

### Safety, Mergers, And Acquisitions—Policy

- Weaknesses exposed during safety audit
- Failure of management to support audit leadership
- Transparency and trust compromised

#### BACKGROUND

A large chemical facility was in the process of being sold to a competitor. The acquiring company was in the process of a due diligence review of the organization's operations, including a thorough review of the status of Environment, Health & Safety programs. The acquisition was being closely monitored by the local community, labor unions, political leaders, and the media because of the long history of operations by the facility and the many jobs that were at stake if the acquiring company decided to withdraw from the deal. A regular audit that had been scheduled came due just as the negotiations and due diligence process began. There were recommendations to postpone the audit but there were regulatory implications for doing that so the audit was conducted as scheduled. The Process Safety Management System was found to be in fairly good shape, but the auditors did discover a few important findings.

#### WHAT HAPPENED

One Process Hazards Analysis (PHA) revalidation was several months overdue, several PHA and incident investigation recommendations were somewhat overdue. Three corrective actions from the previous audit had not been completed. In total there were 35 findings, which was not an unusually high number based on previous audits performed by the same corporate staff.

However, the atmosphere for the audit was very tense, with significant push-back at each daily debrief. These debriefs were attended in person or via telecon by facility management, as well as senior corporate managers, and corporate legal staff. The audit team leader was pressured to reduce the number of findings or write them in a way that minimized their impact.

Extensive debate with sometimes heated discussion occurred challenging the interpretation of the regulatory and corporate requirements. Some of this re-interpretation involved issues that presumably had been settled practices within the company for a long time. The team leader was able to delay any final decisions on the number and nature of the findings until the closing meeting. At the closing meeting, the pressure continued.

The audit leader refused to relent. After the closing meeting, the audit leader received a call from his boss telling him that he would take responsibility for the contents of the draft and final audit reports. What do you think of the conduct of the audit leader? What could he have done after his boss took over drafting the audit report?

#### SAFETY CULTURE FOCUS

- ✓ Management responses to safety issues will either strengthen or weaken the safety culture.
- ✓ Business pressures can undermine transparency and safety.
- ✓ Mutual trust and support is critical to a healthy safety culture.

**\*\*Only 37% of those surveyed indicated management involvement was a strength in their organization.\*\***

## IMPROVING HYDROGEN SAFETY CULTURE

LEARNING OPPORTUNITIES FROM OTHER'S EXPERIENCES

***“Safety culture is how the organization behaves...  
...when no one is watching.”***

## **Safety Culture Framework**

- ▶ Safety is everyone's responsibility
- ▶ Strong leadership support
- ▶ Integrated into all activities
- ▶ Open, timely, effective communications
- ▶ Questioning/learning environment
- ▶ Mutual trust
- ▶ Continuous improvement

## **What are the benefits?**

- ✓ Eliminates common weaknesses identified as contributing factors to catastrophic events.
- ✓ Promotes trust in the hydrogen energy industry's ability to deliver safe, reliable, quality products and services.
- ✓ Supports a sustainable legacy for companies and the hydrogen industry.
- ✓ Fosters efficiency and productivity in the workplace.

## **Resources**

- ✓ For further information and resources on safety culture, see: <https://www.aiche.org/ccps/safety-culture-what-stake>
- ✓ For further case studies on safety culture, see: <https://h2tools.org>