

Protecting Your Company's Bottom Line Through Safety

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Thank You For Your Commitment To Safety



“Winning is not a sometime thing, it is an all-time thing.”
~ Vince Lombardi

So Is Safety!

Safety Tip Of The Day #1

*Never take a sleeping pill and
a laxative at the same time.*

Safety Tip Of The Day #2

*If you don't know where you are going, you might wind up
someplace else.*

~ Yogi Berra

First, Broaden Your View It's Not Just Safety, It's Risk

West Texas. On April 14, 2013, a massive explosion of ammonium nitrate at a fertilizer storage and distribution facility fatality injured 15 and caused hundreds of injuries.

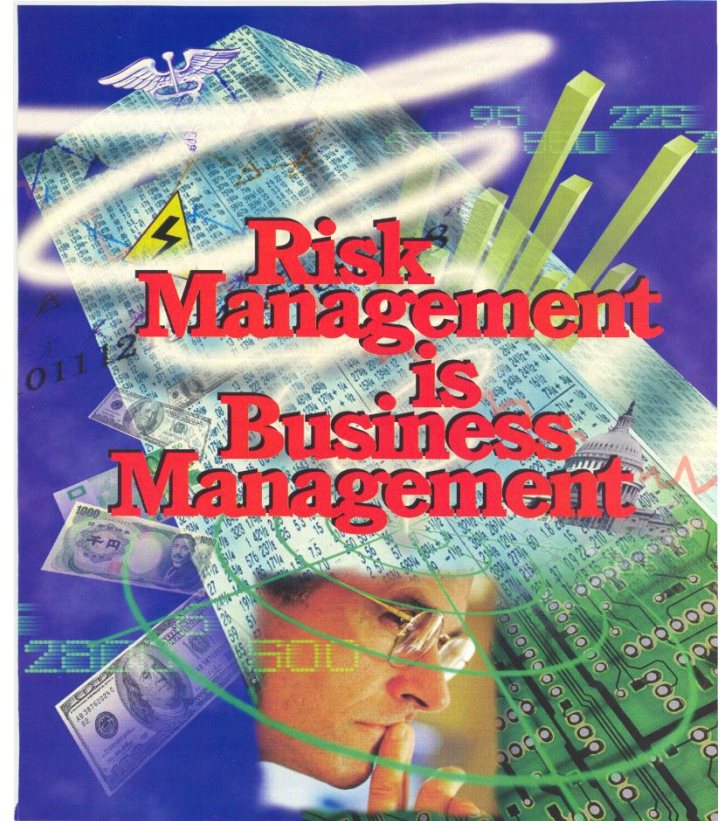
Nearly destroyed the Town of West, Texas.



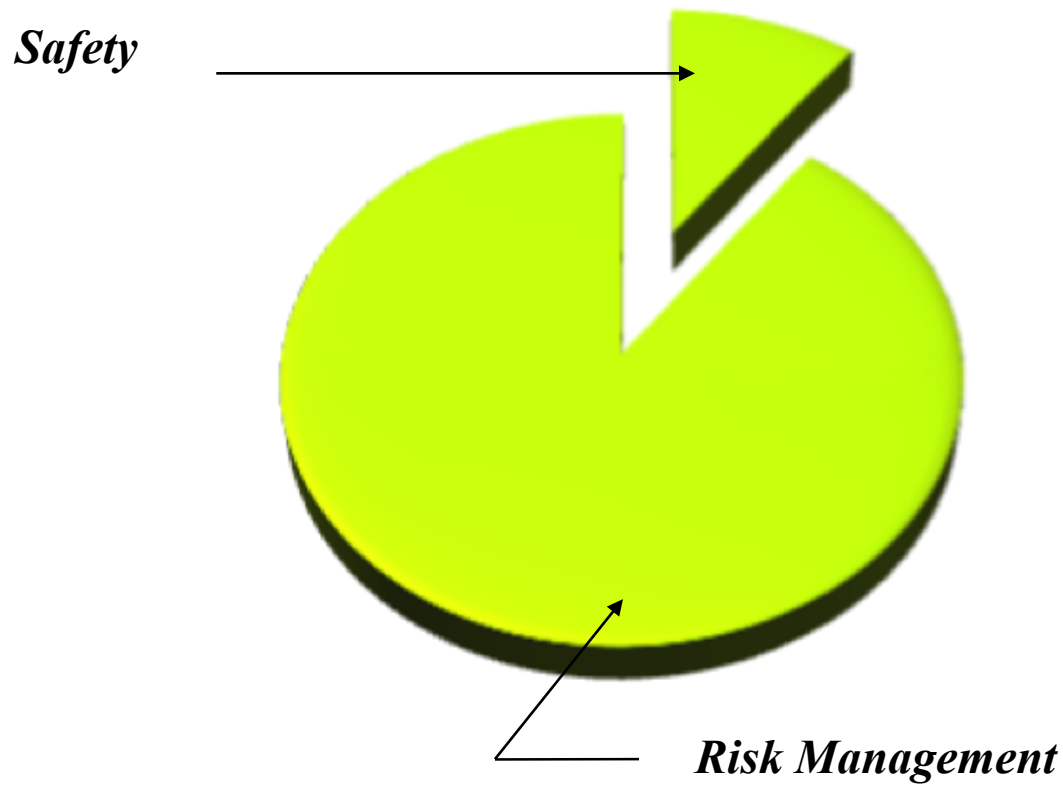
First, Broaden Your View It's Not Just Safety, It's Risk

“Risk is a part of doing business and risk management is a company’s first line of defense against those risks, whatever or wherever they may be.” The ever-expanding spectrum of risks Include:

- Decisions to merge, acquire or divest
- Currency devaluation
- Political instability / Terrorism
- Regulatory compliance
- Hiring/Firing policies
- Response to disasters
- Disgruntled employees
- Shareholder issues
- Transition issues



Risk Management vs. Safety



How Does Safety Actually Protect the Bottom Line

The Realities

A Good Performing Risk & Safety Program Becomes a Non-Issue to Management

A Poor Performing Risk & Safety Program Can Cost You Your Business

Safety Typically Communicates in Methods that Management Does Not Understand

Treat Risk & Safety Management as a Business Function

- Create and Track A Strategic Plan
- Establish & Track A Budget
- Measure Costs / Not Just Accident Costs
- Benchmark Performance
- Be Ready to Justify Projects with a Pro Forma and Return on Investment
- Communicate Results to Management
- Adjust Your Strategic Plan To Address

Treat Risk & Safety Management as a Business Function



Manage....Not React

How To Properly Measure, Manage and Communicate to the Board

Not:

- OSHA Compliance
- Total Recordable Incident Rates
- Loss Workday Cases
- DART Rates
- Lagging Indicators

**You Do Have to Measure & Track These
Report Them, But Do Not Focus on Them**

How To Properly Measure, Manage and Communicate to the Board

- Measure
 - Real Cost of Accidents
 - Real Cost of Risk
 - Leading Indicators (Training, Behavioral Observations, At Risk Observations, Safe Observations, Audit Results)

Report These To the Board

But, Benchmark Them Against Industry Performance & Company Financial Performance Indicators

A New Way to Measure & Manage

- What Financial Performance Indicators Mean Something to Your Management?
- Do You Know the Key Financial Measurement Statistics Your Management Tracks?
- How is Your Management Performance Measured?
- How is Your Management Bonus System Arranged?

A New Way to Measure, Manage & Report Risk & Safety

- What is Your Company's Gross Revenue
- What is Your Company's Gross Profit
- What is Your Company's Net Profit?
- What is Your Company's Share Performance?

A New Way to Measure, Manage & Report Risk & Safety



Example of Moving From Improper Management & Communication to Success

A New Way to Measure, Manage & Report Risk & Safety

Bottling Company Example Facts

- Safety Focusing on OSHA Compliance
- Safety NOT Focusing on Accident Costs
- Safety NOT Focusing on Cost of Safety & Risk
- Safety Reporting that Performance is Excellent Based on Their Measurement Methods
- \$5M Per Year in Pure Accident Costs

A New Way to Measure, Manage & Report Risk & Safety

Bottling Company Example Realities

- \$25 Million in Actual Accident Costs
- Not Measuring, Managing or Reporting Correct Statistics
- Operational Management Did Not Understand Why Changes Were Necessary
- Sr. Management / Board Did Not Understand Why, With Safety Reporting Everything Was Excellent
- Safety Lost Almost All Credibility

A New Way to Measure, Manage & Report Risk & Safety



Bottling Company Example Solution

Discussion on Actions Taken



A New Way to Measure, Manage & Report Risk & Safety

Properly Managing Risk & Safety

Properly Measuring & Reporting Performance

Let's Discuss

A New Way to Measure, Manage & Report Risk & Safety

Important Questions:

At the Operational Level

- What are the Key Cost Benchmarks that are Tracked, Measured and Managed at the Operational Level?
- Let's Discuss

A New Way to Measure, Manage & Report Risk & Safety

Important Questions:

At the Senior Management & Board Level

What are the Key Board Level Financial Measurements that are Tracked and Managed?

What are the Important Correlations for Senior Management & The Board

Let's Discuss

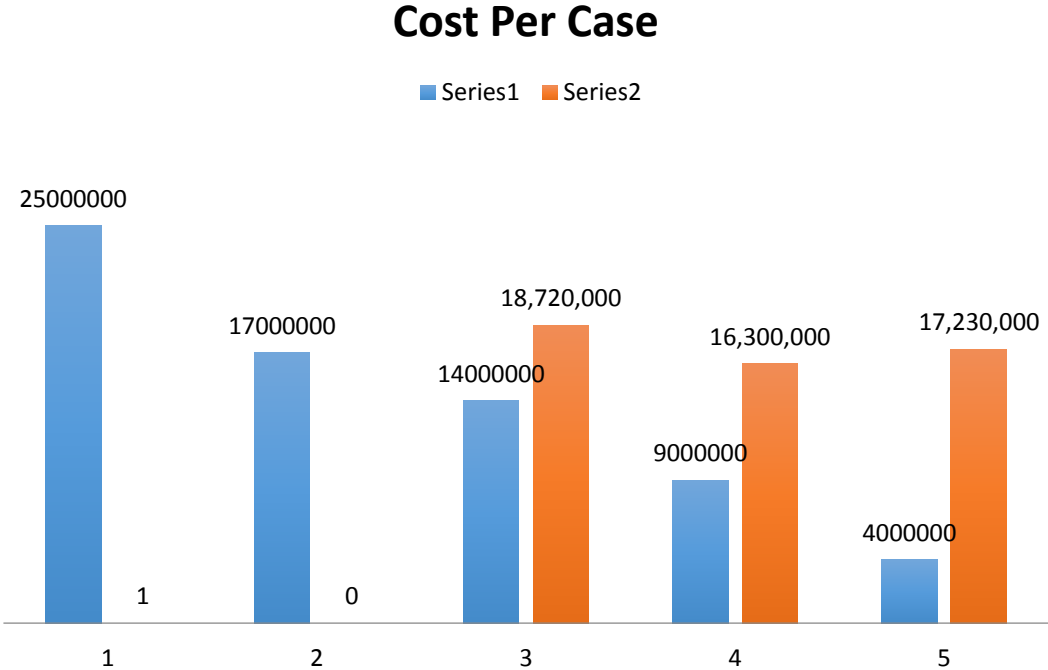
A New Way to Measure, Manage & Report Risk & Safety

What if.....

We Could Track, Manage and Report Risk & Safety Management Performance Like This

Cost of Risk as a Function of...

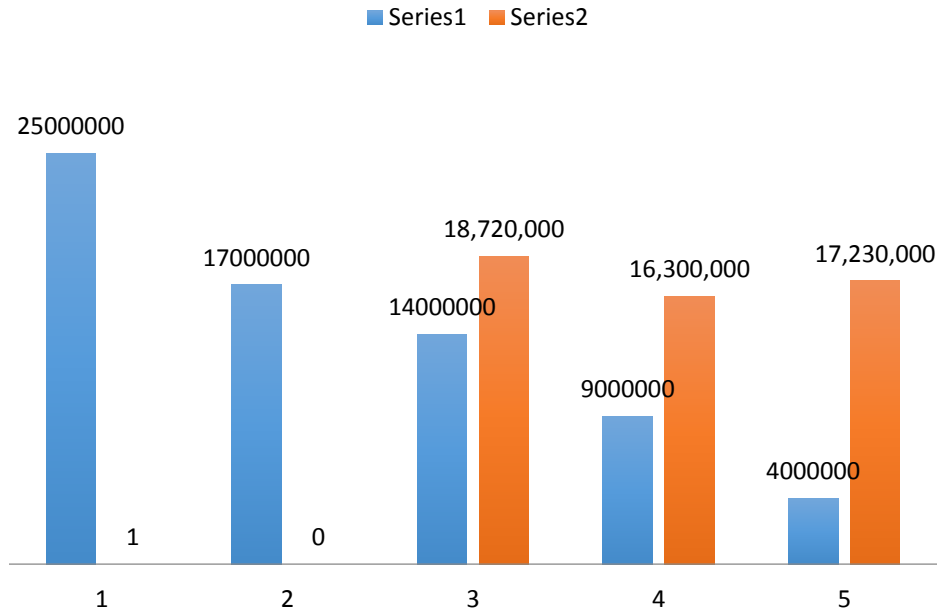
- Example: Pennies Per Case



Cost of Risk as a Function of...

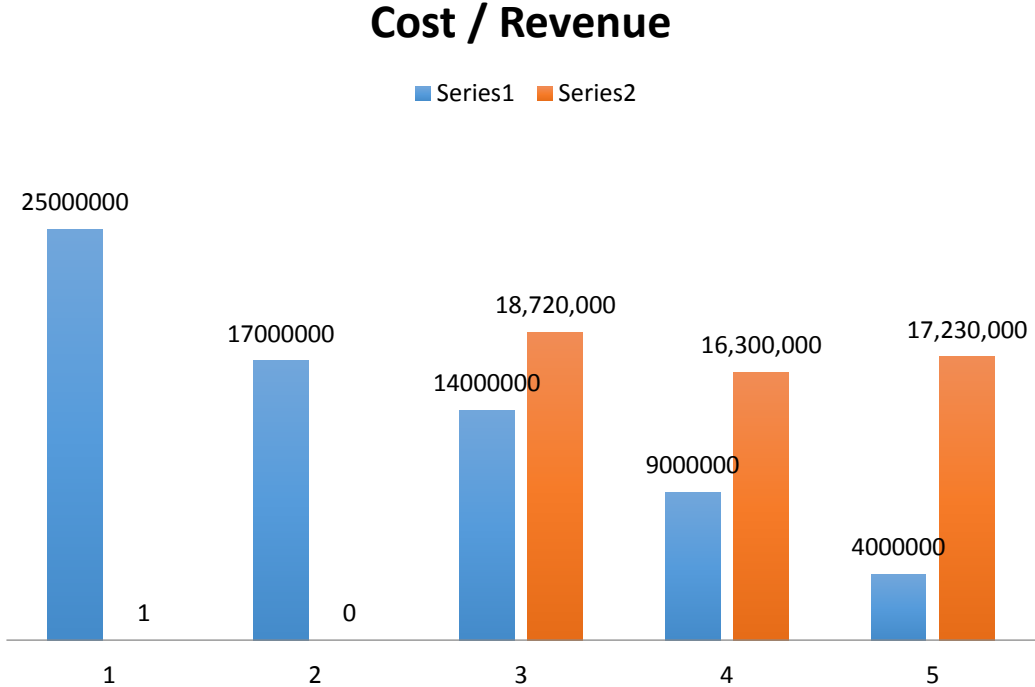
- Functional Employment

Cost Per Functional Employment



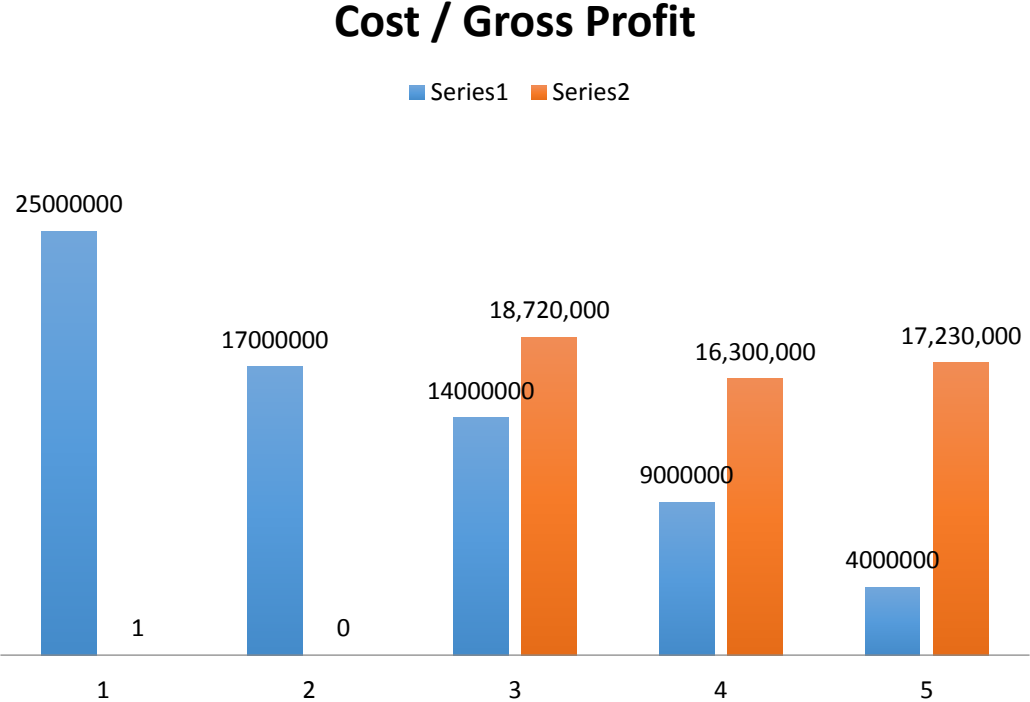
Cost of Risk as a Function of...

- Gross Revenue



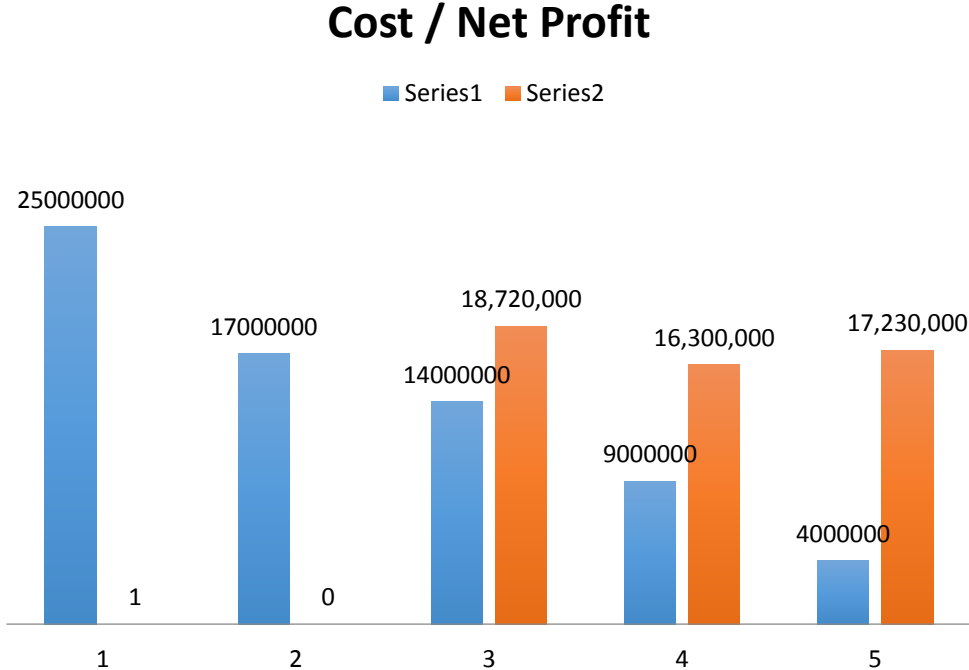
Cost of Risk as a Function of...

- Gross Profit



Cost of Risk as a Function of...

- Net Profit



Cost of Risk as a Function of...

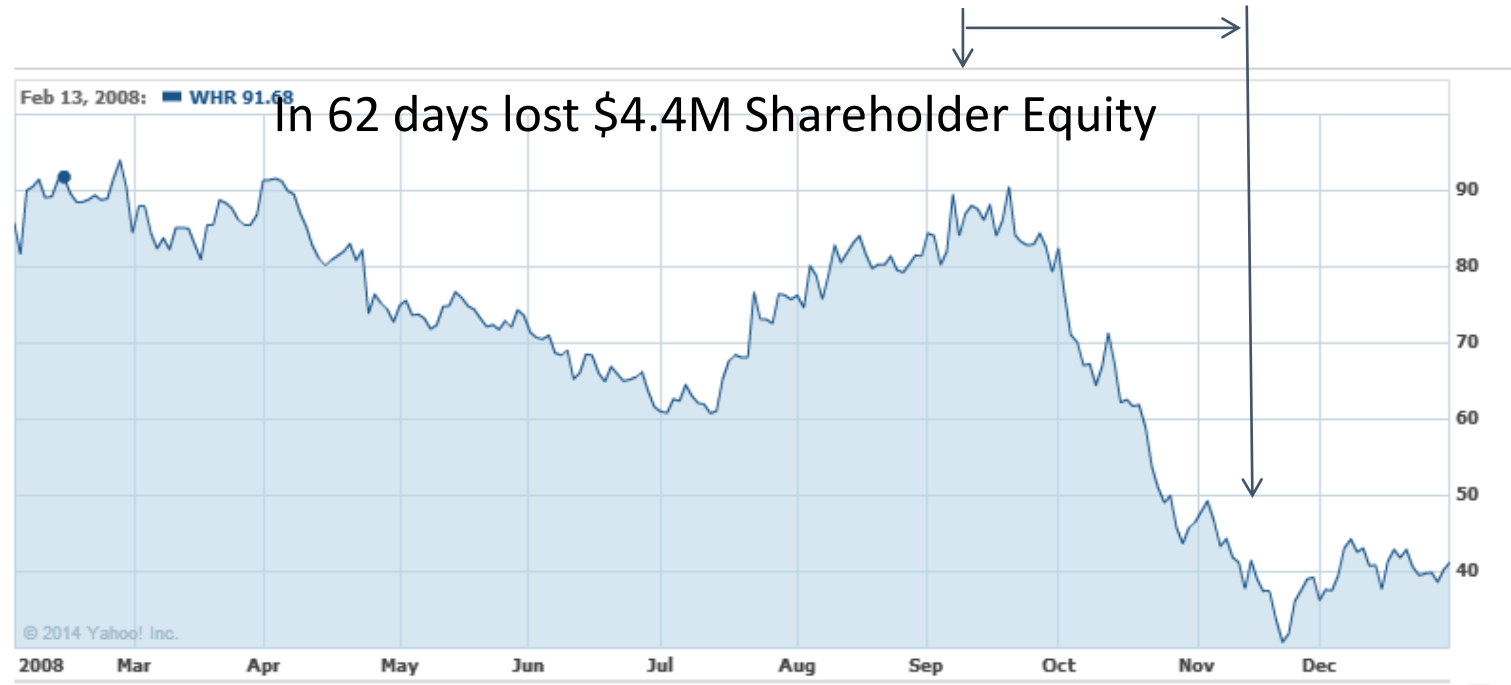
The Potentially Dangerous One...

- Pennies Per Share
- What if The Lack of Proper Risk & Safety Management Negative Cost of **6 cents per share**?
- What If the Proper Risk & Safety Management Resulted in a Positive **6 cents per share**?

Cost of Risk as a Function of Pennies Per Share



Cost of Risk as a Function of Shareholder Equity



Date	PPS	Change \$	Change %	Days	Years	Basic Shares	Shareholder Equity
9/19/2008	\$ 90.49					74.6	\$ 6,751
11/20/2008	\$ 30.92	\$ 59.57	65.8%	62		74.6	\$ 2,307 \$ (4,444)

Source: Whirlpool

Keys to Success

Treat Risk & Safety As a Business Function

Summary

Treat Risk & Safety Management as a Business Function

- Create and Track A Strategic Plan
- Establish & Track A Budget
- Measure Costs / Not Just Accident Costs
- Benchmark Performance
- Be Ready to Justify Projects with a Pro Forma and Return on Investment
- Communicate Results to Management
- Adjust Your Strategic Plan To Address

Keys to Success

Treat Risk & Safety As a Business Function

- Know Your Company's Financial Performance Statistics
- Know How Your Compensation / Bonus System Works – What Means Something to Operations?
- Measure Performance Against Your Company's Financial Statistics
- Report Performance in a Method that Your Management Understands

Keys to Success

Treat Risk & Safety As a Business Function

***Plan, Manage Risk & Safety & Measure & Communicate
Results to Management In Terms They Understand***

Don't React...Manage

Keys to Success

Treat Risk & Safety As a Business Function

Remember...

If It's Not Measured, It's Not Managed



Final Questions

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**THESE MATERIALS AND THE INFORMATION
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SHOULD NOT BE CONSTRUED AS LEGAL
ADVICE OR AS CRITICAL OF THE CURRENT
OR PAST ADMINISTRATIONS.**

Be Safe!



REMEMBER:

Bad decisions make good stories and usually the evening news.



Thank You

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