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SYNTHESIS REPORT: SPECIAL SESSION ON FACILITIES HANDLING HAZARDOUS SUBSTANCES WITH OWNERSHIP CHANGE

PARIS, 23 OCTOBER 2014

IOMC

INTER-ORGANIZATION PROGRAMME FOR THE SOUND MANAGEMENT OF CHEMICALS

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Paris 2016

Other OECD publications related to Chemical Accident Prevention, Preparedness and Response:

Report of the OECD Workshop on Strategies for Transporting Dangerous Goods by Road: Safety and Environmental Protection (1993)

Health Aspects of Chemical Accidents: *Guidance on Chemical Accident Awareness, Preparedness and Response for Health Professionals and Emergency Responders* (1994) [prepared as a joint publication with IPCS, UNEP-IE and WHO-ECEH]

Guidance Concerning Health Aspects of Chemical Accidents. *For Use in the Establishment of Programmes and Policies Related to Prevention of, Preparedness for, and Response to Accidents Involving Hazardous Substances* (1996)

Report of the OECD Workshop on Small and Medium-sized Enterprises in Relation to Chemical Accident Prevention, Preparedness and Response (1995)

Guidance Concerning Chemical Safety in Port Areas. *Guidance for the Establishment of Programmes and Policies Related to Prevention of, Preparedness for, and Response to Accidents Involving Hazardous Substances. Prepared as a Joint Effort of the OECD and the International Maritime Organisation (IMO)* (1996)

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No. 8, Report of the OECD Workshop on Audits and Inspections Related to Chemical Accident, Prevention, Preparedness and Response (2002)

No. 9, Report of the OECD Workshop on Integrated Management of Safety, Health, Environment and Quality, Seoul, Korea, 26 - 29 June 2001 (2002)

Internet Publication, Report of CCPS/OECD Conference and Workshop on Chemical Accidents Investigations (2002)

Special Publication, International Directory of Emergency Response Centres for Chemical Accidents (2002, revision of 1st edition published in 1992)

No. 10, Guiding Principles for Chemical Accident Prevention, Preparedness and Response (2003, revision of the first edition published in 1992)

No. 11, Guidance on Safety Performance Indicators for Industry, Public Authorities and Communities, (2003)

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No. 27, Addendum Number 2 to the OECD Guiding Principles for Chemical Accident Prevention, Preparedness and Response (2nd Ed.) to Address Natural Hazards Triggering Technological Accidents (Natechs) (2015)

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1. The OECD Working Group on Chemical Accidents (WGCA) organised a special session on "Facilities Handling Hazardous Substances with Ownership Change" in Paris on 23 October 2014. This event took place in the context of the 24th annual meeting of the WGCA. The special session aimed to develop a deeper understanding of the potential safety implications of a change in ownership of facilities handling hazardous substances. The workshop session was organised by the Norwegian Directorate for Civil Protection.

2. Ownership change transactions are very common in the chemical industry and have been increasing in the past years. Ownership change is considered as a special case of re-organisation, in particular corporate re-organisation. Ownership change is also often considered as a management of change issue.

3. Change of ownership potentially affects key elements of process safety management and can lead to a change in the management of the risks of the facility, this change being positive or negative. In some cases, the effects of a change of ownership can be severe and significant and can lead to an increase of both occupational and major accident risks of a facility. Ownership change can lead to an accumulation of major changes in a short period of time, with effects that might be visible in the short and longer term. The history of the acquiring company – its safety culture, size, growth, experience, core business, reason for acquisition - is going to affect to various degrees the process safety management of the target facility.

4. There are a number of potential drivers of risks during a change in ownership of facilities handling hazardous substances that were identified during the special session:

- The reason for the sale/acquisition of a plant and the type of takeover: this may have a great influence on the changes in the level of risk;
- The failure to pass on critical knowledge to the new owners and, more specifically, the loss of key personnel, commitment, knowledge and expertise – the loss of corporate memory;
- Limited knowledge, ability and resources of the new operator to manage the plant;
- Lack of experience of the new owners in the management of chemical/process hazards and failure to appreciate the dangers and need for process safety management and overall risk management;
- Lack of continuity and the potential instability created by the transaction - favouring stability and minimising change can limit the immediate effects on risk;
- Lack of focus on hazard management by the remaining plant personnel before, during and after the transition due to the changes and concerns for their own future and conditions of employment;
- Poor plant condition: e.g. has the plant been allowed to deteriorate, are there poor inspection and test records; are there issues linked to ageing, and lack of attention to integrity management by the new owners;
- Ineffective due diligence (e.g. limited investigation of process safety): due diligence is a critical source of information during an ownership change. However, due diligence may not

systematically be carried out, and it usually focuses principally on financial aspects with little investigation of process safety requirements.

5. In view of these risk factors, a key element that can facilitate the transition from one owner to another is to establish a clear definition of the essential information, knowledge and competences needed to run the plant safely –e.g. numbers of staff, processes and resources that can be easily transmitted from one owner to another. Hazard analysis usually is not sufficient on its own to give a good description of the process and resources needed to manage a plant safely. Accidents or shortcomings following a change of ownership seem principally due to a lack of awareness of the process safety risks of the target facility by the acquirer, rather than due to a lack of willingness to invest in running the plant properly. However, risk has the potential to increase if the acquirer has very little or no experience in process safety management and when the reason for acquiring the plant is principally financial (e.g. private equity, investment brokers).

6. In general, regulatory systems appear to be more reactive than proactive; i.e. assessing the new owner after the acquisition. Guidance documents appear to be key instruments to address issues linked to the management of process safety during organisational change. However, in general, guidance prepared by public authorities does not go into a lot of details on the potential safety risks associated with a change of ownership. Developing guidance documents that are accessible to stakeholders involved in ownership change, as well as to senior leaders and managerial teams involved in these types of transactions, seem to be an important step forward. They can raise awareness of investing in practices and strategies for maintaining safety during the change of ownership.

7. The special session concluded by suggesting the development of further guidance documents that might help to support a safe change of ownership in hazardous facilities. For example:

- A "template for transparency" to ensure more openness during the transfer of ownership. This template could give a list of the critical risk, hazard, operations and plant integrity information which should be prepared by the owners of the plant and made available to the prospective new owners and to other stakeholders;

- The development of a set of questions relating to high hazard establishments/process safety management that can be used in a standard due diligence questionnaire;

- The development of a good practice guide for conducting due diligence processes in high hazard establishments;

- A guidance document for those involved in a change of ownership in hazardous facilities:

  - Directed at buyers, sellers and regulators;

  - Aimed at raising awareness at the corporate management level of the process safety risk issues that could occur during an ownership change;

  - Describing the main risk drivers during a change of ownership;

  - Including a hypothetical example of a good change of ownership and a good due diligence process.

- Additional analysis on the role of regulators in different countries regarding ownership change, as well as the possible development of a guidance document directed at regulators;

- An addendum to the OECD Guiding Principles on Chemical Accidents Prevention, Preparedness and Response to address ownership change in the case of hazardous facilities.

Introduction

8. The OECD Working Group on Chemical Accidents (WGCA) organised a special session on "Facilities Handling Hazardous Substances with Ownership Change" in Paris on 23 October 2014. This event took place in the context of the 24th annual meeting of the WGCA. The special session aimed to develop a deeper understanding of the potential safety implications of a change of ownership (e.g. divestments, mergers and acquisitions) in facilities handling hazardous substances. The special session was organised by the Norwegian Directorate for Civil Protection.

9. The goal of the special session was to *illustrate the extent to which ownership change is a potential risk factor for the occurrence of accidents in facilities handling hazardous substance, with examples of accidents in which ownership change might have been a direct or indirect cause. It looked at issues such as how ownership change is being considered in current chemical accidents prevention programmes and what further policy might be needed to improve prevention in the case of ownership change. It aimed at untangling the role of different stakeholders (e.g. acquiring company, selling company, public authorities, etc.) in managing possible risks when a hazardous handling facility is going through a change of ownership*.

10. The special session was organised around expert talks and discussions on issues such as: the landscape of ownership change in the chemical industry, the perception of ownership change as a factor of risk, the procedures and requirements prior to and following a change of ownership, and the role of inspections. The special session also examined in detail the due diligence process in the case of a change of ownership in a facility handling hazardous substances.

11. This report summarises the main conclusions from the special session. It does not necessarily represent the views of the OECD or a consensus among participants. The special session agenda can be found in the Annex to this report. Affiliations of participants are as of October 2014.

12. This special session is one element of a larger project that was initiated by the OECD WGCA in 2012 on "Hazardous Substance Handling Facilities with Ownership Change". This project aims to investigate the effects of a change of ownership on process safety and on the risk of a chemical accident. More generally, this project aims to increase awareness by public authorities, industry and other stakeholders on the safety implications of a change of ownership in hazardous facilities. This project is led by Norway and supported by a steering group of experts from Australia, Germany, Sweden, the United Kingdom, the People's Republic of China, UNECE and the Business and Industry Advisory Committee to the OECD (BIAC). The project comprises a number of activities, in particular a literature review and a survey directed at public authorities, industry, industry associations and trade unions to provide specific information with regard to the management of safety risks when a facility handling hazardous substances is going through a change of ownership.

The landscape of ownership change in the chemical industry

13. The special session highlighted that ownership change transactions are very common in the chemical industry and have been increasing in the past years, in particular mergers and acquisitions (M&A).

14. Going more into the details, the session highlighted that most ownership changes include a target and an acquirer from the same region, with Asia being a region with high levels of ownership change.

Even if there is a lack of systematic data available on ownership change in sub-sectors, it seems that ownership change transactions are particularly important in the petrochemical and basic chemical sectors.

Ownership change, process safety and accidents

15. Ownership change is associated with different types of transactions such as M&A and divestments. These transactions can be very complex in particular when they are associated with complex corporate structures in the acquiring and/or target companies. This can lead to important leadership and organisational changes at the facility level but also at the corporate management level. Ownership change can affect to various degrees process safety management of the target facility. The history of the acquiring company, its safety culture, size, growth and experience are all likely to affect its approach to the new acquisition. This could be either positive or negative. It is also important to note that the majority of the M&A appear to be in China, India and the Far East where there may be more variation in process management systems (PSM) development.

16. While there is a high number of ownership change transactions, there are only few cases of reported accidents in which ownership has been identified as a risk factor. There are certainly cases where organisational change has contributed to increased risks and accidents but it is very difficult to identify cases where ownership change has been directly responsible. This does not necessarily imply that change of ownership does not affect safety and does not play a role in the chain of events linked to the occurrence of an accident. Ownership change, in particular mergers and acquisitions, can affect key elements of process safety management. The continuance of the effectiveness of process safety management is essential and should be approached in a rigorous manner (see Box 1).

Box 1. Examples of the impact of ownership change

The special session highlighted a number of examples of the impact of ownership change. While some of the examples show a positive transition from one owner to the other, other examples indicate some shortcoming during the transitions leading to more or less serious process safety deficiencies.

- A company operating five fuel storage sites in Europe went through two buyouts in recent years. Each has led to improvement as the new management team made investment in the plant and in people. The new senior management team was more safety-orientated. There was no particular regulator involvement at the time of the change of ownership or after.

- A company operating Seveso upper and lower tier gas storage sites in Europe was sold from a European owner to a US company. The inspectors were aware that the company was up for sale but only found out about the transaction had occured when it was already concluded. There was no contact with the regulators by the buyer – the buyer appeared to be reassured by the Seveso regime. There was a progressive movement to new policies and procedures. However, the company had not considered the impact of the change of ownership on emergency arrangements at its site until it was notified by a regulator during an inspection planned for after the change of ownership.

- An established Seveso upper tier oil refinery was bought by a non-EU company and this resulted in a mixed experience. The buying company made significant investment after the purchase (e.g. it installed a new plant to increase capacity, maintained technical apprenticeships and graduate engineer programmes for process safety engineers). The new safety report produced reflected the new operator and safety management system. The new owner kept many of the senior managers. However serious incidents followed the change of ownership but were thought to be not related to the change of ownership. One of the main issues was that the due diligence process failed to identify that the major hazard risk assessments were retained by the original refinery owner and not passed on to the new operator. This was a big issue as there were around 900 major hazard scenarios. The new company now has to address this failure, which

could be very costly and time-consuming.

- Fourth example: An upper tier pharmaceutical site went through two buyouts in 10 years. The site was first purchased by investment brokers and then resold to a chemical company. The site was handling a number of very toxic substances.

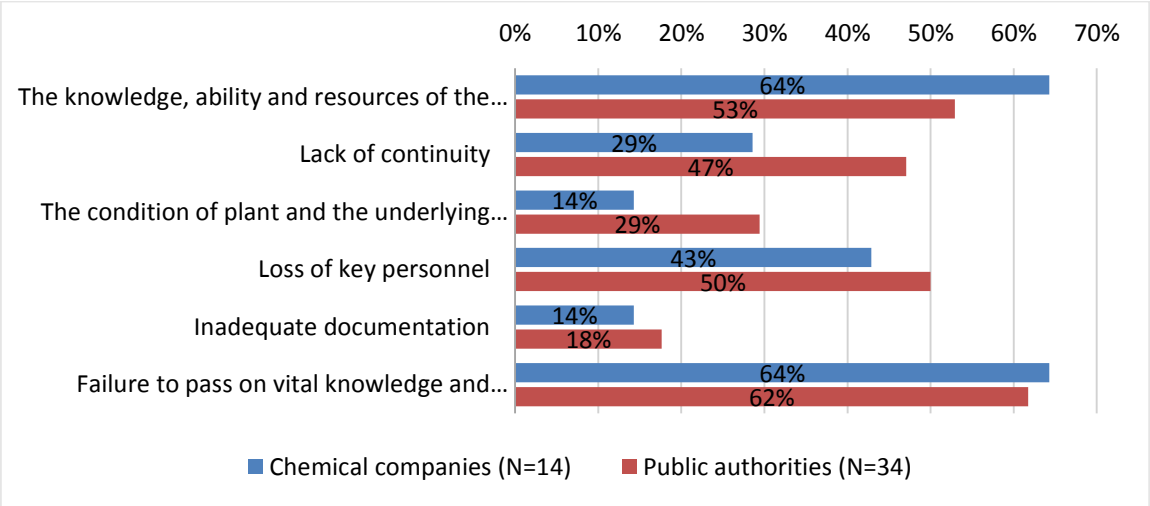
  The first buyer was a broker company and investment in the company appeared to deteriorate following the purchase. After the first transaction, workers on-site decreased from 220 to 55, including a loss of process safety knowledge and substantial cuts to the engineering and technical on-site support, which was potentially disastrous. There were around 20 enforcement notices in two years including two Seveso prohibition notices, as well as prosecutions taken for failure to comply with enforcement notices and poisoning/environmental releases. When the company was sold for a second time there was already a history of serious safety and environmental incidents (e.g., poisoning incidents including life-changing injuries for two employees, harm to others, and environmental risk from loss of containment). The site did not appear to have had an effective HAZOP or any other form of major accident hazard assessments. There was no evidence of a due diligence process being conducted during the transactions. The regulator continued to have concerns about the operation of the site following the second sale and similar concerns eventually led to insurers withdrawing their insurance and the operator placing the company into liquidation after a further major incident was averted.

  While the number of site personnel were being reduced, the ability to undertake a safety report became difficult and therefore the site difficult to assess. The inspection regime for the site is currently being reviewed by public authorities to look for lessons learnt

Primary risk drivers in ownership change

17. A number of aspects of an ownership change, in particular in M&A, were recognised as having the potential to impact process safety management (see Figure 4).

Figure 4: Perception of safety risk factors by chemical companies and public authorities



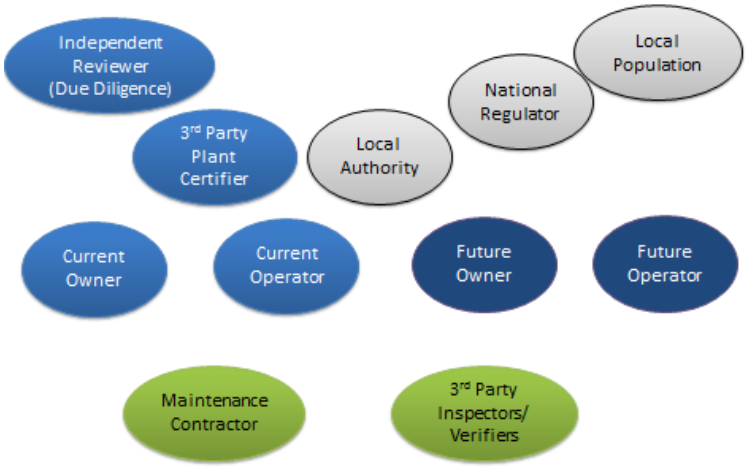
Source: Information gathered from a survey activity conducted in the framework of the OECD project on Facilities Handling Hazardous Substances with Ownership Change. The survey was directed at public authorities, industry, industry associations and trade unions. Ninety five responses were received to this questionnaire, with a majority of respondents representing public authorities. Among public authorities' respondents, countries included: Australia, Belgium, Chile, Denmark, Estonia, Finland, Germany, Italy, Japan, Mexico, Netherlands, Norway, Slovakia, Sri Lanka, Sweden, Turkey, United Kingdom, United States; Bulgaria, Ghana, and Sri Lanka.

18. A list of the main risk drivers during a change of ownership were presented during the special session:

- The reason for the sale/acquisition of a plant and the type of takeover: this has a great influence on the changes in risk;
- The failure to pass on critical knowledge and more specifically the loss of key personnel, commitment, knowledge and expertise;
- The capability and attitude of the new operator, that will affect both the short and long term risk profile;
- The instability created by the change of ownership and the lack of continuity;
- The plant condition and location: e.g. has the plant been allowed to deteriorate, are there poor inspection and test records, are there issues linked to ageing (the plant is built to older codes and standards without PSM or hazard analysis and upgrades to modern standards), unknown contents, etc.
- Inadequate documentation: related to e.g. age of original plant design and operating data, outsourcing of records, non-disclosure of audits, regulatory findings, drawings and procedures not up to date;
- Ineffective due diligence;
- Failure to appreciate the dangers and need for PSM and risk management overall;
- Lack of managerial experience in chemical/process hazards;
- Differences in safety cultures, regulatory regimes; and
- Short-term profit maximisation.

22. The reason behind the ownership change is potentially the biggest risk driver. The loss of morale, knowledge and expertise is likely the second most important factor. To identify the main factors of risks during a particular ownership change, it is important to be able to identify the stakeholders involved, their role and how they communicate prior, during and after the transaction (see Figure 5).

Figure 5: Stakeholders: Relationships and communication



Source: OECD Special session on "Facilities Handling Hazardous Substances with Ownership Change", Paris, 23 October 2014, Presentation by Graham Dalzell, Consultant, United Kingdom.

23. Many of the risk drivers presented above are similar to those associated to Management of Change (MOC), in particular corporate reorganisation. The question was raised whether ownership change should be managed as a separate issue or be included into part of more comprehensive MOC processes (see Box 2).

Box 2. Guidelines for Process Safety Management in case of Organisational Change

Discussion during the special session highlighted the work of the US Centre for Chemical Process Safety (CCPS), which has published two major guidelines relating to process safety risks in case of organisational change and process safety acquisition evaluation and post-merger integration. Discussion also raised the critical importance of the engagement of senior leaders and corporate management in maintaining safety during the change of ownership.

- In the 2013 CCPS guidelines on "Process Safety Risks In Case of Organisational Change", ownership change (acquisitions, mergers, divestitures, and joint ventures) is considered as a special case of reorganisation that will always result in an organisational change of structure. The guidelines highlight that during a change in ownership, companies need to ensure that all aspects of process safety are functional. It also points out the importance of process safety being a part of due diligence. The guidelines also note the importance of awareness of senior leaders in process safety and of integrating process safety within new organisational structures.

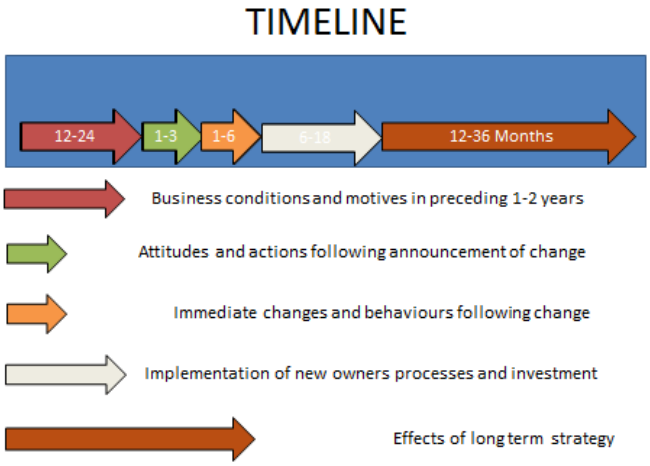
- The CCPS Guidelines on "Process Safety Acquisition Evaluation and Post Merger Integration" published in 2010 is a compilation of industry best practices from both technical and financial perspectives; it addresses acquisitions and merger integration issues specifically related to process safety. The guidance sets up how to handle acquisitions, including post-merger integration. According to this publication, poor post-deal integration was identified as the major factor or primary reason that, in as high as 43 percent of mergers, the merged company or operations did not perform as well as their competitors.

References: Center for Chemical Process Safety (CCPS) (2010), Guidelines for Process Safety Acquisition Evaluation and Post Merger Integration, ISBN: 978-0-470-25148-5 *;* Center for Chemical Process Safety (CCPS) (2013), Guidelines for Process Safety Risks In Case Of Organisational Change, ISBN: 978-1-1183-7909-7

Timeline and risks

24. Organisational and operational changes during a change of ownership can be progressive, immediate and long term (see Figure 6-a). The risk can increase, decrease or remain the same following the transaction depending on, for example, the reasons for the sale/acquisition, and on the new operator capabilities and attitude. The special session highlighted that the pace of change will have an impact on risks, and the management of risk during the change will be crucial.

Figure 6-a: Risk variation during ownership change



Source: OECD Special session on "Facilities Handling Hazardous Substances with Ownership Change", Paris, 23 October 2014, Presentation by Graham Dalzell, Consultant, United Kingdom.

25. The one to two years preceding the change of ownership will determine whether the plant is in good condition and has received positive corporate overview and investment or has been left without audits, corporate support and maintenance.

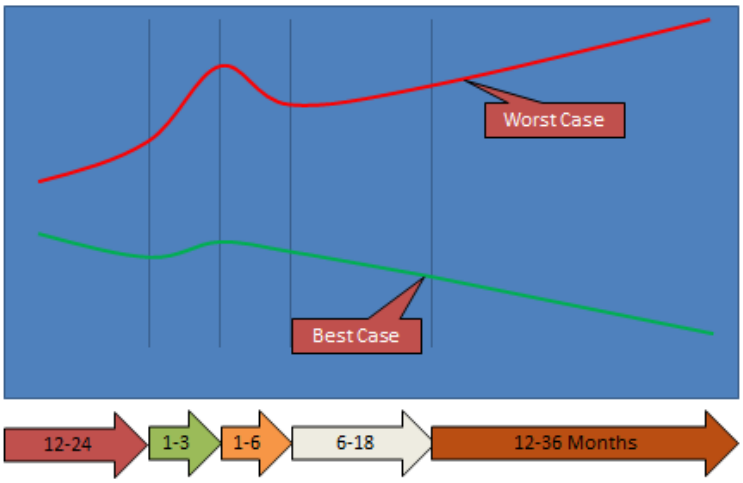
26. Different attitudes and actions can follow after the announcement of change. This has an immediate effect upon the personnel who are directly affected by the change, mainly on site. The personnel might be concerned about their security of employment, maintaining working conditions, the prospect of a new employer, etc. A change of ownership can create a situation of instability in the management and operation of the plant.

27. The handover itself might be a simple one if all the people and processes remain in place. Interviews done within the context of this OECD project on ownership change revealed that many takeovers were stable with little change in the short term. In other cases, there is the potential for rapid and immediate change with the imposition of a new managerial team, targets and costs. During the handover, one major factor of risk is associated with the loss of knowledge, plant history (corporate memory) and expertise. In a number of cases, a good part of the knowledge and experience in running the facility will not be written down but only be known to those employees with a long history at the facility, or to corporate engineers supporting the plant from the head office. In some cases the new owners have had to carry out a major documentation recovery process simply to allow the plant to be assessed and managed. This can be facilitated by the fact that written systems have been evolving with handwritten drawings scanned and archived.

28. The year following the change of ownership will reflect the "real" intentions of the new owners. If it is a positive acquisition where the plant is valued for its product and people with a competent responsible operator, the risks should be stable or even improve. However, if the intention is to make an immediate return by running the plant down or at its limits without any investment, the risks can increase. This can lead to the loss of further key personnel. The special session also emphasised that the imposition of new management systems can create tensions and may result in a period of increased risk while they are embedded and applied, even if the new management systems are better than those that had been in use.

29. The effects on the long term strategy are likely to be driven by external economic conditions. Within one to three years after the ownership change, new processes should be embedded and risks should be stabilising. Inexperienced owners may be improving and responding to regulatory pressure. Investment (or the lack of investment) will be yielding positive (or negative) results. Personnel changes should have stabilised and the attitude of the new owners will be reflected in the morale of the personnel. With lack of investment, there may be progressive deterioration.

Figure 6-b: Risk variation during ownership change



Source: OECD Special session on "Facilities Handling Hazardous Substances with Ownership Change", Paris, 23 October 2014, Presentation by Graham Dalzell, Consultant, United Kingdom.

30. Figure 6-b shows the potential changes giving an indicative worst and best case. The curves are only qualitative and are likely to be different for major accidents and occupational risks. The figure also shows the potential variations during the periods described with the potential for significant improvement, maintenance of the status quo or a decline.

The due diligence process

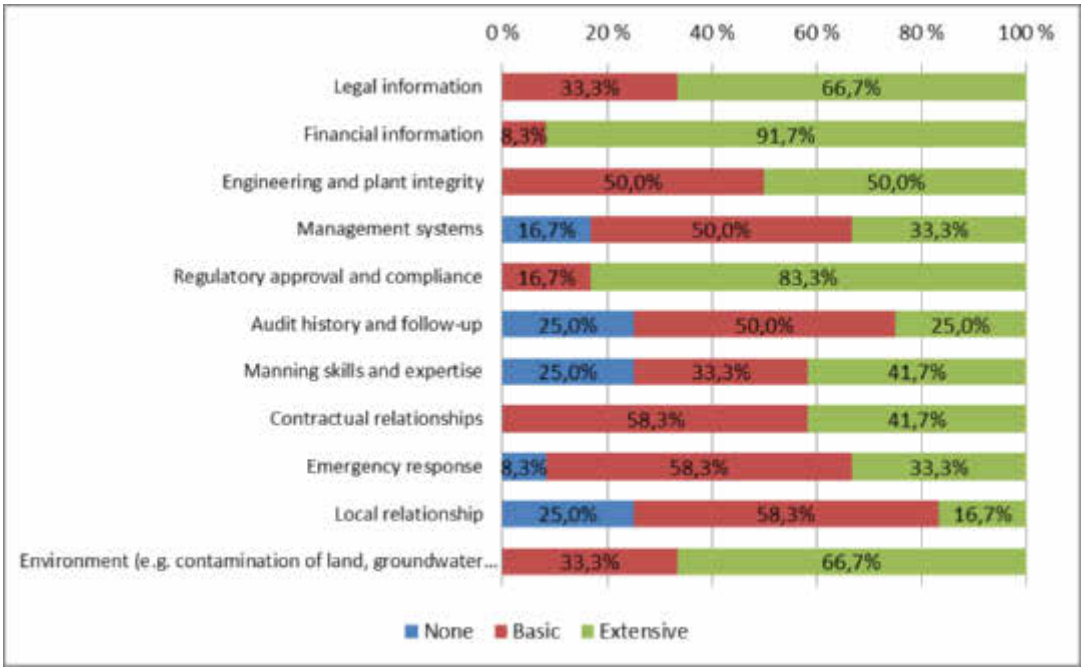
31. Due diligence is the process through which a potential acquirer evaluates a target company or its assets for an acquisition. The special session raised the importance of the due diligence process in a change in ownership. The process of due diligence is a key step to mitigate risks.

32. The purpose of a due diligence process is to determine the level of risk of a purchase. It helps to get a correct and balanced picture of the target company/facility. The findings are used to help set the purchase price and to determine whether any indemnities or warranties are required. Due diligence is usually carried out by solicitors as part of their service to prepare contractual arrangements. They will

advise on legal risk but will recommend the use of consultants for more technical reviews. Sometimes accountants or consultants will carry out due diligence. The depth and timing of the due diligence is determined by the client.

33. The special session highlighted that due diligence appears to focus mainly on the financial aspects of the change of ownership. Regulatory compliance is also an important element of the due diligence process (see Figure 7).

Figure 7: Information collected by companies during due diligence



Source: Information gathered from a survey activity conducted in the framework of the OECD project on Facilities Handling Hazardous Substances with Ownership Change. The survey was directed at public authorities, industry, industry associations and trade unions. Ninety five responses were received to this questionnaire, with a majority of respondents representing public authorities. Among public authorities' respondents, countries included: Australia, Belgium, Chile, Denmark, Estonia, Finland, Germany, Italy, Japan, Mexico, Netherlands, Norway, Slovakia, Sri Lanka, Sweden, Turkey, United Kingdom, United States; Bulgaria, Ghana, and Sri Lanka.

34. The special session highlighted that environmental risks are usually well covered in a due diligence process. However, accident prevention and preparedness and past history of accidents seem to be low on the priority list in this process.

35. Due diligence is conducted by gathering information from multiple stakeholders (e.g. from the seller, internal and external auditors, authorities, the media, internet, insurance companies and brokers). There are also on-site visits, on-site surveys, etc. The special session highlighted that the main qualities of an auditor conducting due diligence: an inquiring, seeking and probing attitude must prevail within the audit/due diligence inquiries. The auditor should never distrust until there is a cause for distrust, but should not accept at face value all that is said during the investigation. Conducting due diligence in the case of hazardous facilities is a tedious and systemic task.

Box 3. Due diligence and hazardous facilities: the example of the UK

In nearly all UK private sector share purchases, due diligence is conducted by solicitors through a standard questionnaire; this did not include specific reference to major hazards/ COMAH/ Seveso issues. The questionnaire has a section on both the environment and health and safety. The environment section is more developed and covers, in particular, contaminated land, water pollution, asbestos issues, and environmental permits and enforcement. However, the health and safety section is quite general. There is no specific section or question on major hazard issues and whether the site comes under the COMAH Regulations/ Seveso Directive. The solicitor can identify if the site is a COMAH/ Seveso establishment and would include this in the report for the purchaser. If the purchaser was not from the UK they would include an overview of the requirements of UK law. Discussions at the special session highlighted that it would be interesting to include further questions in a due diligence questionnaire linked to whether the establishment is within the scope of the major hazard legislation such as COMAH. This could lead to follow-up questions and requests for relevant documentation that could be reviewed as part of the due diligence.

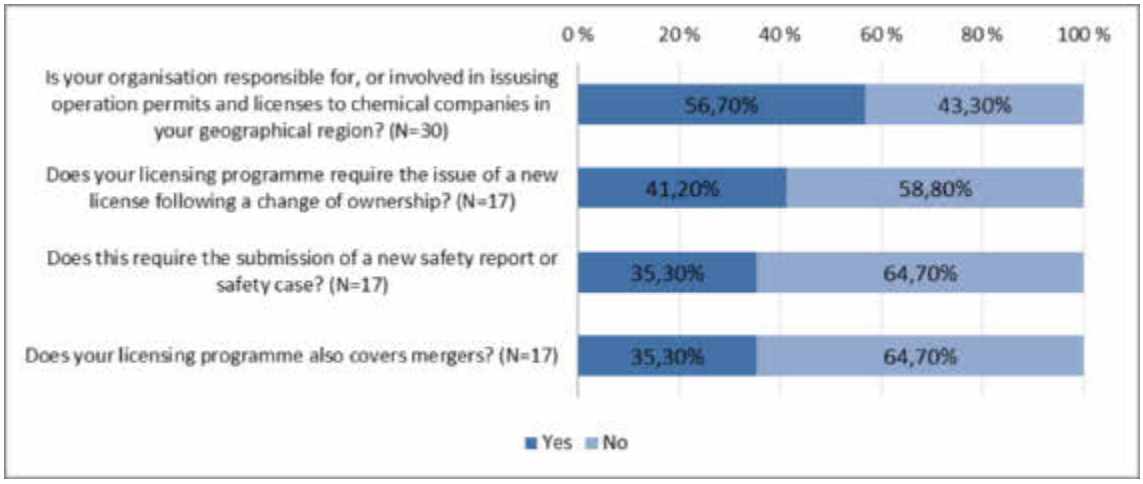
The questionnaire is now being further developed in the UK.

The role of public authorities

Regulations

36. The special session highlighted that ownership change is to a limited degree addressed in chemical safety regulations. In a majority of countries, ownership change does not imply a new permit or licence. In countries that do require a new permit or licence after a change of ownership, it can often be obtained without submission of a new safety report or safety case (see Figure 8)

Figure 8: Ownership change and permits and licenses



Source: Information gathered from a survey activity conducted in the framework of the OECD project on Facilities Handling Hazardous Substances with Ownership Change. The survey was directed at public authorities, industry, industry associations and trade unions. Ninety five responses were received to this questionnaire, with a majority of respondents representing public authorities. Among public authorities' respondents, countries included: Australia, Belgium, Chile, Denmark, Estonia, Finland, Germany, Italy, Japan, Mexico, Netherlands, Norway, Slovakia, Sri Lanka, Sweden, Turkey, United Kingdom, United States; Bulgaria, Ghana, and Sri Lanka.

37. There seems to be no real proactive role for the regulator in an ownership change. In general, regulatory control appears to be more reactive than proactive; i.e. assessing the new owner after the acquisition rather than being asked for approval before it proceeds. A change of ownership may or may not

trigger regulator action. Change of ownership can be a very secretive process and the regulator has no involvement in the due diligence process per se.

38. The special session highlighted that in a number of countries, ownership change does not require inspection of the acquired facility. When inspections are performed, they usually focus on both management systems and plant integrity.

39. The key information for effective regulation of major accident risks is the same information which should allow any prospective purchaser to identify the hazards and risks; and the plant, people, process and resources needed to manage them. In practice few risk management systems can present this information in a concise, integrated and complete manner.

Guidance and information

40. The special session highlighted that public authorities may be able to help in supporting a certain level of stability during the change of ownership, for example by providing guidance to the seller and buyer on how to manage a change of ownership of a hazardous facility.

41. Indeed if guidance documents on chemical safety are rather common among public authorities, in particular technical guidance, information on regulations and standards and lessons learned from accidents is less widespread. These could be amended to address risks associated with ownership change. Furthermore, registers and databases usually have information on ownership changes.

42. Knowledge exchange and guidance seems to be a cornerstone for supporting companies when they are involved in the change of ownership of a facility.

Conclusions of the special session – the possibility of developing further guidance documents targeting process safety risks related to ownership change

43. The special session concluded by raising the importance of guidelines and awareness-raising documents to support safe ownership change of hazardous facilities. Participants suggested the possibility of the development of the following types of guidance documents:

- A set of questions relating to high hazard establishments/process safety management in a standard due diligence questionnaire
- A guide setting out good practices for conducting due diligence processes in high hazard establishments;
- A guidance document for those involved in a change of ownership in hazardous facilities:
  - Directed at both buyers and sellers,
  - Designed to raise awareness at the corporate management level of the process safety risk during an ownership change,
  - Identifying main risk drivers during a change of ownership,
  - Providing hypothetical examples of a good change of ownership and a good due diligence process.

- Additional analysis on the role of regulators in different countries regarding ownership change, as well as possible development of a guidance document directed at regulators;

- An addendum to the OECD Guiding Principles on Chemical Accidents Prevention, Preparedness and Response to address ownership change in the case of hazardous facilities;

- A "template for transparency" to ensure greatest openness during the transfer of ownership. This template could include a list of the information which should be prepared by the owners of the facility and made available to the prospective new owners and to other stakeholders. The list of information could include, for example:

    - List of documents, content and quality;

    - Technical dossier, drawings, specifications, etc ;

    - Regulatory submissions and records;

    - Safety report;

    - Inspections reports, actions and prosecutions;

    - Hazard and risk studies and information;

    - Audit reports, actions and status;

    - Integrity management records;

    - Identification of key operations maintenance (including the plan for maintenance and any lag) and support personnel;

    - Listing of key contracts; and

    - Information on the acquirer competence and capability to manage the plant.

ANNEX: DRAFT AGENDA - SPECIAL SESSION ON FACILITIES HANDLING HAZARDOUS SUBSTANCES WITH OWNERSHIP CHANGE

23 October 2014, 14.00 – 18.00, OECD Headquarter, Paris

14.00-14.15	**Welcoming remarks by the Session Chair** Torill Tandberg, Director of Department, Norwegian Directorate for Civil Protection (DSB)
14.15-14.45	**Presentation of the OECD project on Hazardous Substance Handling Facilities with Ownership Change and of its first conclusions** Ragnhild Larsen, Senior Principal Engineer, Norwegian Directorate for Civil Protection (DSB)
14.45-15.15	**Primary Risk Drivers In Ownership Change** Graham Dalzell, Consultant, United Kingdom
15.15-15.30	**Q&A**
15.30-16.00 Coffee Break	
16.00-16.30	**Lessons learned from A Due Diligence Audit in the Middle East** Ed Spence, Managing Director, Integral Safety Ltd
16.30-17.00	**Lessons learned from Due Diligence Processes in Scandinavian Countries** Ulrik Odén, Risk Consultant, Oden & Oden AB
17.00-17.20	**A regulator's perspective** Christina Roberts, Policy Advisor, Hazardous Installations Directorate, Health & Safety Executive, United Kingdom
17.20-17.50 Roundtable Discussion with the Speakers and the Audience	
Wrap Up and Next Steps	
17.50-18.00	**Christina Roberts**, Policy Advisor, Hazardous Installations Directorate, Health & Safety Executive, United Kingdom **Torill Tandberg**, Director of Department, Norwegian Directorate for Civil Protection (DSB)