



Ministry of Business,
Innovation & Employment



Good Governance Practices Guideline for Managing Health and Safety Risks

“The board and directors are best placed to ensure that the company effectively manages health and safety. They should provide the necessary leadership and are responsible for the major decisions that must influence health and safety: the strategic direction, securing and allocating resources and ensuring the company has appropriate people, systems and equipment.”

Royal Commission on the Pike River Coal Mine Tragedy

ISBN 978-0-478-41346-5 (print)
978-0-478-41345-8 (online)

May, 2013

This guideline was developed by the Institute of Directors in New Zealand (IoD) and the Ministry of Business, Innovation and Employment (MBIE) as a result of the key findings and recommendations laid out in the final report of the Royal Commission on the Pike River Coal Mine Tragedy. The development of the guideline was assisted by the New Zealand Council of Trade Unions (NZCTU), Business Leaders' Health and Safety Forum, Employers and Manufacturers Association (EMA), New Zealand Institute of Management (NZIM) and Business New Zealand.

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Introduction

The governance of an organisation is a framework of interlocking values, principles and practices. Through this framework boards of directors exercise governing authority and make decisions in order to achieve the organisation's purpose and goals. They also ensure that the organisation operates with high standards of ethical behaviour, abiding by all laws and regulations.

It is important to distinguish between the governance and management of an organisation. The focus of directors should be on determining the organisation's purpose, developing an effective governance culture, holding management to account and ensuring effective compliance¹. Directors work with management to develop the organisation's strategy and business plans which are then implemented by management.

Health and safety governance is as important as any other aspect of governance. It is a fundamental part of an organisation's overall risk management function which is a key responsibility of directors. Failure to manage health and safety risk effectively has both human and business costs. The price of failure can be the damaged lives of workers, their families and friends as well as direct financial costs, damaged reputations and the risk of legal prosecution.

It is important to remember that an organisation's duty to provide a safe and healthy work environment extends further than its employees. Legislation in New Zealand extends that duty to all those who could be affected by the activities of the organisation such as contractors, visitors and customers.

Organisations that learn to manage health and safety well, learn that the capability that drives success in this area is the same capability that drives success in other areas of the business. Organisations with a good health and safety culture and reputation are valued by workers, investors and stakeholders.

Because of their position in the organisation directors have a unique opportunity and an obligation to make a difference by providing leadership in this critical area of governance. It is also important to ensure that when an organisation achieves success that it is celebrated.

**"Leadership is about what I say,
what I do, and what I measure"**

Business Leaders' Health and Safety Forum

¹ The Four Pillars of Governance Best Practice; Institute of Directors in New Zealand (inc.), Wellington, 2012.

Health and safety should be part of everyday business, it makes good business sense.

PURPOSE AND SCOPE OF THIS GUIDELINE

The purpose of this guideline is to provide advice on health and safety governance and to:

1. Demonstrate how directors can influence health and safety performance
2. Provide a framework for how directors can lead, plan, review and improve health and safety
3. Assist directors to identify whether their health and safety management systems are of a standard and quality that is effective in minimising risk
4. Encourage directors to create strong, objective lines of reporting and communication to and from the board.

The principles discussed in this guideline apply to all members of governing bodies including directors, trustees and councillors of organisations of all types and sizes (including voluntary organisations). It is however, intended to have particular application to directors of medium to large sized organisations (20 or more employees). A separate guideline is available for directors of smaller organisations.^{2,3}

This guidance is neither a policy statement nor a statutory document. While a court may take the document into account, there is no compulsion for it to do so. The document does however refer at times to relevant New Zealand legislation and to specific provisions within legislation. Where the word 'must' is used in the document to specify a requirement, this is intended to convey a legal requirement. Where the document intends a good practice imperative, rather than a legal one, the word 'should' is used.

This guideline was developed by the Institute of Directors in New Zealand (IoD) and the Ministry of Business, Innovation and Employment (MBIE) as a result of the key findings and recommendations laid out in the final report of the Royal Commission on the Pike River Coal Mine Tragedy. The development of the guideline was assisted by the New Zealand Council of Trade Unions (NZCTU), Business Leaders' Health and Safety Forum, Employers and Manufacturers Association (EMA), New Zealand Institute of Management (NZIM) and Business New Zealand.

² This document does not provide industry-specific advice. It is recommended that you seek such advice as a regular part of best practice. Ideally, you will have somebody with industry knowledge on your board who can provide this advice.

³ This document can be used by any organisation regardless of the number of workers. However, SMEs and NGOs often have different needs which may not be specifically addressed in this document.

Why Effective Governance is Important

THE NEED TO IMPROVE

We know that many New Zealand organisations can and should improve their health and safety record. Each week one to two New Zealanders are killed while at work. In addition, there are an estimated 600 to 900 deaths each year from occupational diseases such as asbestosis. The financial cost is estimated to be \$3.5 billion or more each year. When looking at our performance in comparison to other developed countries we have much room for improvement.

The statistics do not begin to describe the impact on those who have been harmed, their families, friends and colleagues. The need to address this human cost is in itself sufficient reason to improve our record of harm prevention.

THE BENEFITS OF GOOD HEALTH AND SAFETY

A positive and robust health and safety culture that begins at the board table and spreads throughout the organisation adds significant value, including:

- enhanced standing among potential workers, customers, suppliers, partners and investors as a result of a good reputation for a commitment to health and safety
- workers participating positively in other aspects of the organisation. A good organisational culture spreads wider than health and safety
- decreased worker absence and turnover. Engaged workers are more productive workers
- reduced business costs, for example a reduction in ACC levies as a result of improved health and safety performance and outcomes
- potentially increased economic returns. A report from the International Social Security Association found a return on prevention ratio of 2.2.⁴

The Pike River mine case provides a sobering example of how ineffective governance can contribute to catastrophic results.

CASE STUDY – PIKE RIVER COAL MINE TRAGEDY

An explosion at the Pike River mine on 19 November 2010 caused the deaths of 29 men.

In its final report into the tragedy the Royal Commission reached the following conclusions about corporate governance at the mine:

- **the board's focus on meeting production targets set the tone** for executive managers and their subordinates
- **the board needed to satisfy itself that executive managers were ensuring workers were being protected.** The board needed to have a company-wide risk framework and to keep its eye firmly on health and safety risks. It should have ensured that good risk assessment processes were operating throughout the company
- **an alert board would have ensured that these things had been done and done properly.** It would have familiarised itself with good health and safety management systems. It would have regularly commissioned independent audits and advice. **It would have held management strictly and continuously to account**
- **the Chairman's general attitude was that things were under control unless told otherwise.** This was not in accordance with good governance responsibilities. Coupled with the approach taken by executive managers this attitude exposed the workers to health and safety risks.

⁴ The Return on Prevention: Calculating the costs and benefits of investments in occupational safety and health in companies; International Social Security Association (ISSA), Geneva, 2011.

Essential Principles of Health and Safety Governance

LEADERSHIP

It is the role of directors to provide leadership and policy that sets the direction for health and safety management. Directors create and demand expectations and exercise due diligence in holding management strictly and continuously to account for meeting them. Directors should:

- ensure there is an active commitment and consistent behaviour from the board that is aligned with the organisation's values, goals and beliefs. This will encourage a positive workplace culture
- ensure leadership is 'informed leadership'. Directors need to be aware of the organisation's hazards and risks. They should have an understanding of hazard control methods and systems so that they can identify whether their organisation's systems are of the required standard. They should understand how to 'measure' health and safety performance so they can understand whether systems are being implemented effectively. Directors should be prepared to seek advice from industry and health and safety experts as required
- set an example and engage with managers and workers, this could include visiting work sites. This provides leadership and improves their knowledge of health and safety matters.

WORKER PARTICIPATION

Worker participation is an important part of health and safety risk management not only because it is a legal requirement but because it has proven to be highly effective. Research has shown that worker participation (and trade union participation) leads to better health and safety outcomes⁵. At the most fundamental level workers should be encouraged to contribute to continuous improvement by raising issues, generating ideas, and participating in system development, implementation, monitoring and review either directly or through their representatives.

Directors should set the overall tone for participation by holding management to account to ensure workers are involved. Questions as simple as "what are our workers saying about this issue?" or "how do our workers feel about it?" can bring a new dimension to the discussion.

"The main conclusion that emerges from our findings overall is that worker representation and consultation in the UK have a significant role to play in improving health and safety at work. They have the potential to raise health and safety awareness amongst both workers and managers, effect improvement in arrangements for managing health and safety, improve the practical implementation of these arrangements, and contribute to improved health and safety performance. Most importantly they represent means by which workers' voices can be heard and acted upon to the benefit of those that experience the risks of the production process."

David Walters et al (2005)

⁵ The role and effectiveness of safety representatives in influencing workplace health and safety, Walters, D.R. Theo Nichols, Judith Connor, Ali C. Tasiran and Surhan Cam, (2005), HSE Research Report 363, Sudbury, HSE Books.

LEGISLATIVE COMPLIANCE

An organisation's officers and directors must always comply with relevant laws and regulations and they must ensure their organisation's compliance. This requires that directors keep informed and up-to-date with legislative changes.

The overarching legislation that governs health and safety practice in New Zealand is the [Health and Safety in Employment Act 1992 \(HSE Act\)](#). This is supported by other key legislation such as the [Accident Compensation Act 2001](#) and the [Hazardous Substances and New Organisms Act 1996 \(HSNO\)](#). The HSE Act also has a number of regulations and approved codes of practice. A summary of the HSE Act titled [A Guide to the Health and Safety in Employment Act 1992](#) is available from MBIE.

Under the HSE Act the primary responsibility is placed on the employer who has a general duty to provide a safe and healthy work environment. The duty extends to all persons who may be affected by the activities of the organisation including, employees, contractors, public, visitors and customers and to the organisation's activities as a supplier to other organisations.

Directors can be held personally liable for an organisation's failure to comply with the HSE Act if they are held to have "...directed, authorised, assented to, acquiesced in, or participated in..."⁶ a failure to comply.

A case study on Icepak Coolstores is included in this section and provides an example of a situation where a director was prosecuted.

CASE STUDY – Icepak Coolstores

A director of Icepak Coolstores Ltd was convicted and fined \$30,000 after pleading guilty to a charge of breaching health and safety regulations. The specific charge was that **he acquiesced in the failure of the company to take all practicable steps** to ensure the safety of its employees while at work. This followed the coolstore explosion and fire at Tamahere near Hamilton in April 2008. The explosion killed a firefighter and left seven other firefighters with serious injuries.

Icepak Coolstores had installed a propane-based refrigeration system which they were aware was unique as an industrial operation of this kind and had never been adapted to use a highly flammable, explosive substance. The Fire Service had not been made aware of the presence of the explosive material nor were there any warning signs indicating its presence. The Crown claimed that directors had ignored a number of 'red flags' which should have alerted them to the risk such as propane gas regularly leaking, site gas detectors that needed replacing and several sources of ignition such as forklifts and switchboards.

The term 'acquiescence' is not defined in the Act and there was no discussion during the case regarding the meaning as the director had entered a guilty plea. The Department of Labour's position was that acquiescence meant the director was aware of the circumstances of the offending (not necessarily aware that there was an offence committed, just aware of the circumstances), was in a position to do something about it (the fact they were working directors of the business assisted with this) and didn't do anything about it.

⁶ Health and Safety in Employment Act 1992, Section 56 (1).

The requirements for directors may be expressed as exercising 'due diligence'. While this concept is not currently used in legislation in New Zealand it is now defined in Australian legislation in the [Model Work Health and Safety Act \(WHS Act\)](#). Section 27 of the WHS Act requires officers to take reasonable steps to:

- a) acquire and update their knowledge of health and safety matters
- b) understand the operations being carried out by the person conducting the business or undertaking in which they are employed, and the hazards and risks associated with the operations
- c) ensure that the person conducting the business or undertaking has, and uses, appropriate resources and processes to eliminate or minimise health and safety risks arising from work being done
- d) ensure that the person conducting the business or undertaking has appropriate processes in place to receive and respond promptly to information regarding incidents, hazards and risks
- e) ensure that the person conducting the business or undertaking has, and uses, processes for complying with duties or obligations under the WHS Act.⁷

Boards and directors should aspire to move beyond compliance to 'best practice' – an approach that has shown results superior to those achieved by other means and that is used as a benchmark.

⁷ Guidance for officers in exercising due diligence; Comcare (Australian Government).

The Role of Directors in the Governance of Health and Safety

The role of directors is outlined in the following pages in terms of four key elements:

- 1 Policy and Planning
- 2 Deliver
- 3 Monitor
- 4 Review

The discussion of each element begins with a table that outlines director and management responsibilities. At the end of each section you will find a series of diagnostic questions and director actions. The diagnostic questions are designed to be used by directors as a tool to determine whether the organisation's practices are consistent with the board's beliefs, values, goals and approved systems. They can also be used as a basis for identifying areas that could be improved. The actions for directors are divided into two categories – baseline actions and recommended practice. Baseline actions are a suggested minimum requirement while recommended practice reflects taking the next step towards best practice.

Directors should never turn a blind eye to health and safety information. If they become aware everything is not as it should be they need to take decisive action.

1 Policy and Planning

DIRECTOR RESPONSIBILITIES

- To determine the board's charter and structure for leading health and safety.
- To determine high level health and safety strategy and policy, including providing a statement of vision, beliefs and policy.
- To hold management to account for implementing strategy.
- To specify targets that will enable them to track the organisation's performance in implementing board strategy and policy.
- To manage the health and safety performance of the CEO, including specifying expectations and providing feedback.

MANAGER RESPONSIBILITIES

- To determine and implement business and action plans to give effect to board strategy.
- To determine targets that will enable them to track their own performance.
- To implement performance management processes for workers that specify health and safety expectations, and provide feedback on performance.

BOARD CHARTER AND STRUCTURE

The board should have its own charter setting out its role in leading health and safety in the organisation as well as the role of individual directors. The board may consider delegating a lead role in health and safety to an individual (if you have someone on the board with the necessary expertise) or a committee. Where specialist expertise is required consideration should be given to the engagement of an expert advisor. However, it must always be remembered that while tasks can be delegated, overall responsibility cannot be.

HEALTH AND SAFETY POLICY (VISIONS AND BELIEFS)

A health and safety policy (also known as a vision and beliefs statement) will be the formal mode of communication that demonstrates the board's commitment to, and beliefs about the management of health and safety. An example from the Todd Corporation is included in this section. As a positive statement about values, beliefs and commitments it represents a long-term view that will set the tone for how they, and others in the organisation, will behave. These policies will be most robust where management and workers are involved in the preparation and 'reality testing'. However, they should ultimately be approved and 'owned' by the board. These policies should reflect the organisation's responsibility to provide a safe and healthy work environment not just for its workers but for contractors, visitors, customers and anyone who may be affected by the organisation's activities.

SETTING TARGETS

Directors should set targets for the organisation that will provide direction, focus and clarity of expectation.

They should:

- be measurable
- be challenging but realistic
- contain a mix of lead and lag indicators, ensuring a greater weighting on lead indicators which focus on prevention.

A good discussion of the use of indicators is included in the publication [How Health and Safety Makes Good Business Sense – A Summary of Research Findings](#) which is available on the MBIE website.

RELATIONSHIP WITH FINANCIAL TARGETS

It is important that directors send a clear message to management and the wider organisation that health and safety and financial targets are complementary. It is important that directors ensure their organisation does not have a culture where financial targets are prioritised at the expense of health and safety.

ZERO HARM

'Zero harm' is often used as an aspirational target. Before applying this target, consider the strength of your organisation's risk and reporting culture. If it is a weak one, there may be a risk of cover-ups and non-reporting. Always remember, the key is to know what is happening in your organisation so that the board can make the right decisions.

MANAGEMENT STRUCTURE AND PERFORMANCE

The board should ensure that there is an effective linkage between their health and safety goals and the actions and priorities of senior management. The board achieves this linkage through the CEO. Managers allocate health and safety responsibilities and accountabilities throughout the organisation, with details included in role descriptions and performance management processes. It is also good practice for knowledge and commitment to health and safety to be assessed during the recruitment of senior managers.

Lead indicators measure activities designed to prevent harm and manage and reduce risk, whereas lag indicators measure performance results. Care should be taken with the use of lag indicators because of their potential to encourage perverse outcomes such as the non-reporting of incidents, 'near misses' and injuries.

DIAGNOSTIC QUESTIONS

The following diagnostic questions are examples that can be used by directors and boards as prompts to determine whether they are effectively meeting their responsibilities and accountabilities. They can also be useful in determining whether the organisation's practices are consistent with the board's strategies, beliefs, values, goals and approved systems.

1. How do you ensure that the targets you establish for your organisation are aligned with your health and safety strategies and goals in both the long and short-term, are challenging but realistic, and have no unintended perverse consequences?
2. How is your board structured to deliver its commitment to health and safety and where and how is this structure described?
3. What are the key health and safety responsibilities and accountabilities of operating managers and how are these different from support staff?
4. How do you ensure that the CEO understands and meets the board's expectations with regard to health and safety management?
5. What process do you use to assess the CEO's health and safety performance? How does this process recognise good and bad performance?
6. What processes are in place for ensuring that managers clearly understand their health and safety responsibilities and are held accountable for carrying them out?
7. How are the organisation's workers involved in the establishment of your organisation's vision, beliefs and policy?

CASE STUDY – PROGRESSIVE ENTERPRISES

With 18,500 workers across almost 200 locations and 135 million people visiting their stores each year, Progressive Enterprises has a diverse and significant risk profile. While they believed they were putting safety first it was not being reflected in their performance with an LTIFR of over 20. In 2009 they started thinking more deeply about what safety actually meant and started to really engage workers.

In a drive to build credibility and engage workers the Countdown to Zero programme was launched. As part of the programme additional equipment was purchased to reduce specific risks such as injuries from deli slicers. The investment was not small with that upgrade alone costing over \$4000 per machine.

Recognising they weren't preparing workers appropriately to deliver the desired safety performance, a significant amount was invested in training. This was very well received by workers. A recent course saw every single band saw operator come along on their day off, not because they had to but because they wanted to.

Changing the culture was fundamental to the process. Implementing measures of performance that meant something to workers and ensuring that all incidents were reported was vital. The organisation now has a culture where the first thought is not blame but how to support the affected person followed by what can we learn and how do we share that.

The investment Progressive has made in health and safety has delivered results – the LTIFR is now under 5 and the financial cost of injuries at work has halved since 2009. It has also had a real impact on staff attitudes and beliefs with over 95% of staff strongly agreeing that safety is important to the organisation.⁸

8 Our countdown to zero injuries; Dave Chambers - Managing Director Progressive Enterprises: www.zeroharm.org

ACTIONS FOR DIRECTORS

BASELINE ACTIONS	RECOMMENDED PRACTICE
Organisational Beliefs, Vision, Policy	
Develop, approve and publish a safety vision and beliefs statement that will express the organisation's commitment to health and safety.	Consider involving workers and their representatives in the development of a vision and beliefs statement. This will help to ensure that it is 'owned' by the whole organisation.
Targets	
Establish targets for tracking the organisation's effectiveness in implementing the board's health and safety strategy and goals.	Include both lead and lag indicators in targets and ensure they do not create perverse incentives.
Board Policy, Structure, Process	
Decide how to structure the board so that health and safety has appropriate focus and expertise.	Consider nominating a non-executive director as a health and safety 'champion', or a committee that can focus on this key area.
Determine a board charter that will describe the board's own role and that of individual directors in leading health and safety in the organisation.	Ensure the board charter describes detailed structures and processes to be used to plan, deliver, monitor and review leadership of health and safety.
Management Structure and Performance	
Provide the CEO with a role description that includes health and safety responsibilities and accountabilities.	
Ensure that management operates with a structure that appropriately recognises the respective health and safety responsibilities and accountabilities of operating and support staff.	
Apply a performance review process to the CEO role and ensure that a similar process applies to other management.	Ensure that performance review and reward systems do not encourage cover-ups and other unwanted behaviours that are inconsistent with the board's beliefs and values.

EXAMPLE OF POLICY STATEMENT

Health and Safety Policy



Our Health & Safety Vision:

“We will all have a safe workplace”

We believe that:

- No business objective will take priority over health and safety
- All incidents are preventable
- Whilst management have ultimate accountability, we all have responsibility for health and safety
- All personnel have the responsibility to stop any job they believe is unsafe or cannot be continued in a safe manner

To achieve this we will:

- Maintain and continually improve our Health, Safety and Environmental Management System
- Proactively identify hazards and unsafe behaviours and take all steps to manage these to as low as reasonably practicable
- Set targets for improvement and measure, appraise and report on our performance
- Assess and recognise the health and safety performance of employees and contractors
- Consult and actively promote participation with employees and contractors to ensure they have the training, skills, knowledge and resources to maintain a healthy and safe workplace
- Accurately report and learn from our incidents
- Support the safe and early return to work of injured employees
- Design, construct, operate and maintain our assets so that they safeguard people and property
- Require our contractors to demonstrate the same commitment to achieving excellence in health and safety performance
- Comply with relevant legislation, regulations, codes of practice and industry standards

Jon Young

A handwritten signature in black ink that reads 'Jon Young'.

Group Chief Executive Officer
Todd Corporation Limited

2 Deliver

DIRECTOR RESPONSIBILITIES

- To lay down a clear expectation for the organisation to have a fit-for-purpose health and safety management system.
- To exercise due diligence to ensure that the system is fit for purpose, being effectively implemented, regularly reviewed and continuously improved.
- To be sufficiently informed about the generic requirements for a modern, 'best practice' health and safety management system and about their organisation and its hazards to know whether its system is fit-for-purpose, and being effectively implemented.
- To ensure sufficient resources are available for the development, implementation and maintenance of the system.

MANAGER RESPONSIBILITIES

- To lead the implementation of health and safety management systems and programmes.
- To identify resource requirements for the development, implementation and maintenance of the health and safety system, obtain approval for their provision, and secure and allocate resources accordingly.
- To allocate responsibilities and accountabilities to managers and workers for implementation of the system and its components.
- To monitor the effectiveness of the system and implement continuous improvements.

HEALTH AND SAFETY MANAGEMENT SYSTEM

Organisations should have a fit-for-purpose health and safety management system that is integrated with other management systems. The size, sophistication and detail of the system will reflect the organisation's risk profile, with high hazard organisations requiring more substantial systems.

Merely having a good system will not achieve good health and safety. Systems need to be implemented with rigor and consistency. Directors should hold management to account for effective implementation.

The main aim of a health and safety management system is effective hazard and risk management. This is the process by which hazards that have the potential to cause harm are identified and controls to eliminate, isolate or minimise the risk of harm are implemented. Harm refers to illness, injury or both. It also includes physical or mental harm caused by work-related stress.

Risk assessment requires a judgement about the probability of an incident happening and the potential seriousness if it does happen. Attention needs to be paid to the full spectrum including those incidents that are more likely to occur but with less serious consequences, and those incidents that are less likely to occur, but with catastrophic consequences when they do.

Guidelines on the requirements for an effective health and safety management system are described in [Standards AS/NZS 4801:2001](#) and [AS/NZS 4804:2001](#). Further guidance to safety management practices and injury management can also be obtained from ACC (www.acc.co.nz):

- ACC442 ACC Workplace Safety Management Practices Audit Standards (aligned with the Australia/ New Zealand Standards for Occupational Health and Safety Management Systems (AS:NZS 4801:2001)
- ACC2465 ACC Partnership Programme Injury Management Practices Audit Standards

KEY ASPECTS OF A HEALTH AND SAFETY MANAGEMENT SYSTEM

Hazard and risk management

Organisations must identify all actual and potential hazards and implement controls for those assessed as significant. During organisational change, risk assessments should be undertaken so that the full health and safety impact of the changes can be understood and managed.

Incident management

Organisations should have well-defined processes for reporting and investigating incidents to identify root causes. The aim of incident management is to identify and implement remedial actions to prevent the incident happening again.

Emergency management

Organisations should develop plans for managing potential emergencies that may arise in the workplace. These plans should be communicated to all persons working on site. Plans should be regularly tested by simulation.

Injury management

Organisations should have processes for ensuring that injured persons are properly cared for. In the case of serious injuries and fatalities this care should extend also to families and work mates.

Participation

Under the Act organisations with more than 30 employees, or when requested by an employee or a union, must develop and agree a participation agreement.

Continuous improvement

The need to continuously improve the health and safety management system is a fundamental requirement. Directors should hold management to account for doing this. Guidance on continuous improvement can be found in AS/NZS 4801 and 4804. Continuous improvement also includes the audit and review process.

Two areas that overlay the system are resources and leadership. The organisation must be provided with the resources required for it to operate safely. This includes people, plant and equipment, systems and budget. Leadership should be shown at all levels throughout the organisation. Management must define its commitment to health and safety, establish objectives, targets and plans for giving effect to this commitment, and lead the organisation in their achievement.

DIAGNOSTIC QUESTIONS

The following diagnostic questions are examples that can be used by directors and boards as prompts to determine whether they are effectively meeting their responsibilities and accountabilities.

1. How do you know that the organisation's health and safety management system is fit for purpose and represents best practice?
2. What systems are in place to ensure that hazards and risks are identified, assessed and effectively managed?
3. Have you thought about potential incidents that are less likely to occur, but with catastrophic consequences if they do?
4. Where there is significant organisational change that has implications for health and safety how do you ensure that this is reported to the board?
5. How good is the organisation's emergency management plan and state of readiness that will ensure an effective response to any potential emergency? When was it last tested?
6. How does the organisation ensure that it has the right people with the right skills and motivation managing health and safety?
7. How does the organisation ensure that all plant and equipment used on site meets an acceptable standard?
8. How does the organisation ensure that contractors have satisfactory health and safety standards?
9. How does the organisation ensure that the goods and services it supplies to other organisations meet satisfactory health and safety standards?
10. Does the organisation have an adequate budget for its health and safety programme?

"We insist that safety is our number one priority. Above all else, we value human life and expect that our port colleagues will go home to loved ones at the end of their shift in the same condition they entered the port gate."

Mark Cairns, Port of Tauranga

ACTIONS FOR DIRECTORS

BASELINE ACTIONS	RECOMMENDED PRACTICE
Health and Safety Management Systems	
Ensure that management develops, implements, audits and regularly reviews and updates an effective health and safety management system consistent with accepted standards.	Undertake training to ensure a good understanding of the requirements of the health and safety management system and particularly of hazard and risk management practices.
Review management reports on reviews and audits of systems and control plans.	Commission periodic external audits and reviews of the system. Ensure that workers and representatives participate in audits and system reviews.
Become personally aware of your organisation's hazards and control systems. Review risk registers.	Ensure you have a detailed knowledge of your organisation's hazards and control systems. This should be refreshed regularly including through engagement with managers and workers which may include site visits.
Ensure that hazards are identified by management and that control plans are in place for their effective management.	Periodically (at least every two years) obtain/review independent advice on the adequacy of hazard control plans and the effectiveness of their implementation.
Ensure that management implements procedures for the selection of contractors and monitoring their activities so that you are assured of their health and safety.	Ensure that management insists on contractors having health and safety standards that match your organisations.
Resources – People	
Ensure that management have staffed the organisation with sufficient personnel with the right skill mix, supported by specialists as required to operate the business safely.	Ensure that the organisation has effective processes in place for recruitment, training and direction of managers so that they are skilled and motivated to reinforce a positive health and safety culture and ensure the health and safety of their people and teams.

Ensure management implements a system of worker participation that enables workers and their representatives to participate in decision-making, implementation and monitoring of their workplace health and safety management systems.	Ensure that the organisation implements a 'just culture' whereby there is an atmosphere of trust in which people are encouraged to provide safety-related information, without fear of retribution or blame for honest mistakes but are still held accountable for wilful violations and gross negligence.
Encourage a culture where reporting of events is expected and followed up.	Monitor the overall workplace health and safety culture using survey techniques.
Resources – Plant and Equipment	
Ensure that plant and equipment is provided by management that is fit for purpose, well maintained and supported by training and safe operating procedures.	Ensure well established and documented standards for plant and equipment that are used at procurement and during on-going operation and maintenance. Plant and equipment are not allowed on site if it does not meet this standard. This also applies to equipment used by contractors.
Resources – Systems	
Ensure that management provides systems that will support the effective management of health and safety.	Ensure management provides computer based systems for capturing data on health and safety incidents, analysis and reporting. Good systems will also assist with the tracking of action plans following incidents and audits etc and will assist to ensure their timely completion. The health and safety management system will be documented and available for all to read. Information from it will be regularly communicated to workers.
Resources – Budget	
Provide sufficient funds for the effective implementation and maintenance of the health and safety management system and for improvement programmes.	Ensure there is a policy of dealing with health and safety on the basis of need rather than budget limits.

3 Monitor

DIRECTOR RESPONSIBILITIES

- To monitor the health and safety performance of the organisation.
- To outline clear expectations on what should be reported to the board and in what timeframes.
- To review reports to determine whether intervention is required to achieve, or support organisational improvements.
- To make themselves familiar with processes such as audit, risk assessment, incident investigation, sufficient to enable them to properly evaluate the information before them.
- To seek independent expert advice when required to gain the required degree of assurance.

MANAGER RESPONSIBILITIES

- To give effect to board direction by implementing a health and safety management system using the 'plan, do, check, act' cycle.
- To provide the board with reports on health and safety management system implementation, and performance as required.
- To implement further actions following board review of reports.
- To ensure root cause investigations are carried out using independent investigators in the case of serious incidents.

The implementation of long-term goals and strategy through business planning is the responsibility of management. However, the board needs to ensure, through appropriate monitoring, that these strategies are being effectively implemented.

Directors must never turn a blind eye to undesirable information. They should, instead, always seek out complete and accurate information that will enable them to know whether the organisation is meeting all of its health and safety obligations and goals. Directors must always act decisively whenever that information suggests that it is not.

ROUTINE REPORTS TO BOARD

The following information should be on the board's agenda and reviewed on a regular basis:

- data on all incidents, including near misses and occupational illness. Effective monitoring of these statistics can alert the board to underlying problems before any serious incidents occur
- data on absence rates due to sickness that can be indicators of issues such as stress and fatigue
- data on trends including routine exposure to risks that are potentially harmful to health such as high noise levels, toxic chemicals and bullying
- progress with the implementation of formal improvement plans
- actions in place aimed at preventing harm, such as training, and maintenance programmes
- the health and safety performance and actions of contractors
- reports on internal and external audits, and system reviews.

Directors should be alert to the possibility that there is reluctance to report such information and should satisfy themselves that any such obstacles have been eliminated.

INCIDENTS

Incident investigations should identify root causes and put in place measures to prevent the incident happening again. Investigations should not be about apportioning blame. When looking for root causes there should be consideration of human factors that can contribute to incidents and the possibility of systemic failure such as culture, workload or lack of training.

Directors should review serious incident reports and be satisfied with the integrity of the process, and that the incident investigation has correctly identified root causes, and that an effective action plan has been put in place to address the issues identified. Directors should require further reports covering the completion of actions so that they can be satisfied that the implementation of actions arising from incidents is both effective and timely.

DIAGNOSTIC QUESTIONS

The following diagnostic questions are examples that can be used by directors and boards as prompts to verify that the information they receive is appropriate, accurate and comprehensive.

1. Are you asking the right questions? Do you determine what information you receive or does management?
2. How do you know that the information you are receiving is supported by a strong and honest reporting culture?
3. How does your organisation's performance compare with other comparable organisations and how do you know?
4. Does the organisation have the capability to carry out 'root cause' investigations, or know where to get it?
5. How do you know that actions identified in incident investigations are effectively implemented?
6. How much of the information that you receive is also shared with workers?
7. Are you receiving sufficient information about health as well as safety?

CASE STUDY – COCA-COLA AMATIL NZ

Following a worsening trend in workplace accidents in 2010, it implemented a five-step reform of health and safety measures. The five steps were clear and uncomplicated:

1. Set measurable goals relating to what they wished to achieve with its health and safety reform
2. Use robust and fit-for-purpose health and safety (including hazard) management systems and ensure they are fully integrated into the company
3. Change the culture (including improvement of the reporting culture)
4. Introduce practical programmes (such as stretching before manual labour)
5. Visible leadership – one of the key actions undertaken by the managing director responsible for health and safety was to join the health and safety leadership forum. Another more simple action was to sit in on health and safety committee meetings.

In the year following implementation of the health and safety measures there was a marked increase in reported injuries, but the severity of the injuries had declined. There were 155 near hits reported in November 2011. This indicated a substantial uptake of values by workers at the company and a change in attitudes toward health and safety along with the overall reporting culture. It also indicated that the systems put in place were working. In 2011, the company saw a 90% decrease in ACC costs and in the first quarter of 2012, had zero lost time injuries.

ACTIONS FOR DIRECTORS

BASELINE ACTIONS	RECOMMENDED PRACTICE
<p>Specify clear requirements regarding reporting and timeframes for significant events in the board's charter.</p>	
<p>Ensure that in the case of serious incidents management have sought external input or review to provide independence and avoid potential vested interests.</p>	
<p>Review serious incidents, including serious non-compliance and near misses and be personally satisfied with the adequacy of management actions in response.</p>	<p>Directors should receive basic training in incident investigation methodology sufficient to ensure that they are able to distinguish between adequate and inadequate investigations.</p> <p>In the case of serious health and safety incidents, obtain independent advice on the adequacy of the investigation and remedial actions.</p>
<p>Ensure that improvement goals are developed annually by management and that regular progress reports are received by the board.</p>	<p>Separate organisations and work sites will have their own business goals. Visible tracking of goals by directors will demonstrate commitment and leadership and encourage commitment from line management to take these goals seriously.</p> <p>For example a site manager may be invited to a board meeting to report on progress with an annual improvement plan or this may be the subject of discussion during a site visit.</p>
<p>Specify clear requirements for the regular reporting of health and safety performance results, and review these reports at meetings for indications of trends, system breakdowns and improvement needs.</p>	<p>Ensure you have a sound understanding of, and focus on, hazards that would have a significant impact on the business.</p> <p>Ensure reports allow tracking of both lag and lead indicators.</p> <p>Directors should satisfy themselves that there are no obstacles to free and frank reporting.</p> <p>Boards should develop their own reports on health and safety performance for shareholders and other stakeholders. Health and safety performance should be included in external reports.</p>

4 Review

DIRECTOR RESPONSIBILITIES

- To ensure the board conducts a periodic (eg annual) formal review of health and safety to determine the effectiveness of the system and whether any changes are required.
- To ensure the board considers whether an external review is required for an independent opinion.

MANAGER RESPONSIBILITIES

- To organise regular audits and reviews of the health and safety management system (internal and external) and its implementation.
- To take remedial actions as required arising from any audit or review.
- To report to the board on the outcomes of audits and reviews.
- To assist the board with the formal health and safety review by providing information and other input as required.

The board should conduct a formal review of health and safety performance on a periodic basis. This enables the board to establish whether their health and safety principles have been embedded in the organisation's culture. Similarly the review will consider whether the policy and system are being effectively implemented and whether they are still fit for purpose.

AUDITS AND SYSTEM REVIEWS

Audits and system reviews arranged by management will inform the board's formal review. Directors should ensure that reviews are undertaken on a regular basis. The objective of an audit is to assess the quality of system implementation and the objective of a system review is to assess whether the system is fit-for-purpose and representative of best practice.

It is normal for audits and system reviews to recommend actions for improvement. Directors should ensure that these recommendations are properly considered by management and where agreed, implemented.

It is desirable that an internal audit or review team comprises a cross section of managers and worker representatives so that a range of perspectives, knowledge and skill is brought to the table. This approach also supports the message that health and safety is everybody's responsibility. Directors should consider if the appropriate people were involved in the review or audit.

It is good practice for the organisation to periodically seek independent and objective assurance from an external audit and/or system review. An external opinion can bring a fresh pair of eyes and new ways of thinking. Involving worker representatives in the selection of external auditors and reviewers is good practice that will help ensure the required objectivity.

FORMAL REVIEW OUTCOMES

The formal review will identify strengths and weaknesses in the system and its implementation.

It is just as important that good performance is recognised and celebrated as it is that opportunities for improvement are identified.

Improvement action plans arising from the formal review should be tracked by directors at regular board meetings.

DIAGNOSTIC QUESTIONS

The following diagnostic questions are examples that can be used by directors and boards as prompts to verify that they are conducting adequate formal reviews of health and safety.

1. What do you do to ensure an appropriate and thorough board level review of health and safety?
2. What information do you use for the review and who do you involve?
3. How do you ensure that your review uses best practice as a benchmark?
4. How do you ensure that workers contribute to this review?
5. How do you ensure maximum independence and objectivity of reviews and audits?
6. How do you recognise and celebrate success?
7. How do you ensure that actions identified in the review are communicated and effectively implemented?

CASE STUDY – HOLCIM NEW ZEALAND

In the mid-90s Holcim New Zealand's safety record was poor. With a LTIFR of 43.8 there was significant room for improvement. While a series of short-term measures saw improvements it wasn't until 2003 when the organisation sought outside help that things really started to change. External audits highlighted there was much more to do than expected and it was clear a change would require a lot of energy and drive. Holcim committed to putting in that effort and put in place the following measures:

- management and the board committed to demonstrating visible safety leadership
 - safety is a key agenda item at board meetings
 - a safety council was created which meets each month to set policy and direction and review progress
 - all of the management team are actively involved in health and safety – they each must spend two half days a year working on-site
 - all managers must attend a four-day safety leadership programme

- adopted a philosophy of 'zero harm, safety first'
- each division has health and safety staff
- the safety manager reports direct to the CEO
- focus on the development of useful lead indicators
- significant effort on developing a safety culture among staff; staff engagement surveys now reflect the effort put into safety
- development of a contractor management programme including a pre-selection process, inductions and specific Holcim site training.

These measures have had a significant impact on Holcim's health and safety performance, the organisation now has an LTIFR of below 3. The focus has shifted significantly with 500 employees completing nearly 6600 safety tours (audits) in 2011. Health and safety is now owned by all Holcim employees in their drive for 'zero harm, safety first'.⁹

⁹ Safety – one of the toughest leadership challenges; Jeremy Smith - Managing Director Holcim New Zealand: www.zeroharm.org

ACTIONS FOR DIRECTORS

BASELINE ACTIONS	RECOMMENDED PRACTICE
Specify arrangements for the formal review of health and safety in the board's charter including frequency, who is involved and how, what input is required etc.	Provide opportunities for worker representatives and workers with relevant skills and knowledge to participate in internal audits and reviews and in the selection of external auditors and reviewers.
Ensure that input to the formal review includes audits (internal and external), system reviews, performance results, significant incidents, organisational changes and benchmark data.	Periodically commission a culture survey to assist the review.
As an outcome from the review determine an action plan and track progress.	

Conclusion

As a director, managing your organisation's health and safety risk is just as important as managing financial and reputational risk and it should receive the same focus.

Boards are responsible for determining high level health and safety strategy and policy which managers are required to implement. This strategy and policy must take into consideration all those affected by the organisation's activities, not just workers. Board responsibility however, does not stop with the issuing of strategy and policy as they should also ensure that it is implemented effectively. They do this by holding management to account through processes of policy and planning, delivery, monitoring and review. This includes recognising when the organisation is doing well and celebrating success. Through these processes the board should ensure that they have created an environment in which a commitment to health and safety is part of everyday business. Having a positive health and safety culture and an integrated, embedded and effective health and safety management system in which managers and workers take individual ownership will have significant benefits for the organisation.

Unless the board is aware of a serious issue, they cannot address it. Information is key. Ensure your management team is telling you all you need to know and don't leave anything to chance. Remember – if it seems too good to be true, it probably is.

Director Health and Safety Checklist

-  How do the board and all directors demonstrate their commitment to health and safety?
-  How do you involve the organisation's workers in health and safety? Do they feel able to express any concerns?
-  How do you ensure that your organisation's health and safety targets are challenging, realistic and aren't creating unintended consequences?
-  What data is the board receiving on health and safety? Is this sufficient?
-  How do you ensure all staff are competent and adequately trained in their health and safety responsibilities and accountabilities?
-  Does the organisation have sufficient resources (people, equipment, systems and budget) for its health and safety programme?
-  Does the organisation have a schedule of audits and reviews to ensure the health and safety management system is fit for purpose?
-  How do you ensure that actions identified in incident reports, audits and reviews are communicated and effectively implemented?
-  How do you ensure that the organisation's risks are assessed and appropriate mitigation measures put in place?
-  How connected are you to what happens at the organisation's work sites? What measures are in place to inform you?
-  Does the organisation have policies and processes in place to ensure contractors used by the organisation have satisfactory health and safety standards?
-  How does your organisation's performance compare with other comparable organisations and how do you know?
-  How do you recognise and celebrate success?

Resources

KEY LEGISLATION

All available online at www.legislation.govt.nz

- [Health and Safety in Employment Act 1992](#)
- [Accident Compensation Act 2001](#)
- [Hazardous Substances and New Organisms Act 1996](#)

A wide range of regulations and codes of practice can be found on the MBIE website www.mbie.govt.nz.

STANDARDS

All available from Standards New Zealand online at www.standards.co.nz

- [AS/NZS 4801:2001 – Occupational Health and Safety Management Systems - Specification with guidance for use](#)
 - [AS/NZS 4804:2001 – Occupational health and safety management system - General guidelines on principles, systems and supporting techniques](#)
 - [AS/NZS ISO 31000:2009 – Risk management - Principles and guidelines](#)
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PUBLICATIONS AND WEBSITES

- Ministry of Business, Innovation and Employment – www.mbie.govt.nz
 - [A Guide to the Health and Safety in Employment Act 1992](#)
 - [Taking All Practicable Steps](#)
 - [How Health and Safety Makes Good Business Sense](#)
 - A range of health and safety factsheets on topics such as serious harm, taking all practicable steps and employee participation systems are available online at www.osh.govt.nz/order/catalogue/factsheets.shtml#hse
 - A series of health and safety publications can be found at www.osh.govt.nz/order/catalogue/hse-publications.shtml
- ACC – www.acc.govt.nz/publications
 - [Measuring your capabilities in Workplace Safety Management - ACC Workplace Safety Management Practices Audit Standards \(ACC442\)](#)

- Guidance for Officers in Exercising Due Diligence – www.comcare.gov.au/__data/assets/pdf_file/0020/102566/Guidance_for_officers_in_exercising_due_diligence.pdf)
- Institute of Directors in New Zealand www.iod.org.nz
- The Four Pillars of Governance Best Practice (Available from the Institute of Directors in New Zealand)
- Leading Health and Safety at Work, Leadership actions for directors and board members www.hse.gov.uk/pubns/indg417.pdf
- World Class CEO Safety Leadership Assessment (Business Leaders' Health and Safety Forum) www.zeroharm.org.nz/leadership/leadership-assessment/
- The return on prevention: Calculating the costs and benefits of investments in occupational safety and health in companies, International Social Security Association Research Report – www.issa.int/content/download/152234/3046913/file/2-Return-on-prevention.pdf

Glossary

All practicable steps	A key concept in the HSE Act that relates to a requirement to take all steps that a reasonable, prudent person would take in the same situation. For a full definition or explanation of “all practicable steps”, refer to the HSE Act and/or the Department of Labour fact sheet, both of which are referenced in the following resource list.
Best practice	A method or technique that in like circumstances has consistently shown superior results in comparison to results achieved using other means – used as a benchmark.
Harm	Illness, injury or both. This includes physical or mental harm caused by work-related stress.
Hazard	Is defined in the HSE Act as an activity, arrangement, circumstance, event, occurrence, phenomenon, process, situation, or substance (whether arising or caused within or outside a place of work) that is an actual or potential cause or source of harm; and includes: <ul style="list-style-type: none">• a situation where a person’s behaviour may be an actual or potential cause or source of harm to the person or another person; and• without limitation, a situation described above resulting from physical or mental fatigue, drugs, alcohol, traumatic shock, or another temporary condition that affects a person’s behaviour.
Lost time injury frequency rate (LTIFR)	Number of reported injuries that resulted in at least one day being lost from work after the day of the injury or illness per million hours worked.
Near miss	A situation or incident where harm might have occurred.
Organisational culture	Collective set of values and beliefs held and exercised within an organisation or workplace.

Serious harm	<p>Is defined in the HSE Act as:</p> <ul style="list-style-type: none"> • any of the following conditions that amount to or result in: permanent loss of bodily function, or temporary severe loss of bodily function: respiratory disease, noise-induced hearing loss, neurological disease, cancer, dermatological disease, communicable disease, musculoskeletal disease, illness caused by exposure to infected material, decompression sickness, poisoning, vision impairment, chemical or hot-metal burn of eye, penetrating wound of eye, bone fracture, laceration, crushing • amputation of body part • burns requiring referral to a specialist registered medical practitioner or specialist outpatient clinic • loss of consciousness from lack of oxygen • loss of consciousness, or acute illness requiring treatment by a registered medical practitioner, from absorption, inhalation or ingestion of any substance • any harm that causes the person harmed to be hospitalised for a period of 48 hours or more commencing within seven days of the harm's occurrence.
Significant hazard	<p>Is defined in the HSE Act as a hazard that is an actual or potential cause or source of:</p> <ol style="list-style-type: none"> a) serious harm; or b) harm (being harm that is more than trivial) the severity of whose effects on any person depend (entirely or among other things) on the extent or frequency of the person's exposure to the hazard; or c) harm that does not usually occur, or usually is not easily detectable, until a significant time after exposure to the hazard.
Workers	Employees of the organisation, its contractors and its subcontractors.
Zero harm	An expression used by many organisations to describe an aspirational target of no harm of any sort to workers.

All definitions that relate to legislation are correct as at 30 April 2013.

