



INTEGRATING HEALTH AND SAFETY INTO YOUR BOARD AGENDA

A Critical Step In Creating
A Culture of Health And Safety

An Executive White Paper by: The CEO Health + Safety Leadership Network
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Integrating Health and Safety into Your Board Agenda





Introduction

There is an important shift occurring in business that is elevating health and safety from an operational issue to an integral component of strategic planning, risk management, performance and corporate social responsibility.

Investors and shareholders are becoming increasingly aware of the connection between a healthy organization and long-term financial success, and, as such, forward-thinking boards of directors understand that health and safety must be on their agenda.

Traditionally, health and safety has been viewed as a legislative requirement, often relegated to the human resource department. However, there is significant research to show that this narrow, compliance-based view not only limits success, it can expose organizations to significant risk. In his article, *Company Disasters – Boards Are To Blame*, Peter Whitehead of the Financial Times contends “The root cause of most people risks is found above the level at which risk managers operate. The risks come from the leadership – the way it structures the business; the way it leads on culture and sets incentives; the way it behaves and its character.”

Building a culture of health and safety requires transformative leadership and the board must be involved. For many, this is new, and figuring out how to integrate health and safety into strategy, risk and performance discussions is a challenge.

In April 2015, a group of forward-thinking leaders met at the CEO Health + Safety Leadership Network Roundtable, hosted by Workplace Safety & Prevention Services, to talk about creating a culture of health and safety, with a specific focus on engaging the board of directors.

The CEO Health + Safety Leadership Network (the Network), launched in 2014, is a forum for CEOs and senior leaders to connect and learn from one another. Network events provide a safe environment for sharing ideas and challenges, and brainstorming possible solutions and opportunities. Leaders who have joined the Network are interested in enhancing the health and safety culture in their own organizations, across the province and Canada.

Dr. Daniel Muzyka, President and CEO of the Conference Board of Canada, set the tone for the April event. In his presentation he noted that people can be comfortable with horrible circumstances because it’s what they know. He talked to participants about the grit and commitment needed to transform health and safety culture in all workplaces, and encouraged them to bring people along emotionally, challenge existing beliefs and protected interests, and position health and safety as an organizational value.

“Building health and achieving its accompanying performance benefits generally require transformational change.”

—McKinsey Quarterly

Introduction CONTINUED

The group then broke into smaller roundtables and discussed:

- The best health and safety culture they aspire to create;
- How they report health and safety to the board;
- The performance metrics they use; and
- The greatest health or safety risk their organizations face today.

In this white paper, you'll discover insights about why health and safety needs to be on the board agenda, the role of the board and organizational leaders in overseeing health and safety performance and preparing for board conversations, and a summary of the roundtable discussions.





Part 1: The Case for Integrating Health and Safety into the Board Agenda

Defining Organizational Health

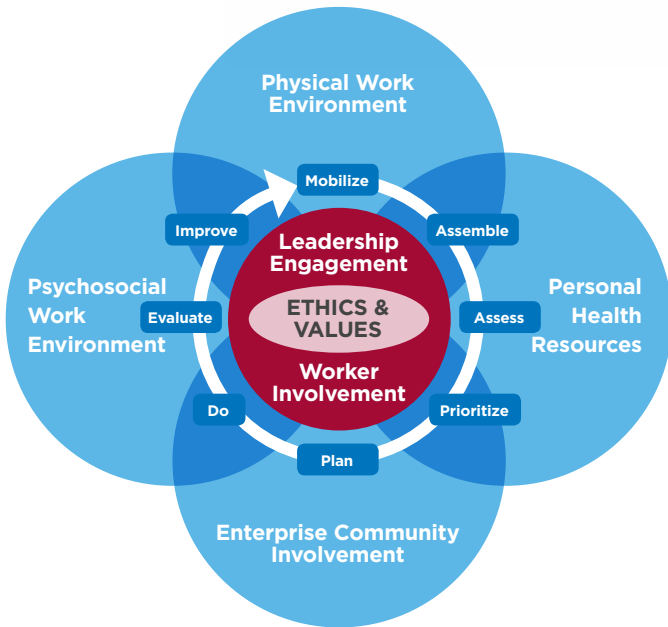
The World Health Organization defines a healthy workplace as one in which workers and managers collaborate to use a continual improvement process to protect and promote the health, safety and well-being of workers and the sustainability of the workplace. A healthy workplace considers:

- health and safety concerns in the physical work environment;
- health, safety and well-being concerns in the psychosocial work environment, including organization of work and workplace culture;
- personal health resources in the workplace; and
- participation in the community to improve the health of workers, their families and other members of the community.

In the McKinsey Quarterly article, *Organizational Health: The Ultimate Competitive Advantage*, organizational health is defined as the ability of an organization to align, execute and renew itself faster than the competition to sustain exceptional performance over time. Health and safety is about adapting to the present and shaping the future faster and better than the competition. Healthy organizations don't merely learn to adjust to their current context or to challenges that lie ahead—they create a capacity to learn and keep changing over time. This is where ultimate competitive advantage lies.

Workplace Safety & Prevention Services (WSPS) has adopted both of these definitions in its work with customers who are trying to create a culture of health and safety in the workplace.

World Health Organization – Healthy Workplace Model



The Value of Organizational Health

There is an inextricable connection between health and safety and business success. It's not only critical for cost management and risk avoidance, it's critical for experiencing higher engagement levels, fewer injuries and absences, higher productivity and greater financial results.

The Towers Watson study (2013/2014 Staying@Work Report) revealed a strong link between highly-effective health strategies and human capital and financial results. Highly-effective companies experienced half the rate of voluntary turnover; 1.2 fewer days of unplanned absence per employee, per year; shorter disability durations; and 2% fewer cases of short term disability. And the McKinsey Quarterly article Organizational Health: The Ultimate Competitive Advantage notes that at least 50% of an organization's financial success is driven by health and safety.

Creating a culture of health and safety can also distinguish employers in a crowded marketplace. In the Towers Watson study, 76% of research participants indicated that they expect to increase commitment and focus on health and productivity programs in the next few years, and some companies consider their health programs to be a critical component of their "employer of choice" strategies—to not only address cost challenges, but also talent acquisition and retention goals.



Sustainability Reporting

The trend toward sustainability reporting is on the rise as consumer and shareholder demand for greater organizational transparency continues to grow.

In some jurisdictions around the world, this level of reporting is mandated. However, in most locations it is a voluntary undertaking. In their report, *Integrated Reporting: Going Beyond Financial Results*, PWC noted that voluntary disclosure is increasing as companies recognize that enhanced reporting of non-financial information can be used as an effective governance tool for performance-oriented management and that it provides financial value, drives innovation, and enhances organizational reputation by demonstrating commitment to transparency.

KPMG's 2013 International Survey of Corporate Responsibility Reporting revealed that 93% of the 250 largest global companies are now reporting sustainability and half of them are seeing financial value in doing so. And, in their 2011 study, *The Impact of a Corporate Culture of Sustainability on Corporate Behaviour and Performance*, Eccles, Ioannou, and Serafeim noted that "high sustainability" companies demonstrated better stock performance, lower volatility, and higher return on assets and return on equity than "low sustainability" companies.

Integrated reporting involves far more than financial accountability—it requires organizations to account for their governance practices, and environmental and social impact. While health and safety does factor in to a certain degree, organizations like the Centre for Health and Safety Sustainability are pushing for a stronger presence of occupational health and safety metrics in integrated reports, since an organization should not be deemed sustainable if its practices are injuring or killing employees.



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“There is a very strong business case for creating an engaged group of employees and a safe workplace. And besides, what CEO wants the reputation of having her or his employees going home to tell their families that they were injured at work because the employer didn't care about their employees' safety and wellness?”

—Ted Moroz
President & CEO
The Beer Store

Risk Oversight and Due Diligence

In their report *Building a Forward-Looking Board*, McKinsey & Company states that while it has long been understood that overall responsibility for risk management lies with boards, they often overlook existential risks. Instead of focusing strictly on competitive risks, McKinsey & Company states that boards should have well-functioning crisis management systems. The report points out most boards in safety-sensitive sectors are already vigilant in this practice, receiving regular reports and engaging in meaningful discussions about root causes and remedial actions.

The Conference Board of Canada's 2014 article, (co-authored by Elizabeth Mills, President & CEO, WSPS) *Is Health and Safety on Your Board's Agenda*, supports this argument, noting that health and safety has the potential to impact a significant number of stakeholders and their families, as well as the organization's reputation and brand image. For this reason, organizations need to systematically address health and safety risks and boards need to provide the appropriate oversight leadership.

Not only is this essential for organizational success, it is the duty of board members to protect shareholder and stakeholder interests and demonstrate due diligence. In their document, *Responsibilities of Board Directors in Canada*, Torys LLP state that directors must take all reasonable care to ensure that the corporation they serve protects the health and safety of its workers.

Norm Keith, of Fasken Martineau, has written extensively on the subject of due diligence. He stresses that due diligence requires a standard of reasonableness, not of perfection. This includes ensuring that reasonable care was exercised regarding worker health and safety (hazards are identified, assessed and controlled), proving there was no negligence with respect to circumstances that caused an accident, and not ignoring workers' concerns about health and safety.

It is up to the board to ask the right questions and ensure that leadership is taking all reasonable precautions to protect workers, customers and the community. In some cases where organizations have violated Ontario's Occupational Health and Safety Act, Torys LLP reports that directors have been held criminally responsible.



Part 2: CEO Health + Safety Leadership Network Roundtable Insights

Health and Safety Aspirations

Participants of the Network Roundtable shared a common goal: to create a culture of health and safety in their organizations. They used words such as shared ownership, transparency, commitment, communication, sustainability, integration, accountability and agility to describe their aspirations.



What Is Your Leadership Promise?

In a post on the blog *Leading with Trust*, Randy Conley Vice President of Client Services & Trust Practice Leader for The Ken Blanchard Companies asked readers this question. He challenged them to consider the values, responsibilities, or priorities they would never compromise. The aspects of their leadership that are non-negotiable and the public expectations they've set that they are prepared to be called out on if they don't deliver.

He asserts that there is no right or wrong answer. Leadership promises are personal, but you need to be clear on the promises you're making and be sure they are consistent with those that employees and other stakeholders have ascribed to you.

Members of the CEO Health + Safety Leadership Network believe a healthy and safe workplace is non-negotiable. By joining the Network and collaborating with peers they are expressing this promise to their employees, customers and the communities they serve.

In light of this, most are already building health and safety into the board agenda. However, there was significant variation in the level of experience, degree of integration, and the methods and frequency of engaging in the conversation. While some have health and safety as a standing agenda item, some have a set number of meetings each year when health and safety is addressed, others report quarterly and some analyze incidents as they occur.

Top Health or Safety Risks

Participants talked about the health or safety risks that are most significant to their organizations right now. Many of the risks were identified by more than one participant, and, not surprisingly, they are largely consistent with the top hazards identified by the Workplace Safety & Insurance Board in its March 2015 detailed HSA Entity Report for the agriculture, manufacturing and service sectors (see the WSPS 2014 Annual Report). Risks identified by participants included:

- Mental health*
- Engagement
- Decision making and stress*
- Ergonomics
- Slips trips and falls*
- Motor vehicle safety *
- Workplace violence*
- Customer site hazards*
- Diverse work force

*Indicates risk was cited by more than one participant





Building Health and Safety into the Board Agenda

While a wide variety of approaches were shared, they largely fell into three categories: leading and lagging indicators; standards and managed systems; and oversight risk management. The following sections provide a summary of participants' responses, and some additional information about the value and considerations of these approaches.

Leading and Lagging Indicators

While some participants indicated that their conversations with the board centre primarily on lagging indicators such as Ministry of Labour (MOL) visits, complaints, and Lost-Time Injury (LTI) rates, many shared that they are using leading indicators to inform the board of health and safety performance.

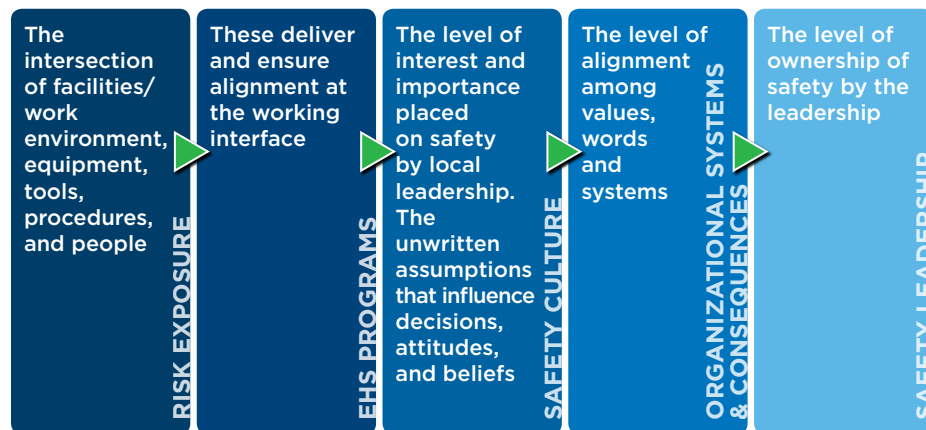
Lagging indicators are an account of what's already happened. They confirm that processes and policies aren't working, but they don't provide any insight as to why or how things can be improved. Focusing on leading indicators can be helpful in predicting future workplace injuries and illnesses.

Participants talked about the value of leading indicators creating a culture of health and safety, and elevating the conversation with the board. Participants use a variety of leading indicators that demonstrate alignment of values, words and behaviours, and shared ownership of health and safety throughout the organization.

Examples of leading indicators and an illustration of how they are used to move organizations to health and safety leadership are provided in the following diagram.

The Focus on Risk

Moving Beyond Lagging Indicators to Measure Risk and Performance of These Key Elements:



Source: TB&A



Managed Systems and Standards

A few participants use standards and managed systems to guide their health and safety efforts and conversations with the board. ISO and Certificate of Recognition (COR) were all mentioned at the Roundtable.

While these are very different systems, each one is built on the Plan-Do-Check-Act model—a practical and tactical process that guides implementation, management and improvement.

It's not a simple process to create a culture of health and safety but standards and managed systems provide a roadmap for dealing with integrated value, complexity, competency, competitiveness, risk and quality. It's important to identify the system(s) and standards that best support the organization's strategic goals.

Standards represent the best collective thinking of the time. They provide a framework to identify challenges and issues, put controls and leading practices in place, resource accordingly, and measure results. They enable leaders and their boards to make educated, evidence-based decisions about health and safety.

Many organizations use a managed systems approach in other areas of their business and are realizing it makes absolute sense to do the same with health and safety. Managed systems move organizations from a reactive to a proactive stance. They ground actions and decisions in objective data and evidence and leading practices. They foster integration and collaboration, and prevent organizations from falling into a "flavour of the month" behaviour pattern.



Oversight Risk Management

Some participants indicated that they integrated health and safety into their risk management conversations with the board, and are using tools such as risk profiles and matrices.

It is the board's responsibility to identify, analyze, validate and prioritize risks, determine organizational risk tolerance and appetite; ensure the appropriate response strategies are in place; and monitor the effectiveness of those strategies. And, in turn, the leadership team must provide the appropriate information to enable directors to fulfill this duty—for all risks, including people risks, such as health and safety.

Strategic planning should include risk oversight and scenario planning (best and worst case scenarios) to ensure that the board has taken every reasonable precaution in overseeing the actions of the leadership and the organization in managing scenarios and inherent risks. This includes preparing for potential “Black Swan” events. These events are impossible to predict and can have a massive impact on an organization and its community. In the article, *Keys to Success in Managing a Black Swan Event*, author Nancy Green counters traditional thinking that it is impossible to prepare for this type of event and shares steps that organizational leaders and boards can take. While there is a certain degree of overlap with traditional crisis/emergency planning, preparing for a Black Swan event requires organizations to develop new skill sets and flex new leadership muscles.

The role for directors is not necessarily to have all of the answers, but to know what questions to ask of the organization. In its *Directors Series*, Chartered Professional Accountants Canada publishes the *20 Questions Directors Should Ask* on a variety of topics, including strategy, governance and risk. Among the questions they suggest are questions that will help leaders and directors develop and implement a risk profile, including:

- What does risk mean in this organization?
- What are the organization's ethical values?
- What are the major risks and uncertainties facing the organization?
- How does risk get on the board's agenda?
- How does the board organize itself to oversee risk management?

Conclusion

There is a strong business case for creating a culture of health and safety. Participants at the CEO Health + Safety Leadership Network Roundtable are committed to asserting their collective influence to achieve this in their own workplaces and across the province. They understand that transformative leadership is required in order to achieve organizational health and they are integrating the conversation into their strategic planning, risk management and performance conversations with the board.

Participants shared their aspirations and a variety of approaches and metrics that are informing their conversations. In the end, it was clear that every organization is unique and the approach for integrating health and safety into the board agenda really depends on the structure, culture and goals of each organization.

Transformation takes time and collaboration, and sharing experiences with a network of peers can be extremely helpful. Roundtable participants had the opportunity to talk to other leaders facing the same challenges, and hear about what’s working and not working so well, in a safe environment.

Let’s Shape the Future of Health and Safety Together CEOHSNetwork.ca



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“I am of the strong opinion that health and safety thrive whenever we share. We can’t do this alone. The Network provides an opportunity to share and influence, and will help with overall performance.”

—Brett Abram
VP of Human Resources
at Sleep Country

ABOUT THE AUTHORS



Elizabeth Mills is President & CEO of Workplace Safety & Services, a not-for-profit organization with a mandate to meet the health and safety needs of 154,000 businesses in the agricultural, manufacturing and service industries, representing 3.8 million employees across Ontario. She has built two health and safety organizations dedicated to ensuring Ontario workers arrive home safe every day and has spearheaded many breakthrough initiatives aimed at increasing the quality and accessibility of health and safety knowledge, resources and tools for workplaces in Ontario. wsps.ca



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About the CEO Health + Safety Leadership Network

The CEO Health + Safety Leadership Network is a distinguished group of leaders who share a commitment to building sustainable businesses and communities.

This dynamic collaborative offers fertile ground for the exchange of knowledge and ideas in the pursuit of performance excellence. In addition to optimizing their own organizational health and safety performance and return-on-investment, Network members are:

- Demonstrating health and safety through their leadership,
- Building brand value and enhancing corporate reputation,
- Influencing provincial and national health and safety policy and ensuring your business requirements are represented in critical conversations,
- Contributing to the transformation of health and safety culture in Ontario and, in collaboration with other Charters, across Canada,
- Accessing exclusive research and information,
- Contributing to provincial sustainability and growth, and
- Celebrating health and safety leadership and encouraging others to contribute to a culture of health and safety.

Join Us for the Next Roundtable Event

Please visit our website for upcoming events.

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APPENDIX A: Roundtable Participants

The following organizations participated in the April 2015 CEO Health + Safety Leadership Network Roundtable:

Acklands Grainger	LCBO
Arborvalley Urban Forestry Co Inc.	Levitt-Safety Limited
ATS Automation Tooling Systems Ltd.	Lincoln Electric Company Canada
Bruce Power	Metroland Media Group
Canada Bread Company	Minerva Canada
Canadian Foundry Association	Ministry of Labour
Canadian Standards Association	Mirarco
Canadian Vehicle Manufacturer's Association	Morguard
Compass Group Canada	National Safety Council
Data Group of Companies	Nations Fresh Foods
Electrical Safety Authority	Optimum Talent
FEO – Festivals & Events Ontario	Patheon Canada
Ford Canada	Powerstream
Gerdau Metallics Raw Materials	Prevention and Regulatory Solutions Ltd.
Guelph Hydro Electric Systems Inc.	Public Service Health and Safety Association
Habitat for Humanity Canada	Radiation Safety Institute of Canada
Haddad and Associates	SGS Canada
Heffner Dealers	Sleep Country Canada
Honda Canada	SNC Lavalin
Hydro One Networks Inc.	The Beer Store
Innovative Automation Inc.	The Brick
IS2 Workforce Solutions	Vector Medical
Kitchener – Wilmot Hydro Inc.	WSIB



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WORKPLACE SAFETY & PREVENTION SERVICES

Workplace Safety & Prevention Services (WSPS) is a leader in providing impactful risk management solutions that drive lasting business success for our customers. WSPS offers unparalleled health & safety expertise, insight and solutions for creating healthy work environments where employees thrive and businesses prosper.

A dynamic \$43-million organization servicing 162,000 member firms, WSPS is primarily focused on the agricultural, industrial/manufacturing and service sectors. A key player in the Ontario occupational health & safety system, WSPS brings together community and business leaders to influence positive change to create a safer and more profitable Ontario.
wsps.ca

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CEO HEALTH + SAFETY LEADERSHIP NETWORK

The CEO Health + Safety Leadership Network is a distinguished group of leaders who share a commitment to building sustainable businesses and communities. We are leaders – CEOs, Directors, operational and informal – who are stepping beyond the bounds of our own organizations to spur transformation on a much larger scale. We understand we are in a position to positively influence health and safety in Ontario and, in concert with other regional leadership charters, across Canada.

Let's Shape the Future of Health and Safety Together

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**Committed to building a
culture of health and safety.**

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