Increasing Executive & Board Leadership & Understanding of Process Safety

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A Critical Issue for the Board

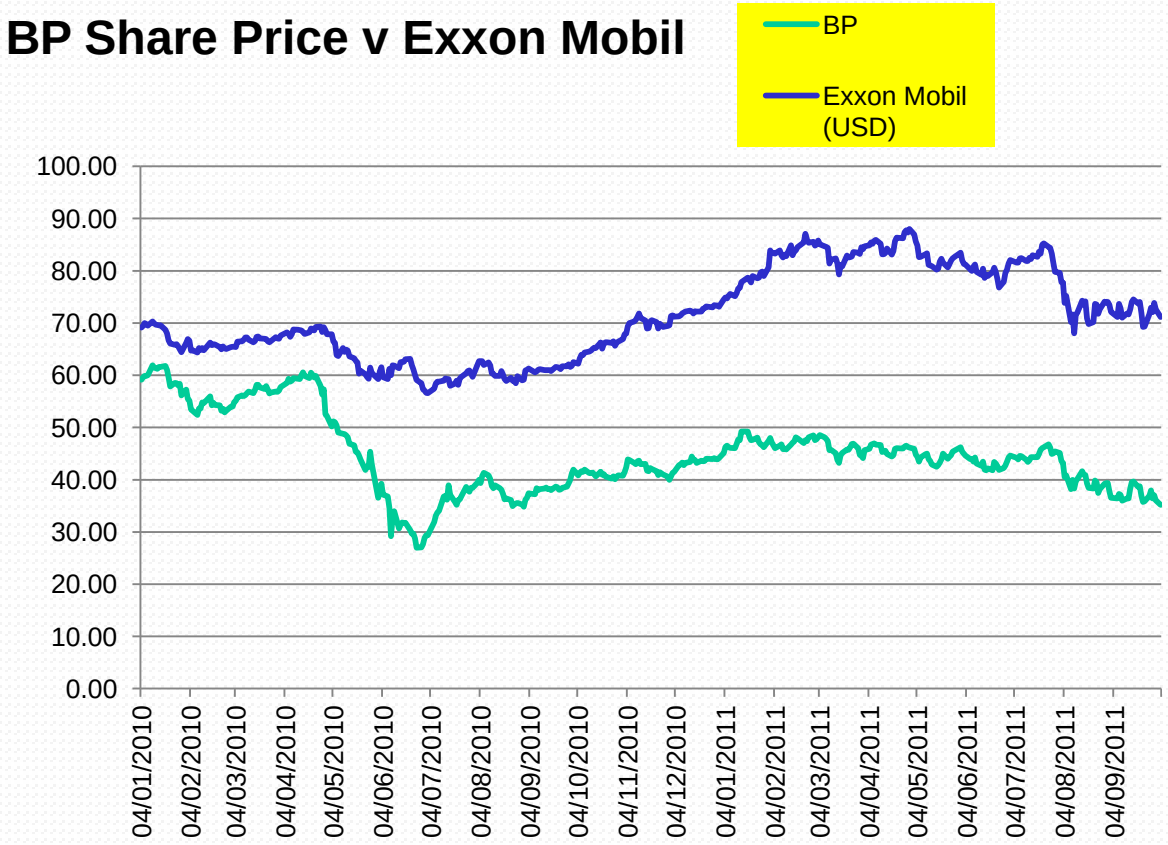
Texas City 2005

Buncefield 2005

Deep-water Horizon 2010

Fukushima 2011

A Critical Issue for the Board



Corporate Governance

- Health & Safety at Work Act 1974
- Corporate Manslaughter Act 2007

- Turnball report into Corporate Governance
  - *"It is the role of management to implement board policies on risk and control. In fulfilling its responsibilities, management should <u>identify and evaluate the risks faced by the company for consideration by the board and design, operate and monitor a suitable system of internal control</u>*

Corporate Leadership

- *Health and safety is integral to success. Board members who do not show leadership in this area are failing in their duty as directors and their moral duty, and are damaging their organisation.*
  - Leading Health & Safety
  - HSE/Institute of Directors
- What we expect from duty holders
  - *Deliver and maintain high standards of process safety leadership driving control of risks*
    - Judith Hackitt,
    - UKOPA 2010

Texas City

- *Although BP's executive and line management was responsible for ensuring the implementation of an integrated, comprehensive and effective process safety management system, <u>BP's Board has not ensured, as a best practice, that management did so'.</u>*
  - *Baker Panel Report*

Nimrod

……the implementation of a new set of principles covering,

- *'Leadership, Independence, People and Simplicity together with a new safety culture,*
  - *a Reporting Culture,*
  - *a Just Culture,*
  - *a Flexible Culture,*
  - *a Learning Culture,*
  - *a Questioning Culture.*

- The Nimrod Review, HMSO, 2009

Deep-Water Horizon

- *Management failures by BP and its contractors…..*

  Poor risk assessment by BP, Haliburton & Transocean…..

  …. decisions increased risk and saved time…

  - Presidential Commission

- *'What we have here is a lack of rigour and a lack of oversight of contractors'*
  - Tony Hayward
  - appearance at the UK's Parliamentary Energy & Climate Change Committee

An Increased Understanding of Process Safety

- *'BP should develop and implement a system to ensure that its <u>executive management</u> …… possess an appropriate level of process safety knowledge and expertise'.*
  - *Baker Panel report*
- *Secure and promote competency of CEO's and senior managers in process safety*
  - *Judith Hackitt, UKOPA, May 2010*

Process Safety & the Board

- An IChemE initiative
- Developed in association with Nuclear Safety Director Forum

Development of Process Safety & the Board

- **Fundamentals of Process Safety**
  - 5 day course for engineers/ mangers
  - Developed by IChemE in association with industry & HSE
  - Over 700 attendees to date.

- Development of 'Nuclear' version identified need for board / senior executive training.

Process Safety & the Board

- **Huge change in Nuclear Industry ∴**
  - Fragmentation (BNFL, UKAEA, BNGp)
  - New Players (completion, new build)
  - New faces

- **Major disasters (Chernobyl, Challenger, Texas City)**
  - Process Safety
  - Knowledge/awareness/engagement of board

- **Partnership between IChemE and Nuclear Safety Directors Forum**

Process Safety & the Board
Objectives; To address the following questions:

- Does the board fully understand the major process risks for which it is accountable?
- Where is the evidence that the board makes decisions based on an understanding of the process safety risks?
- How effective are the mechanisms used by the board to ensure that the risks are being properly managed?
  - Do you believe that everything is OK?
  - Do you <u>know that everything is OK?</u>

Objectives (continued)

- Does the board have effective policies & programmes to drive continuous improvement in both process & personal safety

- How does the board provide leadership and ensure that its commitment to process & personal safety is communicated throughout the company?

  - How are conflicts avoided?
  - How are conflicts handled when they arise?

- How do your actions, as a member of the board, contribute to the above?

Company Specific

- Tailored to the company.
- Involve **all** board members
- Detailed pre-event discussion with senior safety management.
- Understand, question and build on the systems already in place.
- Resulting in
  - increased understanding
  - a commitment to action

Involvement

- Use of case studies to show real impact on business
- Studies selected to meet interests / concerns of business
- Discussion & involvement of board members / executives by use of professional facilitator

Outline Structure

18:00 **Importance of Process Safety**

Presentation and discussion led by the IChemE team

Dinner

08:00 **Understanding the Risks of the Company and how they are Managed**.

Interactive session

09:45 **Principles of Process Safety Management**

IChemE team

11:30 **Performance, Metrics and Measurement**

Interactive session

Lunch

13:00 **Human Factors & Safety Culture**

14:15 **Action Plans**

16:00 Close

Experience to date

- **Energy Solutions EU Ltd**
  - *The board training developed in association with the IChemE was attended by UK Board members. All rated it very highly.*
  - Now planning to run for parent company in USA.

- **Rolls Royce (RRMPOL)**
  - *…provided quality time for facilitated debate about their role, how they can influence safety and how they gain confidence that issues are being managed effectively."*

Experience to date

- **National Grid**
  - *Valued the space and the time away from the office to think about an important issue*
  - *Felt they were taking a lot away*
    - *Actions and commitment – positive and energised*
    - *Insights*
  - *Valuable to include key NG people describing current initiatives*
  - *Excellent framework within which to run the Foundation course.*

Experience to date

- **Yule Catto**
  - *Involved executive team together with business leaders from UK, Europe, Mid East & Far East*
  - *Provided an opportunity to increase understanding and consistency following recent major acquisition*
  - *Developed HSE improvement plans at group and business level.*
  - *On-going commitment to manger/engineer training*

Development

- **Process Safety & the Board**
  - Board members and executives
  - **Introduction to Process Safety Management**
    - Senior/middle management
    - **Fundamentals of Process Safety Management**
      - **Specific Process Safety Training**
        - HAZOP,
        - LOPA etc.

Conclusions

- Events over the last few years have demonstrated the need for a greater understanding of Process Safety at Board level.
- The course developed by the Institution of Chemical Engineers is one way of addressing this issue and has proved to be of considerable benefit.
- Suitable for extension to other companies in the energy, nuclear and chemical sectors.

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