Health and Safety Guide: Good Governance for Directors

March 2016

Institute of **Directors**

WORKSAFE
NEW ZEALAND | MAHI HAUMARU AOTEAROA

About IoD

The Institute of Directors in New Zealand (Inc) (IoD) is the leading professional membership organisation for directors with more than 7,000 individuals representing the spectrum of New Zealand enterprise, from the commercial, not-for-profit and public sectors.

The IoD aims to raise the standard of governance in all areas of New Zealand business and society. It promotes excellence in corporate governance, represents directors' interests and facilitates professional development through education, governance training and resources.

About WorkSafe

WorkSafe New Zealand is New Zealand's workplace health and safety regulator.

New Zealand has unacceptably high rates of workplace fatalities, serious harm injuries and work-related disease and illness. We are working collaboratively to achieve a 25 percent reduction by 2020 of the workplace death and injury toll. Work is also underway to establish occupational health reduction targets.

Our focus is to embed and promote good workplace health and safety practices. We are also the regulator for electricity and gas safety in the workplace and home.

WorkSafe's approximately 550 staff are located in 20 offices across New Zealand.

We work closely with employers, employees and others to:

› educate them about their workplace health and safety responsibilities
› engage them in making changes that reduce the chances of harm
› enforce workplace health and safety legislation.

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FOREWORD

The Institute of Directors in New Zealand (Inc) (IoD) is pleased to release the next edition of the *Health and Safety Guide: Good Governance for Directors* in partnership with WorkSafe New Zealand. The IoD is committed to raising awareness of the importance of health and safety in New Zealand businesses and educating directors about their roles and responsibilities.

The Health and Safety at Work Act 2015 requires directors to take ultimate responsibility for the health and safety of their business. Directors must have knowledge of and commitment to health and safety, but contrary to some beliefs, are not expected to be experts to meet the expectations of the Act.

The principles underpinning health and safety governance are no different than any other aspect of a governance role. Good health and safety governance is about having a demonstrable plan and a pro-active approach to making the workplace as safe as it can be.
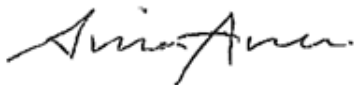
Directorship in health and safety is not about responsibility for the day-to-day granular operations of the entity. It is about ensuring appropriate systems and processes are in place to support health and safety and, critically, that there is proper resourcing and verification of health and safety at the board table.

We are grateful to Dr Kirstin Ferguson for sharing the Safety Governance Pathway to help boards determine their vision of safety governance.

In recent time we have seen many positive steps by companies to entrench a strong health and safety culture. It's encouraging to see many of our members making a commitment beyond basic compliance to changing the safety culture of the entity. Put simply, valued workers make for a better business.

The health and safety guideline helps directors focus on the new Act and supports them with practical guidance and thought leadership in health and safety governance.

I commend this guide to you on behalf of the IoD.

Simon Arcus
Chief Executive
Institute of Directors

As Chief Executive of WorkSafe New Zealand I am pleased to introduce the revised version of the *Health and Safety Guide: Good Governance for Directors* in partnership with the Institute of Directors in New Zealand.

The first version of this guide was produced in May 2013 to assist directors to lead workplace health and safety. This edition complements the Health and Safety at Work Act 2015 which came into force on 4 April 2016.

The Act sets expectations and defines duties clearly. One of these duties is that senior officers of businesses, such as CEOs and board directors, must exercise due diligence on health and safety. This means that the top of the shop must have a good understanding of the risk profile of its operations, the key controls in place and a system of providing information on whether these controls are working. These are essential but not sufficient for exercising really effective health and safety leadership. In addition, leaders need to demonstrate to their staff and to their suppliers, customers and contractors that they mean it. This takes health and safety off the page of process and systems, and into the area of behaviour summarised in the old cliché, 'walking the talk'.

A key component of effective health and safety leadership is engagement with workers. The identification of risk and the implementation and maintenance of effective controls requires input from those at the sharp end. After all, it is the workers who often have the best understanding of how systems, processes and policies are working out in practice. There are also opportunities here that go beyond health and safety. It is well understood that an engaged workforce delivers better morale and productivity. So, what better subject than health and safety to start the engagement journey with staff?

Myself and WorkSafe encourage and support all leaders to foster a health and safety culture in their operations, from one end of the supply chain to the other. Our messages are simple – everyone needs to do more and do it better to make sure we all come home from work healthy and safe each day. Not only is good health and safety the right thing to do, it also makes good business sense.

Gordon MacDonald
Chief Executive
WorkSafe New Zealand

INTRODUCTION

The governance of an organisation involves a framework of values, processes and practices. Through this framework, directors and boards exercise their governing authority and make decisions to achieve the organisation's purpose and goals. Directors ensure the organisation operates ethically and complies with all laws and regulations.

It is important to distinguish between governance and management practices. Directors should focus on determining the organisation's purpose, developing an effective governance culture, holding management to account and ensuring effective compliance. Directors work with management to develop 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. Directors and other officers have a duty to exercise due diligence to ensure that the organisation complies with health and safety duties and obligations. 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 prosecution.

It is important to remember that an organisation's primary duty to ensure so far as is reasonably practicable the health and safety of workers extends beyond it's own workers to all workers whose activities they influence or direct (including subcontractors and volunteers). Legislation in New Zealand also extends an organisation's health and safety duties to all those who could be put at risk by the activities of the organisation, such as visitors, customers and the public.

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, it is celebrated.

PURPOSE AND SCOPE OF THIS GUIDELINE

The purpose of this guideline is to provide advice to directors on how to meet their health and safety obligations and to:

› demonstrate how directors can influence health and safety performance

› provide a framework for how directors can lead, plan, review and improve health and safety

› assist directors to identify whether their health and safety management systems are effective in minimising risk

› encourage directors to create strong, objective lines of reporting and communication to and from the board[1].

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[1] 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.

This guideline has been drafted by WorkSafe New Zealand in association with the Institute of Directors in New Zealand. Its focus is on the due diligence duty that directors have under the Health and Safety at Work Act 2015 (HSWA). The duty to exercise due diligence is in fact owed by all 'officers' as defined in HSWA, not just directors. Therefore, this guideline can be referred to by all officers to assist them in meeting their due diligence duty.

This guideline is also intended to have particular application to directors of medium-to-large sized organisations (20 or more employees). A separate guideline is available for officers of smaller organisations.

This document is a good practice guideline, intended to explain how an officer (including a director) may comply with their legal obligations under HSWA. While a court may take this document into account, there is no compulsion for it to do so. Where the word 'must' is used in the document, this is intended to convey a legal requirement. The word 'should' is used to convey a good practice requirement.

This guideline updates the 2013 Good Governance Practices Guideline, to reflect HSWA.

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. It is estimated that annually 600 to 900 people die prematurely from occupational diseases such as asbestosis. The financial cost of work-related injuries and death 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[2].

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

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[2] 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.

Case Study – Pike River Coal Mine Tragedy

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

The mine was new and the health and safety systems of its owner, Pike River Coal Ltd (Pike River) were inadequate for safe coal production. There were numerous warnings of a potential catastrophe at Pike River including multiple reports made by the underground deputies and workers. The warnings were not heeded.

In the view of the Royal Commission after the disaster, the directors and executive managers paid insufficient attention to health and safety and exposed workers to unacceptable risks. The final report reached the following conclusions:

› **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 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 board's focus on meeting production targets set the tone for executive managers and their subordinates.**

› **The Chairman's general attitude was that things were under control unless told otherwise.** Coupled with the approach taken by executive managers this attitude exposed the workers to health and safety risks.

This last point is critical; the board's approach was not in line with good governance responsibilities. The board must establish an effective health and safety governance culture that encourages the disclosure of health and safety risks, to enable warnings to be heard and acted upon.

Essential elements of health and safety governance

LEADERSHIP

It is the role of directors to provide leadership by driving policy, including setting the direction for health and safety management and performance. Directors create expectations and exercise due diligence by holding management 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 risks. They should have an understanding of control methods and systems so they can identify whether their organisation's systems are appropriate. They should understand how to 'measure' health and safety performance so they can understand whether systems are being implemented effectively.

› 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 knowledge of health and safety matters.

The *Safety Governance Pathway* (Appendix B) is a tool to help identify what stage of safety governance maturity an organisation may currently be experiencing.

LEGISLATION

The core piece of legislation governing health and safety practice in New Zealand is HSWA.

HSWA places a primary duty on a person conducting a business or undertaking (PCBU) to ensure, so far as reasonably practicable, the health and safety of its workers, and other workers whose activities they influence or direct. This primary duty extends to ensuring, so far as reasonably practicable, that the health and safety of other persons is not put at risk by the work of the PCBU, including visitors and other people in the vicinity of the workplace[3].

A PCBU will usually be a business entity, such as a company. However, an individual can be a PCBU, such as a sole trader or self-employed person. Specific volunteer associations without paid employees are not PCBUs[4].

DIRECTORS' DUTIES AND LIABILITIES

The legislation places a positive duty on directors – as officers of a PCBU – to exercise due diligence to ensure that the organisation complies with its health and safety duties and obligations.

The term officers' includes those who hold positions that enable them to significantly influence the management of the organisation. This means that certain senior leaders in an organisation (such as CEOs) are also officers and have a due diligence duty.

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[3] Health and Safety at Work Act, section 36.
[4] Health and Safety at Work Act, section 17(2).

Officers are:

› company directors

› partners in a partnership and general partners in a limited partnership

› a person who holds a position comparable to a director in a body corporate or unincorporated body (eg members of Boards of Crown entities, members of school trustees, Board or Committee members for community or not-for-profit organisations)

› people who hold positions that enable them to significantly influence the management of the business or undertaking (eg CEOs).

An elected member of a governing body of a territorial authority or regional council does not have a duty of due diligence to ensure that a council-controlled organisation complies with it duties or obligations under HSWA, unless they are also an officer of that council-controlled organisation.

While this guideline focuses on directors, it is important to note that all officers have the same duty under HSWA to exercise due diligence.

DIRECTORS' DUE DILIGENCE

Due diligence requires directors (as officers) to take reasonable steps to understand the PCBU's operations and health and safety risks, and to ensure that they are managed so that the organisation meets its legal obligations.

Due diligence is defined in section 44(4) of HSWA as taking reasonable steps to:

› acquire and update knowledge of health and safety matters

› gain an understanding of the operations carried out by the organisation, and the hazards and risks generally associated with those operations

› ensure the PCBU has, and uses, appropriate resources and processes to eliminate or minimise those risks

› ensure the PCBU has appropriate processes for receiving and considering information about incidents, hazards and risks, and for responding to that information in a timely way

› ensure there are processes for complying with any duty, and that these are implemented

› verify that these resources and processes are in place and being used.

Directors (and other officers) must exercise the care, diligence, and skill that a reasonable director (or officer) would exercise in the same circumstances. What is considered reasonable will depend on the particular circumstances, including the nature of the business or undertaking, and the director or officer's role and responsibilities.

All officers, including directors, may seek health and safety advice from experts or others within their organisation, such as managers. Where they choose to rely on this advice, the reliance must be reasonable. **Directors (and other officers) should obtain enough health and safety knowledge to ask the right questions of the right people and to obtain credible information.**

DIRECTORS' LIABILITY

Directors and other officers will be personally liable if they breach their due diligence duty. The maximum penalty for a serious breach of the due diligence duty is imprisonment for up to 5 years and/or a fine of up to $600,000[5]. Insurance cannot be used to pay fines under HSWA[6]. Certain officers are exempt from being prosecuted for a failure to meet the due diligence duty. Exempt officers include:

› elected members of local authorities (councillors) under the Local Electoral Act 2001

› members of local or community boards elected or appointed under the Local Electoral Act 2001

› members of school boards of trustees appointed or elected under the Education Act 1989

› volunteer officers[7].

The due diligence duty supports the primary duty of care. It places a duty on individuals whose decisions significantly influence the activities of a PCBU, therefore influencing whether or not the PCBU meets its duties. However, the PCBU's duties and the officer's due diligence duty operate independently. If a PCBU fails to meet any of its duties it does not necessarily mean that the directors or other officers have failed to exercise due diligence. Conversely, a director or other officer may be found guilty of an offence for failing to discharge their due diligence duty whether or not the PCBU has been found liable[8].

WORKER ENGAGEMENT AND PARTICIPATION

Worker engagement is an important part of growing a positive workplace culture. Research has shown that worker participation (and union participation) leads to better health and safety outcomes[9]. All workers should be encouraged to contribute to continuous improvement by raising issues, generating ideas, and participating in system development, implementation, monitoring and review.

It is a legal requirement for all PCBUs to have worker engagement and participation practices, regardless of their size, level of risk or the type of work they carry out. PCBUs must:

› engage with workers on matters which will or are likely to affect their health and safety

› have worker participation practices that provide workers with reasonable opportunities to participate effectively in improving health and safety.

Participation practices can be flexible – an organisation and its workers should choose a worker participation model that works for them. What is appropriate will depend on the nature of the risks, the size of the organisation and the views and needs of the workers.

> *"Our vision is that worker participation is a valued part of the workplace health and safety system, and management is interested in and open and responsive to workers' health and safety concerns."*
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> The Report of the Independent Taskforce on Workplace Health & Safety: He Korowai Whakaruruhau (2013)

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[5] Health and Safety at Work Act 2015, section 47.
[6] Health and Safety at Work Act 2015, section 29.
[7] Health and Safety at Work Act 2015, section 51.
[8] Health and Safety at Work Act 2015, section 50.
[9] 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.

Worker participation practices can be direct or through representation. Representation means that workers choose one or more people to speak or act on their behalf. Workers can then share questions, concerns and suggestions with health and safety representatives, health and safety committees, unions or other worker representatives who can raise health and safety matters with the PCBU.

Directors should set the overall tone for engagement 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. Asking what systems or processes are used in finding this information can provide assurance of authentic engagement – for example, some boards may find it useful for directors to make site visits.

📄 Case Study – Easy Rider

When the Easy Rider sunk in Foveaux Strait in 2012, eight people died, including the skipper.

In March 2014, Gloria Davis, the owner of the fishing vessel and sole director of AZ1 Enterprises Ltd was found by the court to be responsible for **failing to take all reasonable steps to ensure no contractor or subcontractor was harmed** while on board the vessel.

The Court found that Davis failed to ask the relevant questions and consciously ignored safety issues as the vessel:

› had not passed a safety audit

› contained insufficient life-jackets

› was carrying passengers, not permitted for a commercial vessel

› had a skipper with no certification.

In this case, while AZ1 Enterprises Ltd was the principal under the Health and Safety in Employment Act 1992 (HSE), the court found that the company could only discharge its responsibilities through its agents; the skipper, Mr. Karetai (who died in the accident) and Ms. Davis. The individuals' actions could be attributed to the company and the company's liability was therefore the result of the shortcomings of its authorised agents. AZ1 was fined just over $200,000 and Davis was sentenced to 350 hours of community service and a fine of $3000.

While brought under HSE, this case provides an example of how some elements of the due diligence requirements may be interpreted under HSWA.

The role of directors in health and safety governance

This part explains how directors can exercise due diligence in relation to health and safety through their governance role. 'Due diligence' is defined in section 44(4) of the HSWA as including particular actions (as is set out earlier in this guideline). This part of the guideline sets out a suggested approach to due diligence which incorporates the legal requirement in section 44(4) of HSWA.

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

1. Policy and Planning
2. Delivery
3. Monitoring
4. Review

The discussion of each element begins with a table that outlines suggested director and manager 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. They will not all be relevant to every organisation, but are intended to assist directors in asking probative questions. 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.

1. POLICY AND PLANNING

DIRECTOR RESPONSIBILITIES	MANAGER 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 the board to track the organisation's performance in implementing strategy and policy. > To manage the health and safety performance of the CEO, including specifying expectations and providing feedback.	> To determine and implement business and action plans to give effect to board strategy. > To determine targets that will enable management to track their performance. > To implement performance review 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 assigning a lead role in health and safety to an individual (if you have someone on the board with the necessary expertise) or a committee (with its own Terms of Reference) clearly describing how it supports the board in fulfilling its roles under HSWA and the Board Charter.

Where specialist expertise is required, consideration should be given to the engagement of an expert advisor. However, remember that while tasks can be assigned and external knowledge sought, overall responsibility and liability cannot be delegated.

HEALTH AND SAFETY GOVERNANCE POLICY

A health and safety governance policy will be the formal mode of communication that demonstrates the board's commitment to the management of health and safety. This represents a long-term view that will set the tone for how everyone in the organisation will behave.

The health and safety governance policy is robust when management and workers are involved in its preparation and 'reality-testing', and it is a legal requirement to engage workers in its development. However, this policy should ultimately be approved and 'owned' by the board.

Health and safety policies should reflect the organisation's responsibility to ensure so far as is reasonably practicable the safety and health of all workers (employees, contractors, subcontractors) and of anyone whose health and safety may be at risk by the work carried out by the organisation.

SETTING TARGETS

Directors should set targets that provide clear direction, focus and clarity of expectation. They should:

› be measurable

› be challenging but realistic

› contain a mix of lead and lag indicators, with 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*.

> 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.

RELATIONSHIP WITH FINANCIAL TARGETS

It is important that directors set health and safety and financial targets that are complementary. Directors should 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, however this should be done with caution. Before applying this target, consider the strength of the organisation's risk and reporting culture. If it is weak, there may be a risk of cover-ups and non-reporting. Always remember, the key is to know what is happening in the organisation so that the board can make the right decisions.

MANAGEMENT STRUCTURE AND PERFORMANCE

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

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 the organisation are aligned with the 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 the board structured to deliver its commitment to health and safety? Where and how is this structure described?**

3. **What are the key health and safety responsibilities and accountabilities of operational managers? 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 the organisation's vision, beliefs and policy?**

ACTIONS FOR DIRECTORS

BASELINE ACTIONS	RECOMMENDED PRACTICE
Organisational Beliefs, Vision, Policy	
Develop, approve and publish a health and safety policy statement that expresses the organisation's commitment to health and safety. Ensure that the PCBU involves workers and their representatives in the development of the policy statement. This will help to ensure that it is 'owned' by the whole organisation and is also a legal requirement on the organisation as a PCBU.	
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.

BASELINE ACTIONS	RECOMMENDED PRACTICE
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 establishing a committee that can focus on this area.
Develop 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 roles.	Ensure that performance review and reward systems do not encourage cover–ups and other unwanted behaviours that are inconsistent with the board's charter and health and safety policy.

2. DELIVERY

DIRECTOR RESPONSIBILITIES	MANAGER RESPONSIBILITIES
> To set a clear expectation that the organisation has a fit-for-purpose health and safety management system. > To exercise due diligence to ensure that the system is fit-for-purpose, effectively implemented, regularly reviewed and continuously improved. > To be sufficiently informed about the generic requirements of a modern, 'best practice' health and safety management system and about their organisation and its risks 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.	> To lead the implementation of health and safety management systems. > 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 responsibility and accountability to managers and workers for implementing the system. > 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. For example high hazard organisations require more substantial systems.

Merely having a good system will not achieve good health and safety. Systems need to be implemented with rigour 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 controlled to eliminate or minimise the risk of harm. Harm refers to illness, injury or both. It includes physical or mental harm caused by work-related stress.

RISK PROFILE

Boards need to understand the nature of the health and safety risks their organisation and workers face. 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 of risks:

› **Critical risks** are low probability events that could seriously harm or kill someone. Boards should ensure the organisation has identified its critical risks and that sufficient resources are available to control them. Boards should establish indicators and receive regular reports on management of critical risks.

› **High probability risks** are the risks that are more likely to occur but generally have less serious acute consequences or chronic effects where there is longterm exposure. Boards need to ensure that these risks are managed as they affect workers health and safety more often. Reviewing lag indicators such as incidents reports can enable boards to understand their high probability risks. Reviewing lead indicators can help the board gain assurance that these risks are being actively managed.

Directors must ensure that the organisation (a PCBU) has available for use, and uses, appropriate resources and processes to eliminate or minimise risks to health and safety. Once boards understand their critical and high probability risks – their risk profile, they can ensure that they allocate appropriate resources so the organisation, as a PCBU, can eliminate or minimise the risks, as appropriate.

Key Aspects of a Health and Safety Management System

Hazard and Risk management	Organisations must identify and assess work-related health and safety risks. During organisational change, risk assessments should be undertaken so that the health and safety impacts can be understood and managed. There must be processes to eliminate or minimise risks to health and safety caused by the work.
Incident management	Organisations should have well-defined processes for reporting and investigating incidents to identify root causes and then to respond to these in a timely way. 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 must have processes for ensuring that injured persons are properly cared for. In the case of serious injuries and fatalities this care should extend to families and work-mates.
Worker engagement	Organisations must have processes for engaging with their workers on health and safety matters. These processes should cover engagement generally and the specific circumstances when an organisation is legally required to engage with its workers.

Worker Participation	Worker participation practices should be put in place so that workers can effectively participate in improving health and safety on an ongoing basis. Participation practices should provide workers ongoing ways to raise health and safety concerns, get and share information about health and safety issues, offer suggestions for improving health and safety, contribute to decisions which affect work health and safety, and be kept informed about health and safety decisions.
	Organisations must have appropriate processes for receiving and considering information regarding incidents, hazards and risks and for responding in a timely way to that information.
	Worker representation is one form of participation. Health and Safety Representatives and Health and Safety Committees are two well established methods of worker representation.
Working with other organisations	Organisations must have processes in place to consult and co-ordinate with other organisations where they also have duties under HSWA in relation to the same task or activity.
Continuous improvement	Continuous improvement is a fundamental part of any management system. Continuous improvement also includes the audit and review process.

Two functions that overlay the system are resourcing 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

Directors and boards can use the following questions as prompts to determine whether they are 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 (including risks to worker health) are identified, assessed and effectively managed?**

3. **Have you thought about potential incidents that are less likely to occur, but with critical 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 to manage health and safety?**

7. **How does the organisation ensure that it engages with workers and their representatives on health and safety matters (including listening to their response and involving them in the decision making process)?**

8. **How does the organisation ensure that it has provided genuine opportunities for workers to participate in the ongoing improvement of health and safety?**

9. **How does the organisation ensure that all plant and equipment used on site meets an acceptable standard?**

10. **How does the organisation ensure that other organisations they work with have satisfactory health and safety standards?**

11. **How does the organisation ensure it works with other organisations to manage matters when both have health and safety duties as PCBUs?**

12. **How does the organisation ensure that the goods and services it supplies to other organisations meet satisfactory health and safety standards?**

13. **Does the organisation have an adequate budget for its health and safety programme?**

ACTIONS FOR DIRECTORS

BASELINE ACTIONS	RECOMMENDED PRACTICE
Health and Safety Management Systems	
Ensure that the organisation (through 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.
Verify the provision and use of resources and processes by requiring and then reviewing management reports on the health and safety management system. This should include 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 the organisation's risks and control systems.	Ensure you have a detailed knowledge of the organisation's risks and control systems. Refresh this regularly by engaging with managers and workers, and where appropriate go on site visits.
Ensure the organisation has processes in place to identify hazards and risks and control them.	Periodically (at least every two years) obtain/review independent advice on the adequacy of risk control plans and the effectiveness of their implementation.
Ensure that management implements procedures for the selection of contractors and monitoring their activities so that the organisation is assured of their health and safety.	Ensure that management insists on contractors having health and safety standards that match the organisation's. Management should ensure that contractors management processes do not encourge under-reporting.

BASELINE ACTIONS	RECOMMENDED PRACTICE
Ensure that the organisation (a PCBU) implements procedures to consult and coordinate activities with other organisations (other PCBUs) that have overlapping health and safety responsibilities. Ensure management has processes to check that all organisations with overlapping duties are meeting their obligations as agreed.	
Resources – People	
Ensure that management provides the organisation with personnel with the right skills, 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 worker engagement system that enables workers and their representatives to participate in decision-making, implementation and monitoring of 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 incidents, hazards, and risks is expected and reports are followed up in a timely way. Ensure that the PCBU has appropriate processes for receiving this information and responding to it.	Monitor the overall workplace health and safety culture using appropriate techniques, such as surveys.
Resources – Plant and Equipment	
Ensure that the organisation has processes in place so it can ensure plant and equipment is fit-for-purpose and well maintained, that workers using it are properly trained, and that there are safe operating procedures in place for work done on the plant and equipment. Ensure the organisation includes both health and safety requirements in its procurement process for plant and equipment.	Ensure the organisation has processes to ensure that a contractor's plant and equipment meets the organisation's health and safety standards before it is allowed on site.
Resources – Budget	
Provide sufficient funds for the effective implementation and maintenance of the health and safety management system, health and safety training for managers and workers 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. MONITORING

DIRECTOR RESPONSIBILITIES	MANAGER 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 necessary assurance.	> 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.

Implementing long-term health and safety goals and strategy through business planning is the responsibility of the organisation (as a PCBU). The board needs to ensure, through appropriate monitoring, that these strategies are being effectively implemented.

Boards should create a strong reporting culture that welcomes 'bad news' and responds to it appropriately. 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.

Boards need to undertake a critical assessment of the data and reports they receive. They should ensure that they have sufficient understanding of their organisation's risk profile to be able to 'stress test' the information provided and decide whether their intervention or further investigation is required.

ROUTINE REPORTS TO THE BOARD

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

› Data on all incidents, including near misses, work-related ill-health, compliance with health monitoring programmes and ACC claims. Effective monitoring of these statistics can alert the board to underlying problems before any serious incidents occur.

› Data on absence rates due to sickness. This can be an indicator 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 towards implementing formal improvement plans and meeting policy goals, including number of actions closed-out on time.

› 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.

› Data on proactive safety visits such as safety tours and workplace inspections.

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

INCIDENTS

Incident investigations should identify root causes, and measures to put in place 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 reports following serious incidents. They need to be satisfied with the integrity of the process, and that the incident investigation has correctly identified root causes. An effective action plan should be put in place to address the issues identified. Directors should require further reports on 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 the organisation's performance compare with other comparable organisations, how do you know?**

4. **Does the organisation have the capability to carry out 'root cause' investigations?**

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 and their representatives?**

7. **Are you receiving sufficient information about health as well as safety?**

ACTIONS FOR DIRECTORS

BASELINE ACTIONS	RECOMMENDED PRACTICE
Health and Safety Management Systems	
In the board's charter specify clear requirements regarding reporting and timeframes for addressing significant health and safety events.	
Ensure that in the case of serious incidents, management have sought external input or review to provide independence and avoid potential vested interests.	
Review serious incidents including serious non-compliance by the organisation and near misses, and be personally satisfied with the adequacy of management actions in response.	Directors should receive basic training in incident investigation methodology sufficient to ensure that they are able to distinguish between adequate and inadequate investigations.

In the case of serious health and safety incidents, obtain independent advice on the adequacy of the investigation and remedial actions. |

BASELINE ACTIONS	RECOMMENDED PRACTICE
Ensure that improvement goals are developed annually by management and that regular progress reports are received by the board.	Separate organisations and work sites will have their own goals. Visible tracking of these by directors will demonstrate commitment and leadership and encourage commitment from line management to take these goals seriously. 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.
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.	Ensure you have a sound understanding of, and focus on, risks that would have a significant impact on health and safety. Ensure reports allow tracking of both lag and lead indicators. Directors should satisfy themselves that there are no obstacles to free and frank reporting. 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.

4. REVIEW

DIRECTOR RESPONSIBILITIES	MANAGER 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.	> 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 the organisation's 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. 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 effectively implemented where agreed.

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 also 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 the 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?**

ACTIONS FOR DIRECTORS

BASELINE ACTIONS	RECOMMENDED PRACTICE
In the board's charter specify arrangements for the formal review of health and safety including frequency, who is involved and how, what input is required etc. If workers are likely to be directly affected by the matter being reviewed, the PCBU must engage with them.	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 inputs to the formal reviews include 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 ensure that the organisation determines an action plan and tracks its progress.	

Conclusion

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

Boards must ensure that the organisation (as a PCBU) has processes for risk management and receiving and considering information about incidents, hazards and risks. The board must make sure these processes are appropriate. The board must also ensure that the organisation has processes to comply with all of its duties as a PCBU. To manage this, boards should determine high level health and safety strategy and policy which managers are required to implement. This strategy and policy should take into consideration all those affected by the organisation's activities, not just workers.

A board's responsibility, however, does not stop with the issuing of strategy and policy. The board 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.

RESOURCES

KEY LEGISLATION

All available online at www.legislation.govt.nz

› Health and Safety at Work Act 2015

› Accident Compensation Act 2001

› Hazardous Substances and New Organisms Act 1996

› Employment Relations Act 2000

GUIDANCE

A wide range of health and safety guidance including Approved Codes of Practice can be found on the WorkSafe website: www.worksafe.govt.nz

Further resources on health and safety governance are available on the IoD's website: www.iod.org.nz

PUBLICATIONS AND WEBSITES

Ministry of Business, Innovation and Employment: www.mbie.govt.nz

ACC: www.acc.govt.nz/publications

Appendices

APPENDIX A:
DIRECTORS HEALTH AND SAFETY CHECKLIST

DIRECTOR HEALTH AND SAFETY CHECKLIST
○ How do the board and all directors demonstrate their commitment to health and safety?
○ How do you ensure that the organisation's risks are assessed and appropriate mitigation measures put in place?
○ How does the organisation involve its workers in health and safety?
○ How do you ensure that the organisation's health and safety targets are challenging, realistic and aren't creating unintended consequences?
○ What data is the board receiving on both health and safety? Is this sufficient?
○ How does the organisation ensure all workers 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?
○ 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 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 to the appropriate level within the organisation and effectively addressed by the organisation?
○ Does the organisation have policies and processes in place to ensure contractors used by the organisation have satisfactory health and safety standards?
○ How does the organisation's performance compare with other comparable organisations and how do you know?
○ How do you recognise and celebrate success?

APPENDIX B:
THE SAFETY GOVERNANCE PATHWAY
– HOW IS YOUR ORGANISATION TRACKING?

The *Safety Governance Pathway* developed by Dr Kirstin Ferguson is a tool to help identify what stage of safety governance maturity an organisation may currently be experiencing.

Safety governance is the relationship between board members and senior executives in the safety leadership of an organisation. It provides the structure through which the vision and commitment to safety is set; agreement on how safety objectives are to be attained; the framework for how monitoring performance is to be established; and a means for ensuring compliance with relevant safety legislation[10]. Understanding where an organisation currently sits on the *Safety Governance Pathway* is essential for understanding where senior executives and boards are starting from in their approach to safety governance and determining a vision for where an organisation might like to move to.

Figure 1: Safety Governance Pathway

Every organisation will identify themselves at a different point on the pathway and may find themselves moving forwards or backwards depending on the commitment to safety of the leaders in place, the emphasis and initiatives to drive safety improvements, or serious incidents that may have occurred. Below are some indicators which can help identify where a particular organisation is placed.

TRANSACTIONAL

Does the board tend to see safety as a management responsibility? Does the board become engaged in safety only after an incident has occurred? Is the culture of the organisation that production is the most important driver of the business success?

A **transactional** approach to safety is the least effective stage of safety governance; and organisations at this stage are likely to have areas of legal non-compliance. There is no clear health and safety vision across the organisation and no clear understanding that 'good safety' means 'good business'. Health and safety is seen as the responsibility of management or the health and safety professional (where one is engaged although often they are part-time or consultants). Health and safety performance is not prioritised and is not disclosed in annual reports. Line managers do not take responsibility for safety outcomes but rather all responsibility for safety is directed to the health and safety function.

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[10] Ferguson, K. (2015). A study of safety leadership and safety governance for board members and senior executives. PhD thesis. QUT.

COMPLIANT

Is compliance with relevant workplace health and safety legislation the main driver of reporting to the board? Is the board focused primarily on ensuring the minimum legislation standards are met?

During the **compliant** stage, the board are aware of their legal responsibilities and compliance is the main driver for establishing a health and safety governance framework. Health and safety data is reported; yet the focus of reporting is ensuring compliance and concentrates primarily on lag indicators. Basic (often generic) safety policies and procedures are in place but the board and senior management are not aware of the importance of their own safety leadership. A brief mention of health and safety may be made in annual reports.

FOCUSED

Do board members ask detailed safety questions, often drilling down into the causes of incidents? Does your board consider site visits an important part of their safety leadership role?

After realising that mere compliance with legislation will not necessarily ensure everyone returns home safely every day and a plateau in safety performance is reached, senior executives often drive a more **focused** approach to safety governance. During this stage, the specific role of the board in health and safety may be included in the board charter. A health and safety vision is introduced and safety performance reporting includes lead indicators. A health and safety management system is in place and processes are disclosed in annual reports. There may also be focus on the resourcing of the health and safety function as well as consideration on where the function is included in the organisational chart so there is visibility to the executive team.

PROACTIVE

Is there a sense that most board members 'get' health and safety? That is, they understand that a strong safety culture is much more than simply compliance but requires safety leadership inside and outside of the boardroom?

The **proactive** stage is often driven by the board who have become more involved in their safety leadership role and seek to take a proactive approach to safety governance. The board may establish a subcommittee to focus on health and safety. The Chairman often includes a personal commitment to health and safety performance in their annual reports or at annual general meetings. Safety performance referencing both lag and lead indicators is disclosed in annual reports. In most cases, the lead health and safety professional will report to the CEO and report on health and safety directly to the board.

INTEGRATED

Does the board seek to understand the safety impacts of every decision made in the boardroom? Does the concept of 'safe production' set the tone for board discussions?

The most effective stage of safety governance occurs when health and safety is completely **integrated** into business operations. The board and senior executives understand that a high level of health and safety performance is linked to business excellence. The board's commitment to health and safety is stated clearly in annual reports and safety disclosures are transparent.

Safety committees will cascade throughout the organisation so that safety information can be readily shared and obtained from the board sub-committee through to employee safety committees. The senior health and safety professional understands their role is not just a technical position but has a significant strategic focus for the business. Line managers acknowledge and accept their own responsibility for safety rather than seeing it as falling to the health and safety function. There is transparent sharing of safety data and learnings with other organisations in the industry and beyond.

Kirstin Ferguson is a professional company director sitting on ASX100 and ASX200 boards, private company and government boards. She has a PhD in Business focused on safety leadership and safety governance for board members and senior executives, and was awarded the QUT Colin Brain Corporate Governance Fellowship and Safety Institute of Australia Dr Eric Wigglesworth Award for her research contributions to the fields of corporate governance and health and safety respectively.

APPENDIX C:
SAMPLE TERMS OF REFERENCE
– BOARD HEALTH AND SAFETY COMMITTEE

1. CONSTITUTION

    The Board Health and Safety Committee shall be a committee of the board established by the board.

2. OBJECTIVE

    The role of the committee is to assist the board to provide leadership and policy in discharging its health and safety management responsibilities within the organisation.

3. SECRETARIAL AND MEETINGS

    3.1. The secretary of the committee shall be appointed by the board.

    3.2. A quorum of members of the committee shall be two.

    3.3. The committee may have in attendance such members of management, including the Chief Executive Officer (CEO), and such other persons as it considers necessary to provide appropriate information and explanations.

    3.4. All directors shall be entitled to attend meetings of the committee.

    3.5. Reasonable notice of meetings and the business to be conducted shall be given to the members of the committee, all other members of the board and the CEO.

    3.6. Meetings shall not be held fewer than four times a year. Further meetings will be arranged on an as-needed basis.

    3.7. Minutes of all meetings shall be kept.

    3.8. After each meeting the chair will report the committee's recommendations, key issues and findings to the board.

4. RESPONSIBILITIES

    4.1. Review, monitor and make recommendations to the board on the organisations health and safety risk management framework and policies to ensure that the organisation has clearly set out its commitments to manage health and safety matters effectively.

    4.2. Review and make recommendations for board approval on strategies for achieving health and safety objectives.

    4.3. Review and recommend for board approval targets for health and safety performance and assess performance against those targets.

    4.4. Monitor the organisations compliance with health and safety policies and relevant applicable law.

    4.5. Ensure that the systems used to identify and manage health and safety risks are fit-for-purpose, being effectively implemented, regularly reviewed and continuously improved. This includes ensuring that the board is properly and regularly informed and updated on matters relating to health and safety risks.

4.6. Seek assurance that the organisation is effectively structured to manage health and safety risks, including having competent workers, adequate communication procedures and proper documentation.

4.7. Review health and safety related incidents and consider appropriate actions to minimise the risk of recurrence

4.8. Make recommendations to the board regarding the appropriateness of resources available for operating the health and safety management systems and programmes

4.9. Any other duties and responsibilities which have been assigned to it from time to time by the Board

5. AUTHORITY

5.1. The committee has complete access to the organisations senior executive team through the chairman, chief executive or company secretary at any time.

5.2. The committee has the authority of the board to obtain any information and to investigate any matter within its terms of reference

5.3. The chairman of the committee has the authority of the board to obtain independent legal or other professional advice and research and generally to engage such advisors and involve such consultants (at the expense of the organisation) as the committee considers necessary to carry out its responsibilities.

5.4. The committee does not have the authority to make a decision in the board's name or on its behalf. The committee will make recommendations to the Board on all matters requiring a decision.

6. REVIEW

The committee shall:

6.1. Ensure that processes are in place to develop, implement, audit, regularly review and update the health and safety management framework to be consistent with accepted standards.

6.2. Formally review the health and safety performance of the organisation including review of audits (internal and external), system reviews, performance results, significant incidents and investigations, the impact of organisational changes and benchmark data. The CEO will be responsible for producing sufficient information for this review to occur, with input from the rest of the executive/senior management team.

6.3. Receive and consider independent reviews and or audits of health and safety within the business.

7. REVIEW OF THE COMMITTEE

The committee shall undertake annual self-review of its objectives and responsibilities and of these terms of reference and report back to the board. The committee may at any time initiate a review of the committee and make appropriate recommendations for its alteration to the board.

Terms of reference adopted by the committee on XX/XX/201X.

APPENDIX D:
GLOSSARY

TERM	DEFINITION
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.
Board Health and Safety Committee	The board health and safety committee is a sub-committee of the board. The purpose of the committee is to assist the board in its role in providing leadership and policy, and to fulfill its responsibilities to ensure compliance with health and safety legislation.
Engagement	A PCBU (person conducting a business or undertaking – see below) has to engage with its workers on health and safety matters. A PCBU engages by: > sharing information about health and safety matters so that workers are well-informed, know what is going on and can a say in decision-making > encouraging workers to have a say > listening to and considering what workers have to say > giving workers opportunities to contribute to the decision-making process relating to a health and safety matter.
Due diligence	The due diligence duty requires directors and other officers under HSWA to take reasonable steps to: > know about work health and safety matters and keep that knowledge up-to-date > gain an understanding of the operations of the organisation and the hazards and risks generally associated with those operations > ensure the PCBU has appropriate resources and processes to eliminate or minimise those risks and uses them > ensure the PCBU has appropriate processes for receiving information about incidents, hazards and risks, and for responding to that information > ensure there are processes for complying with any duty, and that these are implemented > verify that these resources and processes are in place and being used. Officers must exercise the care, diligence and skill a reasonable officer would exercise in the same circumstances, taking into account matters including the nature of the business or undertaking, and officer's position and nature of their responsibilities.
Harm	Illness, injury or both. This includes physical or mental harm caused by work-related stress.
Hazard	**Physical hazards** Things that can cause physical harm, like moving machinery, falls from heights or lifting heavy objects. Some of these hazards may cause injury very slowly like equipment with poor ergonomics. **Environmental hazards** Things in the environment that could cause injury or illness, like hot or cold temperatures, poor lighting, or uneven ground. **Hazardous substances** Things such as asbestos or chemicals that could cause health issues such as cancer, fertility problems and even death. **Social hazards** Such as work-related stress, overwork, long hours, inadequate breaks, or bullying.

TERM	DEFINITION
Health and Safety Committee	A Health and Safety Committee (HSC) supports the ongoing improvement of health and safety at work. An HSC enables PCBU representatives, workers and other committee HSC members to meet regularly and work co-operatively to ensure workers' health and safety. One of the HSC's main functions is to assist in developing standards, rules, and policies or procedures relating to workplace health and safety. An HSC can also perform other functions that are agreed between the PCBU and the HSC, or specified by the WEPR Regulations.
Health and Safety Representative	A worker elected as a health and safety representative in accordance with subpart 2 of Part 3 of HSWA.
Lag indicators	Lag indicators are reactive measure of performance; they measure events where there has been a health and safety failure such as injuries and occupational ill health.
Lead indicators	Lead indicators are proactive measures of performance, such as the number of training sessions or risk assessments completed. They aim to prevent incidents occurring.
Officer	An officer is a person who has the ability to significantly influence the management of a PCBU. This includes, for example, company directors and chief executives. Officers must exercise due diligence to ensure the PCBU meets its health and safety obligations.
Other person at workplace	Examples of other persons at workplaces include workplace visitors and casual volunteers at workplaces.
Organisational Culture	The collective set of values and beliefs held and exercised within an organisation or workplace.
Participation	Worker participation practices are what the PCBU puts in place so that workers can help to improve workplace health and safety on an ongoing basis. These practices make it possible for workers to share ideas and information, raise issues, and contribute to decision-making on an ongoing basis.
PCBU	A PCBU is a 'person conducting a business or undertaking'. A PCBU may be an individual person or an organisation. It does not include workers or officers of PCBUs, volunteer associations with no employees, or home occupiers that employ or engage a tradesperson to carryout residential work. A PCBU must ensure, so far as is reasonably practicable, the health and safety of workers, and that other persons are not put at risk by its work. This is called the 'primary duty of care'.
So far as is reasonably practicable	Core health and safety duties require PCBUs to ensure health and safety 'so far as is reasonably practicable'. When used in relation to these core duties, something is reasonably practicable if it is reasonably able to be done to ensure health and safety, having weighed up and considered all relevant matters, including: > How likely are the hazards and risks to occur? > How severe could the harm that might result from the hazard or risk be? > What a person knows or ought to reasonably know about the hazard or risk and the ways of eliminating or minimising it. > What measures exist to eliminate or minimise the risk (control measures)? > How available and suitable is the control measure(s)? Then weigh up the cost: > What is the cost of eliminating or minimising the risk? > Is the cost grossly disproportionate to the risk?

TERM	DEFINITION
Volunteer officer	An officer who is acting on a voluntary basis (whether or not that person receives out of pocket expenses).
Worker	A worker is an individual who carries out work in any capacity for a PCBU. This includes an employee, a contractor or sub-contractor, an apprentice or trainee, a person on work experience or a work trial, or a volunteer worker.
Workplace	A workplace is a place where a worker goes or is likely to be while at work, or where work is being carried out or is customarily carried out. It includes a vehicle, vessel, aircraft, ship or other mobile structure and any waters and any installation on land, on the bed of any waters, or floating on any waters. So certain locations will only be classed as workplaces while work is being carried out at those locations. Most duties under HSWA relate to the conduct of work. However, some duties are linked to workplaces.
WorkSafe New Zealand	WorkSafe is the government agency that is the work health and safety regulator. WorkSafe collaborates with PCBUs, workers and other duty holders to embed and promote good workplace health and safety practices, and enforce health and safety law.
Zero harm	An expression used by many organisations to describe an aspirational target of no harm of any sort to workers.