ISN

Best-in-Class Contractor Management

PPSA 2018

www.isn.com
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2 Contractor Management Background
3 10 Strategic Elements for Best-In-Class Contractor Management
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SECTION ONE

ISN Introduction
What is ISNetworld?

Web-based Contractor/Supplier Information Management for collection and review of QHSE, Procurement, Compliance and Training data.

530+ Hiring Clients Worldwide

67,000+ Contractors/Suppliers

Industries
- Aerospace
- Agriculture
- Automotive
- Beverage
- Chemical
- Consumer Products
- Exploration & Production
- Facilities Management
- Fertilizer Products
- Food
- Manufacturing
- Midstream, Pipelines & Terminals
- Mining
- Paper, Packaging & Building Products
- Pharmaceutical & Healthcare
- Public Sector & Public Works
- Retail
- Refining
- Renewable Energy
- Steel & Metals
- Technology
- Transportation
- Utilities, Power Generation & Distribution
SECTIO N T W O

Contractor Management Background
Contractorization – Opportunity and Challenge

Global industry trends indicate continued growth of outsourcing non-core business activities to third party contractors.

• Allows for qualified, well equipped specialized organizations.
• Enables safe and sustainable operations.

Prime duty for safe operations and environmental stewardship lies with the owner organization.

• Robust strategy needed.
• Better risk mitigation.
• Streamline operations to focus on core competencies.
CONTRACTOR MANAGEMENT BACKGROUND

Use of Contractors – A Global Trend

Contractors accounted for 77% of work hours in 2016
Contractors have 30% higher total recordable injury rate than Companies in 2016
Overall work hours decreased by 34% during 2014 – 2016
SECTION THREE

10 Strategic Elements for Best-In-Class Contractor Management
10 Strategic Elements

1. Establish a clear communication strategy
2. Designed to measure performance
3. Incorporate a risk-ranking process
4. Follow a three-step due-diligence process
5. Maintain a qualified contractor list
6. Establish consequences
7. Address subcontractor management
8. Follow standardized and transparent guidelines
9. Integrate with internal business processes
10. Take Safety Culture to the Next Level
1. Establish a Clear Communication Strategy

<table>
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<tr>
<th>What?</th>
<th>How?</th>
<th>Engagement</th>
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<td>Zero Incident Goals</td>
<td>Timely and Consistent</td>
<td>One-on-One Meetings</td>
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<td>Golden Rules</td>
<td>Traceable and Auditable</td>
<td>Workshops &amp; Councils</td>
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<tr>
<td>Scorecard Status</td>
<td>Mailings &amp; Emails</td>
<td>Community Meetings</td>
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<td>Performance and Audit Gaps</td>
<td>Contractor Handbook</td>
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<td>Electronic Platforms</td>
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10 STRATEGIC ELEMENTS

1. Establish a Clear Communication Strategy
2. Designed to Measure Performance

**Lagging Indicators**
- Recordable Injuries
- Incident Rates
- Injury frequency and severity.
- Near misses (frequency, trend).
- Fatality or other accidents.
- Lost workday rate.
- Chemical releases.
- OSHA citations (number and type).
- Worker’s Comp. claims and trends.
- Experience Mod. Rate (and changes).

**Leading Indicators**
- Safety Performance
- Hazard Recognition
- Employee turnover rate.
- 3rd Party certifications achieved.
- Completed vs. expected trainings.
- Completed vs. scheduled inspections.
- New/enhanced safety controls implemented.
- Observations/investigation results.
- Risk assessments and job hazard analyses.
- Employee perception surveys.
2. Designed to Measure Performance

ISN PPBP Contractors vs. BLS Nonfatal TRIR Rate Comparison
8,553 ISN US Contractors' Data Through May 2018 (99th Percentile Data Used)

3-Year Avg. DART/TRIR Ratio = 59%
2. Designed to Measure Performance

ISN PPBP Contractors vs. BLS Nonfatal TRIR Rate Comparison
8,553 ISN US Contractors' Data Through May 2018 (99th Percentile Data Used)

<table>
<thead>
<tr>
<th>ISN US Contractors</th>
<th>2016 BLS Nonfatal TRIR</th>
<th>2017 ISN Nonfatal TRIR</th>
</tr>
</thead>
<tbody>
<tr>
<td>23822 - Plumbing, Heating, and Air-Conditioning Contractors (640)</td>
<td>3.80</td>
<td>1.75</td>
</tr>
<tr>
<td>8113 - Commercial and industrial machinery and equipment (ex auto and electronic) repair and maintenance (567)</td>
<td>3.50</td>
<td>2.06</td>
</tr>
<tr>
<td>23821 - Electrical Contractors and Other Wiring Installation Contractors (542)</td>
<td>2.70</td>
<td>1.18</td>
</tr>
<tr>
<td>54133 - Engineering services (391)</td>
<td>0.70</td>
<td>0.32</td>
</tr>
<tr>
<td>23899 - All other specialty trade contractors (376)</td>
<td>2.80</td>
<td>0.60</td>
</tr>
</tbody>
</table>

North American Industry Classification System (NAICS) Code and Name (# of Contractors)
2. Designed to Measure Performance

Case Study: Kinder Morgan

- Training: 5%
- Written Programs: 35%
- Field Feedback: ±10%
- Statistics* 60% (Incident Rate, Fatality, Experience Modifier, Severity)

**Showstoppers**
- Insurance
- Contract Status
- Subcontractor Management Plan
- Drug & Alcohol Status
- Operator Qualifications Plan

**Grading**
- Recommended, Accepted (Approved with no restrictions)
- At Risk (Not approved to be used; VP approval required)
“ISN has developed a great platform for our procurement and safety professionals to work together. We now have the ability to have a one-stop shop in order to gather and manage our safety statistics.”

Lisa Shorb
VP Human Resources and Administration
KINDER MORGAN
2. Designed to Measure Performance

- Have a Stop Work Policy Supported by Management
- Have or Provide a Full Time HSE Director
- Subcontractors are Included in Hazard Assessments
- Utilize a Permit to Work System
- Bring Chemicals onto Hiring Clients Sites
- Employees Work at Heights of 6 Feet or Higher
- Operate as a Commercial Motor Carrier in the US
- 50% Higher Prior Year TRIR than ISN Industry Average

Increases Risk

Decreases Risk
3. Incorporate a Risk-Ranking Process

Contractors come in various sizes, capabilities, risk profiles.

Classify risks according to preset criteria and matrix.
- Potential adverse consequences.
- Frequency, duration and/or scope of work.
- High, medium and low risk.

Re-evaluate/adjust contractor risk periodically.

Contractor Risk Screening Matrix

<table>
<thead>
<tr>
<th>Job Function</th>
<th>Green - Job function/work location criteria <strong>DO NOT</strong> fall into Contractor Management System (CMS)</th>
<th>Orange - Job function/work location criteria <strong>DO</strong> fall into CMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inspector, Consultant, etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manual Labor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technician/Supervisor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clerical/Administrative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office cleaning, delivery person, vending machine, etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Work Location</strong></td>
<td><strong>Offsite, Contractor Shop</strong></td>
<td><strong>Office</strong></td>
</tr>
</tbody>
</table>
4. Utilize a Four-Step Due-Diligence Process

1. Management System Questionnaire (MSQ), HSE programs, insurance documents, training records and supporting documents
2. Desktop review of HSE programs, incident statistics, citations/prosecutions, insurance documents and workers’ compensation
3. Documentation and office visit assessment to review if contractor HSE programs are implemented
4. Client on-site inspections, evaluations and audits
5. Maintain a Qualified Contractor List

“Quick, we need them now”

Proactive, structured process for finding, qualifying, onboarding, and monitoring contractors.

Enhances procurement integrity.

Builds stronger and lasting partnerships with contractors.
6. Establish Consequences

- Establish, communicate and enforce consequences for non-compliance.
- Develop contracts and agreements carefully.
- Eliminate time/effort required to manage challenging performers.
- Provides a base of fewer, safer service providers.
7. Address Subcontractor Management

Have you ever seen service providers with logos you don’t recognize on your jobsite? Subcontractors typically have a higher likelihood of incidents.

Best practices for subcontractor approaches:
• Ensure they are qualified/monitored to same level of standards as general contractor or,
• General contractor required to demonstrate the same level of rigor for qualifying subcontractors.
8. Follow Standardized & Transparent Guidelines

- Consistency and transparency is a common challenge.
- Utilize a single, well organized database.
- Improves procurement transparency.
- Minimize duplication and inefficiencies.

9,000+ Contractors  650+ Sites  11+ Contractor Connections
9. Integrated with Internal Business Processes

- Contractor management as an integral part of the complete business processes.
- Goal is to drive end-to-end risk management.
- Examples of Key Performance Indicator (KPI) integration:
  - Purchase orders issued only to qualified contractors.
  - Site entry ID badges tied to contractor approval status.

**3rd Party Imports**
- Training
- Drug & Alcohol Tests
- Background Checks
- Company Registration Information

**Client Imports**
- Audit Data
- Contract Details
- Post Job Evaluations
- Competency Assessments

**Client Exports**
- Contractor Grades
- Insurance Statuses
- Employee Training Details
- Questionnaire Responses

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10 STRATEGIC ELEMENTS
10 STRATEGIC ELEMENTS

9. Integrated with Internal Business Processes

Case Study: Apache Helipass

Designed to check all required information prior to an employee/contractor heading offshore for Apache.

Can be used to track individual-level data in real time such as:

- Background Checks
- Company Grade
- Drug and Alcohol
- Online Training
- OQ & TQ
10. Take Safety Culture to the Next Level

- Veteran HSE Professionals point to multi-employer worksites as a significant health and safety concern within the industry
- Best-in-class organizations identify the safety attitude of their sites and modify as needed
- Periodic culture assessments and benchmarking maintain consistent focus for contractor workforces
10. Take Safety Culture to the Next Level

• Best in Class Organizations:

  • See contractors as partners to promote ownership in safety
  • Include contractor safety metrics in company-wide goals
  • Support site mentorship program with contractors
  • Conduct regular meetings with contractors to build site engagement and reinforce culture
SECTION FOUR

Benchmarking & Case Studies
BENCHMARKING & CASE STUDIES

Best-in-Class Contractor Management

What is Best-In-Class in Contractor Management?

10 Elements For Benchmarking Your Strategy

https://www.isnetworld.com/Publications.aspx
Contractor Benchmarking

Health & Safety Performance Indicators

Contractor Performance Benchmarking by Hiring Client, U.S. Manufacturing, Mining, Chemical & Pharmaceutical

2016 Data

An ISN Analytics Publication / Number 1718

ISN.com

Section 6

Paper, Packaging & Building Products

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6.4 Fatality Rate 81 6.9 Year-Over-Year Performance Comparison TRIR 86
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Contractor Benchmarking

Total Recordable Incident Rate (TRIR)

- A: Know Where You Are
- B: Selection & Management Strategy
- C: Baseline & Targets
What gets measured gets done.

“Investing in the safety and health of workers is about growing a culture; not simply developing a safety management program and then hoping it works - you have to feed it and care for it so that it succeeds and continues to succeed.”

David Michaels, PhD, MPH
Former Assistant Secretary of Labor, OSHA**

Industry Synergy – TAPPISAFE and ISN

ISN and TAPPISAFE are exploring options to integrate TAPPISAFE orientation training data into ISNetworld. The goal is to streamline the tracking process for Hiring Clients, while greatly reducing the volume of information contractors self-report. Further details will be conveyed to the group as the project progresses.
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