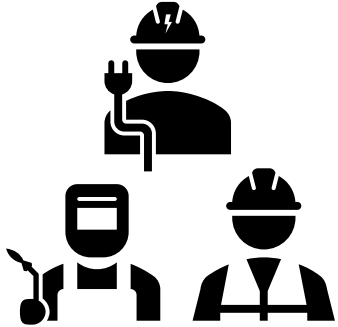# Agenda

01. Why We Need an Effective Contractor Management Strategy

02. 10 Strategic Elements for Best-in-Class Contractor Management

03. About ISN
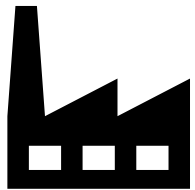
01. **Why We Need an Effective Contractor Management Strategy**

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.

…However, prime duty for safe operations and environmental stewardship often lies with the owner / hiring organization.

- Robust strategy needed: PSM, Responsible Care Goals, Environmental Compliance
- Better risk mitigation.
- Streamline operations to focus on core competencies.

What Makes a Comprehensive Contractor Management Program?
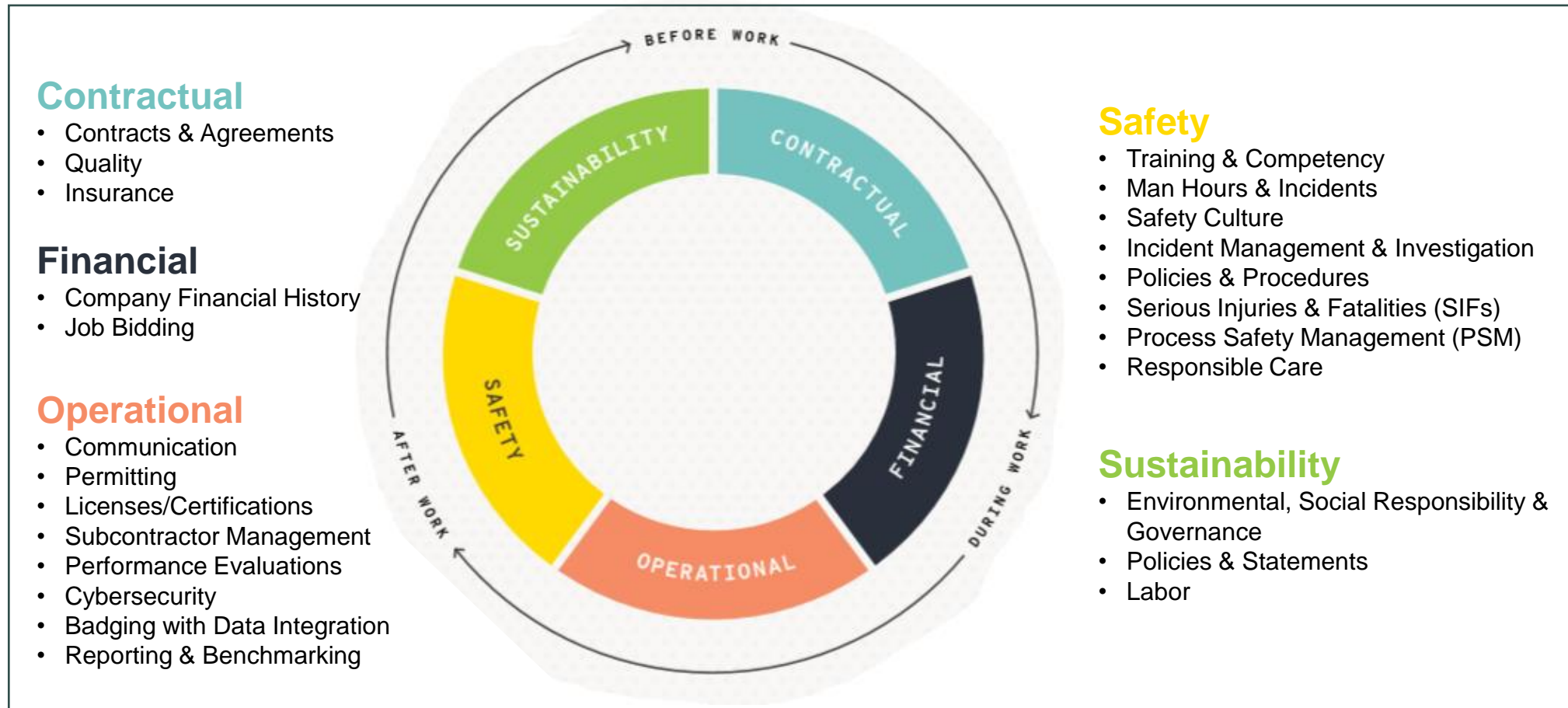
At a high-level:

1. A partnership between an organization and its contractors and suppliers.

2. Actively monitoring before, during and after work – not a point-in-time process.

3. Open communication about expectations, requirements and feedback.

4. Monitoring at both the company and employee level for training and compliance.

Plan, Do, Check, Act (PDCA) Process
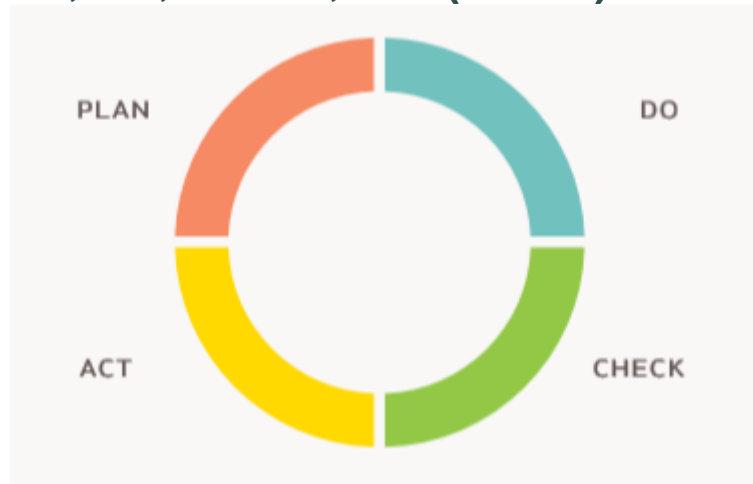
What Makes a Comprehensive Contractor Management Program?

Going deeper: Companies must measure <u>different components</u> throughout <u>ongoing evaluation</u> to make informed decisions that are right for their organizations.

Contractual
- Contracts & Agreements
- Quality
- Insurance

Financial
- Company Financial History
- Job Bidding

Operational
- Communication
- Permitting
- Licenses/Certifications
- Subcontractor Management
- Performance Evaluations
- Cybersecurity
- Badging with Data Integration
- Reporting & Benchmarking

Safety
- Training & Competency
- Man Hours & Incidents
- Safety Culture
- Incident Management & Investigation
- Policies & Procedures
- Serious Injuries & Fatalities (SIFs)
- Process Safety Management (PSM)
- Responsible Care

Sustainability
- Environmental, Social Responsibility & Governance
- Policies & Statements
- Labor

What makes a program Best-in-Class?

02.

10 Strategic Elements for Best-in-Class Contractor Management

ISN

10 Strategic Elements – Best in Class Contractor Management

Best in Class Contractor Management Programs:

1. Have a clear communication strategy

2. Are designed to measure performance

3. Incorporate a risk-ranking process

4. Use a four-step due-diligence process

5. Maintain an approved contractor list

6. Establish consequences & an exit strategy

7. Address subcontractor management

8. Follow standardized and transparent processes

9. Are integrated with internal business processes

10. Take safety culture to the next level

1. Have a Clear Communication Strategy

Effective contractor management systems must have a well-thought-out plan for communicating with **internal stakeholders** as well as **external contractors.**

What we're communicating

- Site / Company Goals
- General Safety Rules / Golden Rules
- Scorecards
- Performance & Audits
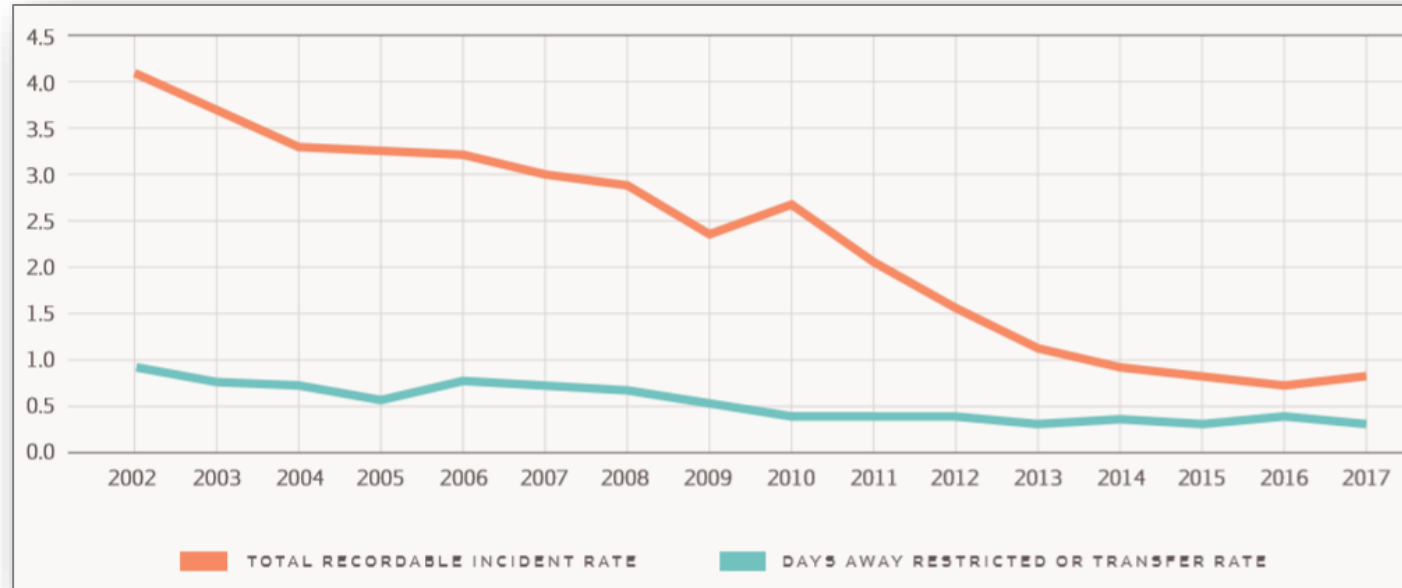
How we're communicating it

- Mail/Emails
- Contractor Handbooks
- Electronic Platforms

Beyond communication: Engagement

- One-on-One Meetings
- Workshops / Town Halls

ISN

2. Designed to Measure Performance

Common Practice: Tracking Contractors' Historical Data

Relevance & Visibility
- Lagging Indicators: (TRIR, DART, Citation History)
- Leading Indicators: Evidence of Well-documented HSE Program, Behavior-based observations, proactive risk assessments, audits

Keeping the Data Current
- Last 3 Years of HSE performance
- Annual data renewal
- Keeping up with expiring training documents

Unapproved contractors go through an internal variance process prior to performing work onsite

Case Study on Measuring Performance: Marathon Oil

COMPANY-LEVEL
Contractor Requirements & Scoring

- HES Culture Questionnaire
- HES Performance
- Written Safety Programs
- Training Documentation
- Drug & Alcohol Documentation
- Experience Modifier Rate

  Insurance (Showstopper)

  SubTracker Reporting

EMPLOYEE-LEVEL
Employee-Level Monitoring

- Marathon Oil Contractor HES Orientation
- Oil / Water Hauler HES Orientation
- Suspension Status

Case Study: Marathon Oil

(Donut chart segments: 20%, 30%, 30%, 10%, 5%, 5%)
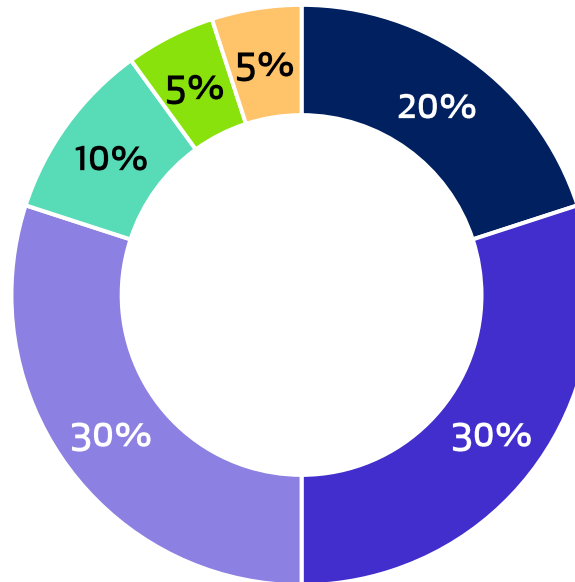
95%

OF CONTRACTORS MARATHON OIL HAS SPEND WITH HAVE AN APPROVED STATUS*

Grading Details

A - Preferred Vendor (No Restrictions)

B - Accepted Vendor (No Restrictions)

C - Cautionary Vendor (No Restrictions)

D - Variance Required (VP Approval Required)

F - Variance Required (VP Approval Required)

Unapproved contractors go through an internal variance process prior to performing work onsite

Case Study on Measuring Performance: Marathon Oil

Contractor Incident Rates by Year

Started scanning for employee-level data

Legend: TRIR, DART
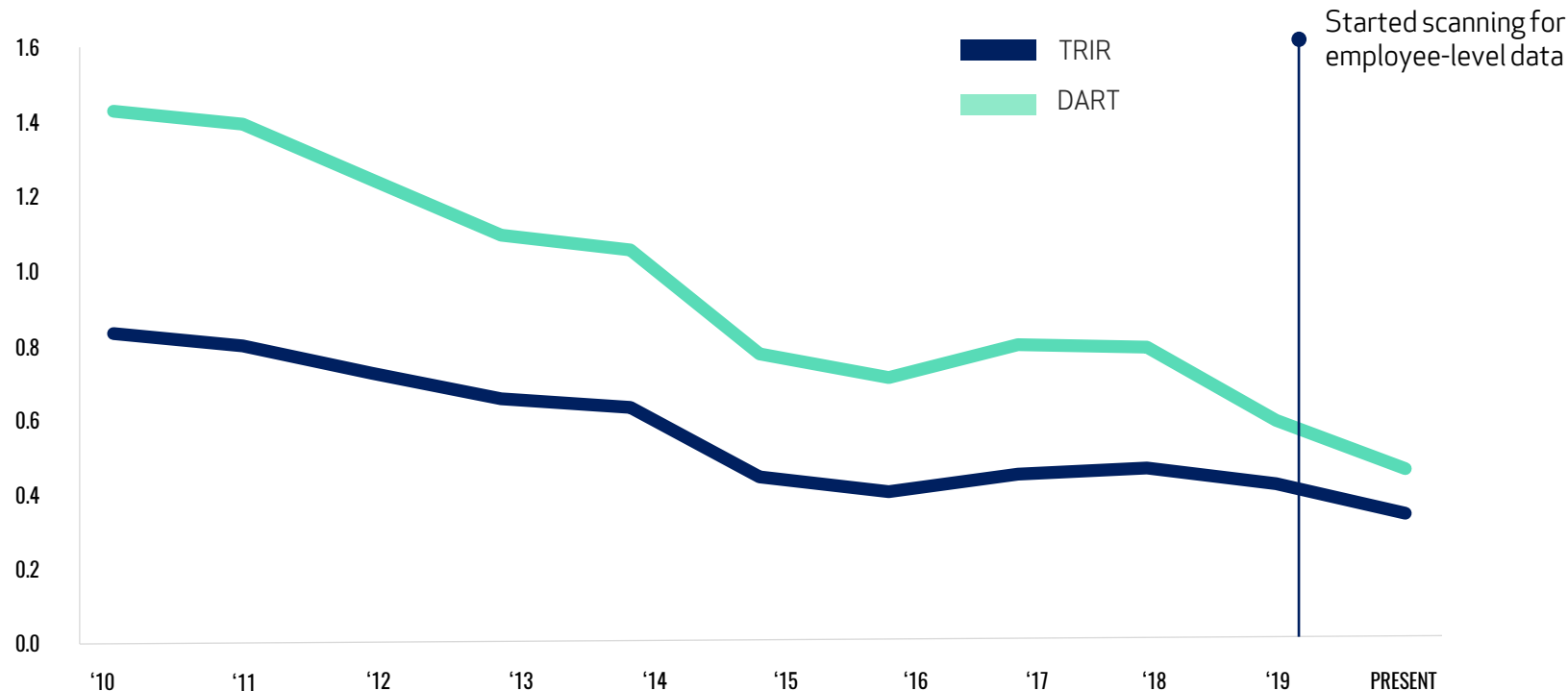
67%

Decrease in contractor TRIR & 58% decrease in DART since ISNetworld implementation in 2010

33,000+

Contractor employees have completed the Marathon Oil HES Orientation

22%

Decrease in contractor TRIR & 19% decrease in DART since March 2019

"Using various tools within one platform helps us monitor contractor compliance across departments within our organization. The data that is pulled and analyzed is trusted – it allows our employees in the field to feel confident they have the right people out there working for them."
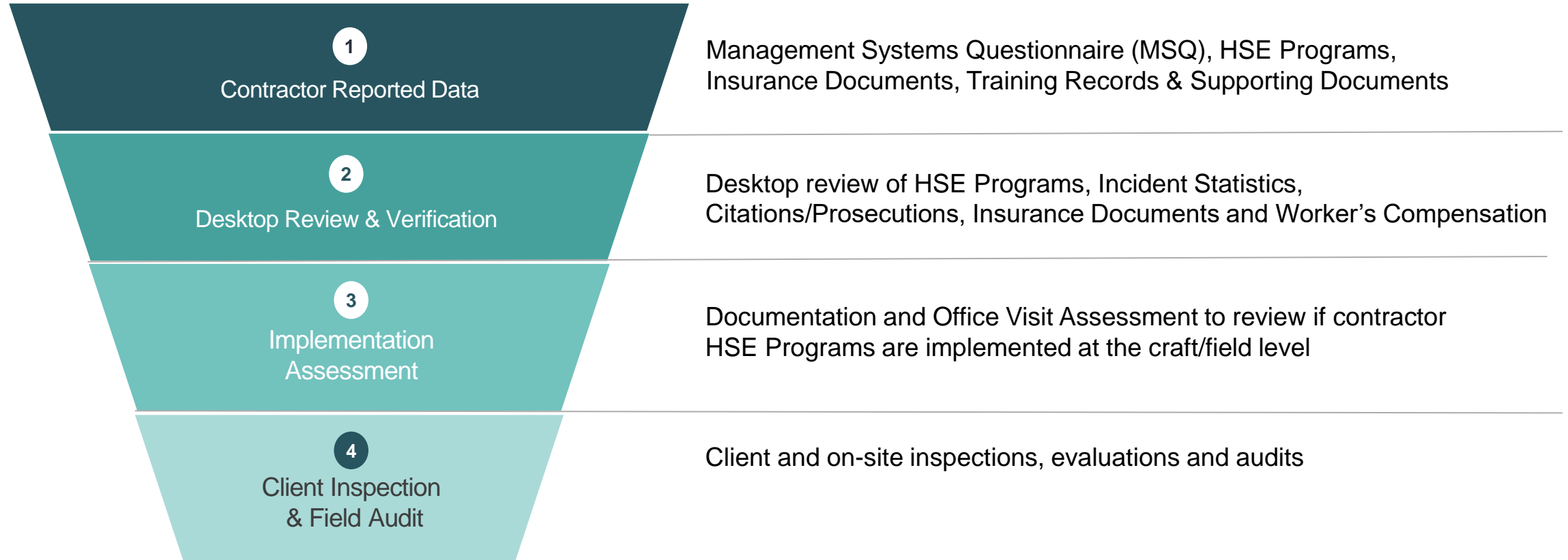
Jill Niswonger, HES Manager - Risk, Training & Process Safety, Marathon Oil Corporation

3. Incorporate a Risk Ranking Process

Sample Contractor Risk Exposure Matrix

	Work, Activity or Service That:	Examples to be Included in this Category (Including but Not Limited to):	Example Grade Requirements:
HIGH RISK	• Has a high potential for causing a catastrophic operational incident. • Is performed on-site or is off-site where Hiring Client has responsibility and is liable for work performed. • May impact a process or site operations.	• Chemical and process cleaning • Electricians and instrumentation technicians • Carriers/transportation companies • Engineering services • Environmental investigation, remediation, monitoring activities • Equipment and process maintenance and/or inspection	• Questionnaire • Insurance • Experience Modifier • Supplier Diversity • Written Safety Programs
OTHER RISK	• Consultants that do not perform work or activities as described in the high risk exposure category. • Off-site services. • Minor on-call, on-site vendor pick-up/delivery and repair services.	• Auditors • Delivery/supply services (vending machine, bottled water, laundry) • Laboratory apparatus servicing • Mail/package/parts delivery or pick-up • Municipal waste pick-up	• Commercial Questionnaire • Supplier Questionnaire • Insurance • Experience Modifier • Supplier Diversity

4. Use a Four-Step Due-Diligence Process

1 Contractor Reported Data

Management Systems Questionnaire (MSQ), HSE Programs, Insurance Documents, Training Records & Supporting Documents

2 Desktop Review & Verification

Desktop review of HSE Programs, Incident Statistics, Citations/Prosecutions, Insurance Documents and Worker's Compensation

3 Implementation Assessment

Documentation and Office Visit Assessment to review if contractor HSE Programs are implemented at the craft/field level

4 Client Inspection & Field Audit

Client and on-site inspections, evaluations and audits

5. Maintain an Approved Contractor List

"Quick, we need them now!"

- The United Nations Global Compact guidelines propose that incentives are far more effective motivators than penalties when it comes to contractor and supplier relationships.*
- One of the most effective tools at a Hiring Client's disposal is the use of an approved contractor list for procuring services and fostering relationships with contractors who share the same values as the Hiring Client.

Creating the Approved Contractor List

Who is Responsible?	How Often to Update?
All key stakeholders, especially operational departments, should be accountable for proper use of the list.	Best-in-class systems update their lists periodically, such as every 12-18 months or sooner, to adjust for contractors who are consistently non-conformant, inactive, redundant or who warrant a change in their risk classification (see Slide 13).

# 6. Establish Consequences & Exit Strategy

How to Maintain a Streamlined Process for Managing Contractors


- 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?
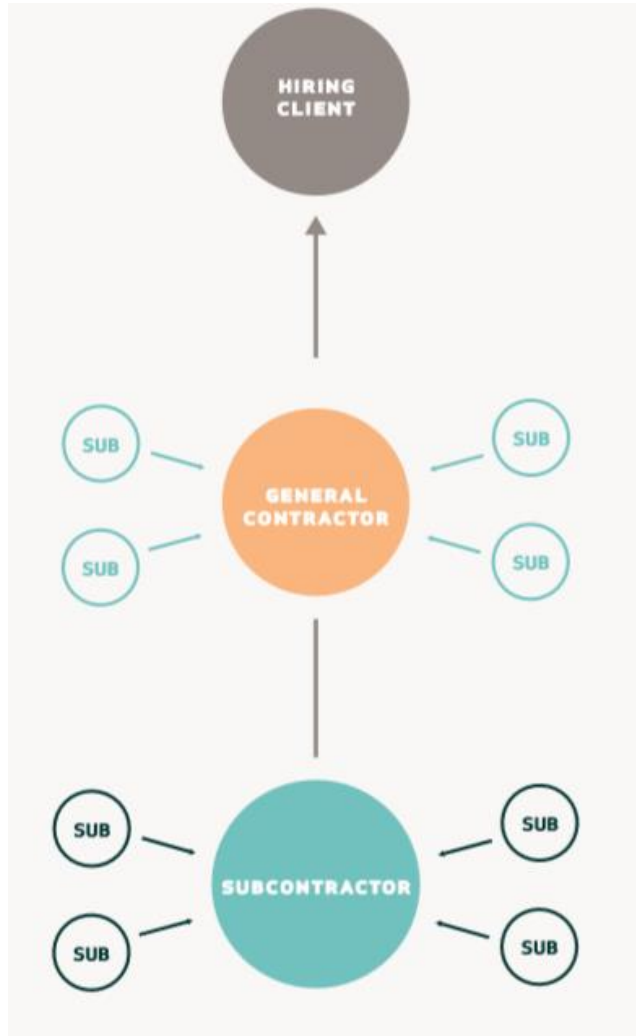
Total Recordable Incident Rates (TRIR) of Contractors* and Subcontractors

Year	Prime TRIR	Sub TRIR
2017	0.99	1.35
2018	0.85	1.22
2019	0.85	1.19

● Prime TRIR
● Sub TRIR
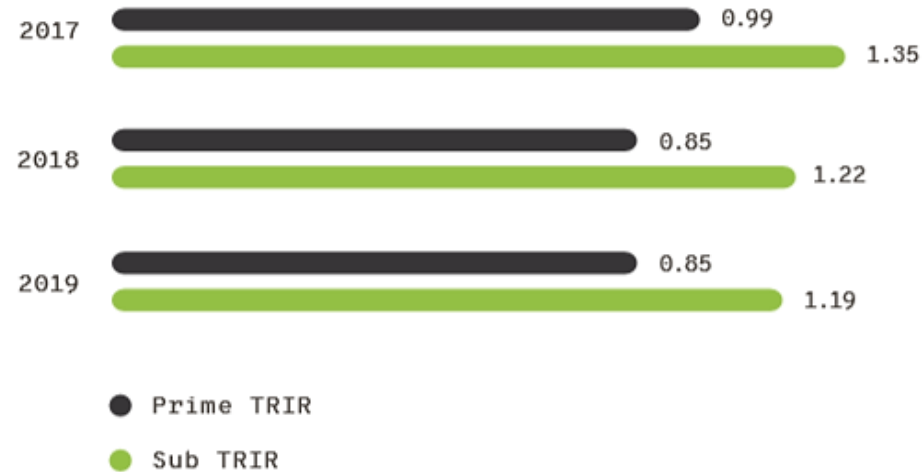
Best practice subcontractor approaches:
- Ensure they are qualified/monitored to same level of standards as general contractor or,
- General contractor required to demonstrate the same level of rigor for qualifying subs.

*Data Analysis of ISNetworld contractors using ISN's SubTracker Tool

8. Follow Standardized and Transparent Processes

Best in class contractor management systems:

- Standardize across sites, regions, departments

- Centralize vs. maintaining multiple system silos

- Create transparency to compliance data: both to internal employees and contractors/suppliers
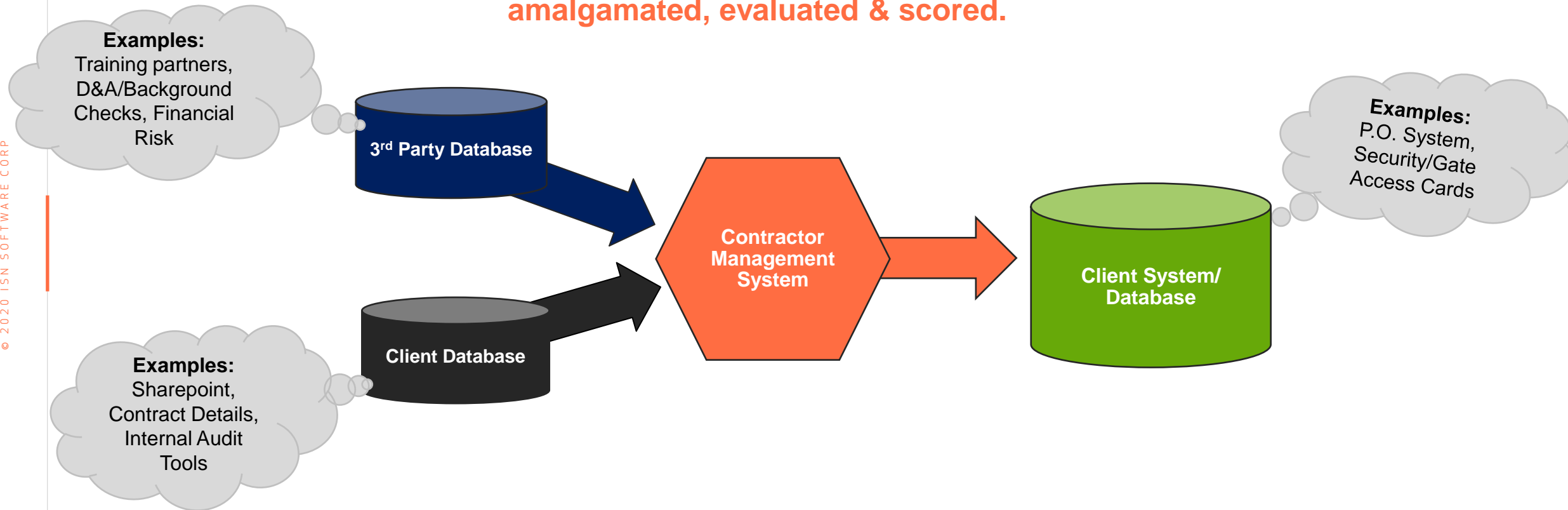

Overcoming challenges of standardization:
- ✓ Identify common ground shared by various sites/operations
- ✓ Deploy set of overarching contractor management policies, processes and infrastructures
- ✓ Allow for flexibility of site-specific or region-specific requirements

9. Integrate with Internal Business Processes

Feed isolated data points into a centralized system, where the data can be amalgamated, evaluated & scored.

Examples:
Training partners, D&A/Background Checks, Financial Risk

Examples:
Sharepoint, Contract Details, Internal Audit Tools

Examples:
P.O. System, Security/Gate Access Cards

3rd Party Database

Client Database

Contractor Management System

Client System/ Database

**Place Contractor Scores into your internal systems (P.O. System, Gate Access) to simplify processes & empower employees to enforce compliance.**
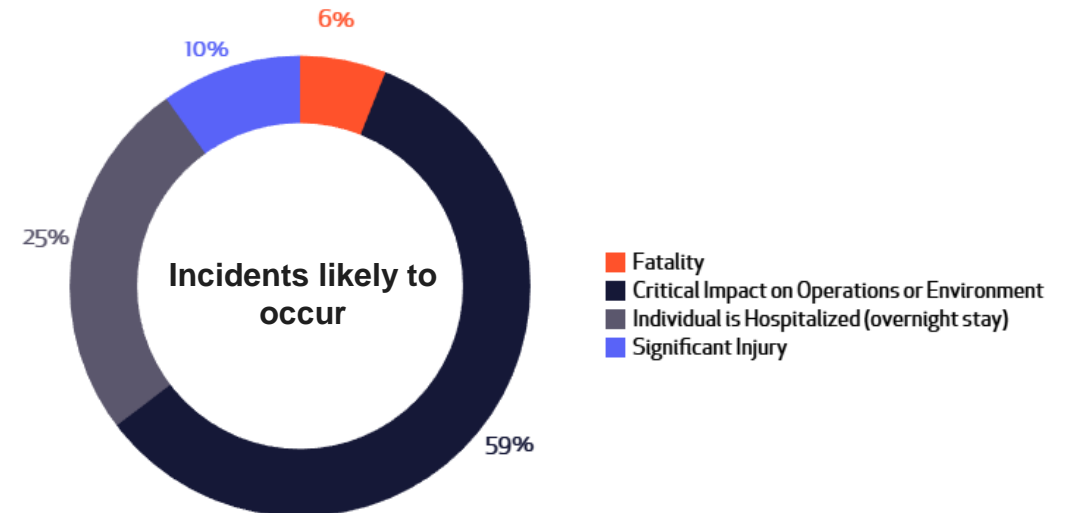
10. Take Safety Culture to The Next Level

Safety Culture Surveys

Best-in-class organizations need to gather perceptions of safety culture as a key leading indicator, capturing feedback from the **entire workforce**, including **contractors**.
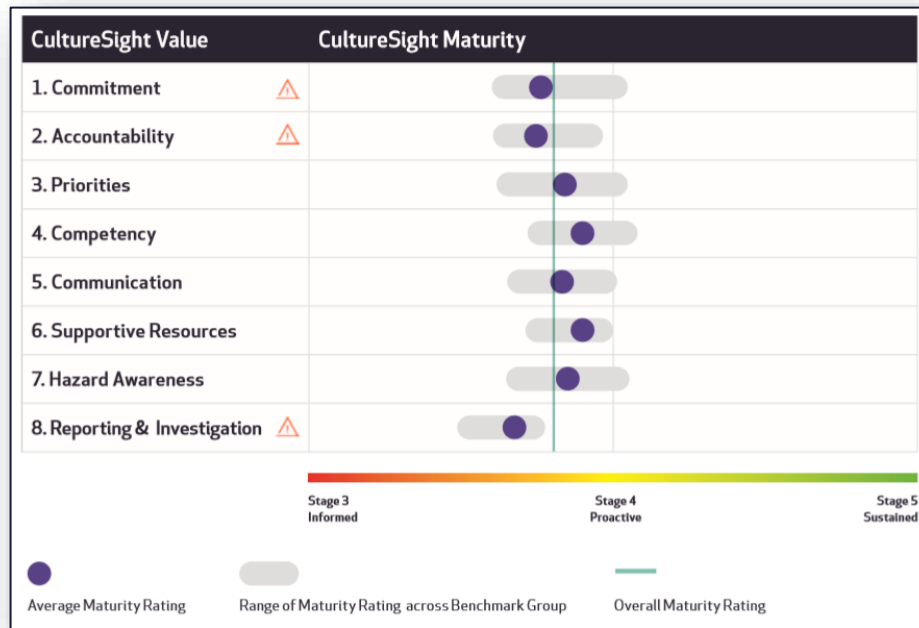
"A company's priorities evolve over time depending on business conditions and other factors. A commitment to safety therefore, must be more than a priority, it must be a value – a core value that shapes decision-making all the time, at every level." - Darren Woods, Chief Executive Officer and Chairman, Exxon Mobil

MONARCH

Take Safety Culture to The Next Level - Measure Standards Beyond Safety

Mitigating Cybersecurity Risks

Cyber attacks continue to be a threat to businesses. Contractors with access to a network, sensitive data or data rooms are areas that were once discounted as vulnerabilities.

Responses from 50K+ contractors within ISNetwork indicate:

ONLY 23%
reported they require cybersecurity awareness training.

ONLY 25%
reported they have formally defined criteria for notifying their Hiring Clients during a cyber incident.

According to a 2019 Privileged Access Threat Report,**

58%
of respondents believe they probably suffered a breach due to third-party access to their systems.

29%
of respondents were very confident they know how many third-party companies are accessing their systems.
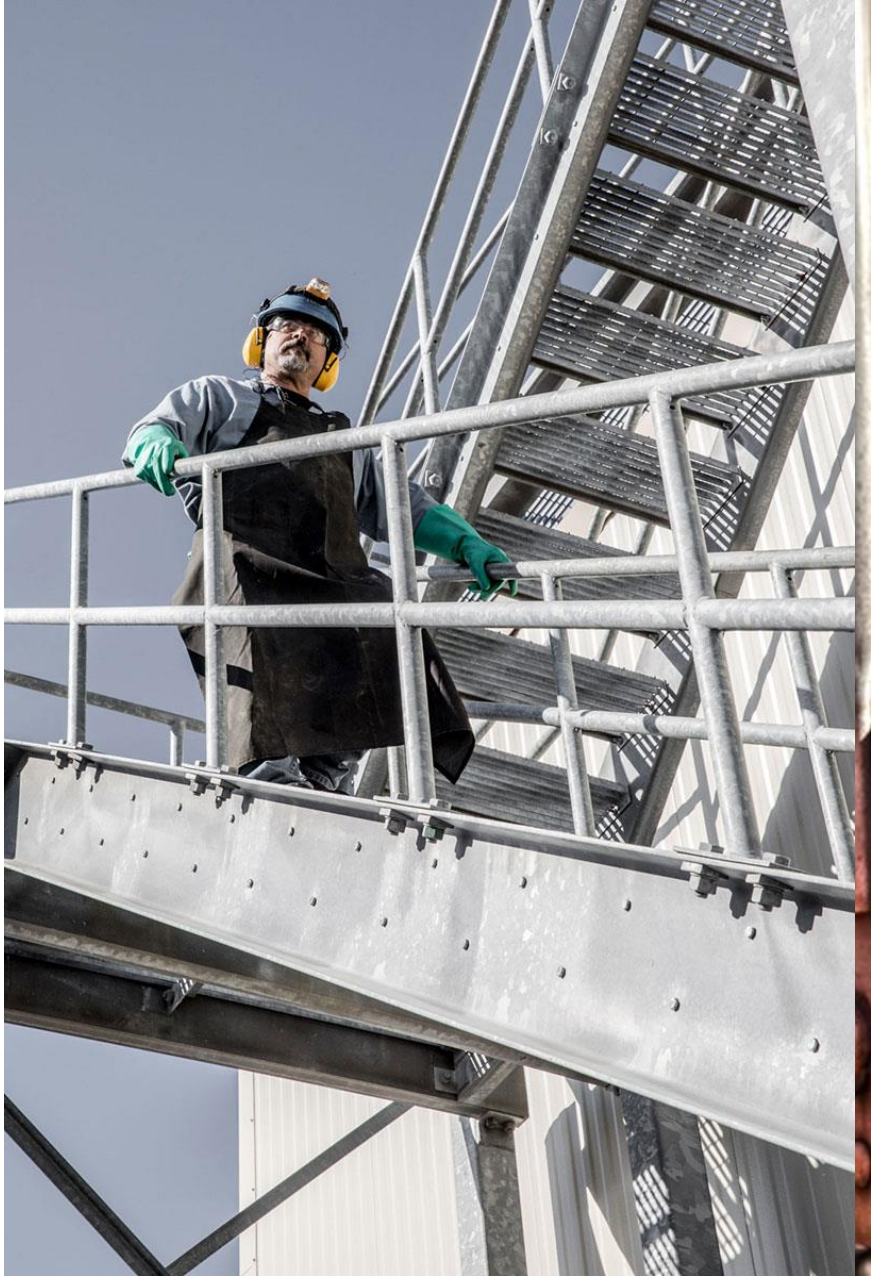
Environmental, Social & Governance (ESG)

As social responsibilities grow for manufacturers, they are recognizing that understanding contractors' policies on environmental, ethics and human rights issues are important to achieving ESG targets.
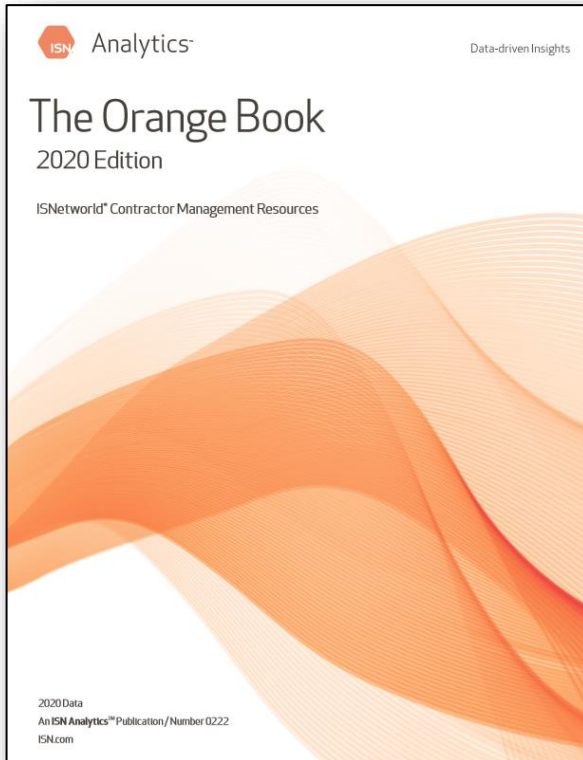

ESG Breakdown (Credit – FTSE Russell)
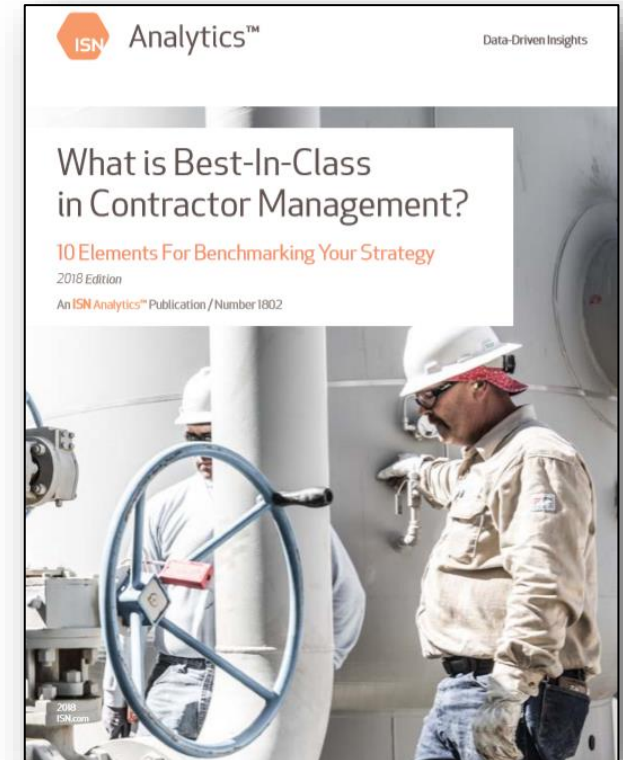
ISN

03.
About ISN

ISN Publications Available

The Orange Book
2020 Edition

Contractor Management Strategy White Paper **2020 Edition**

What is Best-in-Class for Contractor Management **2018**

ISN Publications Available at no cost: https://www.isnetworld.com/en/newsroom/publications

ISN Introduction – What is ISNetworld?

ISN is the global leader in contractor and supplier information management. Our goal is to bring together our network of over 650 Hiring Clients and 75,000 active contractors to promote continual improvement in contractor management and strive for a safe work environment for everyone.

Collect

ISN collects your contractors' required information (Insurance, OSHA Forms, Questionnaire, etc.)

Verify

ISN's Review Teams review and verify the information against Hiring Client & Regulatory requirements

Connect

Information submitted by contractors is viewable through your scorecard, allowing you to connect to companies who meet your criteria

For more information, visit us at www.isn.com

Configurable Qualification Criteria

Business Unit/Site/Risk Level

Company Scorecard

	Company ID:	400-128708		A
KNOX CONSTRUCTION	Company Contact:	Carl Allen		**ACCEPTABLE TO USE**
	Site:	McKinney Enterprises		

Grade Component	Status	Points	Gaps
Questionnaire	Satisfactory	10 / 10	✅
Written HSEQ Programs	**RAVS** score is **100**	20 / 20	✅
Implementation Assessment	**RAVS Plus** score is **90**	5 / 10	❗
Serious Injury & Fatality Rate	Satisfactory	15 / 15	✅
Post Job Evaluation	**Post Job Eval** is between **90** and **100**	10 / 10	✅
Insurance	Current Documents are **Accepted**	25 / 25	✅
Commercial Questionnaire	Satisfactory	3 / 5	❗
Acknowledgement Form	**Acknowledged**	5 / 5	✅
Total		93 / 100	

Employee Scorecard

Carl Allen
✅ Meets My Company's Completion Requirements

KNOX CONSTRUCTION
Company ID: 400-128708

Company Grade

STATUS	SITE	GRADE	MINIMUM PASSING GRADE
● Green	Active Contractors	A	C

Online Training (OT)

STATUS	TRAINING NAME	TRAINING STATUS
● Green	Site Orientation	Pass

Training Qualifications (TQ)

STATUS	ACTIVITY	ACTIVITY STATUS
● Green	Scaffolding - Crew	Qualified
● Green	Scaffolding - Supervisor	Qualified

650+ CLIENTS

Georgia-Pacific · Unilever · lyondellbasell · TOYOTA · PPG

CP · ArcelorMittal · TC Energy · ENGiE

KOCH · FLINT HILLS resources · PEPSICO · Bristol Myers Squibb · Johnson & Johnson
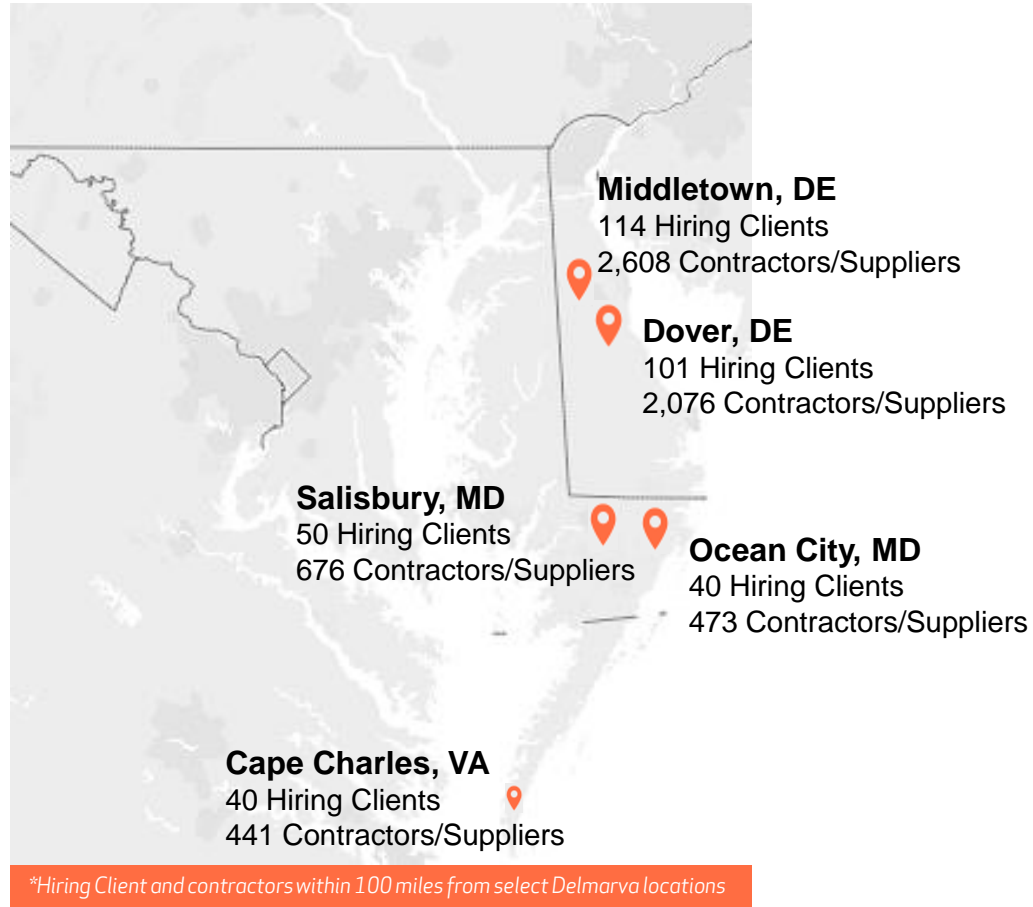
TOTAL · nationalgrid · VALERO · bp · Mosaic

25+ INDUSTRIES

- Aerospace
- Agriculture
- Automotive
- Beverage
- Building Products
- Chemicals & Coatings
- Consumer Goods
- Defense
- Exploration & Production

- Facilities Management
- Fertilizer Products
- Food
- Higher Education
- Manufacturing
- Midstream, Pipelines & Terminals
- Mining
- Paper & Packaging
- Pharmaceutical & Healthcare

- Public Sector & Government
- Retail
- Refining
- Renewable Energy
- Steel & Metals
- Technology
- Transportation
- Utilities, Power Generation & Distribution

ISN

Presence in Delmarva

Middletown, DE
114 Hiring Clients
2,608 Contractors/Suppliers

Dover, DE
101 Hiring Clients
2,076 Contractors/Suppliers

Salisbury, MD
50 Hiring Clients
676 Contractors/Suppliers

Ocean City, MD
40 Hiring Clients
473 Contractors/Suppliers

Cape Charles, VA
40 Hiring Clients
441 Contractors/Suppliers

Hiring Client and contractors within 100 miles from select Delmarva locations

2,000+
Contractors located in Delaware, Maryland and Virginia

100+
Hiring Client Sites located in Delaware, Maryland and Virginia

BUNGE

KraftHeinz

PERDUE

PEPSICO

ESTĒE LAUDER COMPANIES

KINDER MORGAN

GP Georgia-Pacific

JBS

Nestlé

"I wish all of our application partners were as responsive as the ISN Team. I look to the ISN Team as an extension of our EHS Team – they have always represented our program with class and professionalism while interacting with all stakeholders."

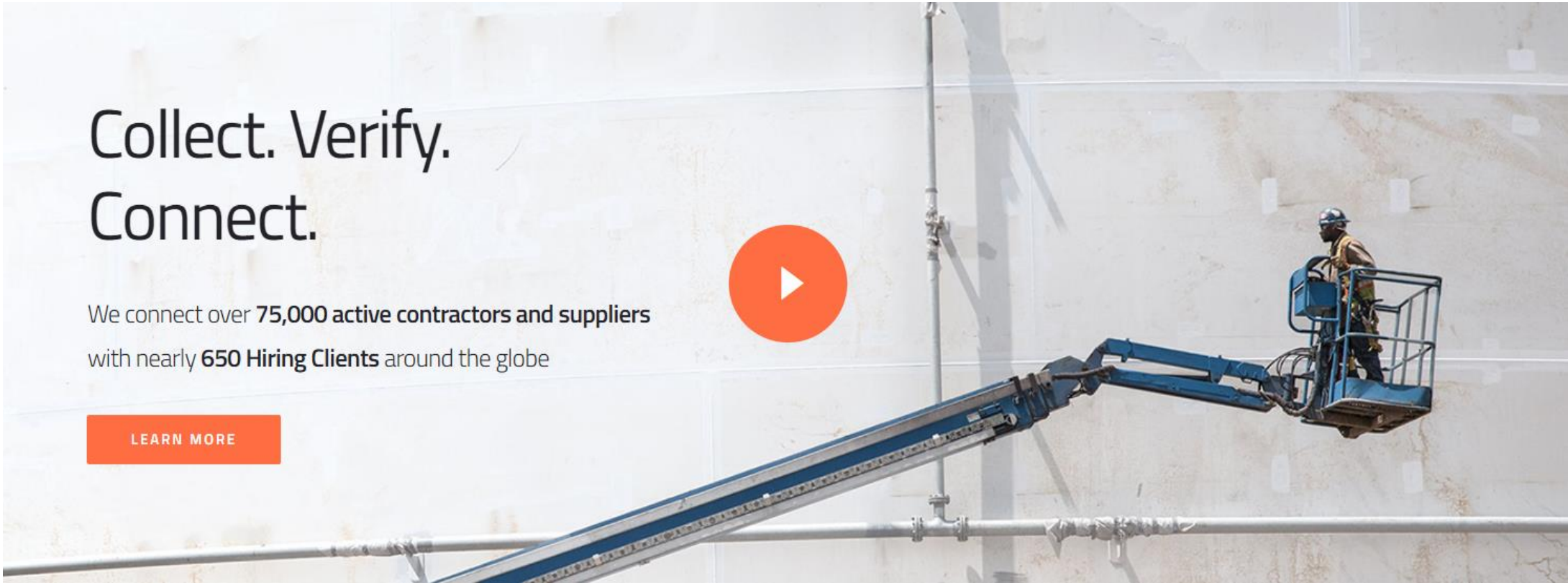- Brent Richter, Senior Director of Environmental, Health and Safety at Conagra Brands

Want Additional Information?

For more information or for a demonstration of ISNetworld's capabilities:
Contact Us:
Email: Food@isn.com
Website: www.isn.com

Collect. Verify.
Connect.

We connect over **75,000 active contractors and suppliers**
with nearly **650 Hiring Clients** around the globe

LEARN MORE

Delmarva Chapter ASSP – Dec. 2020 Virtual Chapter Mtg. Speaker Bio's:

Darren Hamman: *Based in Calgary, Canada, Darren Hamman is a Senior Manager on ISN's Health, Safety and Environmental Review and Verification Services (or RAVS) team. Darren has 17 years of Health and Safety Management experience in the United States and Canada. Prior to joining ISN, Darren worked in the Food and Agriculture industries. He has a BA in Sociology, and a Certificate in Health, Safety, and Environmental Processes. He is a Canadian Registered Safety Professional (or CRSP), and is 2nd Vice Chair of the Calgary Chapter of the Canadian Society of Safety Engineers.*

Shirin Mirdjalalova: *Based in Dallas, Texas, Shirin is an Account Representative on the Food & Protein team at ISN, working closely with Hiring Client customers like Perdue, Tyson Foods, and Wayne Farms. Prior to joining the Food & Protein team 3 years ago, Shirin worked in Contractor Support, assisting ISN contractors with meeting client requirements like Insurance Certificate submissions, Written Program and OSHA Form uploads, and other client-specific items.*

Aaron Light: *Also based in Dallas, Texas, Aaron is currently the Team Supervisor overseeing activities on the Food & Protein team at ISN. Over the past 7 years, Aaron has managed a number of teams at ISN include the Automotive Team, Beverages Team, and Downstream/Refining groups, to assist clients like Pepsi, Honda, BMW, and ExxonMobil with their contractor management needs.*