

# ERM CVS's Approach – Performance Based Certification versus Traditional Auditing Approaches ...

## Overview

The traditional approach to management systems implementation and certification is to focus on demonstrating literal compliance to a given standard i.e. ISO 14001.

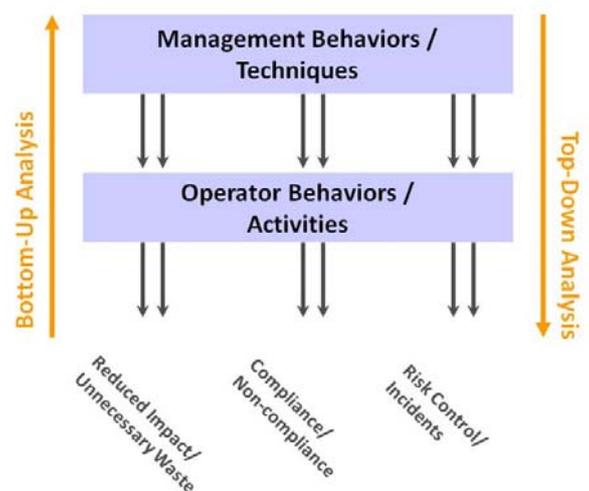
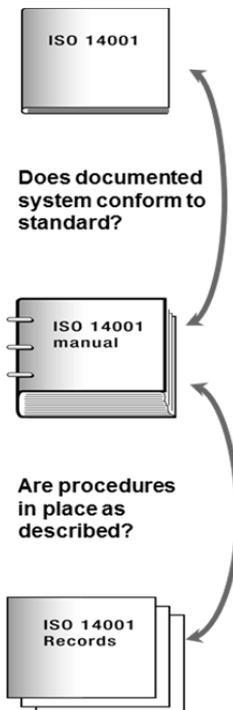
The process is centred on the documented system manual. This process is not necessarily consistent with the way managers get results in practice - even in heavily procedure-based operations less than 30% of all activities are covered by detailed written procedures.

An approach focused solely or mainly on documentation leads to disconnection between the system documents and reality; or as we term it, confusing the map for the territory. Having perfect documentation does not necessarily mean getting optimal performance on the ground.

We understand that managers use a broad range of techniques, which go far beyond the implementation of documented policies, procedures and work instructions, to deliver the operational and business outcomes they are seeking (production output, cost control, development of partner relationships and the like).

The ERM CVS Approach recognises that managers employ an effective range of techniques, which will deliver the right operator behaviours which should, in turn, reliably deliver the right EHS outcomes within your operations. Our approach is designed to help businesses improve EHS performance, not simply to improve their documentation.

ERM CVS tests these linkages through 'bottom-up' root cause analysis and "top-down" focused discussion with management.



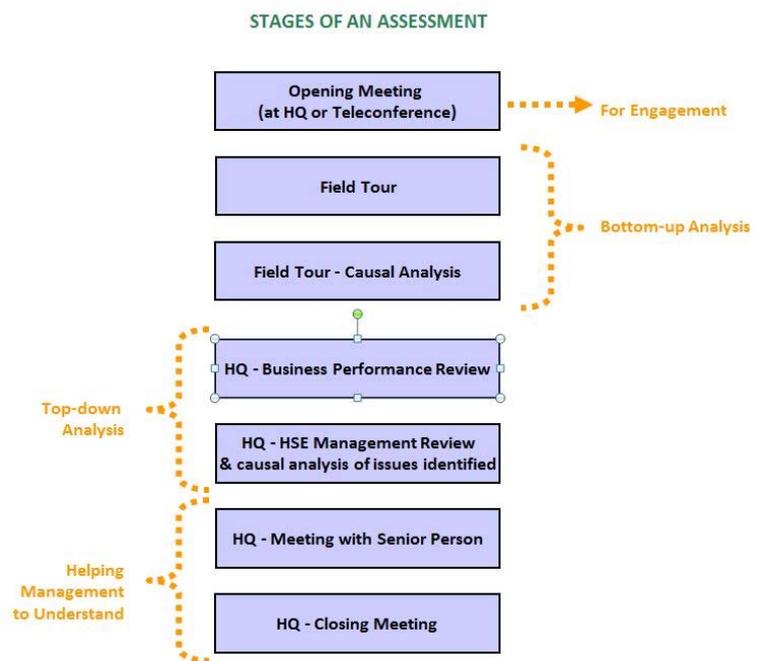
The right EHS outcomes will be produced if - and only if – mainstream operational managers apply the techniques they naturally use in the pursuit of their operational goals to address the EHS aspects of the activities for which they are responsible. By recognising suboptimal performance and behaviour and identifying the underlying reasons for it we assist the organisation to focus improvement action on the right activities.

During the course of our assessments we test if managers are properly integrating EHS considerations into their activities in a way which will reliably avoid incidents, assure compliance with regulations and continuously reduce the organisation's negative impact on people and the planet.

## ERM CVS's assessment approach

All of our assessments are led by in-depth observation of conditions at the site itself. Assessments start with a detailed site tour, where the ERM CVS team will establish – through direct observation – if the organization is producing the right outcomes on the ground.

Typically, our experienced assessors encounter some level of non-compliance with regulations, examples of poor control of risks and examples of unnecessary resource usage or waste generation. Our assessors use sophisticated root-cause analysis techniques to determine the management causes which have given rise to these sub-optimal outcomes they have observed. The content of the ISO and/or OHSAS standards are integral to this 'bottom-up' analysis.



## Opening Meeting

During the course of the opening meeting the ERM CVS lead assessor will confirm the assessment scope and the programme for the assessment.

The Lead Assessor will also take time to ensure that management understands that they will be receiving feedback on the practical effectiveness of their established EHS programmes and the level of support operational and other personnel are providing to this aspect of the organisation's activities.

## Site Assessments

This is where we take our 'field first' approach and get into the operations to observe what activities are taking place and how they are undertaken.

During the course of the assessment, our experienced auditors focus on physical infrastructure, work practices and areas of special interest in terms of the EHS aspects of the operations. They seek - through direct observation - evidence of sound and unsound EHS management practices.

We encourage our clients to take photographs of concerns we identify during the site assessment for use in the closing meeting and subsequently for their own training purposes.

The walk-rounds will allow management on site and the assessment team to develop a shared understanding of:

- the practical EHS issues which may be of concern;
- the effectiveness of the organisations established programmes (the quality of the outcomes observed on the ground will be indicative of the effectiveness of the established management programmes); and
- the management behaviours which have given rise to observed, undesirable EHS outcomes.

## Causal Analysis On site and HQ including use of SPC workshop

The assessment team will carefully select a number of these observations and use sophisticated root cause analysis techniques to determine the operator and management behaviours and programmatic weaknesses which have given rise to them.

The Symptom Problem Clue (SPC) workshop is a facilitated tool developed by ERM CVS to encourage management engagement with addressing the underlying reasons for suboptimal performance. This tool may be used at the HQ assessment to guide the subsequent top-down analysis.

## Business Performance Review

ERM CVS will conduct a review of overall business circumstances and emerging conditions through discussions with senior management. Areas of focus include mainstream operational excellence, financial performance, planned developments, and relationships with partners and other stakeholders. An insight into these issues will provide the assessment team with an understanding of the business context and pressures within which management of EHS takes place; this is likely to be vital to understanding the strengths and weaknesses in management of EHS within the operations.

## Document Review

ERM CVS does not undertake an off-site document review as a stand-alone exercise – we may request certain documentation for our assessors to have sight of prior to the assessment but in the main we incorporate document review into our on-site activity. The types of documents we are likely to review in detail when on site are records associated with communications internally and externally, monitoring data, risk assessments, MOC analysis, KPI data analysis, compliance results and analysis, permit to work documentation, internal audit, management review etc.

## Management Interviews

The management interviews – mostly with mainstream operational managers – will provide the assessment team (and on-site management) with an insight into the most effective management techniques employed within the operations and the extent to which these techniques are employed to address relevant aspects of the operations.

The assessment team will typically interview senior management across a range of disciplines - production managers, environmental, health and safety experts, finance personnel, human resource and training managers, performance improvement managers, facilities engineering and maintenance personnel, procurement specialists and contract management.

The requirements of the relevant standard are used as an agenda for the management interviews, which will be populated with observations and information collected during the course of the on-site assessment, business performance review and SPC exercise.

## Meeting with Senior Manager

Prior to the closing meeting, the ERM CVS Lead Assessor will meet with the top-most manager for the operations and present their findings of the assessment. The primary purpose of this meeting is to provide senior management with an opportunity to digest the assessment findings, in advance of the closing meeting. This will then enable senior management to take the lead at the end of the closing meeting to set an appropriate forward direction.

## Closing Meeting

Our closing meetings are designed to provide the management team with a realistic insight into the overall effectiveness of the programmes they have established to address the EHS aspects of their operations, and to provide a sense of how weaknesses in them may impact the business.

We describe how we have spent our time on site and the observations that we have made during the course of the assessment. Wherever possible we use a selection of photographs of issues observed during the course of the site assessment for this part of the presentation. We will provide feedback on the extent to which mainstream management are driving environmental, health and safety aspects of the operations and specific weaknesses in the mechanisms employed by them in this regard.

Our goal: to ensure management understand how their behaviours and the mechanisms they have established are influencing operator behaviours and the practical effectiveness (or otherwise) of these in delivering control of EHS risks, compliance with regulations and ongoing reductions in EHS impacts.

## Reporting

The assessment team will prepare a report setting down a summary of issues reviewed during the assessment and any weaknesses in EHS management which have been identified. The report will mirror the findings presented in the Closing Meeting. Our findings are set down in three parts:

- Identified management weakness which needs to be addressed: description of the ultimate cause or causes of issues which were observed. This statement will include an assessment of the extent to which the management system is being complied with.
- Relevant facts and consequences: the assessment team's observations which are relevant to the finding (for example a regulatory non-compliance or an observed poor practice). Statements regarding the possible consequences of an observation will be included where appropriate.
- Clause of the standard: the relevant part of the standard to which the finding applies.

## Pathway to Certification and Enhanced Performance: Assessment Process

Certificates of conformance to ISO 14001, OHSAS 18001 and ISO 50001, which are valid for a three-year period, will normally be issued after completion of a two or three stage assessment process (preassessment, First and Second stages). Following issuance of the certificate, the operations will be subject to annual or twice-yearly surveillance assessments. The stages of the process and the tasks performed in each are described below.

### Preassessment

Preassessments are an optional 'extra', which many of our clients incorporate into their programs because of the considerable benefits they derive from them.

Preassessments will provide management with:

- A clear understanding of the status of EHS management within the operations and a clear understanding of the extent to which management of these issues is integrated into the operations;
  - A clear understanding of overall weaknesses in EHS management - and consequently the level of conformance to the ISO and/or OHSAS standard;
  - Support to EHS personnel in their efforts to raise management awareness of the importance of effective management and mainstream management's role in ensuring that these aspects of the operations are properly addressed; and
  - An understanding of ERM CVS' approach to management systems assessment.
- There is considerable flexibility in relation to both the duration of pre-assessments and the tasks performed, but pre-assessments would normally incorporate each of the steps described in earlier (opening meeting, site tour, business performance review, etc).

### First Stage Assessments

First Stage Assessments are almost always performed on site and will incorporate each of the elements of the assessment process described in the preceding sections of this document.

### Second Stage Assessments

Second Stage Assessments are also performed on site. The assessment team will spend most of their time with managers, supervisors and operators assessing if the organization's EHS management programs are producing the right outcomes on the ground. Where shortcomings are observed the team will seek to understand the management weaknesses which have given rise to them. The elements of the second stage assessment are as follows:

- Opening Meeting and Review of Actions Taken to Address Weaknesses Identified in the First Stage Assessment: Agreement of agenda and review of actions taken in respect of weakness in EHS management which were identified during the course of the First stage assessment.
- Extensive Site Tour and Completion of Multiple Root Cause Analysis Exercises: Further analysis along the lines described earlier in this document, focusing especially on areas of concern identified during the First stage assessment.

## Certification

ERM CVS' decisions on certification are based upon the lead assessors' evaluation of the extent to which management is engaged in driving EHS performance and have established the practical means to deliver operator behaviors which produce the right EHS outcomes across the operations. More specifically:

- Are EHS risks controlled in a manner which prevents incidents from occurring?
- Is management delivering compliance with their EHS regulatory obligations?
- Is management delivering on-going and meaningful reductions in impact on the environment, the work force, and the surrounding community?

ERM CVS only certifies organizations which have the means to deliver these outcomes and are achieving them, thus ensuring that certification is regarded as a meaningful measure of the organization's EHS management, both internally and externally.

If a positive certification recommendation is made, a certificate will be issued after:

- Site-based management have provided a report on actions addressing any minor weaknesses in EHS management which were identified during the course of the Second Stage assessment;
- This report has been reviewed and approved by the lead assessor(s); and
- A comprehensive independent review of the assessment process and outcomes has been completed.

## Surveillance Assessments

In order to confirm that the certified operations continue to properly address the EHS issues associated with the operations (i.e. in a manner which is consistent with the requirements of the ISO 14001 standard); ERM CVS will perform six-monthly or annual surveillance assessments.

The surveillance assessments - like the initial assessment - will focus on on-going control of risks, on-going compliance with regulations and critically, continuous and meaningful reductions in the overall EHS impacts arising from the operations.

During the course of the surveillance assessment the team would focus on:

- Close-out of weaknesses in EHS management identified in the previous assessment
- Changes in programs, personnel, process and materials used on site since the last assessment;
- A review of performance data;
- Testing the effectiveness of the programs on site - through further management review of specific program elements and through completion of a number of root cause analysis exercises during the course of an extended site tour (see Section 2.3). A report is issued after each surveillance assessment.

## Re-certification

ERM CVS certificates are issued for a three-year period after which a reassessment of the operations will be performed, the extent of which will depend on the frequency of surveillance assessments.



## Conclusion – using Performance Based Certification to enhance performance

Ensuring that companies obtain the very substantial benefits that can be realized through the implementation and maintenance of ISO 14001, OHSAS 18001 and/or ISO 50001 will be a significant challenge for management at all levels in organizations over the coming years and beyond. Achieving this end will require the involvement and co-operation of management and staff throughout the organization. Critically, it will also depend on the profile, capabilities, approach and professionalism of the certifier chosen to work with the operations.

ERM CVS works with its clients in a manner which will ensure that ISO 14001, OHSAS 18001 and ISO 50001 certification enables organisations to enhance their environmental/health and safety/energy management performance and gain maximum value from the certification process.