



## OECD Guidance on Ownership Change

Chemical Accident Risk  
Seminar 14 – 16 June 2017

Ragnhild Gjøstein Larsen

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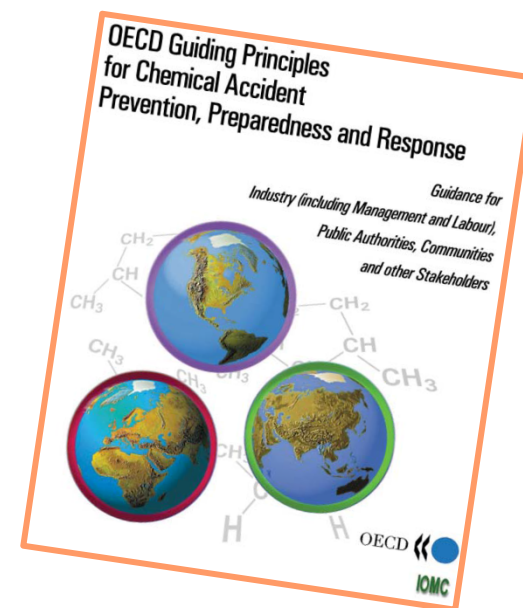
## Background for the OECD project

- Many countries experience change of ownership in chemical industry
- Does this affect safety in the companies that change hands?
  - Sales to less safety-oriented companies might have a negative long-term effect on safety?
- OECD – WGCA wanted to look closer into these matters, and established a small steering group. Work started 2013.



## Objectives

- Identify safety related issues that should be focused by industry, public authorities and other stakeholders.
- Greater awareness by industry, public authorities and other stakeholders of the safety implications of change of ownership of companies, particularly to less safety oriented companies,
- If concluded as necessary – development of a specific guidance, or incorporate the results in the OECD Guiding Principles



## Main project activities

- Collection of examples of successful and unsuccessful changes of ownership, mainly from OECD - countries.
- Literature study, including search in accident databases.
- Survey.
- Interviews of industry and authority representatives.
- Special session arranged in october 2014 – report published by OECD, see:  
[http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=env/jm/mono\(2016\)10&doclanguage=en](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=env/jm/mono(2016)10&doclanguage=en).
- The steering group's recommendation to WGCA was to continue the work by developing a short guidance. This was decided at the annual meeting in october 2015.

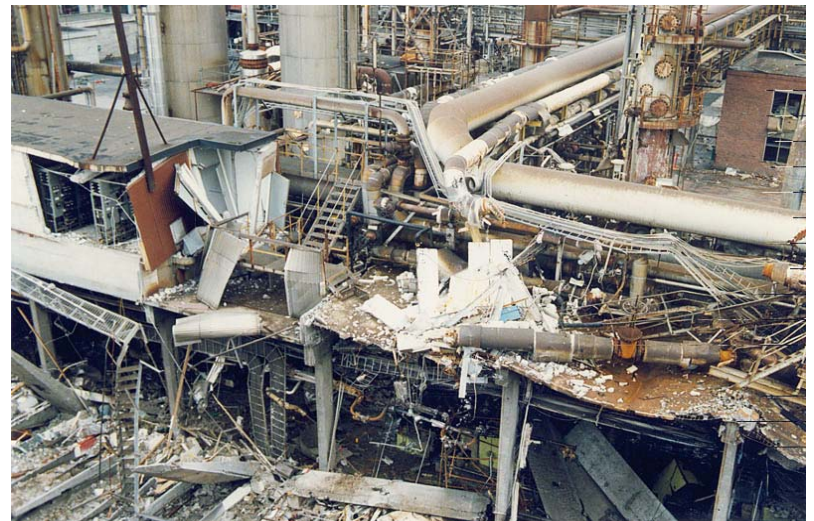




## Purpose of the Guidance

Make stakeholders aware of the possible hazards and pitfalls during and after a change of ownership, and help to ask the right questions and take the right actions.

- And hereby contribute to the prevention of accidents.



## Development of the Guidance

- The results and conclusions from part one of the project was used as a foundation for development of a draft guidance.
- In addition to this we performed a more in-depth survey regarding authorities practices.
- The draft was sent on a hearing to the Bureau of OECD-WGCA in february 2017.
- May 4, 2017 we arranged a specialist workshop in OECD, with broad industry- and authority representation.
  - We received a lot of positive feedback regarding the contents, and also important advice on improvements, which will be incorporated over the summer.



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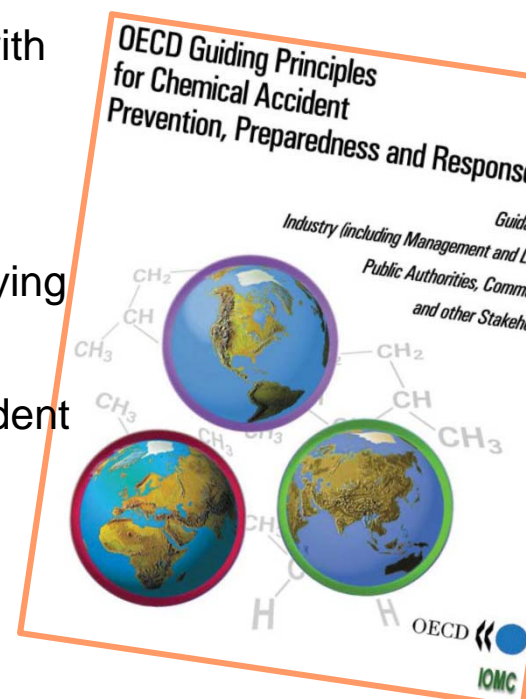
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## About the Guidance

The publication is intended to be a high level document prepared as part of the OECD Chemical Accidents Programme.

It aims to:

- raise awareness that ownership change can be associated with increased risk
- give general principles for a safe ownership change,
- assist all stakeholders in identifying, understanding and minimising the main risk drivers,
- support stakeholders involved in ownership change in identifying the main questions necessary to facilitate a well-informed transaction,
- complement the OECD Guiding Principles for Chemical Accident Prevention, Preparedness and Response.



## Structure of the Guidance

- ✓ Purpose
- ✓ Use of the Guidance and target Audience
- ✓ The Importance of a well-informed Change of Ownership
- ✓ Relationships and Responsibilities in the Change of Ownership
- ✓ Drivers of Risk associated to a Change of Owner in a hazardous Facility
- ✓ Self assessment Checklists
- ✓ A Template for Transparency for supporting technical Due Diligence



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## Use of the Guidance and Targeted Audience

- ✓ We have aimed for a document that is easy to use, and easy to understand.
- ✓ In this subchapter we explain:
  - how the different parts of the guidance are interconnected,
  - what types of ownership change transactions the guidance is meant to cover,
  - Who is the target audience

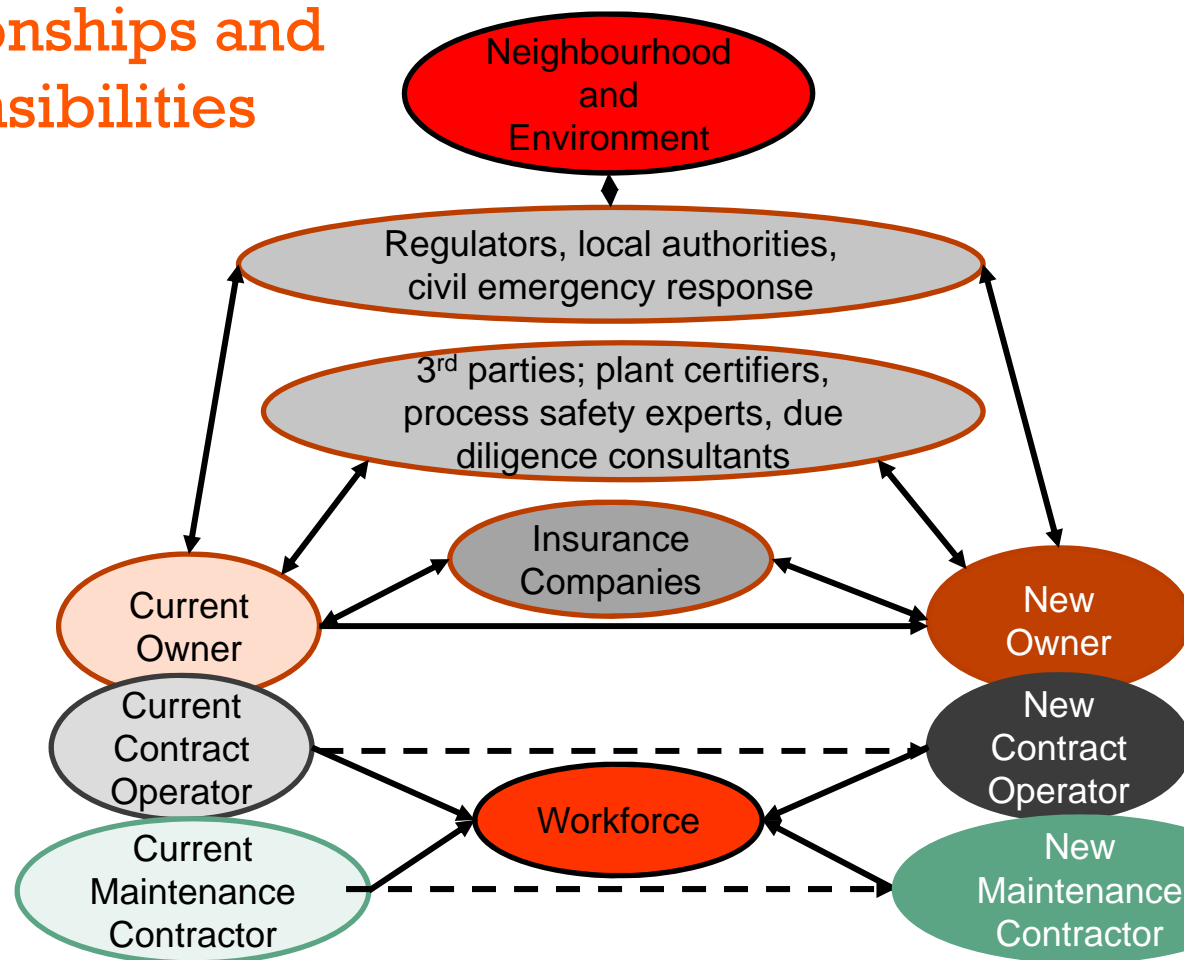


# The Importance of a Well-informed Change of Ownership

- ✓ Here we highlight the importance of appreciating the consequences of changes - organisational and other, and how oversights that might occur during the change of ownership process potentially can have disastrous consequences.
- ✓ We also list the possible benefits of a well managed change of ownership



## Relationships and responsibilities



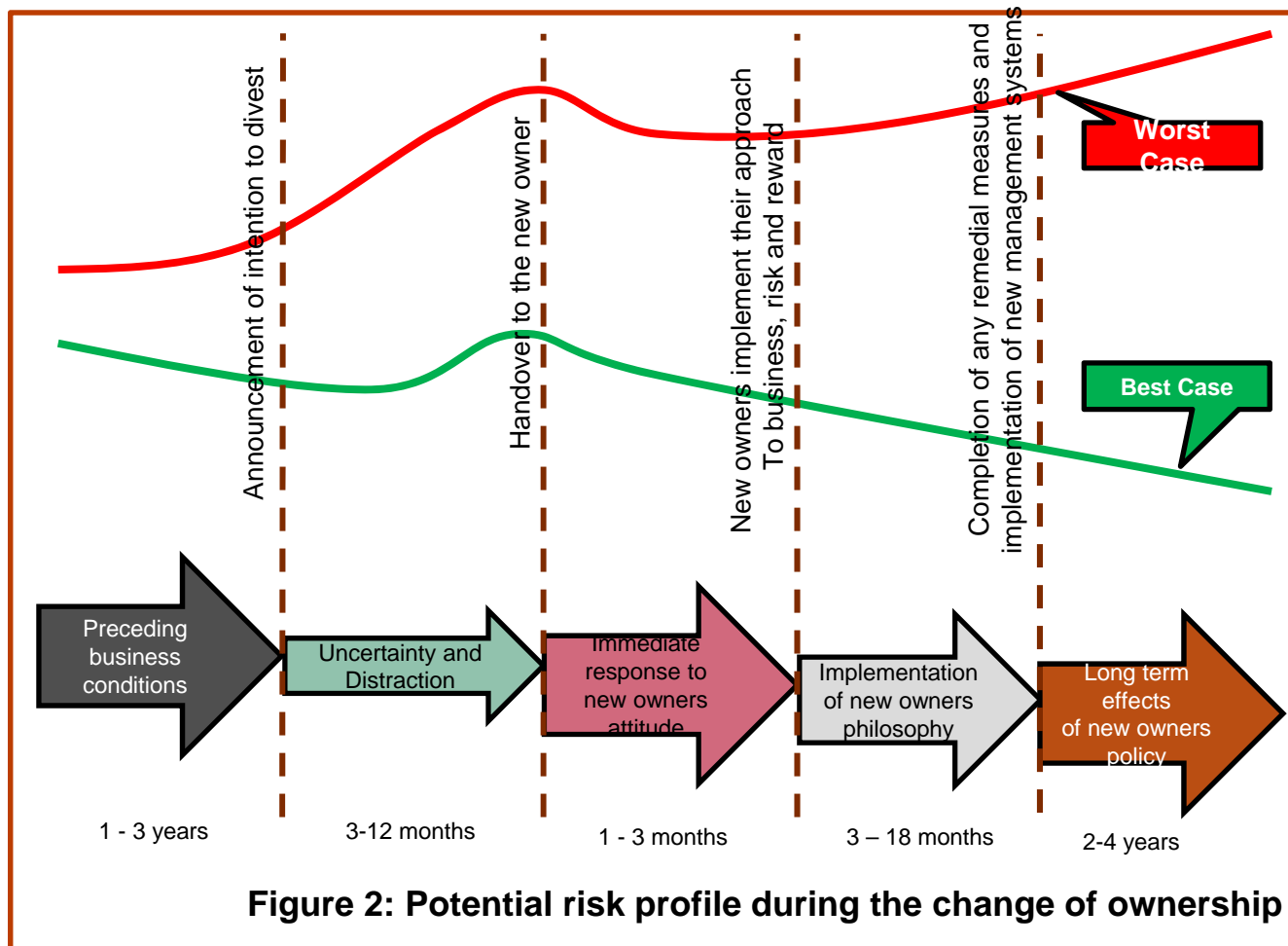
**Stakeholders  
in the  
Change of  
Ownership**

## Drivers of risk

This part of the document aims to highlight some of the main risk drivers that can lead the safety of a facility to decline following a change of owner:

- ✓ Underlying risk drivers, which are important but difficult to measure.
  - Attitudes, reasons for sale, competency and resources of the new owner, uncertainties amongst staff, etc.
- ✓ Direct risk drivers, can be measured or assessed as part of the due diligence process.
  - Condition of the plant, age and design, types of hazards and materials, etc.

## Time- lines and risk



## Self assessment checklists

- ✓ The self-assessment checklists are provided to help the current and prospective new owners prepare for the change of ownership.
- ✓ The checklists ask questions related to the underlying and direct risk drivers.
- ✓ Some questions are linked to the template of transparency.
- ✓ We have also added a list of factors regulators/ public authorities should consider as part of their role of ensuring safety for the workers, the public and the environment.








## Self assessment questions



The questions are intended to be answered using 'traffic light' scores:

-  Yes, and I can demonstrate this
-  Uncertain, I would need to find out more, or this is work in progress
-  No, I think there is a gap



## Self-assessment Questions for the current Owner

- ✓ The current owner needs to focus on their legal responsibilities to hand over a plant and site.
- ✓ The checklist gives a series of pointers to fulfilling their responsibilities.
  - These responsibilities may be greater but more easily fulfilled if the plant has been openly offered for sale.
  - With a hostile takeover these might be more difficult to fulfill.

## Self-assessment Questions for the prospective/ new Owner

- ✓ The new owners need to realise their responsibilities and liabilities they accept as part of taking over.
- ✓ The primary questions for anyone intending to take over a major hazard site are:
  - *are you competent to take over the management of a major hazard site,*
  - *are you prepared to accept the risks if you do so.*

One comment from the expert workshop was that we need to have even more focus on the new owner, and less on old.



## Factors Regulators/ Public Authorities should consider

The regulator has the role of safeguarding the workers, the public and the environment.

- ✓ The regulator does so by following up that the owner of the facility complies with the relevant legislation and assures the safe operation of the plant.
- ✓ Public authorities should promote a well-informed process and use the national laws to promote responsibility, effective risk management and the maintenance of good standards, competent personnel and effective management systems.
- ✓ One comment from the workshop in May was that we need to extend this part of the document.



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## A Template for Transparency Supporting Technical Due Diligence

- As a key part of managing risks is openness and honesty between the stakeholders, the guidance proposes a template for transparency.
- The aim of this template is to encourage
  - ✓ Awareness
  - ✓ Openness
  - ✓ Honesty
  - ✓ Thoroughness
  - ✓ Disclosure



## The Template for Transparency

This part of the document suggests:

- what information sellers should be prepared to provide to prospective new owners
- questions to be asked as part of the technical due diligence process.

The template describes documentation a site should be expected to have, according to the level of risk. The list is not exhaustive, but provides some key elements.

Site visits are important - the buyer must not only look at documentation – the plant condition and status is not always according to documentation.



## How should the stakeholders use this template

- Present owner
  - Preparation of documents prior to search for new owners
  - Remediation of declaration of deficiencies
- Prospective owner
  - Highlight obligations for risk management
  - Framework for commissioning technical due diligence
  - Awareness of deficiencies and pitfalls
- Independent assessors
  - Basis of thorough review
  - Confirmation of hazards and risks
  - Systematic verification of people processes and plant
- Regulators
  - Overview of status during ownership change



# Content of the Template for Transparency

- Facility Overview
- Technical Information
- Hazard and Risk Studies
- Health, Safety and Environmental Management Systems
- Plant Integrity Records
- Roles and Responsibilities
- Key Personnel information, Competences and Retention
- Procedures and Practices
- Major Changes and Modifications
- Regulatory Compliance and Intervention
- Emergency Response
- Audit reports, incident reports, actions and status

In the May workshop we were also recommended to add a section on site visits.



## Finalisation of the document

- The Steering Group will present the final draft to the OECD-WGCA at the annual meeting in October.
- Publication by OECD expected in the first half of 2018.

Questions??