

CEO GUIDE TO RISK

Management and governance of health and safety risk

Help to keep your people safe, meet your due diligence
duties and build a more resilient business

How to use this guide

CEOs have an important role to play in leading health and safety risk management. Demonstrating this leadership helps CEOs keep their people safe, build more resilient businesses and meet their legal duties.

This guide supports CEOs to show that leadership by providing:

Step 1: Where am I at?

Questions to help CEOs think about how well they lead health and safety risk management.

Step 2: Where are we at?

A team assessment to help CEOs, their boards and their people understand current performance.

Step 3: What next?

Suggested actions to improve risk management.

Due diligence duties

This guide will help CEOs and directors meet their legal duties as officers and PCBUs by supporting them to:

- Understand the risks in their business
- Manage these risks
- Verify the effectiveness of their risk management.

Keep a record of using this guide, as part of your due diligence records.

Want more?

This guide is part of the Forum's *Monitoring What Matters* series – which supports CEOs to lead on the three pillars of good health and safety – Risk, Relationships, Resources.

For more information visit www.forum.org.nz and see:

- *Digging Deeper* – Detailed questions to assess the effectiveness of your health and safety risk management.
- *What Good Looks Like* – Examples of health and safety risk management tools.
- *Monitoring What Matters* – A guide to monitoring health and safety that includes suggested performance measures for risk, relationships and resourcing.

Step 1: CEO questions – Where am I at?

The CEO's leadership role in health and safety risk management is to:

Set expectations

Because this sets the tone for risk management.

Enable the work

So your intentions become reality.

Monitor outcomes

To maximise resilience.

To see how well they are leading health and safety risk management, CEOs can ask themselves these 3 questions:

Set expectations:

Have I clarified my commitment, expectations and approach to risk management?

Taking into account my business goals and environment.

- ☐ I'm not really involved
- ☐ I'm doing it but need to do more
- ☐ I do this well

Enable the work:

Have I ensured risks are understood, controls implemented and risk management properly resourced?

By building functional, technical and organisational capability.

- ☐ I'm not really involved
- ☐ I'm doing it but need to do more
- ☐ I do this well

Monitor outcomes:

Have I ensured we are effectively monitoring activity, verifying, and continually looking for ways to learn and improve?

To build confidence in our risk management activities.

- ☐ I'm not really involved
- ☐ I'm doing it but need to do more
- ☐ I do this well

Step 2: Team assessment – Where are we at?

Together with their directors and teams, CEOs can use these questions to assess their business' progress against nine essentials of good health and safety risk management.

Setting expectations

Clarify your commitment, expectations and approach to managing health and safety risks.

Enabling the work

Ensure health and safety risks are understood, controls implemented and risk management properly resourced.

Monitoring outcomes

Monitor activity, verify, and continually look for ways to learn and improve.

Clarify attitude

Have we articulated our commitment and attitude to health and safety risk management, relevant to our business objectives and context?

- ☐ Going ok
- ☐ Needs attention

Identify risks

Have we identified and assessed risks to health and safety?

- ☐ Going ok
- ☐ Needs attention

Monitor and verify

Do we monitor and verify health and safety risk management activity, and hold ourselves accountable to our commitment?

- ☐ Going ok
- ☐ Needs attention

Set expectations

Have we set clear expectations for the management of health and safety risk?

- ☐ Going ok
- ☐ Needs attention

Control risks

Have we removed or managed risks, especially critical risks that can cause death, permanent injury/life-shortening illness?

- ☐ Going ok
- ☐ Needs attention

Reflect

Do we reflect on the effectiveness of our health and safety risk management activity?

- ☐ Going ok
- ☐ Needs attention

Develop approach

Have we developed a consistent approach to health and safety risk management across our business?

- ☐ Going ok
- ☐ Needs attention

Resource the work

Have we resourced the management of health and safety risk?

- ☐ Going ok
- ☐ Needs attention

Learn and improve

Do we learn and improve our approach, based on our verification and reflection activity?

- ☐ Going ok
- ☐ Needs attention

Step 3: Actions – Set expectations

Tick actions you've already completed and those that need more work.

Clarify attitude

Define and communicate your commitment

Be clear about *why* health and safety risk management is important to you. Communicate this to your people. You could do this through a policy statement, and formal and informal communications. Leaders are always leading – so ensure all your actions align with your commitment.

Define and communicate your attitude to health and safety risk

Decide how much health and safety risk you are willing to pursue or retain to meet your business objectives. Your *risk appetite* (the degree of risk you will accept and pursue to achieve your goals) and *risk tolerance* (the maximum level of risk a business is willing to operate within) should be set with your board. This can then be cascaded within your organisation through your management approach, and health and safety risk management systems.

Define your risk criteria, operating environment and goals

Together with the board, decide what different levels of risk mean to you (with reference to your risk appetite and risk tolerance) and what reporting and actions are required at each risk level.

Set expectations

Define roles and responsibilities

Be clear and explicit when setting and communicating the roles, responsibilities and accountabilities for health and safety risk management activities. Do this with the board, senior executives, management, supervisors, workers, and your supply chain. Clarify what they are accountable for, the standard they are expected to perform to, and how they will be held accountable.

Integrate health and safety into broader business risk management

Define how you will consider health and safety risk as a part of broader business risk discussions. This will help you integrate the opportunities and impacts of your business activities on health and safety – and vice versa.

Develop approach

Develop your approach to risk management

Create a risk framework and process that articulates how risks will be identified, assessed, evaluated and controlled, and how risks and risk controls will be communicated. This should include the methodologies you will use and the standards that your process will meet.

Needs attention

Done



Step 3: Actions – Enable the work

Tick actions you've already completed and those that need more work.

Identify risks

Identify your health and safety risks

Identify your acute, chronic and catastrophic health and safety risks, and determine which could lead to death or serious harm. Develop a risk profile for your health and safety risks, prioritising your critical risks. The profiles should include: a description of the risk; the activity, process or location where it occurs; who might be exposed; and when and how this might happen. Include a description of your experiences with this risk – incidents, concerns raised, what is known about it nationally and internationally, whether it is common in your industry, and any guidance/legislation or standards/common controls required to manage it.

Control risks

Identify controls for your critical health and safety risks

With your board, executive team and workers, identify controls for your health and safety risks, paying special attention to your critical risks. Specify whether you can remove the risk or prevent exposure. Ensure the full range of controls (prevention, protection, detection and recovery) are identified. Assess whether the identified controls are being implemented, any additional controls that could be implemented, and resources required to do this.

Set control standards for critical health and safety risks

With your people, set and communicate expectations and performance standards for managing health and safety risks – especially critical risks. Identify key risk controls for these critical risks. Require your people to define the parameters of these controls, how you will test they are working as intended, and how everyone will know if the controls are in place and are effective. Develop positive performance indicators for these key risk controls, and monitor them as part of the CEO and executive monitoring programme.

Assess whether risks are managed within defined risk tolerances

For each critical health and safety risk, determine whether the controls in place are managing the risk to within the tolerances and expectations set by the leadership team and board. Take action where they are not.

Resource the work

Implement the controls

With your people, plan how to implement any controls not currently in place. Develop information and training to inform people about the controls and your expectations for implementing and monitoring them.

Build workforce capability to manage risk

Ensure those with accountabilities and responsibilities for managing health and safety risks have the resources they need to meet your expectations. This will include: training; plant and equipment; physical and psychological capacity and capability; information; budget; and technology.

Define and build organisational capability to manage risk

Define the capabilities your organisation requires to enable risk management activity. These capabilities will include: leadership; adaptability; collaboration; business intelligence; technical/functional capability; processes; and infrastructure. Plan and resource the development of these organisational capabilities. Enable information about health and safety risk to flow vertically and horizontally within your organisation, and where relevant to your supply chain and industry. Hold your management team accountable for this. Communicate a unified narrative about risk across your business. Ensure processes are supportive of this practice.

Develop your capacity to anticipate and respond to deviation and unexpected situations

Take time to learn about the way work is managed by those exposed to the risks. Practice your recovery controls, emergency plans, etc. Ask your people how they will respond when (not if) something doesn't go according to plan.

Needs attention

Done



Step 3: Actions – Monitor outcomes

Tick actions you've already completed and those that need more work.

Monitor and verify

Monitor your key risk controls

Require your organisation to develop a monitoring framework that is appropriate to the different levels and activities of your business. At the executive level, develop, monitor and verify the key risk controls for critical health and safety risks on a frequent basis. This will help you understand if critical risk controls are being implemented and how effective they are.

Develop formal assurance programmes

Develop an assurance programme. This could include internal and/or external audit and verification processes, and monitoring frameworks for your health and safety management system and risk control practices.

Reflect

Reflect on the information you are given

Use the information from your monitoring and assurance programmes to help you evaluate whether you are doing the right things and doing things right. Consider if your approach to health and safety risk management is working, and try new methods if it isn't. Seek to learn from why things go right, as well as what is not going well.

Learn and improve

Use incidents and events to learn and improve

Identify learnings for your organisation from investigations, emerging trends, issues and relevant regulatory changes. Encourage innovation, and support workers to raise their ideas. Close the feedback loop and communicate how you have acted on their suggestions.

Experience risk controls on the ground

Learn how health and safety risk and risk controls translate at the point of exposure by visiting sites, and holding discussions with staff, contractors and other partners. Be curious, ask questions and listen. Consider health and safety impacts and opportunities in discussions about how work is carried out.

Learn from others external to your business and sector

Benchmark key information and processes with others within and outside your sector. This could be through informal mechanisms, or more formally through mechanisms like the Business Leaders' Health and Safety Forum Benchmarking initiative. (See www.forum.org.nz)

Needs attention

Done



Advice from other Forum CEOs

- Lead by example. Your approach to leading risk management sets the tone for your organisation.
- Ensure your attention is focused on critical risks and the efforts to mitigate these. Don't sweat the small stuff.
- Focus on the most effective controls first. Administrative controls like training and PPE shouldn't be the focus.
- It is crucial to include frontline workers and contractors in identifying risks and controls.
- Learn how to hold a good safety discussion. Walking the site and talking to workers helps you understand the risks and controls.
- Ensure there's a direct line between the CEO and the Health and Safety Manager so you can get unfiltered information.
- Align your approach to operational risks – health and safety, environmental, food safety etc. This makes it easier for people to understand and implement risk management practices.
- Risk management needs to be an ongoing activity. You can't do it once, then put it in a drawer until next year.
- Don't assume the system is working. Verify.
- Don't be fooled into thinking paperwork/checklists is how you manage risks. There's a lot more to it.

Key risk concepts explained

Risk appetite: The degree of risk an organisation will accept and pursue to achieve its objectives. Provides a framework for making decisions about which risks will be accepted and sets boundaries for the organisation's activities.

Risk tolerance: This is the *maximum level of risk a business is willing to operate within*. Risk tolerances translate risk appetite into operational limits for the day-to-day management of risks.

Risk framework: This enables effective implementation of the risk management process. It is the glue that gives cohesion and consistency to risk management efforts.

Risk profile: An organisation's entire risk landscape, reflecting the nature and scale of its risk exposures in each relevant category of risk.

Key risk controls: Controls which are critical to the management of a risk. The performance of key risk controls should be monitored.

Escalation requirements: Sets out the process for when and how critical risks should be brought to the attention of those accountable for the risks – who can decide what to do.

Risk criteria: Define the causes and consequences of the risk, and how they will be measured. Set out how the level of risk will be determined, the views of stakeholders, and the level at which the risk becomes acceptable. Covers how the 'likelihood' of the risk occurring will be defined, and timeframes for any consequences. States whether combinations of risks should be considered and, if so, which combinations.

Risk velocity: How fast a risk travels from the initiating event to the consequence. Indicates how much time you will have to respond, and therefore if your controls are appropriate.

Recovery control: A control that helps you recover if an event occurs, or lessens the consequences. E.g. a fall arrest harness.

Risk control effectiveness: Whether a risk control operates in a consistent, repeatable and defined way.