Gap = opportunity: Directors have an opportunity to lead real improvements in health and safety

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An opportunity

There is an opportunity for boards to take the lead in improving the health and safety performance of Aotearoa New Zealand organisations.

While one of the ideas being explored in this issue of the Journal is gaps in the health and safety ecosystem, I don't think it would be fair to say that health and safety governance is such a gap. Directors are very aware of the need to protect their staff for ethical reasons and sound business reasons. Companies with a good health and safety record tend to perform better across other metrics, too, including staff retention, productivity stakeholder engagement and financial stability.[1]

Boards continue to innovate in this space. Our 2023 *Director Sentiment Survey* found that the percentage of organisations implementing workplace stress and mental health initiatives had risen to 75.9 per cent, up from 70.3 per cent in 2022. A similar percentage of respondents were confident they had the capability to comply with health and safety obligations (76.8%, up from 73.1 per cent in 2022).

This is where a potential gap starts to come into view. Boards are embracing new ides in wellbeing and working hard to meet regulatory requirements and regulator expectations but our overall health and safety performance, as a country, remains stubbornly resistant to systematic improvement.[2]

It seems that the legislative and regulatory environment – which includes the hefty stick of personal liability for directors who fail to exercise due diligence – is not achieving the outcomes intended.

That's where there is an opportunity for boards to lead. At the Institute of Directors, we believe in the power of good governance to positively transform the future. Perhaps it is boards themselves, through the influence they have over organisational culture and the expectations they can put on management, who can create a step change in health and safety for Aotearoa?

In July this year we launched the *Health and Safety: A good practice guide*[3] to support boards as they grapple with how to improve health and safety in their organisations. This provides practical advice on real steps that boards can take. Prepared in association with WorkSafe, the Business Leaders' Health and Safety Forum and the General manager Safety Forum, it has a very strong industry perspective and is accompanied by a self-assessment tool to help boards compare their current approach with best practice.

We hope this will flow through to better health and safety performance, company by company, organisation by organisation, board by board.

How to do it – the 5Cs

One of the key sections in the guide is a how-to for boards based on the "5Cs", an internationally recognised approach in which the "Cs" are sometimes tweaked to match the needs of an industry or management team. For boards, we have identified:

1. Courage – We acknowledge that we don't have all the answers and have the courage to admit when we don't know. We challenge ourselves and others – ensuring an

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[1] Health and Safety Makes Good Business Sense, MBIE, mbie.govt.nz/dmsdocument/2961-health-safety-good-business-sense-pdf

[2] *Been there. ~~Done that~~. A report into New Zealand's repeated health and safety failures*, Business leaders' health and Safety Forum, forum.org.nz/resources/a-report-into-new-zealands-repeated-health-and-safety-failings

[3] IoD, & WorkSafe NZ. (2024). *Health & Safety Governance* Institute of Directors of New Zealand Inc, Wellington
https://www.iod.org.nz/

environment of honesty, transparency, learning and improvement – by responding constructively to information in a way that encourages this.

2. Capability - We continuously develop our health and safety knowledge and capability to a level appropriate for our governance role.

3. Curiosity – We are curious about the realities of how our organisation's work is prioritised, planned, resourced, completed and experienced, and are constructively sceptical of continuous positive reporting.

4. Context – To better understand the internal and external factors that affect our work and our organisation, we continuously:
   - horizon scan, to understand what's coming up that may have an impact
   - seek insights into the broader environments in which we operate, understanding of where our decisions may impact others' health and safety
   - build an understanding of our most important risks and the effectiveness of our controls
   - build and maintain strong and diverse relationships and networks.

5. Care - We understand that people are our greatest asset, and work to create an environment of trust where everyone can honestly and safely contribute to health and safety discussions throughout our organisation. Our health and safety governance approach is driven by our ethical responsibility to support the wellbeing of our people and those of our partners.

The 5Cs map to the formal obligations on directors as officers under the *Health and Safety at Work Act 2015* but do not follow the Act directly, in terms of structure.

As discussed above, compliance does not appear to be sufficient to create lasting improvement. A principles-based approach, within the framework of the 5Cs, may provide boards with a way to achieve meaningful health and safety improvements in their organisations and, in therefore, achieve the outcomes intended by the law.

Will boards come on board?

A principles-based approach leaves quite a lot of work for boards to do. They must embrace the 5Cs, measure their current approach against best practice and fill in the details of their aims and strategies as best fits their organisation. This is appropriate because there is no one-size-fits-all solution to health and safety challenges.

To get the best from the guide, boards will need to understand the health and safety ecosystem and their role in it. Plus, they will need to have a clear understanding of the role of management, and how the health and safety culture of their organisation interacts with their business partners, customers and other stakeholders.

They will need to learn, anticipate issues, plan well and resource appropriately, actively monitor performance and check and verify the information they receive.

In this respect, health and safety governance is not materially different from any other type of governance in terms of the approach taken, the roles of governance and management, and the fundamental drivers of good governance. It does, however, focus on specific aspects of an organisation's operations and their effects. This requires a sound knowledge of health and safety concepts, practices, terminology and approaches, with a clear understanding of responsibilities and accountabilities.

Health and Safety: A good practice guide gives directors the basic knowledge they need to make sound decisions. Within the 5Cs framework, it outlines a principles-based approach and practical steps boards can take to go beyond compliance. It provides a range of questions boards can ask themselves to measure their current approach against best practice. It suggests further questions boards can ask their organisations' managers and workers to better understand the health and safety reality they are operating in. The answers to those questions will inform a more impactful governance approach.

In time, this will hopefully help boards to more effectively support management to deliver better health and safety at work outcomes. If we can do that, the "gap" between meeting health and safety obligations and achieving meaningful improvements will most almost certainly shrink.