

Enterprise Risk ManagementRole of the Environmental Health and Safety Professional

MARCH 22, 2017



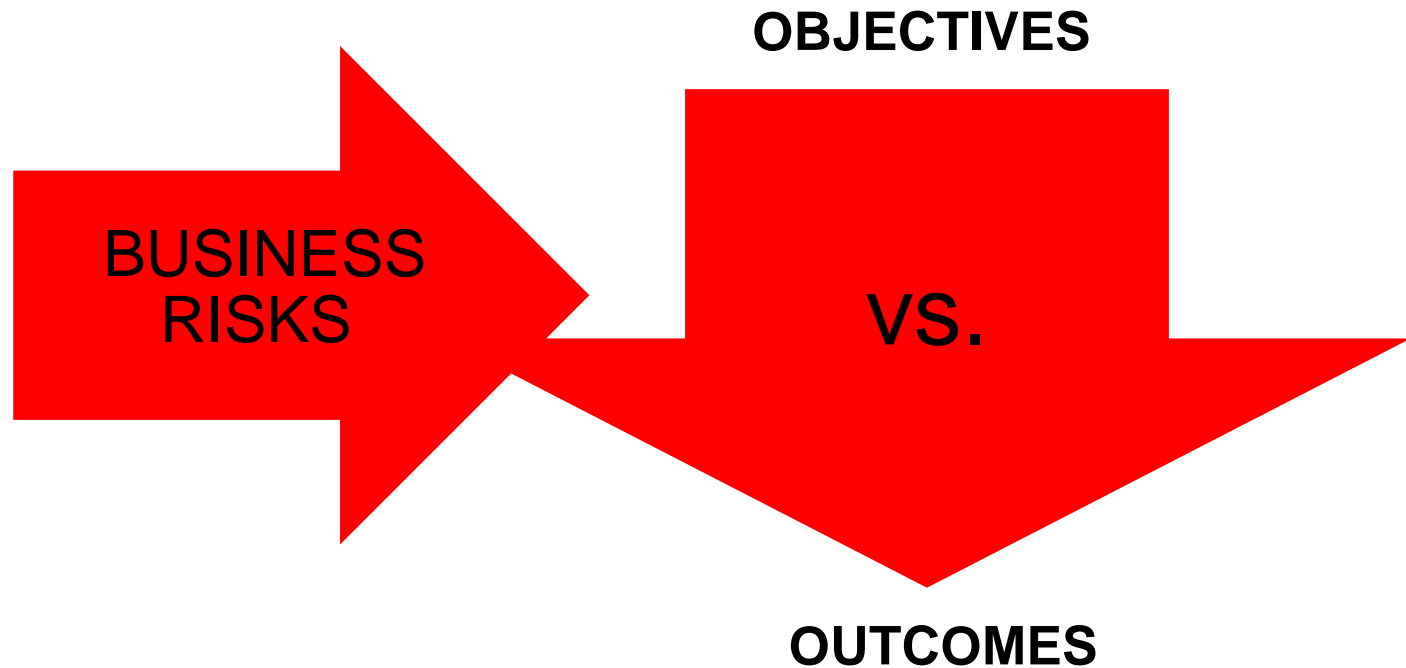
Safety Executives
of New York, Inc.

Richard A. Vohden, CSP, CPCU
Senior Vice President
Morristown, NJ

Enterprise Risk Management

Be Proactive

- Enterprise Risk Management (ERM)
- A comprehensive program to proactively and continuously identify and manage risks that could affect the organization's ability to achieve its goals and objectives.



Enterprise Risk Management

Functional Risks

Strategic Risks

Strategic goals and objectives

- Mergers
- Acquisitions
- Divestitures
- New products

Financial Risk

Funding and spending

- Asset value
- Operational costs
- Investment value

Reputational Risk

Operational Risks

Day to day operations

- Technology software, hardware
- Compliance
 - Laws and regulations
 - Contracts
- Contractors and service providers
- Supply chain
- Continuity of operations

Hazard Risk

- Occupational injuries
- Pollution
- Property losses
- Tort Liability -
 - Products
 - Transportation

Enterprise Risk Management

Functional Risk

- Supports strategic planning and decision making.
- Transparent process that provides management, auditors, and board members with access to information on current risks and how they are being managed.
- Consistency in the process for regular risk review, documentation and reporting as circumstances change and are acted upon.
- Clear accountability for risks. Each risk is assigned an individual owner who is responsible for assessing, evaluating, reviewing, reporting and managing controls.
- Risks are managed in a balanced way to avoid surprises without becoming bogged down in details.
- Adequate resources are assigned to risks and controls to ensure satisfactory results.

Enterprise Risk Management Roles and Responsibilities

Position	Responsibility
President	Retains ultimate responsibility for risk
ERM Steering Committee	Oversees risk management activities
Audit and Finance Committee	Monitors key risks and reports to the Board
Enterprise Risk Manager	Ensures risk management activities are effective
Risk Owner	Responsible for managing a particular risk
ERM Points of Contact	Local go-to contacts for all department matters
Control Owner	Update Risk Owner regularly on the progress and effectiveness
All Staff	Maintain awareness of the need to manage risks

Enterprise Risk Management Process

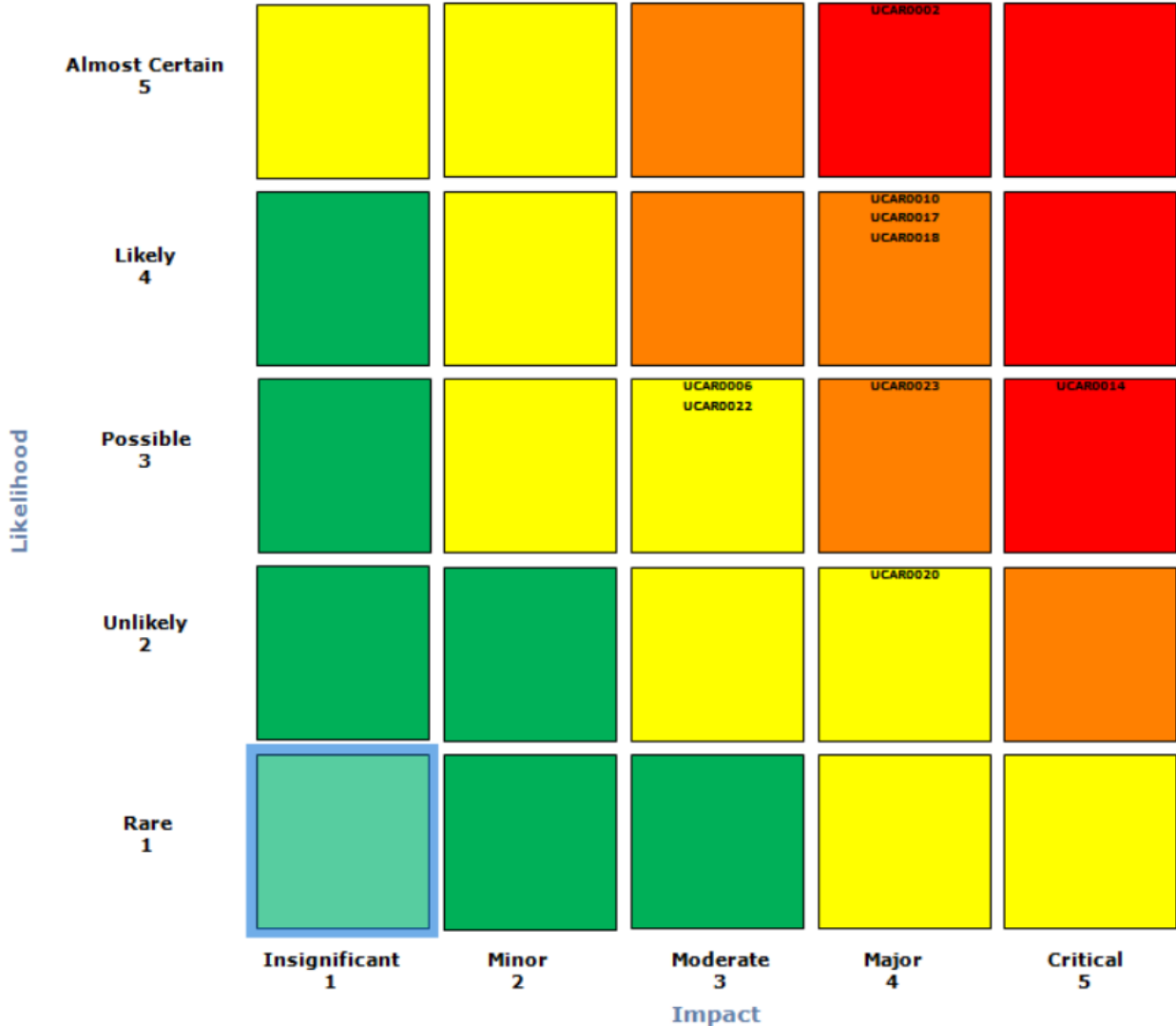


Enterprise Risk Management

Risk Rating

Risk Evaluation Criteria Impact	Service Disruption, Affect Upon Funds or Process	Reputation	Failure to Comply or Meet Obligations	People
5 Critical	Total Failure of Service Extremely Expensive, > \$1M, \$\$\$\$	National publicity > 3 days, resignations	Claim, fine, or impact above \$5M	Fatality of 1+ employees or citizens
4 Major	Serious Disruption to service \$1M, \$\$\$	National public or press interest	Claim, fine, or impact above \$500K	Serious injury or disability to 1 + people
3 Moderate	Disruption to Service \$500K, \$\$	Local public and press interest	Claim, fine, or impact above \$100K	Major injury to people
2 Minor	Minor Impact on service \$100K, \$	Contained known within entity	Claim, fine, or impact above \$10K	Minor injuries to people
1 Insignificant	Annoyance, Small no \$ impact, \$5K	Contained within site, department	Claim, fine, or impact <\$10K	Minor injury to individual

Enterprise Risk Management Risk Evaluation



Enterprise Risk Management Roles and Responsibilities of the EH&S Professional

The Current View

- To provide professional knowledge and expertise in the administration and support of environmental health and safety (EHS) programs.
- Responsible for the overall coordination and implementation of EHS programs to assure compliance with regulatory agency guidelines and institutional policies.

Bottom line, too many senior leaders and safety professionals view safety as a compliance function and not as an integral part of achieving the organization's mission.

Budgets and organizational structures are usually designed and built with a compliance-based set of objectives.

Enterprise Risk Management Roles and Responsibilities of the EH&S Professional

COMPLIANCE-BASED VS. RISK-BASED SAFETY PROGRAMS

- ISO 31000:2009 Risk Management—Principles and Guidelines,
 - Management framework for both safety and risk are closely aligned.

ERM weds risk and safety managers to collaborate in identifying and controlling a broad array of risk exposures in support of the organization's strategic plan and mission.

- Focus on threats to achieve injury reduction.
- Compliance functions are recognized as elements of a broader mission to address the risks to the organization .
- Funding reflects the need to manage risk and compliance.

Enterprise Risk Management Roles and Responsibilities of the EH&S Professional

RISK-BASED SAFETY PROGRAMS

- Member ERM Steering Committee.
- **Risk Owner** for occupational safety and environmental affairs.
- Prepare for a role in mitigating operational, strategic and reputational risks.
 - Emergency management planning
 - Disaster recovery planning
- Leverage tools readily at hand.
 - Job Hazard Analysis
 - Process Safety Analysis of non-extra hazardous processes (What if ?)
- Demonstrate the analytical skills we use everyday.

MARSH RISK CONSULTING