

# Governing WHS Psychosocial Risks

A primer for directors

## Introduction

Directors have individual legal obligations under Work Health and Safety (WHS) model laws to exercise due diligence to confirm the organisation complies with its obligations. This includes taking reasonable steps to understand psychosocial hazards in the workplace and that appropriate resources and processes are in place to manage risks.

Decisions made at the board level and the governance arrangements in place both directly and indirectly influence how an organisation manages psychosocial risks. Given the complexity of psychosocial risks and the deep operational knowledge required, most of an organisation's work to address these hazards will be driven by management. The board plays a supporting role in constructively challenging these efforts and maintaining oversight of how effective psychosocial risk management contributes to broader organisational culture and leadership.

Over recent years, Australian organisations have made significant strides in prioritising physical work health and safety. Now, it's crucial that the same focus is extended to psychosocial risks. Although meeting legal obligations is key, effective management and governance of psychosocial risks can yield significant benefits for organisations, including a more positive, productive, and engaged workforce.

This primer provides guidance on:

1. **Understanding psychosocial hazards;**
2. **The legal and regulatory landscape;**
3. **Directors' due diligence obligations;** and
4. **The board's governance role.**

“

Psychosocial incidents are as damaging as physical harm – but they're harder to spot, reporting is less mature, and they escalate fast if not mitigated early. Directors need to pay attention.”

Diane Smith-Gander AO; non-executive director and a former Chair of Safe Work Australia

### KEY POINTS

- Psychosocial hazards can arise from job design or management, work environment, workplace interactions or behaviours, and can cause psychological and physical harm. There is no universal method for managing them, as risks vary by industry, organisation, and individual exposure.
- WHS laws in Australia require directors to take a proactive approach to compliance, including managing psychosocial hazards. Directors must take reasonable steps to understand, oversee, and verify that effective control measures are in place.
- Key concerns and red flags for directors include regulatory action, the absence of a robust safety governance plan, lack of board reporting on psychosocial risks, failure to act on identified risks, and insufficient training on psychological health and safety.
- Just as managing physical WHS risks in the workplace is not about treating existing injuries, managing WHS psychosocial risks is not about treating existing mental health conditions. The focus is on the prevention and elimination of hazards.

## SECTION 1:

# Understanding psychosocial hazards

Psychosocial hazards are workplace factors that can cause psychological and physical harm. They can arise from job design, the work environment, interpersonal relationships or behaviours, or organisational governance and management.

These hazards are often subjective and difficult to quantify, yet their interactions can create new, altered, or heightened risks. Frequent, prolonged, or severe exposure to these hazards increases risk, but even single incidents – such as witnessing a workplace fatality – can cause major psychological harm and create a series of new risks.

Types of common psychosocial hazards at work are depicted in **Figure 1**, with practical examples available in **Box 1**. These psychosocial hazards are not mutually exclusive and can frequently intersect. For example, poor management or job design can influence harmful behaviours. These hazards should be considered individually and holistically.

## KEY TERMS

**Psychosocial risk** is a risk to the health or safety of a worker or other person arising from a psychosocial hazard.

**Psychosocial hazards** are workplace factors that can cause psychological and physical harm.

**Psychological harm** may include anxiety, depression, post-traumatic stress disorder or sleep disorders.

**Physical harm** may include musculoskeletal injuries, chronic disease, or fatigue related injuries.

**FIGURE 1: Common psychosocial hazards**



### JOB DESIGN

Job demands (including high and low job demands)

Low job control

Lack of role clarity (job, responsibilities or expectations)



### HARMFUL BEHAVIOURS

Conflict or poor workplace relationships and interactions

Harmful behaviours – including bullying

Poor support (including support from supervisors or not having the right resources)

Harassment, including sexual and gender-based harassment, racism, ableism, ageism

Violence and aggression



### WORK ENVIRONMENT

Poor physical environment (unpleasant, poor quality or hazardous working environments or conditions)

Remote or isolated work (the location, time or nature of the work)

Traumatic events or materials (witnessing, investigating or being exposed to such events or materials)



### GOVERNANCE & MANAGEMENT

Inadequate reward and recognition (formal and informal)

Poor organisational change management (poorly planned, communicated, supported or managed changes)

Poor organisational justice (lack of procedural fairness, or informational or interpersonal fairness)





### BOX 1: Workplace psychosocial hazards – practical examples

#### HARMFUL BEHAVIOURS

Multiple staff members, both current and former, have reported to the people and culture department aggressive, pressuring, and inappropriate behaviour from an executive leader. The complaints indicate that employees are experiencing sleep issues, anxiety about attending meetings, delays in receiving information, and difficulties in completing their work. Since the executive leader's appointment in 2023, there has also been a noticeable rise in personal leave taken.

#### *Questions for directors:*

- Is the board aware of mechanisms available to support employees when harmful behaviours occur?
- Is the board confident that personal communication styles and behaviour of directors and senior management model the desired organisational culture?
- What are the consequences for poor workplace behaviours?

#### WORK ENVIRONMENT

The organisation initiated a change where team members are required to work from home for more than 50 per cent of their working hours and other team members in the call centre are required to work remotely from their home. The decision was made to reduce rental costs but there was insufficient consideration of the impact of changes on worker safety and performance. Recent survey results report employees are feeling isolated, there is no communication with other staff in their business unit, and they often deal with abusive members of the public. Safety representatives have reported there is also potential exposure to family and domestic violence at home.

#### *Questions for directors:*

- Has management consulted with staff (and their representatives) on the impact of organisational changes, and considered relevant staff suggestions? What was the feedback?
- What proactive measures has the organisation taken to address the psychosocial risks from working alone or remotely?
- What avenues are available to employees to safely report risks or incidences of family and domestic violence resulting from working remotely from home?

## SECTION 2:

# The legal and regulatory landscape

Australia's model WHS laws, adopted in all jurisdictions other than Victoria (which has similar laws), provide the statutory framework outlining the obligations of different duty holders based on their ability to influence workplace safety outcomes.<sup>1</sup> The main duty holders are set out in **Box 2**.

Some states have gone further in their implementation of WHS measures in relation to psychosocial hazards, recognising it requires a specific regulatory response including in relation to the risk of sexual harassment and sex or gender-based harassment.<sup>2</sup>

Regulators in all Australian jurisdictions are also dedicating additional resources to carrying out compliance and enforcement activities in connection with workplace psychosocial hazards. For instance, in 2024 SafeWork NSW announced that it would strengthen its enforcement efforts in this area and deploy more specialised inspectors to address psychosocial hazards— including excessive workloads, one of the risks identified in **Section 4**.

## BOX 2: Duty holders under Australia's model WHS laws

### ORGANISATION

The primary duty of care – including the requirement to ensure, so far as is reasonably practicable, the health and safety of all engaged workers – rests with the organisation ('Persons Conducting a Business or Undertaking' or **PCBU**). This duty protects workers who carry out work in any capacity (including contractors and unpaid volunteers) for the organisation and all forms of working arrangements. The organisation is required to proactively assess foreseeable risks and implement systems to manage them. Providing adequate training, supervision and ongoing risk assessment is also expected as part of discharging the primary duty.

### OFFICERS (INCLUDING DIRECTORS, SENIOR MANAGERS)<sup>3</sup>

Officers have a duty to exercise due diligence to confirm the organisation complies with WHS laws. This duty applies to individuals who make, or participate in making, significant business decisions, including but not limited to directors and secretaries of an organisation.

### WORKERS AND OTHER PERSONS IN THE WORKPLACE

Employees, contractors, labour hire workers, apprentices, trainees or students, volunteers, visitors and customers also must take reasonable care for their own health and safety and make sure their actions do not adversely affect others. Workers must also comply with reasonable instructions provided by duty holders and cooperate with any reasonable policy or procedure relating to WHS.

<sup>1</sup> A single set of WHS laws, that deal with both 'physical and psychological health', apply across Australia known as the *Model Work Health and Safety Act* or 'model WHS laws.' All states and territories (apart from Victoria) have adopted the model WHS laws. Most jurisdictions have approved Codes of Practice to support organisations in managing the risk of psychological harm in the workplace. Codes of Practice provide practical guidance about achieving compliance with WHS laws. While they are not legally binding in most jurisdictions, Codes may be considered by the courts as evidence of what is known about a hazard, risk or control and may rely on a Code in determining what is reasonably practicable in the circumstances.

<sup>2</sup> For example, Queensland has recently introduced additional requirements for the management of psychosocial risk that is or includes a risk of either sexual harassment or sex or gender-based harassment, including implementing written prevention plans from 1 March 2025. As at the date of publication, Victoria is close to finalising its new psychological health regulations which will also require written prevention plans, among other measures.

<sup>3</sup> The WHS laws adopt the definition of that term in Section 9 of the *Corporations Act 2001* (Cth).

## ORGANISATION WHS OBLIGATIONS

The psychosocial hazard risk management process<sup>4</sup> requires an organisation (PCBU) to conduct a risk assessment process that generally involves four steps as presented in Figure 2.

FIGURE 2: Four-step psychosocial risk management process



Control measures will need to be tailored to the organisation’s size, type, and risks. Some control measures may be applied broadly across an organisation, while specific control measures may be required to manage work that carries different or higher risks. While management executes these measures, boards make sure the structures are in place to manage risks and maintain a positive work environment (see Figure 3).

FIGURE 3: Example control measures to eliminate hazards or minimise risk – considerations for directors



<sup>4</sup> Chapter 3 of the model WHS regulations.



## SECTION 3:

# Directors' due diligence obligations

Individual directors play a fundamental role in setting the 'tone from the top' (**Box 3**) and have a duty to exercise due diligence to confirm that their organisation is meeting its WHS obligations. This includes taking 'reasonable steps' to gain an understanding of the psychological hazards in the workplace and establishing that the organisation and management are equipped with appropriate resources and processes to eliminate or minimise these risks to the extent that is reasonably practicable. These due diligence obligations apply to paid directors and are recommended for volunteer directors (who can be prosecuted in limited circumstances).

Notably, an officer's duty is a personal duty, meaning they can be prosecuted for failing to meet their due diligence obligations. Prosecution typically requires proof that the officer failed to take reasonable steps to comply with their duty, assessed in the context of the organisation's overall safety and health management system. While non-executive directors have not been the focus of WHS regulators to date, this can change, and regulatory expectations are rising.

A summary of the reasonable steps outlined in the model WHS laws is set out in **Section 4**.

## BOX 3: Interactions and top-down leadership

Good organisational culture, characterised by supportive leadership, positive relationships, and respectful interactions, support the reduction of psychosocial hazards, and are intrinsically linked to enhancing WHS practices. Boards play a central role in modelling good behaviour and supporting management in fostering a strong organisational safety culture.

Given the role of the board as the governing body for the organisation, stakeholder expectations are that the board will lead by example and be mindful of how their own actions may be perceived. Over the long term, doing so minimises risk from a WHS perspective, but also the risk of reputational damage (if poor behaviour is made public) or where leaders of the organisation are seen to be condoning the bad behaviour of management.

## DIRECTORS' OVERSIGHT OF COMPANY COMPLIANCE OBLIGATIONS

An AICD Practice Statement and supporting legal opinion from Michael Hodge KC and Sonia Tame provides a valuable

starting point for directors in understanding their duty of care and diligence as it relates to overseeing corporate compliance, for example with WHS laws.



## SECTION 4:

# The board's governance role

Managing psychosocial risks can be perceived as a challenging task. These hazards are less visible than physical ones and may go unidentified or unaddressed until they have caused harm.

Importantly, there is no 'one-size-fits-all' approach to managing psychosocial risks. Psychosocial hazards can be specific to an industry or organisation and differ from role to role. For example, there are a variety of roles in every organisation that will have different psychosocial

risks according to the specific tasks carried out by those employees on a day-to-day basis.

Given the nature of these risks and how they can manifest in the workplace, good governance frameworks and monitoring by the board plays a critical role. The board must establish expectations for management to provide regular reporting on current, emerging, and evolving risks, as well as the internal controls in place to address them.

## GOVERNANCE RED FLAGS

### ROLES AND RESPONSIBILITIES

- Lack of or limited understanding at senior management level of the psychosocial hazards present in the organisation, their frequency, duration and severity
- Blurred lines of management responsibility for WHS (including psychosocial health and safety)

### RISK MANAGEMENT AND REPORTING

- Lack of safety management system, safety governance policy (or similar) or safety improvement plans
- No psychosocial hazard identification and risk assessment processes at the management level specific to the organisation's workplace
- WHS reporting to the board does not identify psychosocial hazards as a separate category or safety reporting does not highlight any reports of psychosocial hazards

### WORKPLACE CONSULTATION AND COMPLAINTS

- Lack of worker consultation processes or inadequate worker consultation during hazard identification and psychosocial risk assessment processes
- Pattern of complaints and/or poor engagement scores surrounding one department or specific individuals
- Complaints are generally dismissed as workplace grievances, personality clashes or arising from difficult colleagues
- Complaints are managed by the legal department without input from the CEO or human resources, which can lead to unintended reputational and cultural issues

## ROLE OF THE BOARD IN MANAGING PSYCHOSOCIAL RISKS

Boards play a critical role in supporting the effective management of psychosocial risks. While management is responsible for identifying and implementing control measures, directors must oversee these efforts, set expectations, and confirm that the necessary frameworks are in place. This includes seeking information, reviewing board reports, assessing organisational culture, and challenging management where needed to strengthen risk controls.

Psychosocial risks can emerge from a range of workplace factors, including job design, workplace behaviour, organisational change, remote work, and HR processes. Effective board oversight involves a structured approach that supports clear policies, training, and reporting mechanisms.

### WORK DESIGN

Managing work design is essential for reducing psychosocial risks. While the organisation is responsible for reducing these risks, directors can support this by setting expectations around appropriate policies and providing access to training that helps management identify issues such as high job demands, excessive workloads, and underutilisation. These factors can lead to burnout, stress, or disengagement.

Boards oversee how management monitors these risks, drawing on complaints data, employee surveys, absenteeism, and turnover rates. Directors should regularly engage with management to assess job design risks and evaluate whether control measures are effective.

### HARMFUL BEHAVIOURS

Bullying, harassment (including sexual harassment), and discrimination remain widespread workplace issues.<sup>5</sup> Management ensures that workplace policies, training, and reporting mechanisms address these risks and meet legal obligations, under other legislative frameworks – for example, the positive duty to eliminate workplace sexual harassment and other harmful behaviours – as well as WHS laws.<sup>6</sup>

Boards should confirm that management is complying with WHS laws and the positive duty to eliminate unlawful behaviours. They should also receive regular reports on key risks, such as Code of Conduct breaches and harassment cases, and check that appropriate measures are in place – such as training, policies, and suitable reporting channels.

### ORGANISATIONAL CHANGE AND RESTRUCTURES

Poor organisational change management can result from processes that are inadequately planned, communicated, supported, or managed. Workplace restructures, role changes, and redundancies can create significant stress for employees, particularly when there is uncertainty about roles or job security. The organisation must minimise these risks so far as is reasonably practicable and consult workers on these changes. Often great care is given to those leaving the organisation without recognising the substantial impact on those that remain.

Boards should set expectations that management provide practical assistance and timely consultation mechanisms for workers during the change process. The organisation should genuinely consider the views raised by workers and their representatives and consider their concerns with transparency and fairness.

#### A DIRECTOR'S GUIDE TO THE POSITIVE DUTY TO PREVENT WORKPLACE SEXUAL HARASSMENTS



The AICD's director's guide to the positive duty provides practical guidance to Australian directors to meet their positive duty obligations in preventing workplace sexual harassment and similar harmful conduct.

<sup>5</sup> Safe Work Australia reports a 28 per cent rise in mental health compensation claims from 2007–08 to 2019–20, with affected workers taking nearly four times longer off work than those with other injuries. Common causes include work pressure, harassment and bullying, occupational violence, and other mental stress factors.

<sup>6</sup> See [AICD Director's Guide to the Positive Duty to Prevent Workplace Sexual Harassment](#).



## REMOTE AND ISOLATED WORK

Remote and dispersed workforces present new challenges, including reduced oversight, workplace isolation, and blurred work-life boundaries. Key hazards that increase the risks of remote or isolated work include exposure to harmful behaviours (e.g. family and domestic violence or sexual harassment) and limited access to timely support or emergency assistance.

Boards should engage with management to review how remote work risks are being addressed – most importantly through a clear policy to guide people managers in determining when remote work is appropriate. Workforce composition data should also reflect work modes and highlight key indicators such as turnover and absenteeism by work mode.

## HR AND PERFORMANCE MANAGEMENT

Workplace investigations, complaints, and performance processes can be stressful and, if not handled carefully, may worsen workplace tensions. The organisation must minimise the risks so far as is reasonably practicable. This includes taking a fair, trauma-informed approach to these processes and confirming that appropriate support is provided to all involved.

Boards oversee how these processes are managed, particularly in cases involving serious alleged misconduct, whistleblower complaints, or sensitive matters such as harassment or assault. (See **Box 4** for instances where the board may be directly involved). Directors should confirm that investigation procedures are fair, that employees have access to appropriate support, and that outcomes are handled as consistently as possible.

### BOX 4: Sensitive HR cases that may directly involve the board

The board may need to provide instruction or oversight in serious HR matters, such as whistleblower complaints, allegations of misconduct against senior leaders, or cases involving sexual assault or harassment. These processes can expose employees – including complainants, respondents, witnesses, and even leaders – to heightened psychosocial risks. Sensitive cases require careful handling to avoid exacerbating stress and workplace conflict.

If the board or a director receives a whistleblower complaint or a serious misconduct allegation, they should:

1. Follow established procedures: Confirm the complaint is handled in line with the organisation's whistleblower policy and legal obligations.
2. Maintain confidentiality and independence: Protect the identity of those involved and, where necessary, engage an external investigator to manage the process impartially.
3. Assess potential risks: Consider the psychosocial impact on all parties and check that appropriate support is available, such as employee assistance programs (EAP) or trauma-informed counselling.
4. Monitor the investigation as appropriate and require a thorough, fair process which aligns with a victim-centred approach where applicable.
5. Review outcomes and controls: Assess findings and oversee any required actions, including disciplinary measures, process improvements, or further governance controls.

## MEETING DIRECTORS' DUE DILIGENCE OBLIGATIONS

Under the model WHS Act, directors have specific due diligence obligations.<sup>7</sup> Those obligations and how they apply will be highly fact and organisation specific, typically requiring regular reporting from management, assurance of management's risk management approaches and at times, the support of expert advice.

Set out below are some suggested questions of broad application.

Areas of due diligence	Questions for directors
<b>Leadership and culture</b>	<ul style="list-style-type: none"> <li>• How can we set the 'tone from the top' for a culture of safety that minimises the risk of psychosocial harms occurring?</li> <li>• Can the existing culture around physical safety be leveraged and extended to include psychosocial safety in the workplace?</li> <li>• Are we confident with the metrics management uses to monitor psychosocial hazards, especially those identified as high risk?</li> </ul>
<b>Knowledge</b>	<ul style="list-style-type: none"> <li>• Do we have knowledge of the organisation's safety management system, and receive regular briefings on how the organisation has systematically responded to psychosocial hazards?</li> <li>• Have we received up to date training on the WHS laws and safety practices, including on psychosocial risk, relevant to our organisation's industry?</li> </ul>
<b>Risk management</b>	<ul style="list-style-type: none"> <li>• Does the organisation have a risk management system to identify and address psychosocial risks, including those specific to the organisation's workplace?</li> <li>• Are the risk management systems being actively used by the organisation to eliminate or minimise psychosocial risks to workers? Are workers consulted when identifying and addressing psychosocial risks?</li> <li>• Does the organisation have appropriate resources for the management of psychosocial risks and safety, given the size and nature of the business?</li> <li>• Are there controls specifically addressing psychosocial risks that are verified and reported on?</li> </ul>
<b>Reporting</b>	<ul style="list-style-type: none"> <li>• How often does safety reporting to the board address psychosocial risks including those arising from new or changing operations?</li> <li>• Does the organisation have processes for meeting its workforce consultation obligations on psychosocial risks?</li> <li>• Has the organisation implemented an external assurance process to assess compliance with WHS laws and alignment with codes of practice relating to workplace psychosocial risks? Are the findings considered and actioned where appropriate?</li> </ul>

<sup>7</sup> Section 27(5), Model WHS Act and refer also to above n.1.

## Further resources

- AICD (2024) [How directors can create psychologically safe environments](#)
- AICD (2024) [Psychosocial risk: a new challenge for boards](#)
- AICD (2024) [Directors' oversight of company compliance obligations](#)
- AICD (2023) [A director's guide to the positive duty to prevent workplace sexual harassment](#)
- AICD and ACSI (2023) [Positive duty: preventing and responding to workplace sexual harassment – Insights from Australian directors](#)
- Safe Work Australia (2024) [Psychosocial hazards](#)
- Safe Work Australia (2023) [Model Code of Practice: Sexual and gender-based harassment](#)
- Safe Work Australia (2022) [Model Code of Practice: Managing psychosocial hazards at work](#)
- Safe Work Australia (2020) [A Guide to Work Health and Safety for Volunteer Organisations](#)

## LEGISLATION AND REGULATION

- Model Work Health and Safety Act
- Model Work Health and Safety Regulations





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