SUMMARY OF RECOMMENDATIONS

The Forum recommends that NZX:

- Notes that health and safety risks can potentially have a significant impact on a business’ financial performance and viability. Given that, it is imperative that investors are informed about health and safety risks, as they are about other types of significant risks.
- Develops guidelines for reporting a range of measures that provide a comprehensive picture of how well risks are being managed.
- Ensures this guidance encourages reporting of ‘fatal events’; ‘high severity risks events’; along with a short explanation of key ‘fatal risk controls’.
- Notes the Forum would welcome the opportunity to support NZX in the development of this guidance.

OUR SUBMISSION

Our submission is limited to Question 26 – Should NZX include specific recommendations or best practice commentary in relation to managing (and reporting of) health and safety risks? If so, which metrics should be reported?

Health and safety reporting is a focus area for the Forum and we have commissioned research into this topic. While this work is incomplete, our submission reflects initial findings.

NEED FOR GUIDELINES ON GOOD PRACTICE REPORTING

The Forum agrees that NZX should provide recommendations or best practice guidance on reporting of health and safety performance.

International research and experience is clear that good health and safety is good business. It requires effective systems and risk management processes being present.

Recent experience in New Zealand and overseas demonstrates that inadequate approaches to workplace health and safety and unmanaged health and safety risks can potentially have a severe and even terminal impact on a business’ reputation, financial performance and viability.

Given this reality, it is imperative that investors are informed about health and safety risks and their effective management, as they are about other types of significant risks. This is important to inform deeper investor confidence in a well-run company.
WHAT SHOULD BE REPORTED?

The most accurate set of health and safety measures to describe risk and performance are business specific, and comprise a mix of leading and lagging measures. This makes meaningful cross-business comparisons challenging.

The most commonly used measure for comparing health and safety performance is Total Recordable Injury Frequency Rate (TRIFR). When the Forum established our own benchmarking project four years ago TRIFR was one of the measures we adopted for comparing performance.

However, TRIFR has limitations. It doesn’t effectively measure how well catastrophic or work-related health risks are being managed, it often excludes the performance of contractors and the results are vulnerable to ‘gaming’. There are also examples of businesses that have unintentionally experienced workplace fatalities or process safety failures due to overly focusing on TRIFR.

Given these limitations, the Forum has initiated a project to identify better ways of monitoring risk and performance. While this work is not yet completed, our view is that it could be counter-productive for TRIFR to be adopted as the sole reporting requirement for health and safety.

Rather, we recommend that NZX develops guidelines for reporting a range of measures that provide a comprehensive picture of how well critical risks are being managed.

This guidance should encourage reporting of ‘fatal events’; ‘high severity risks events’; along with a short explanation of the issuers’ key ‘fatal risk controls’.

Considerable work is being done here and overseas on developing more effective health and safety metrics. This includes work by Australians Dr Kirstin Ferguson on safety disclosures in annual reports and Dr Sharron O’Neill who has developed and tested guidance for the measurement and reporting of WHS performance (commissioned by Safe Work Australia).

As mentioned earlier, the Forum is completing our own work in this area and we would welcome the opportunity to work with NZX on developing guidance for issuers on this topic.

Francois Barton
Executive Director, Business Leaders’ Health and Safety Forum

ABOUT THE FORUM

The Forum welcomes this opportunity to provide feedback for this Review. We represent more than 230 large businesses, many of them listed, and businesses operating in high risk industries (see a list of members at www.zeroharm.org.nz). Our focus is to reduce the harm caused to New Zealanders at work by improving the capabilities and commitment of senior leaders to health and safety.

1 Safewash! Risk attenuation and the (Mis)reporting of corporate safety performance to investors, S O’Neill, J Flanagan, K Clarke, Safety Science 83 (2016) 114–130