



cutting through complexity

ADVISORY

Improving your health and safety governance and performance

Health and Safety Services

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WHY HEALTH AND SAFETY MANAGEMENT IS CRITICAL TO BUSINESS SUCCESS

“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.”

Institute of Directors, Good Governance Practices Guideline for Managing Health and Safety Risks

The business issue

New Zealand has an unacceptably poor health and safety (H&S) record. The Government, as well as many organisations, are now acknowledging that existing approaches to H&S management are not always working effectively. As evidenced by the Tamahere Coal store explosion in 2008 and the Pike River Coal Mine Tragedy in 2010, the effects of systematic management and technological failures are significant. Such catastrophic disasters have the potential to materially impact enterprise value, company reputation, and cost directors and executive managers their reputations and jobs.

These recent incidents may be considered worst case; however, they occur all too frequently in New Zealand, with one to two people dying every week because of poor H&S practices. These events confirm that management must take H&S seriously, and directors need to work harder and smarter to demonstrate their H&S risk management is fit-for-purpose.

Focus on governance

In New Zealand, legislative changes are underway which aim to improve New Zealand’s H&S statistics, through tougher requirements, and duties placed directly onto directors.

Under existing legislation – the Health and Safety in Employment Act 1992 – directors were liable if they participated in, or contributed to, a H&S failure – ie a negative focus. For directors, there was no clear requirement for positive intervention or a due diligence duty over H&S systems or performance. In addition, the existing legislative framework placed duties on employers and managers, but not explicitly on directors.

Under new legislation, expected to be effective 1st April 2015, H&S is set to be a key focus for directors and stipulates a due diligence duty for directors over H&S systems and performance. The new legislation will require directors to take responsibility for the proactive and positive management of H&S risks to ensure

compliance with regulatory requirements. These legislative changes will also see H&S become fully integrated into everyday business, with directors accountable for H&S performance. As has been the case under existing legislation, it will no longer be possible to contract out H&S responsibilities.

Failure to conduct positive director due diligence, and to implement fit-for-purpose and robust H&S systems could result in:

- Director imprisonment of up to 5 years;
- Substantial fines – ranging from \$100,000 to \$600,000 for directors and up to \$3,000,000 for other persons (eg. a corporation);
- Reputational damage;
- Decreased shareholder value;
- Increased monitoring by client and regulators; and
- Non qualification for contracts.



KPMG's key insights

Against a backdrop of emerging regulation and highly publicised events, companies can expect their H&S management systems to come under increasing scrutiny. In addition to regulators, businesses can expect markets, investors and wider stakeholders to become more sophisticated and demanding in respect of H&S performance.

The key to long-term and sustained H&S success is quality leadership and the effective use and maintenance of rigorous processes, systems and tools that focus on improving H&S performance.

Potential business benefits

KPMG's H&S practitioners work with clients to improve performance beyond compliance whilst managing risk, resulting in:

- Enhanced governance regarding H&S risk management;
- Identification of improvements by benchmarking your current H&S performance against better practice;
- Better understanding and management of H&S exposures – which are increasingly sitting at the top of strategic risk profiles;
- A safer, healthier and therefore more productive and efficient workforce;
- Operational cost savings and increased productivity;
- Compliance with legislative requirements;
- Focused reporting on material issues to drive improved H&S performance;
- Understanding how your H&S performance compares against industry peers; and
- Protection of the corporate identity and reputation, and a deeper understanding of your business culture.

“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 most 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

HEALTH AND SAFETY SERVICES

KPMG provides a comprehensive suite of services that will assist your business build resilience and improve your H&S performance. From developing or enhancing your H&S management system and/or business strategies, through to implementing a broad range of H&S focused assurance and performance improvement services; we can assist you on your H&S journey.

Health and safety advisory

Policy and strategy development and review – enable H&S risks to be identified, understood and managed

Governance structures and reporting frameworks – gap analysis against new director requirements and development and/or review of board and committee reporting frameworks

Health and safety compliance assessments – to assist directors understand their operations and H&S risks

Contractor management systems – development, auditing and reviews

Board training – director responsibilities, obligations and ‘better practice’ governance requirements

Due diligence – pre and post transaction H&S assessments, vendor and buy-side, with a focus on director assurance

Health and safety assurance

Performance assurance and auditing programs – development and evaluation of internal and external H&S assurance programs

Audits – delivery of internal or external assurance programs

Health and safety management system reviews – assessing system effectiveness and whether its fit-for-purpose

Director reviews – assistance in the annual H&S reviews for directors, including peer review

Safety culture assessments – review and improve culture associated with H&S

Contact us



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