



ISN

Best-in-Class Contractor Management

PPSA 2018

www.isn.com

A photograph of an industrial facility, possibly a power plant or refinery, with large metal structures, pipes, and stairs. The image is overlaid with a semi-transparent yellow filter. In the foreground, three workers in safety gear are walking. A sign on the left reads 'SAFETY Have To Want To ACCOUNTABILITY'. A warning sign in the background says 'DANGER 230KV POWER LINE'.

Agenda

- ① ISN Introduction
- ② Contractor Management Background
- ③ 10 Strategic Elements for Best-In-Class Contractor Management
- ④ Benchmarking & Case Studies
- ⑤ Questions/Comments



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

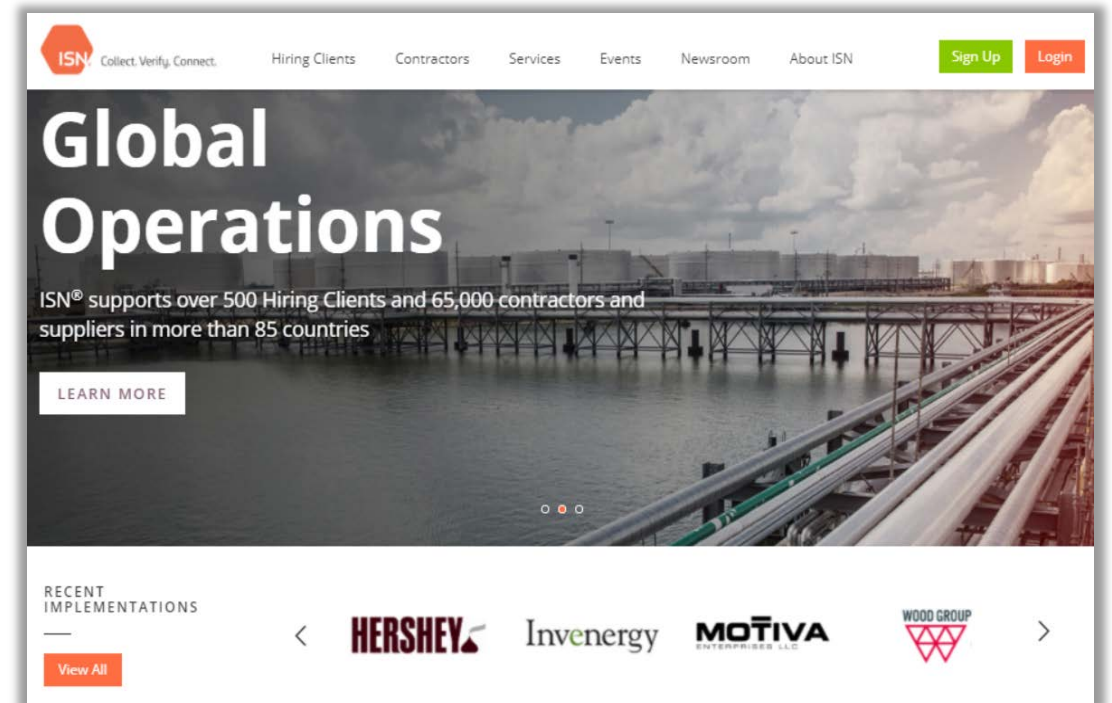
Industries

- Aerospace
- Agriculture
- Automotive
- Beverage
- Chemical
- Consumer Products
- Exploration & Production
- Facilities Management
- Fertilizer Products
- Food
- Manufacturing
- Midstream, Pipelines & Terminals

67,000+

Contractors/Suppliers

- Mining
- Paper, Packaging & Building Products
- Pharmaceutical & Healthcare
- Public Sector & Public Works
- Retail
- Refining
- Renewable Energy
- Steel & Metals
- Technology
- Transportation
- Utilities, Power Generation & Distribution





SECTION TWO

Contractor Management Background



Contractorization – Opportunity and Challenge

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

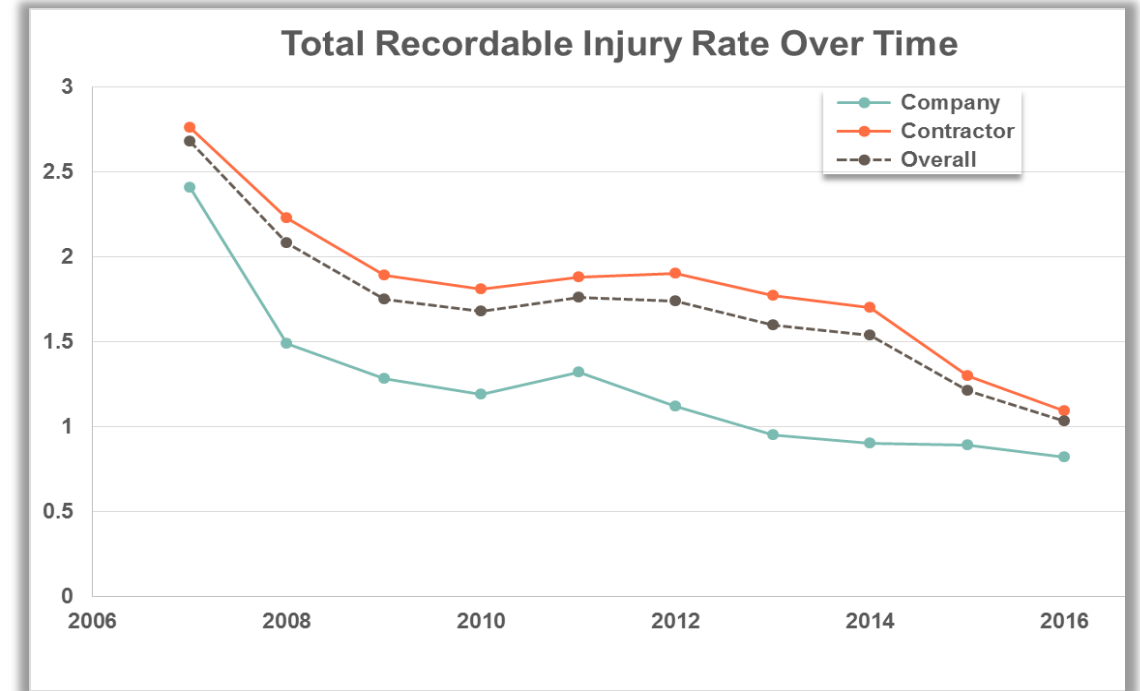
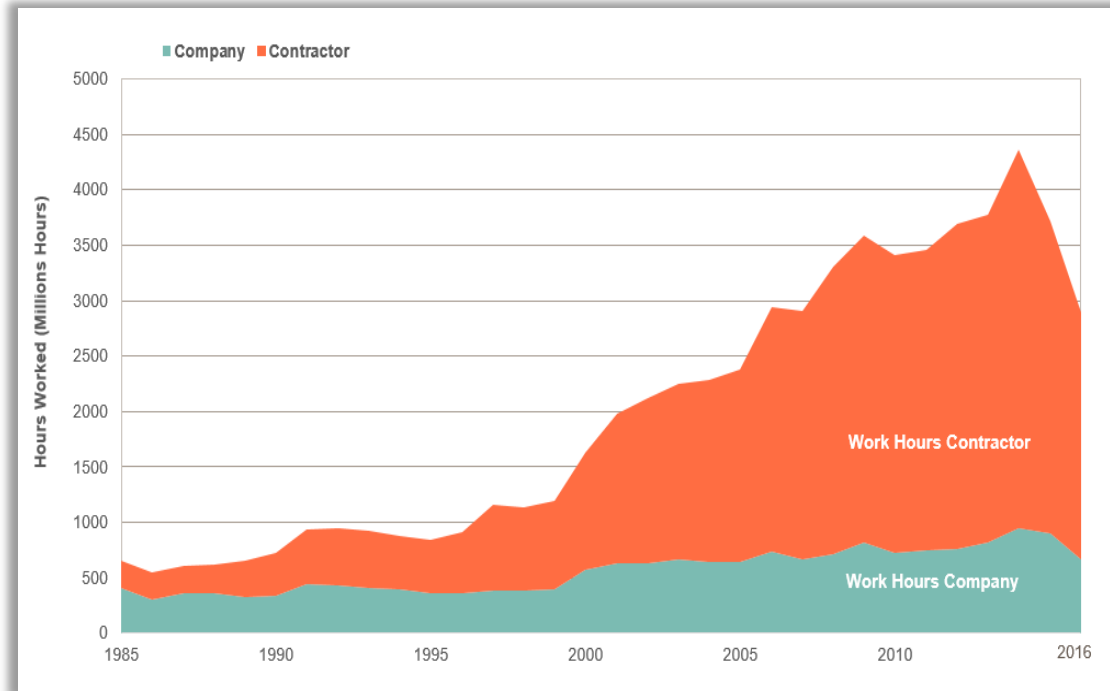
- Allows for qualified, well equipped specialized organizations.
- Enables safe and sustainable operations.



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.

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

What?

Zero Incident Goals

Golden Rules

Scorecard Status

Performance and Audit Gaps

How?

Timely and Consistent

Traceable and Auditable

Mailings & Emails

Contractor Handbook

Electronic Platforms

Engagement

One-on-One Meetings

Workshops & Councils

Community Meetings

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).



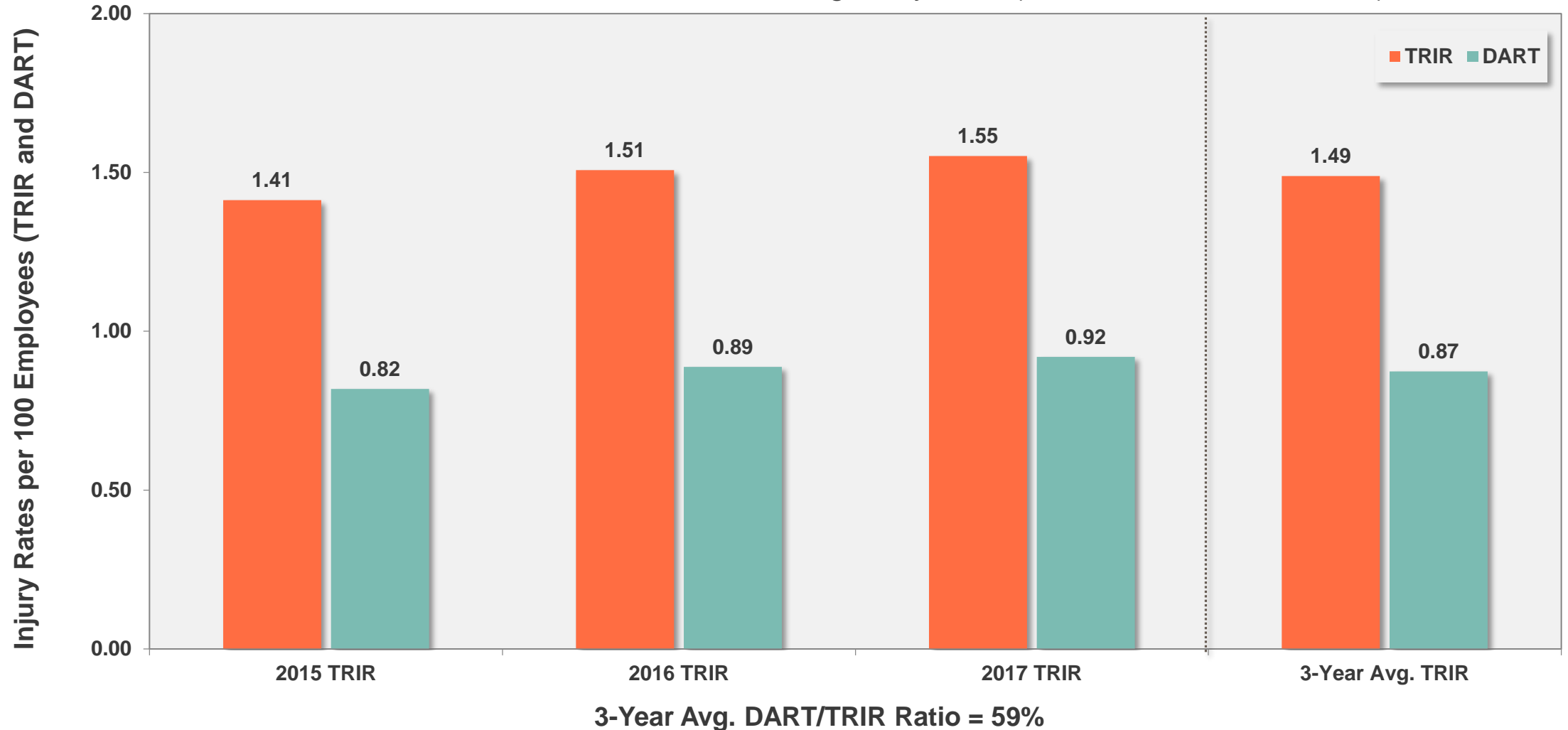
Leading Indicators

- 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

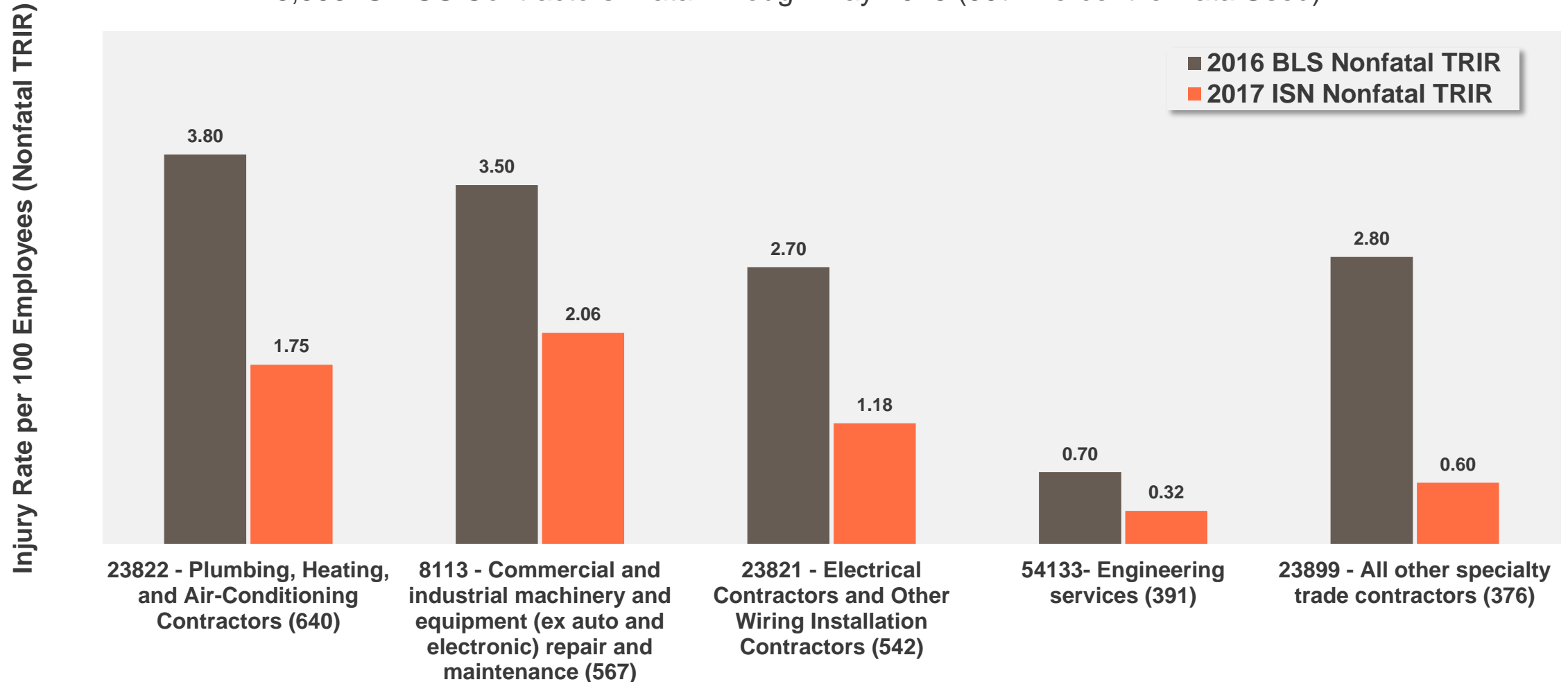
8,553 ISN US Contractors' Data Through May 2018 (99th Percentile Data Used)



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)

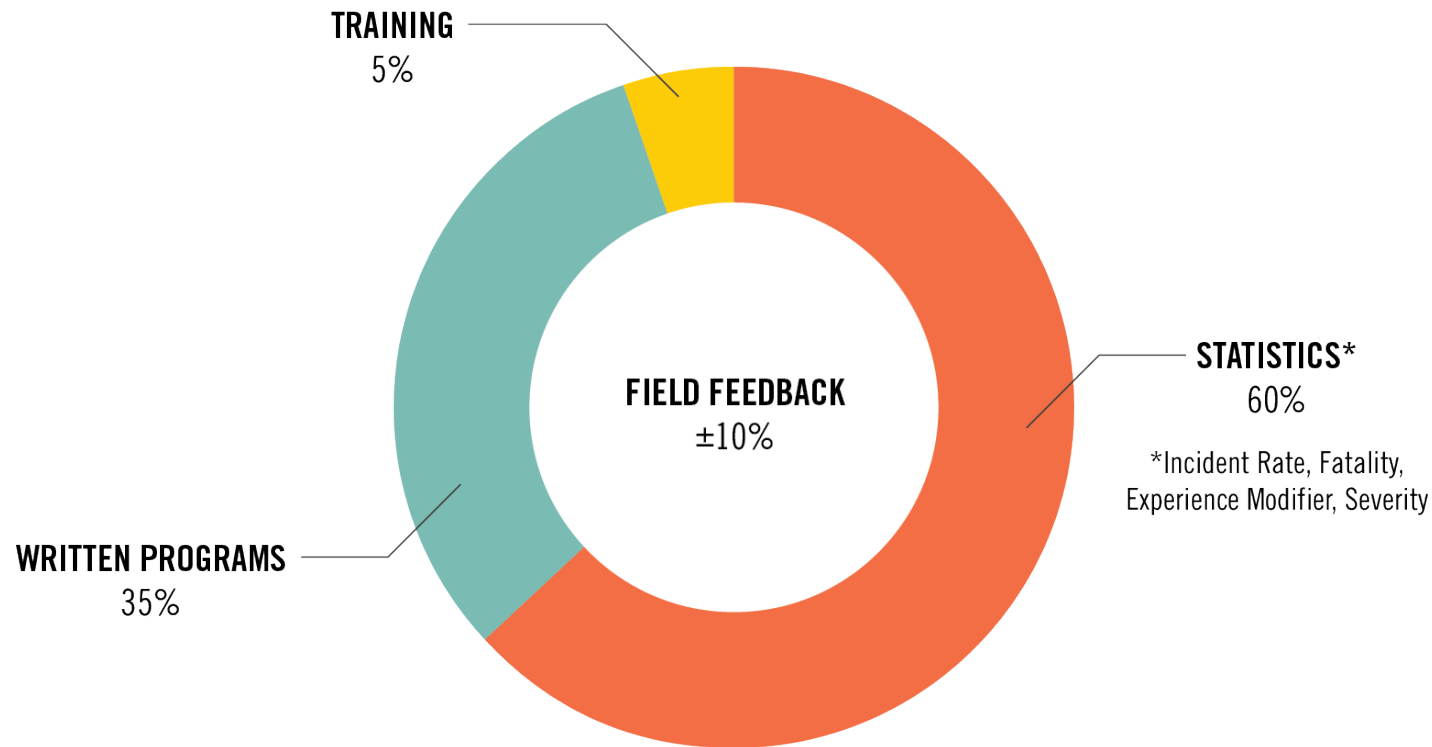


North American Industry Classification System (NAICS) Code and Name (# of Contractors)

*Bureau of Labor Statistics for 2016: https://www.bls.gov/iif/oshwc/osh/os/summ1_00_2016.xlsx

2. Designed to Measure Performance

Case Study: Kinder Morgan



! 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)

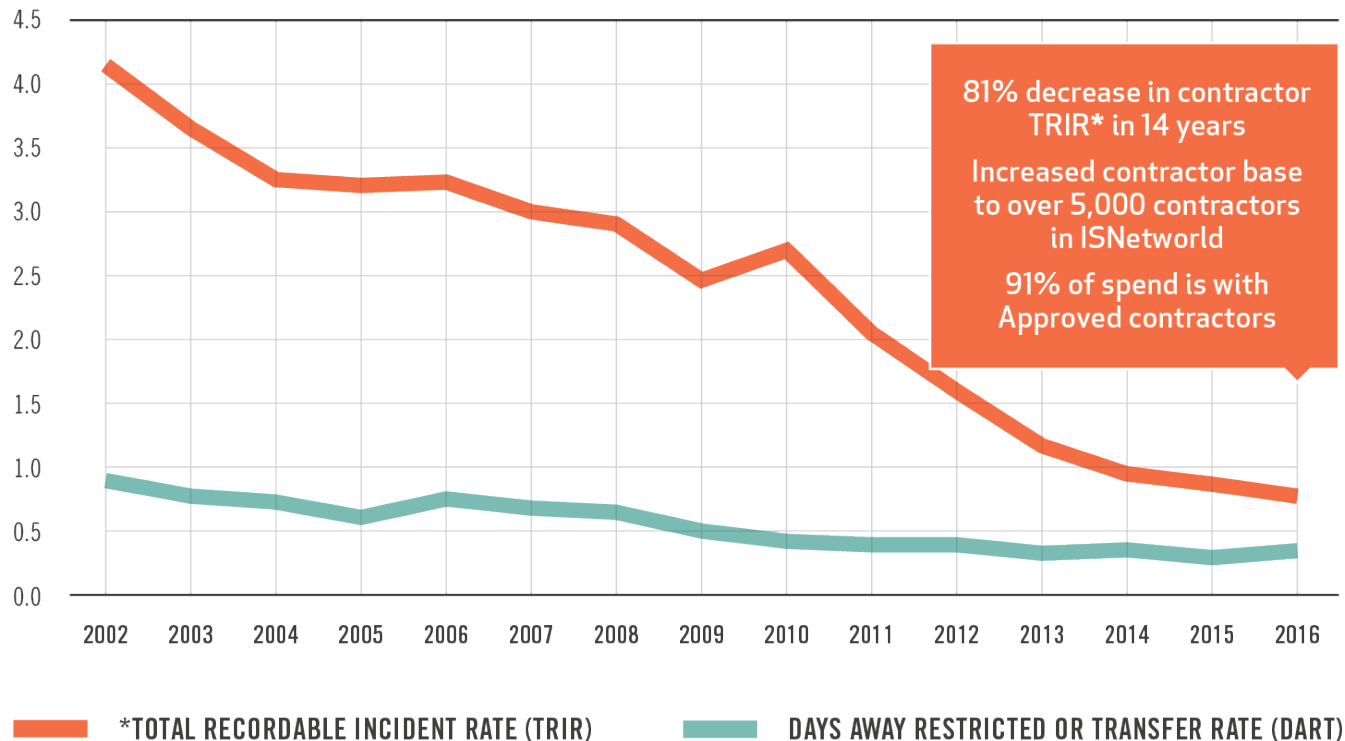
2. Designed to Measure Performance

Case Study: Kinder Morgan

Contractor Incident Rates by Year

TRIR and DART based on hours worked on-site for Kinder Morgan

(Based on standardized 200,000 hours)

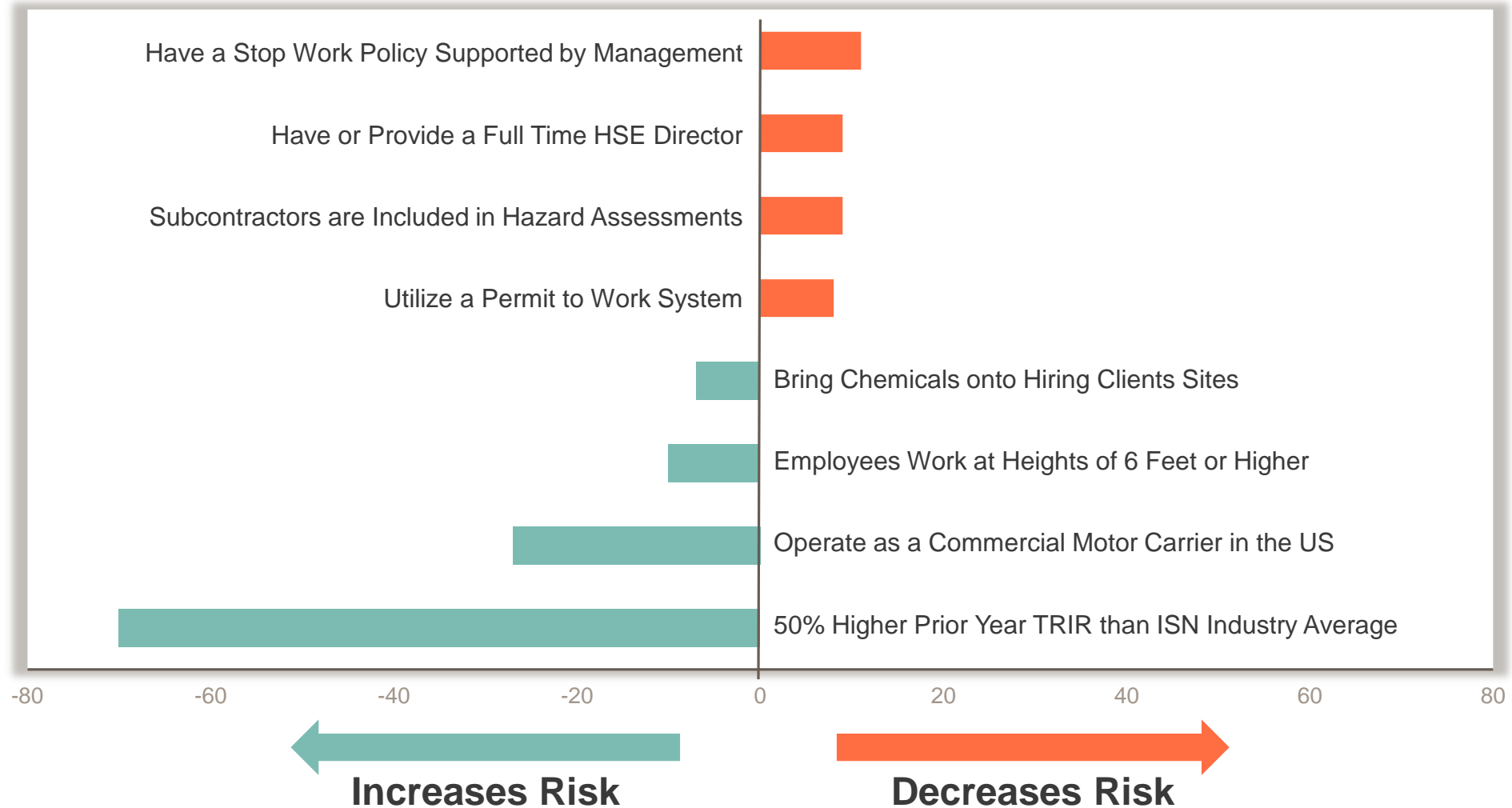


“ISN has developed a great platform for our procurement and safety professionals to work together. We now have the ability to have a one-stop shop in order to gather and manage our safety statistics.”

Lisa Shorb
VP Human Resources and Administration

KINDER MORGAN

2. Designed to Measure Performance



3. Incorporate a Risk-Ranking Process

Contractors come in various sizes, capabilities, risk profiles.

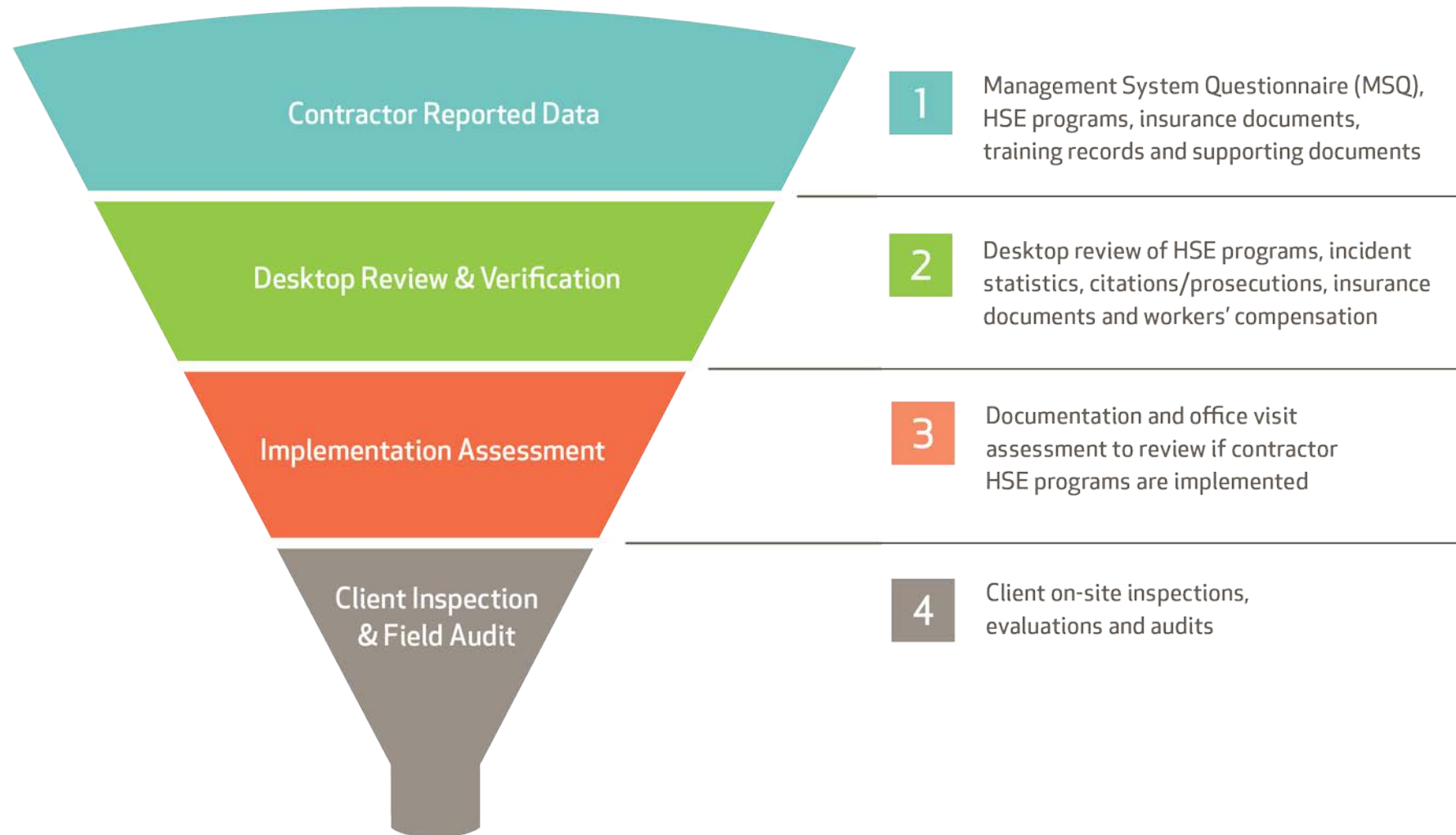
Classify risks according to pre-set criteria and matrix.

- 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				
Job Function	Green - Job function/work location criteria DO NOT fall into Contractor Management System (CMS) Orange - Job function/work location criteria DO fall into CMS			
Inspector, Consultant, etc.	Orange	Green	Orange	Orange
Manual Labor	Green	Orange	Orange	Orange
Technician/Supervisor	Green	Green	Orange	Orange
Clerical/Administrative	Green	Green	Green	Orange
Office cleaning, delivery person, vending machine, etc.	Green	Green	Green	Green
Work Location	Offsite, Contractor Shop	Office	Construction, Manufacturing, Storage	Drilling, Production, Plant, Compressor, Pipeline, Seismic

4. Utilize a Four-Step Due-Diligence Process



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.

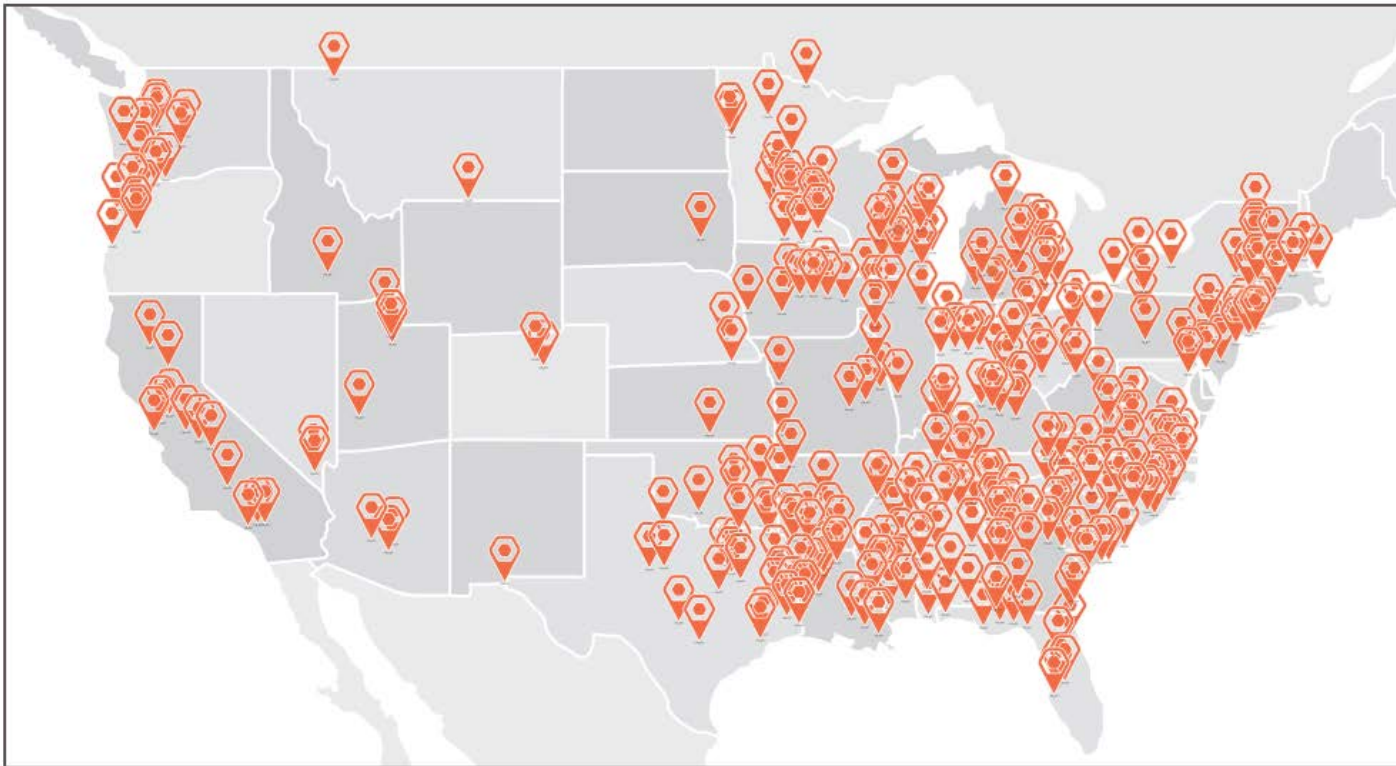
Best practices for subcontractor approaches:

- 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

Paper, Packaging & Building Products Client Sites In the U.S.

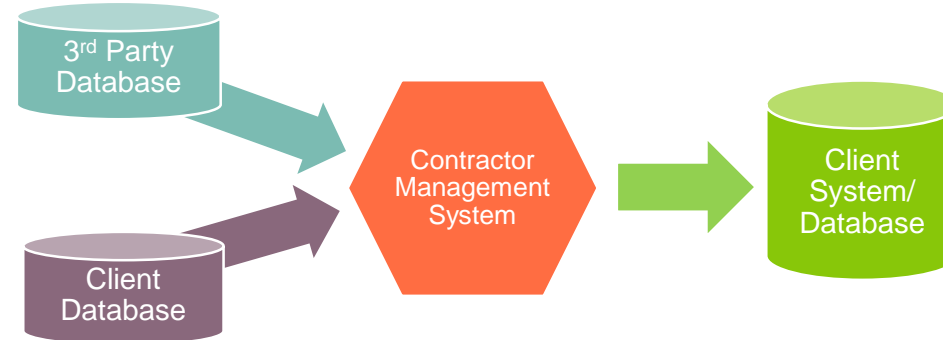


9,000+ Contractors **650+ Sites** **11+ Contractor Connections**

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

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

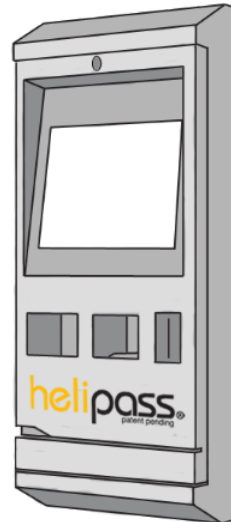
9. Integrated with Internal Business Processes

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



Best-in-Class Contractor Management



<https://www.isnetworld.com/Publications.aspx>

Contractor Benchmarking



Data-driven Insights

Health & Safety Performance Indicators



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

2016 Data

An **ISN Analytics**™ Publication / Number 1710
ISN.com



Section 6

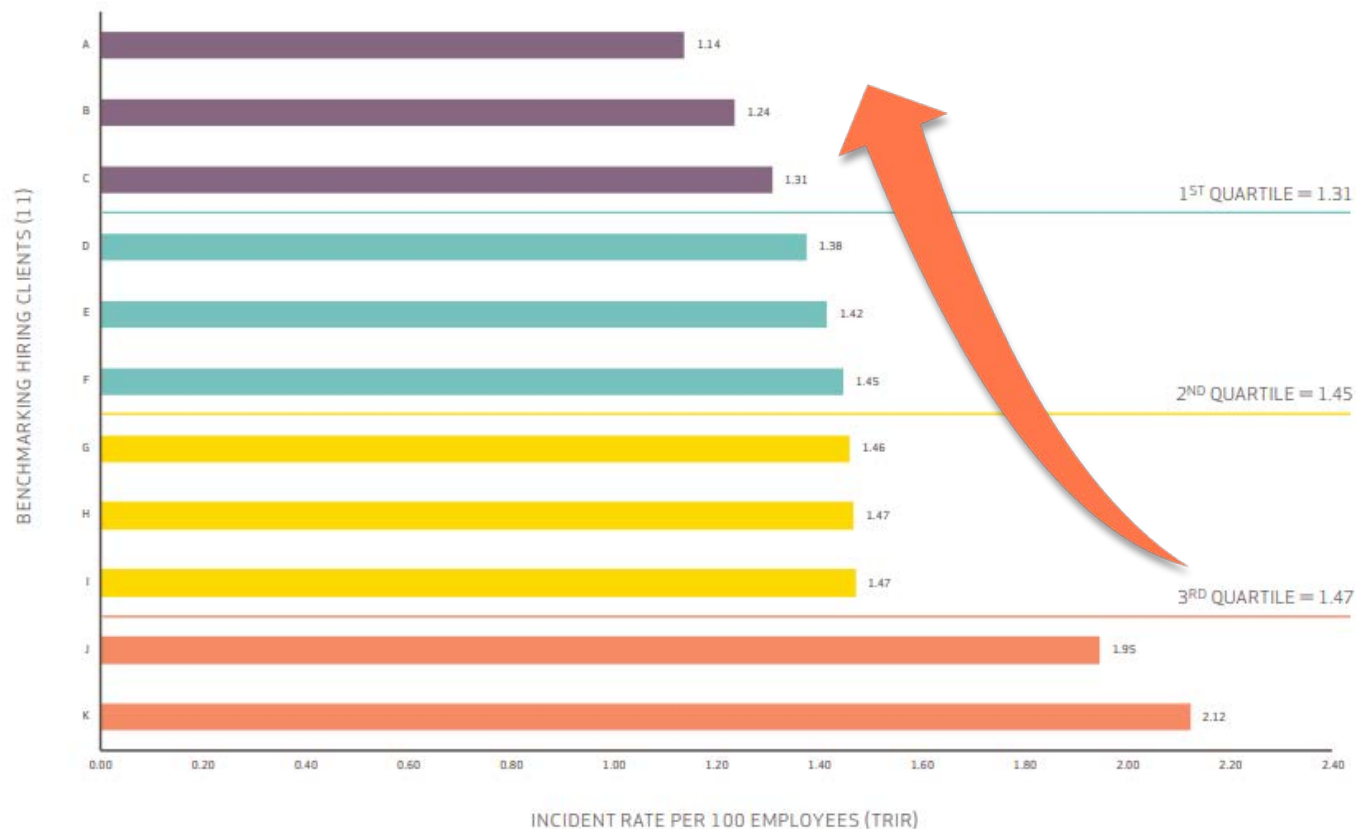
Paper, Packaging & Building Products

6.1	Total Recordable Incident Rate (TRIR)	78	6.6	Experience Modifier	83
6.2	Days Away, Restricted or Job Transfer Rate (DART)	79	6.7	TRIR vs. Experience Modifier	84
6.3	Lost Time Case Rate (LTC)	80	6.8	Incident Rates by Number of Contractors	85
6.4	Fatality Rate	81	6.9	Year-Over-Year Performance Comparison: TRIR	86
6.5	Incident Severity (In Days)	82	6.10	Year-Over-Year Performance Comparison: DART	87

Contractor Benchmarking

Section 6.1: Paper, Packaging & Building Products

Total Recordable Incident Rate (TRIR)



A Know Where You Are

B Selection & Management Strategy

C Baseline & Targets



Summary

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.”

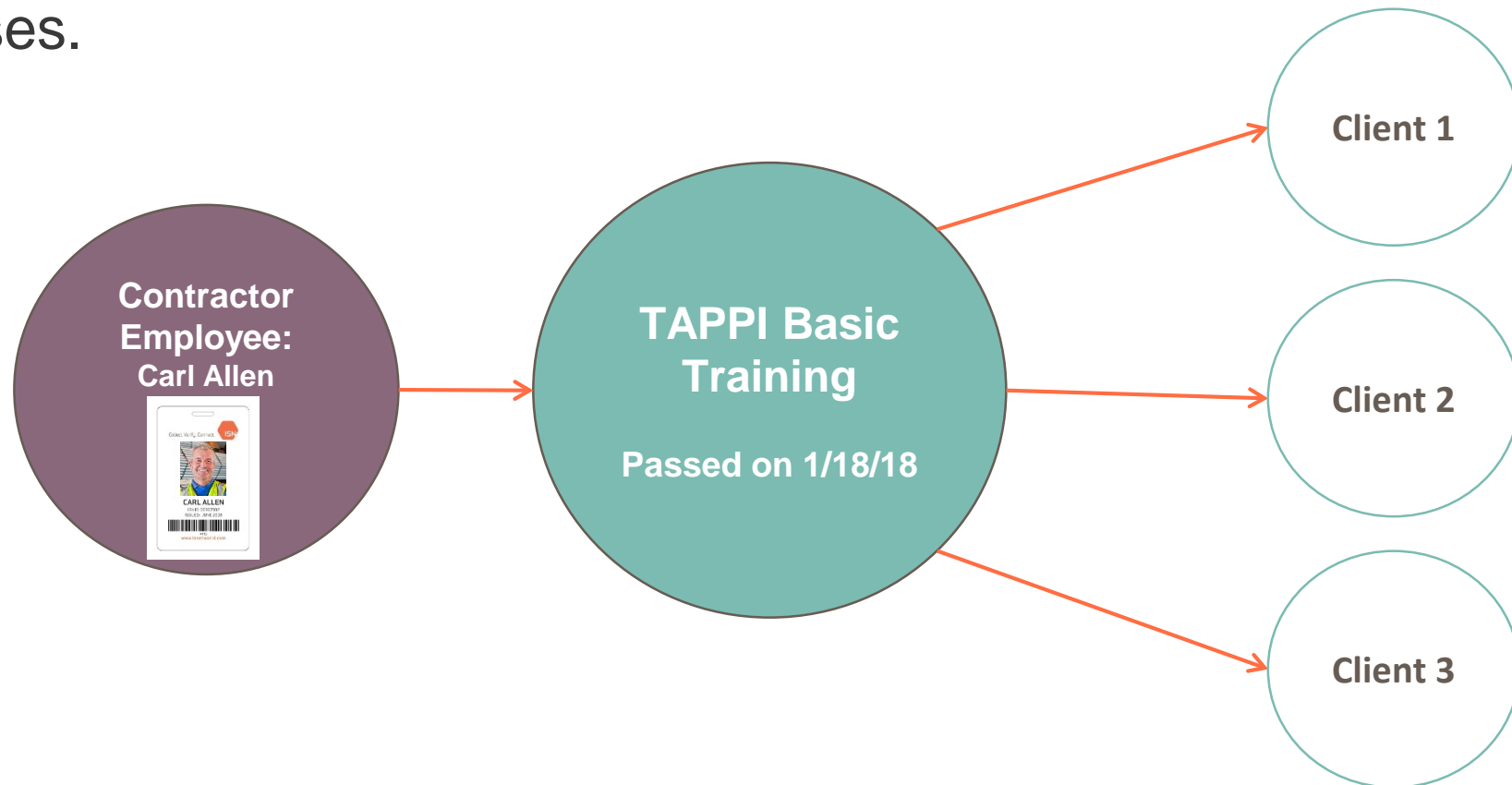
David Michaels, PhD, MPH

*Former Assistant Secretary of Labor, OSHA***

** https://www.osha.gov/pls/oshaweb/owadisp.show_document?p_table=SPEECHES&p_id=3256

Industry Synergy – TAPPISAFE and ISN

ISN and TAPPISAFE are exploring options to integrate TAPPISAFE orientation training data into ISNworld. 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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