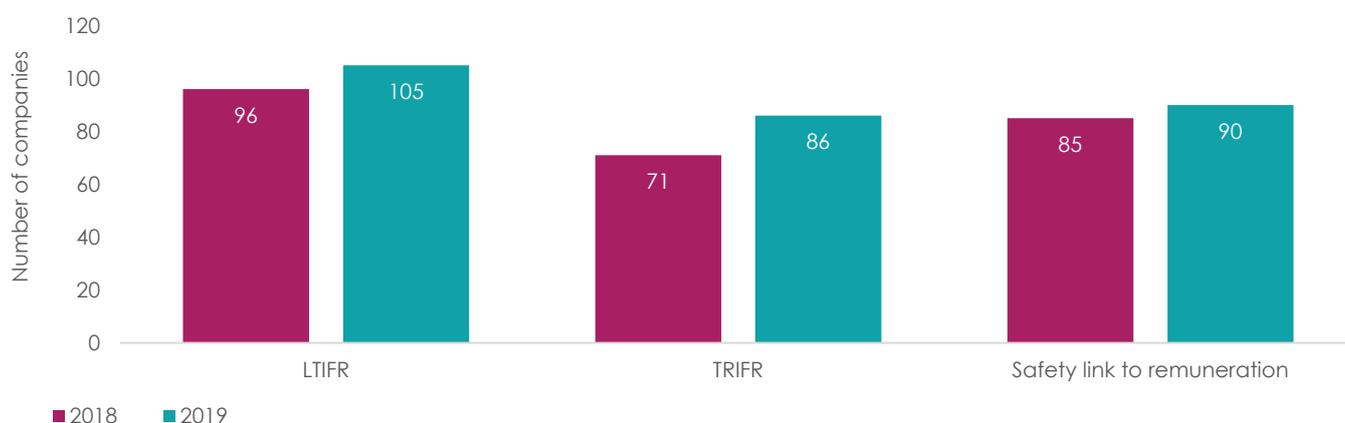
- Many companies failing to disclose indicators focusing on the most material safety risks
- Lack of compulsory reporting on fatalities
- Instances of incomplete data being disclosed
- Time lags in the reporting of data; and
- Limited disclosure on the safety performance of contractors.

SAFETY REPORTING IN THE ASX200

We identified small increase in the number of ASX200 companies reporting some level of safety data ([Graph 1](#)). Our research showed that the metrics most frequently produced by new reporters are LTIFR and TRIFR.

These metrics are considered insufficient measures of safety performance by many safety professionals – they focus on productivity rather than helping identify material safety risks.

Graph 1: Number of companies reporting selected safety data in 2019



[Table 1](#) below provides a breakdown of safety reporting by company size.

Table 1: Safety reporting by company size

	ASX20	ASX21-50	ASX51-100	ASX101-200
Companies reporting any severe incidents, illnesses and injuries	5%	33%	18%	8%
Companies reporting near misses ¹	10%	10%	8%	5%
Companies reporting LTIFR	80%	57%	54%	45%
Companies reporting TRIFR	70%	43%	40%	39%
Companies linking safety to remuneration	60%	60%	44%	38%
Number of companies reporting a fatality	4	0	5	3

¹ "near miss" relates to avoided severe incidents, illnesses and injuries.

COMPANIES NOT REPORTING ANY SAFETY DATA

Overall, 70 companies in the ASX200 did not report any safety data. But more importantly, 23 companies in sectors where safety issues “are likely to be material”, as defined by the SASB *Materiality Map*, did not disclose any safety data ([Table 2](#)).

As ACSI's Framework notes, these companies should work towards disclosing leading information on the company's overall approach to health and safety management, and, at a minimum, should report:

- any fatalities involving employees, contractors, or members of the public (or report zero fatalities)
- any severe incidents, illnesses and injuries (and “near misses”); and
- provide disclosure relating to the severity of incidents, illnesses and injuries (actual and potential).

We expect this data is already collected internally within many of these companies.

Table 2: Companies in sectors where safety issues are likely to be material but are not disclosing any safety data in 2019

Company	Company
The A2 Milk Company	James Hardie Industries Plc*
ARB Corporation	Mayne Pharma Group
Bapcor Limited*	Nanosonics Limited
Breville Group	Orocobre Limited*
Corporate Travel Management	Pro Medicus Limited
Clinuvel Pharmaceuticals	Premier Investments Limited
Crown Resorts	Polynovo Limited
Domino's Pizza	ResMed Inc.*
Elders Limited	The Star Entertainment Group*
Flight Centre Travel Group	SkyCity Entertainment Group Limited*
Harvey Norman	TPG Telecom
IDP Education	

Notes: Companies disclosed here are within sectors where safety issues are “likely to be material” according to the SASB *Materiality Map*. Asterix denotes companies that have commenced reporting in 2020.

EXECUTIVE REMUNERATION LINKED TO SAFETY PERFORMANCE

Overall, 90 companies disclosed in public reporting that they link health and safety performance to executive remuneration. Health and safety performance generally accounted for between 5% and 25% of the total short-term incentive for executives.

Of concern, ACSI's research identified 9 companies that linked executive remuneration to safety performance without disclosing any data or targets ([Table 3](#)).

Table 3: Companies with executive remuneration linked to safety performance but no safety data disclosed in 2019

Company	Sector
The a2 Milk Company Limited	Retail – Food & Beverage
Bapcor Limited	Retail - Retailing
Crown Resorts Limited	Consumer Services
Elders Limited	Retail – Food & Beverage
James Hardie Industries Plc	Materials
oOh!media Limited	Media & Entertainment
Orocobre Limited*	Materials
The Star Entertainment Group Limited*	Consumer Services
Silver Lake Resources Limited	Materials

Note: Asterix denotes companies that have commenced reporting in 2020.

ACSI encourages companies to disclose safety targets and performance so investors can determine whether health and safety performance aligns with the remuneration outcomes, and whether the health and safety performance targets are appropriately challenging.

FATALITIES

Tragically, there were 20 fatalities at ASX200 companies last year. Although this was down from 22 in the prior year it still shows the need for continued improvement in safety outcomes. [Table 4](#) below details the fatalities at ASX200 companies. Several companies did not provide any details regarding the fatal incidents.

In our view, this is unacceptable as investors need to know the circumstances around these events so they can assess whether these incidents are the result of systemic failings in the workplace health and safety management.

Table 4: Reported fatalities at ASX200 companies in 2019

Company	Fatalities	What happened?
Atlas Arteria	1	A subcontractor died working on the APRR motorway network.
BHP Group	1	Mining vehicle rolled off a mining bench at the Saraji coal mine in Queensland; cause undetermined.
Bingo Industries	2	Not Disclosed
BlueScope Steel	1	A contractor fell from a height working on an independently managed construction site for a contractor in Thailand.
Brambles	1	Not Disclosed
Coca-Cola Amatil	1	Motorcycle accident between two motorcycles where a member of the public was killed. Police determined both riders were at fault.
Fletcher Building	5	A contractor and two employees died in a single road accident. The company reported a fatality at Easysteel involving a crane, and another fatality Fletcher Reinforcing. No further details about these two fatalities were provided.
Goodman Group	1	A contractor died but no further details were provided.
Incitec Pivot	2	Double fatality on a public road in the US involving a Dyno vehicle.
OZ Minerals	1	A contractor died flying a helicopter stringing power lines for the Carrapateena mine. No result disclosed from the transport safety investigation.
Qube Holdings	1	An employee was struck and killed by a falling log off a shuttle truck at Gisborne's port.
Sims Metal Management	2	Not disclosed
Wesfarmers	1	A contractor died at the Bengalla coal mine where WES had a 40% non-operating interest. Wesfarmers has since sold its interest to New Hope.
Total	20	

Note: Explanations from company reports

Nearly half of the ASX200 (94 companies) did not disclose any information on fatalities. In these cases, it was unclear whether the companies had zero fatalities or simply did not report them. Concerningly, ACSI has seen the latter happen in previous years.



Spotlight on the Retail and Food & Beverage sectors

The Retail and Food & Beverage sectors (as defined by GICS) comprise 21 companies in the ASX200. Companies disclosed here are within sectors where safety issues are “likely to be material” according to the SASB Materiality Map. Our analysis found that in 2019:

- 7 of 21 of these companies did not report any safety data.
- Only 13 companies reported fatality data.
- 10 companies linked executive remuneration to safety performance.
- 3 companies linked executive remuneration to safety performance but did not disclose any safety data or targets
- Only GUD Holdings disclosed indicators relating to severe injuries or illnesses and two companies, Woolworths and Costa Group, disclosed “near miss” data.
- Despite many of these companies relying on large contractor workforces, none of these companies disclosed separate safety data for contractors.



Spotlight on Industrials sector

The Industrials sector comprises 13 companies in the ASX200. Companies disclosed here are within sectors where safety issues are “likely to be material” according to the SASB Materiality Map. Our analysis found that in 2019:

- With the exception of James Hardie, all of these companies report lagging safety indicators such as LTIFR or TRIFR (we note that James Hardie commenced reporting in 2020).
- 6 Industrials companies – AdBri, Boral, Bluescope, Fletcher Building, Nufarm and Orica report indicators relating to severe injuries or illnesses and/or “near miss” data.
- There were 8 reported fatalities at Industrials sector companies last year, representing almost half the total fatalities reported across the ASX200.
- 10 of the 13 companies linked executive remuneration to safety performance. James Hardie was the only company to link remuneration to safety performance without disclosing any safety data or targets.
- No Industrials companies separately disclosed safety data for contractors.

MATURE SAFETY REPORTING

Mature safety reporting frameworks include information on the company's overall approach to health and safety management, including:

- health and safety leadership
- health and safety risk management
- people capability; and
- 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.²

In addition, mature safety reporting frameworks include incident reporting focusing on the most material safety risks (rather than merely LTIFR and TRIFR).

This includes:

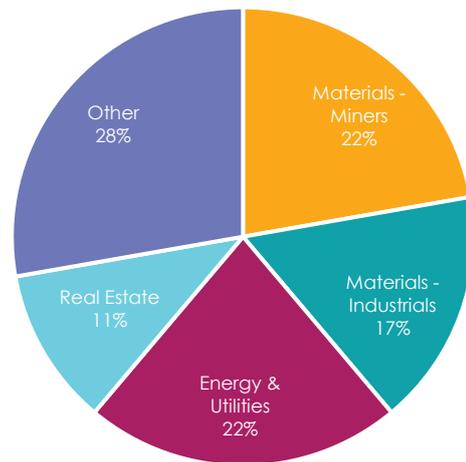
- Disclosures relating to severe incidents or injuries
- Disclosures relating to potential severe incidents or injuries (near misses) (new in 2020).

These indicators are proactive measures that measure prevention efforts and can be observed and recorded prior to an injury.

These provide investors 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.

Another measure of mature safety reporting frameworks is the disclosure of injury severity. We identified only 36 companies in the ASX200 reporting severity information. The majority of these reporting companies are in the Materials and Energy sectors.

Graph 2: Injury severity data by sector in 2019

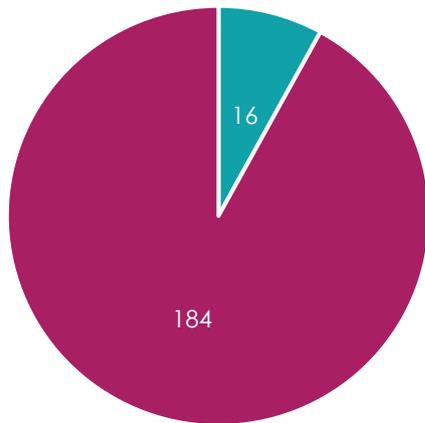


As evidence of the need for better public reporting of safety data in the ASX, only 16 companies in the ASX200 report near miss data.

69% of companies reporting near miss data were in the Materials and Energy sectors. This outcome is consistent with these sectors typically having the most mature safety frameworks given the nature of their businesses.

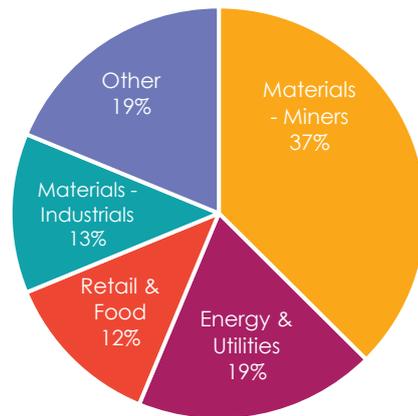
² See ACSI, *The Future of Health and Safety Reporting: a framework for companies* (2019): <https://acsi.org.au/wp-content/uploads/2020/02/The-Future-of-Health-and-Safety-Reporting-10-Dec-2019.pdf>.

Graph 3: Companies reporting near miss data in 2019



■ Reporting Near Miss data ■ Not reporting

Graph 4: Near miss data by sector in 2019



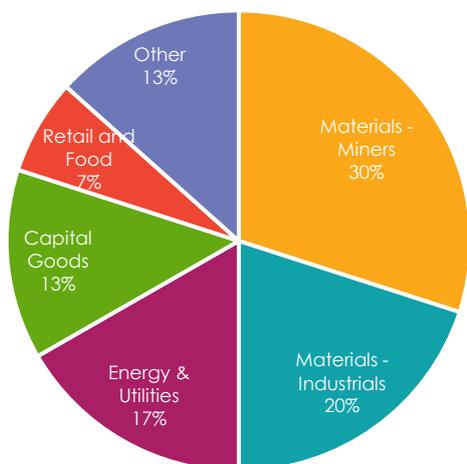
CONTRACTOR SAFETY DATA

Despite the widespread use of contractor labour, our analysis of safety performance data across the ASX200 revealed that only 11 companies were separating disclosing the safety performance of its contractor workforce ([Table 5](#)).

Table 5: Companies disclosing contractor safety data in 2019

Company	Sector
Abacus Property Group	Real Estate
AGL Energy Limited	Energy & Utilities
Beach Energy Limited	Energy & Utilities
Evolution Mining Limited	Materials - Mining
Fortescue Metals Group	Materials - Mining
Goodman Group	Real Estate
GUD Holdings	Retail & Food
Newcrest Mining Limited	Materials - Mining
Oil Search Limited	Energy & Utilities
Stockland	Real Estate
Sydney Airport	Transportation
Transurban	Transportation

Graph 5: Companies including contractors in company safety data in 2019



We identified 30 companies, particularly in the Materials, Capital Goods and Energy sectors, where safety data for contractor workforces was rolled-up into the overall safety performance data for the company.

We expect this reflects the use of well-established safety induction practices and procedures that align expected contractor behaviour with company employees. However, we would encourage these companies to continue to expand their disclosure of safety indicators and separately disclose contractor safety performance.

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CONCLUSION AND NEXT STEPS

Compared with the previous year, ACSI was pleased to identify that more companies are now disclosing safety reporting. Our analysis also found that more companies are linking executive remuneration outcomes with safety performance – if clearly explained to investors, this can be an important factor in setting a strong health and safety reporting culture, helping to signal what a company measures and values.

However, there is significant room for improvement in both the quality and quantity of safety data disclosed. Not enough companies disclose information on the most material (severe) safety incidents and near misses. There are also worrying examples of companies in at-risk sectors not disclosing any safety data to investors. Further, there are also instances where investors are being asked to approve variable remuneration awards to executives based on success against undisclosed safety performance hurdles.

ACSI will continue to prioritise safety issues in its future engagement with ASX200 companies, especially with those in at-risk sectors, to close these gaps.

ACSI believes companies should disclose leading information on the company's overall approach to health and safety management, and, at a minimum, should:

- Report any fatal incidents involving employees, contractors, or members of the public; and
- Provide disclosure relating to severe incidents and injuries (and near misses).

Where appropriate, ACSI will also be asking companies to expand the disclosure of the safety performance of its contractor workforce.

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