

# OCCUPATIONAL HEALTH AND SAFETY

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## 1. ABOUT THIS E&S BRIEFING NOTE

This environmental and social (E&S) Briefing Note is designed to help fund managers quickly familiarise themselves with occupational, health and safety (OHS) matters. It is not intended to be a detailed technical guidance document.

Formal specific technical guidance is provided at the end of this Note and in [Downloads & Reference Materials](#), including [IFC 2012 Performance Standard 2: Labour and Working Conditions](#) and the [OHS section of the World Bank Group General Environmental, Health and Safety \(EHS\) Guidelines](#). For guidance on other aspects of working conditions related to treatment of workers refer to [CDC E&S Briefing Note: Labour Standards](#).

This E&S Briefing Note provides an overview and general guidance. Fund managers should carefully consider each company based on its specific characteristics and circumstances including scale, location, technology, management capacity and commitment and track record. Risks, impacts and opportunities relating to a particular company can also change over time due to a number of factors (e.g. changes in the applicable laws or in the company's activities or assets). Fund managers may need to engage external experts in some situations (see 'Advice for Fund Managers' section below).

## 2. INTRODUCTION

Safe and healthy work environments are essential to the wellbeing of employees, as well as to the long-term sustainability of any company's operations. In order to achieve this, companies must design and implement measures taking in to account the OHS risks of their activities.

Occupational health and safety risks are linked to the presence of hazards. A hazard is a source of potential damage, harm or adverse effect including illness and injury. Hazards include:

- Physical hazards (e.g. machines, tools, repetitive work, vehicles, noise, electricity, radiation).
- Chemical hazards (e.g. corrosive, toxic and flammable chemicals, carcinogenic substances).
- Biological hazards (e.g. pathogens).
- Psychological hazards (e.g. demanding work environment, violent environment).

A risk is the probability and severity of the damage, harm or adverse effect occurring (e.g. risk of a worker falling from height, electrocution risks, risk of suffering work-related musculoskeletal disorders, and fire and explosion risks).

## 3. WHY COMPANIES AND FUND MANAGERS SHOULD ADDRESS THIS TOPIC

### 3.1 Risks for the business

Poor corporate OHS policies and practices can lead to severe injuries, illnesses and even fatalities. Therefore they represent a significant reputational risk and financial liability to companies and their investors. Failure to ensure safe and healthy working environments for staff and contractors can result in a range of business costs and negative impacts including:

- Accidents (particularly serious accidents) can lead to downtime, and sites may be legally required to shut down until an external authority gives them permission to re-open.
- Loss of production and resulting losses due to issues such as power-down and power-up time.
- Loss of or damage to equipment (e.g. vehicles, machinery).
- Poor productivity due to difficult physical working conditions or impact on worker morale.
- Strikes or other worker action protesting about poor working conditions and accidents and injuries.
- Reputational damage due to media coverage of accidents and incidents.
- Loss of or inability to secure contracts with major and international customers if rates of injury and death are high.
- Fines and other penalties levied by local regulatory authorities.

### 3.2 Opportunities for the business

Strong and proactive OHS management can lead to significant benefits for companies, including:

- Enhanced efficiency and productivity of operations by ensuring good working conditions and taking actions to prevent accidents. These measures can boost morale and contribute to a company's good reputation and its ability to hire new workers.
- Many companies now require their suppliers to demonstrate best practice OHS policies and practices, to report according to international protocols and to undergo regular audits to assess compliance with their policies. Companies that are able to operate to these standards may qualify for more bids and win more contracts.

## 4. ADVICE FOR FUND MANAGERS

See [CDC Environmental and Social Checklist](#) as it contains questions and tips to help fund managers to assess the E&S aspects of an investment.

All sectors present OHS safety risks, and companies should implement management measures to eliminate and where not possible, mitigate these risks. Companies and investors need to have an understanding of the main hazards and risks present within an organisation. In some instances, investors may find that changing a pre-existing reactive and inadequate OHS culture is necessary in order to ensure effective OHS management. Fund managers should review recent independent audit reports and, if serious concerns are noted speak directly to the auditors. Where OHS risks are high, fund managers should consider bringing in consultants to advise them on the standard of companies' OHS management prior to investment.

Sectors and activities with particularly high OHS risks include:

- Medium- to large-scale construction (e.g. infrastructure development).
- Extractives (mining and oil and gas).
- Agriculture and forestry.
- Fisheries.
- Heavy manufacturing (e.g. cement, glass, foundries).
- Manufacturing in regions or sectors with poor OHS management track records (e.g. garment industry in some Asian countries).
- Activities in areas with significant security risks.

Fund managers should ensure that, at a minimum, companies' management systems are designed and implemented to provide a safe and healthy work environment and are compliant with local laws and regulations. In many cases, local regulations may not be fully aligned with good international industry practice (GIIP). Fund managers should assess companies' alignment with international standards and, where appropriate, develop Action Plans to ensure that any gaps are addressed within a reasonable time frame. Companies should be able to demonstrate that they have implemented an OHS management system that follows, includes, covers or makes evident, as appropriate, the following:

### 4.1 Management commitment

Companies should be able to demonstrate management commitment to address OHS risks in accordance with the prevention principles described below and, more broadly, with GIIP. Fund managers should assess companies' capacity, commitment and track record regarding OHS. Fund managers should review OHS audit reports and company monitoring data, including OHS statistics. They should also consider making site visits. [CDC Good Practice: Preventing Fatalities and Serious Accidents](#) provides practical and detailed guidance for fund managers.

### 4.2 Prevention principles

Fund managers should ensure that companies' policies, management plans and practices are designed and implemented in order to eliminate and, where this is not possible, reduce, the level of risk to an acceptable level in accordance with GIIP (such as the [OHS section of the World Bank Group General EHS Guidelines](#)). When designing and implementing OHS policies and plans, companies should follow this hierarchy:

1. Eliminating or reducing hazards (e.g. replacement of dangerous materials with less dangerous materials). In some cases, the redesign of facilities or processes could not only lead to a reduction of risks, but also to the elimination of some risks (e.g. good process design may eliminate some risks related to material transportation within facilities).
2. Isolating or controlling hazards at their source (e.g. isolation of machinery).
3. Minimising risks through the design and use of safe systems of work (e.g. design shifts to reduce workers' exposure to noise).
4. Providing appropriate protective measures and prioritising measures aimed at reducing the risk for more than one person (collective protection) over those designed to protect a specific worker (personal protective measures). The use of both collective and individual protective measures is not mutually exclusive.

The measures above should always take into account workers who may be exposed to additional or more significant risks and may need supplementary protection (e.g. pregnant women).

### **4.3 Roles and responsibilities**

Fund managers should ensure that companies allocate roles and responsibilities appropriately ensuring that the staff's skills, knowledge, experience and, where relevant, accreditation is commensurate to the level of responsibility and the OHS risks.

It should be noted that all workers in a company (not only OHS staff) are responsible for ensuring good OHS practice. Workers should be encouraged to identify areas for potential improvement and to raise or report any OHS concerns. Workers should not face any disciplinary measures or negative consequences for reporting concerns.

### **4.4 Risk assessment**

Fund managers should ensure that procedures for identifying hazards and assessing OHS risks in an accurate and timely manner are in place. Good risk identification processes are important in order to design an adequate OHS management plan and to prioritise management and corrective measures.

### **4.5 Prioritising the implementation of management and corrective measures**

Procedures to ensure the effective and timely implementation of management and corrective measures should prioritise those aimed at addressing the highest risks.

### **4.6 Communication and training**

Appropriate training is a requirement across all levels of an organisation and is a fundamental component of a credible safety culture. Companies should inform workers and contractors about the OHS risks linked to their activities, as well as about the company's OHS management plans. Companies should design and implement appropriate training programmes for staff and, when appropriate, contractors. The effectiveness and adequacy of programmes should be continuously monitored, and the programmes revised as necessary.

### **4.7 Definition of a Standard Operating Procedures (SOP)**

Companies should develop and implement a SOP to guide workers on how to perform their tasks in a safe manner (e.g. welding operations). SOPs are also important for quality control purposes.

#### 4.8 Emergency response plan

Fund managers should ensure that companies have adequate emergency planning and response provisions and procedures, and that sufficient training (including emergency response drills) has been provided to workers, contractors, and, if appropriate, other exposed parties (e.g. the surrounding community).

#### 4.9 Accident investigation and reporting

While striving to develop, implement and maintain OHS management measures, accidents may still occur. Fund managers should ensure that companies have procedures in place to investigate all near misses and accidents and that effective corrective measures are taken in order to avoid future accidents. [CDC Good Practice: Preventing Fatalities and Serious Accidents](#) provides practical and detailed guidance for companies and fund managers on how to conduct and assess the adequacy of accident investigations.

Serious accidents typically need to be reported to local authorities. Additionally, they should be reported to relevant stakeholders, including the Limited Partners of a fund.

#### 4.10 Security personnel

Fund managers should assess the risks posed by a company's security arrangements (provided by direct or contracted workers) to those within and outside its facilities. Companies should develop a formal safety strategy guided by the principles of proportionality and GIIP, including practice consistent with [United Nations \(UN\) Code of Conduct for Law Enforcement Officials](#) and [UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials](#).

#### 4.11 Contractors

An investment in a company can be fundamentally impacted by the performance of the primary contractors used by that company. Investors are not usually in a position to directly influence the selection, appointment and management of contractors. However, assessing the adequacy of OHS systems that contractors have in place is part of GIIP and an essential component of OHS risk management. Investors should request, and companies should be able to demonstrate, a clear approach regarding the use of contractors, reflecting an understanding and appropriate management of risks involved. Fund managers may, as appropriate, require companies to implement additional measures to ensure that their contractors uphold good labour standards. See [CDC Good Practice: Preventing Fatalities and Serious Accidents](#).

#### 4.12 Supply chain

Poor OHS practices in the supply chain can lead to reputational damage and operational risks (e.g. suppliers with poor OHS management may be less productive (see above), get fined and, in the worst case scenario lose their licence to operate). Therefore, companies should always assess the materiality of the OHS in their [supply chains](#) and, to the extent possible, take the necessary steps to mitigate them (e.g. audit and/or train suppliers, select suppliers with a strong track record).

## 5. FURTHER RESOURCES

### 5.1 Further information and guidance

- [IFC 2012 Performance Standard 2: Labor and Working Conditions.](#)
- [IFC 2012 Guidance Note 2: Labor and Working Conditions.](#)
- [World Bank Group General Environmental, Health and Safety \(EHS\) Guidelines, Section 2.0 Occupational Health and Safety.](#)
- [CDC Good Practice: Preventing Fatalities and Serious Accidents.](#)