

ISN

Contractor Management Industry Trends

April 12, 2016



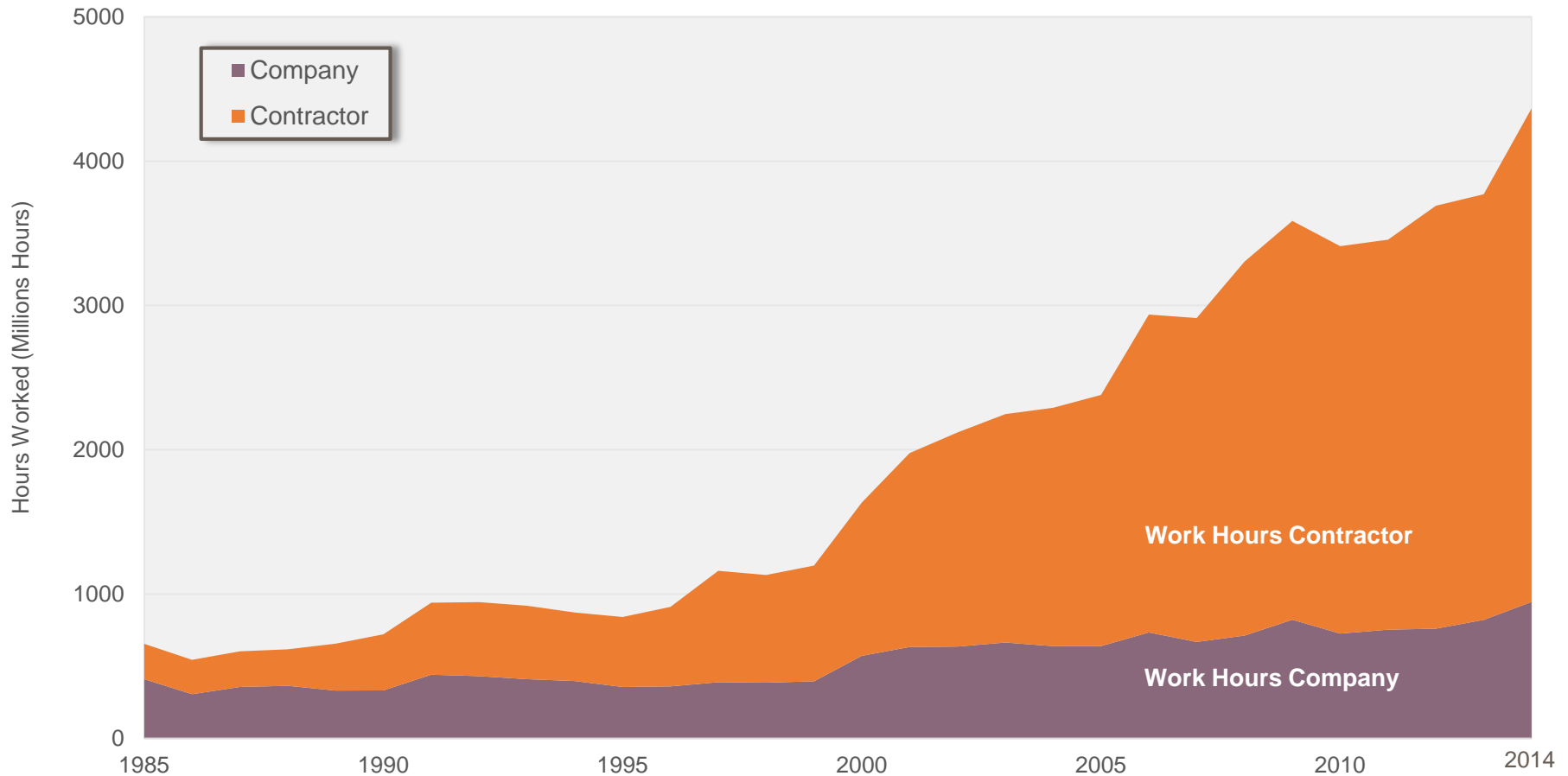
Agenda

- I. Contractor Management Trends
- II. ISN Process
- III. Operator Qualifications (OQ) in ISNworld
- IV. Quick Facts
- V. ISN Events



Contractor Management Trends

Increasing Use of Contractors – A Global Trend



- Contractors accounted for **78%** of work hours in 2014
- Contractors have **89%** higher total recordable injury rate than Companies in 2014

Source: [International Association of Oil & Gas Producers \(OGP\)](http://www.iogp.org/pubs/2014s.pdf)
Link to the publication: <http://www.iogp.org/pubs/2014s.pdf>

Opportunity and Challenge

- Increasing contractor management leads to positive trends for safety
 - Better specialization, skills and equipment
 - Enables safe and sustainable operations
- Prime duty for safe operations and environmental stewardship lies with the owner organization
 - Robust strategy needed
 - Better risk mitigation

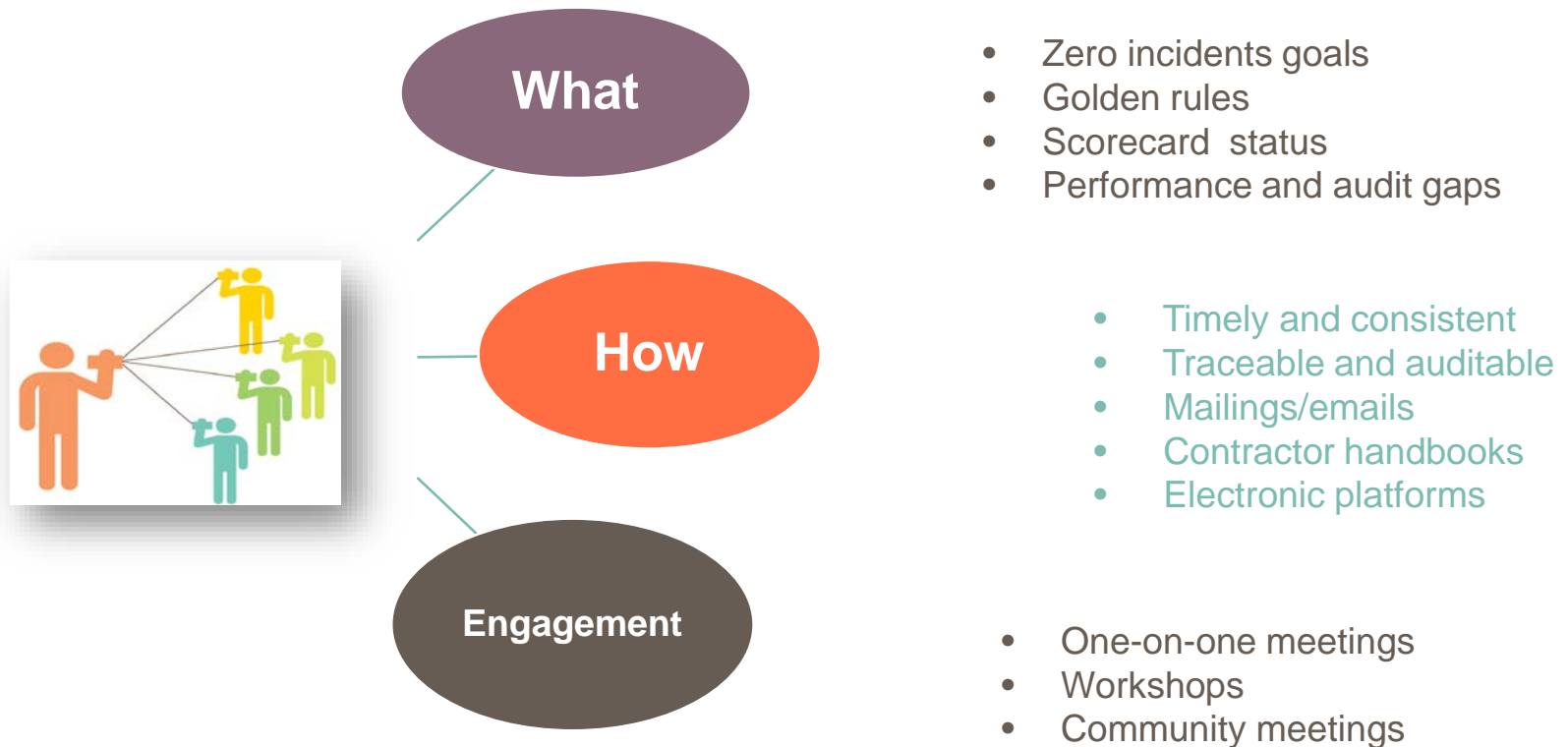


10 Strategic Elements

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 and an exit strategy
7. Address subcontractor management
8. Follow standardized and transparent guidelines
9. Are integrated with internal business processes
10. Leverage technology

1. Establish a Clear Communication Strategy

- A well thought out plan for both **internal** and **external** communication
 - 99%: U.S. enterprises in the Construction Industry with fewer than 100 employees. [US Census](#)



2. Designed to Measure Performance

- If it **matters, measure it**
- Use both lagging and leading metrics
- Examples of relevant performance data
 - Contractor work hours
 - Quarterly and annual incident rates
 - Post job evaluation feedback
 - Audit and Inspection action items
 - Status of certificates of insurance



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, Low
- Re-evaluate / adjust contractor risk periodically

3. Contractor Risk Matrix - Example

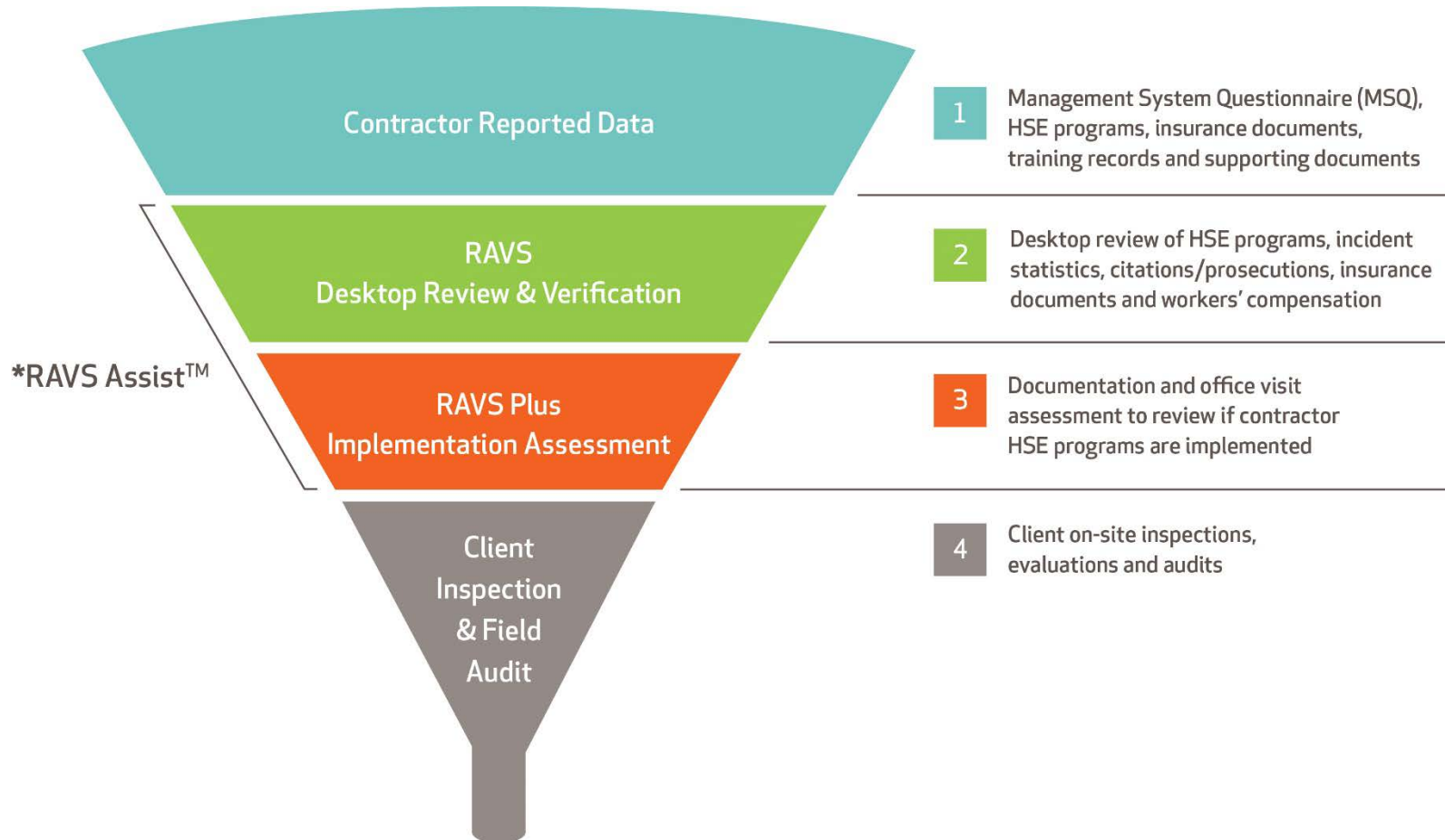
Risk Screening Matrix

Green – Job function/work location criteria **DO NOT FALL** into Contractor Management System (CMS)
Blue – Job function/work location criteria **DO FALL** into CMS

JOB FUNCTION				
rep. (Inspector, Consultant, etc)	Blue	Green	Blue	Blue
Manual labor	Green	Blue	Blue	Blue
Technician/ Supervisor	Green	Green	Blue	Blue
Clerical/ Administrative	Green	Green	Green	Blue
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

2.002 Blue template.ppt 7/19/2006 1

4. Utilize a Four-Step Due-Diligence Process



*RAVS Assist™: ISN provides resources and assistance to contractors for developing and implementing their HSE programs.

5. Maintain a Qualified Contractor List

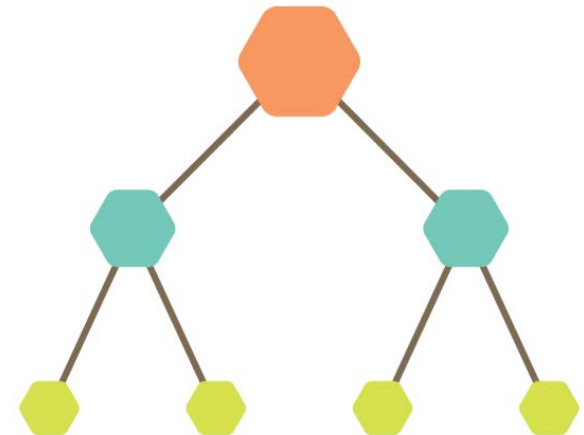
- Proactive, structured process for finding, qualifying, onboarding, monitoring, and terminating contractors
- Enhances procurement integrity
- Builds stronger and lasting partnerships with contractors

6. Establish Consequences and an Exit Strategy

- Establish, communicate and enforce consequences for non-compliant contractors
- Develop contracts and agreements carefully
- Eliminate time / effort required to manage bottom performers
- Fewer, better service providers

7. Address Subcontractor Management

- Contractors with logos you don't recognize on your jobsite?
- Subcontractors have a higher likelihood of incidents
- Best practice approaches:
 1. Subs qualified / monitored to same level of standards as general contractor
 2. General contractor required to demonstrate the same level of rigor for qualifying subs

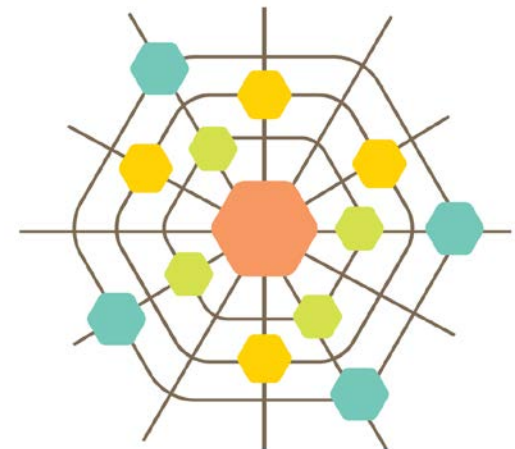


8. Follow Standardized and Transparent Guidelines

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

9. Integrate with Internal Business Processes

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



10. Leverage Technology

- Without technology / automation, contractor management can become laborious, inefficient and disorganized
- 59% of best-in-class organisations use technology to enhance HSE performance⁽²⁾
- Use of Internet and specialized management tools
 - Collect and share information in a secure and efficient environment
 - Reduce duplication and administrative cost



(2) <http://www.aberdeen.com/Aberdeen-Library/6991/RA-environment-health-safety.aspx>

Resource: White Paper on Best-in-Class Contractor Management



In Summary: Best-In-Class Contractor Management Systems:

- 1 Establish a clear communication strategy pg. 4
- 2 Measure performance pg. 8
- 3 Incorporate a risk-ranking process pg. 12
- 4 Follow a three step due-diligence process pg. 14
- 5 Maintain an approved contractor list pg. 18
- 6 Establish consequences and exit strategy pg. 20
- 7 Address subcontractor management pg. 22
- 8 Follow standardized guidelines pg. 24
- 9 Integrate with internal business processes pg. 26
- 10 Leverage technology pg. 28

This white paper is lead-authored by Dag Yonemo, ISN, with additional contribution from ISN's leadership team.

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Request Whitepaper at: <http://www.isnetwork.com/ContractorManagement>





ISN Process

ISNetwork Process – Collect. Verify. Connect.



1. Self-Reported Information



*Joe's
WELDING*

Levels of Information

- Company
- Project
- Individual



2. Verified Information

ISN Review & Verification Services (RAVS)

- Written Programs
- Injury & Illness Records
- Experience Modifier
- Citation/Prosecution Search
- Training
- Insurance
- Workers' Comp Clearance & Rates

Hiring Client

- Post Job Evaluation
- Field Feedback
- Working Relationship
- Competency Assessments
- Contracts/Agreements

3rd Party (Data Providers)

- On-Site Inspections
- D&A & Background Checks
- Operator Qualifications (OQ)
- Training



3. Configurable Hiring Client Grading



Status: A



Status: B



Weyerhaeuser

Status: B



Bristol-Myers Squibb

Status: A



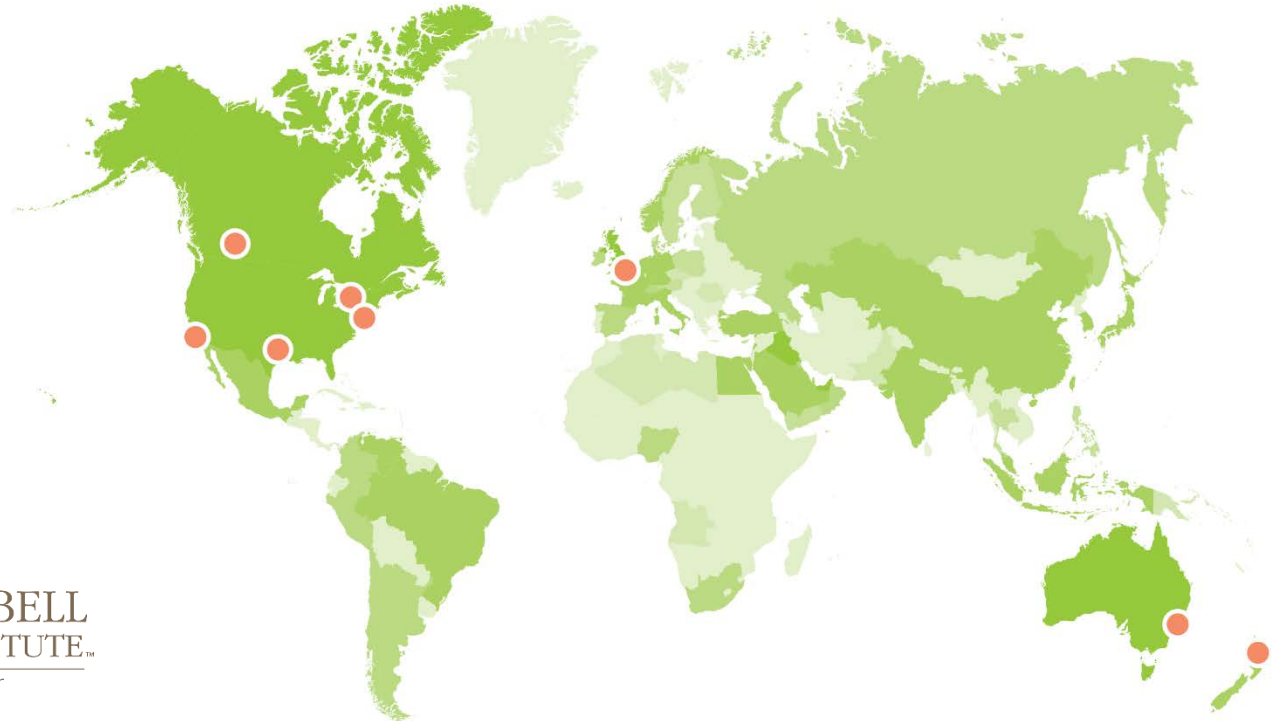
United States Steel Corporation

Status: A-Prequalified

ISN in Numbers

● ISN OFFICES ISN MATURE MARKETS ●●●●● ISN EMERGING MARKETS

Dallas • Calgary • Sydney • London • Los Angeles • New York • Toronto • Auckland



460+
Hiring Clients
Worldwide

60,000+
Contractors/
Suppliers

85+
Countries with
ISN Customers

475+
Employees

1,300+
Years of HSE and
Insurance/Risk
Management Experience



Contractor/Supplier Benefits



CONTRACTOR ASSISTANCE

Contractors stay informed with a To-Do List, email reminders, in-person meetings and unlimited, toll-free help desk support.



REVIEW AND VERIFICATION SERVICES (RAVS)

RAVS provides resources and informational videos to assist contractors in the development and implementation of effective health, safety, environmental and sustainability programs.



MARKETING EXPOSURE

Visibility to ISN's global Hiring Clients via a company profile that is searchable by fields such as work type and location.



BENCHMARKING

ISN publishes a collection of benchmarking publications that allow contractors to measure their health and safety data against their industry peers, gauge their performance and drive improvement.



QUESTIONNAIRE

A standard questionnaire reduces administrative burden by eliminating duplicative work.



INSURANCE AGENT/ BROKER TOOL

Provides a searchable database of registered insurance agents and brokers who can upload insurance and EMR documents directly into ISNworld on behalf of contractors.



ONLINE TRAINING TOOL

Site orientation/induction videos are posted to allow contractor employees to complete required training before starting a job, saving time and resources on-site.



SMARTLOG

A decision tree assists contractors with classifying incidents and near misses to create OSHA and incident forms.



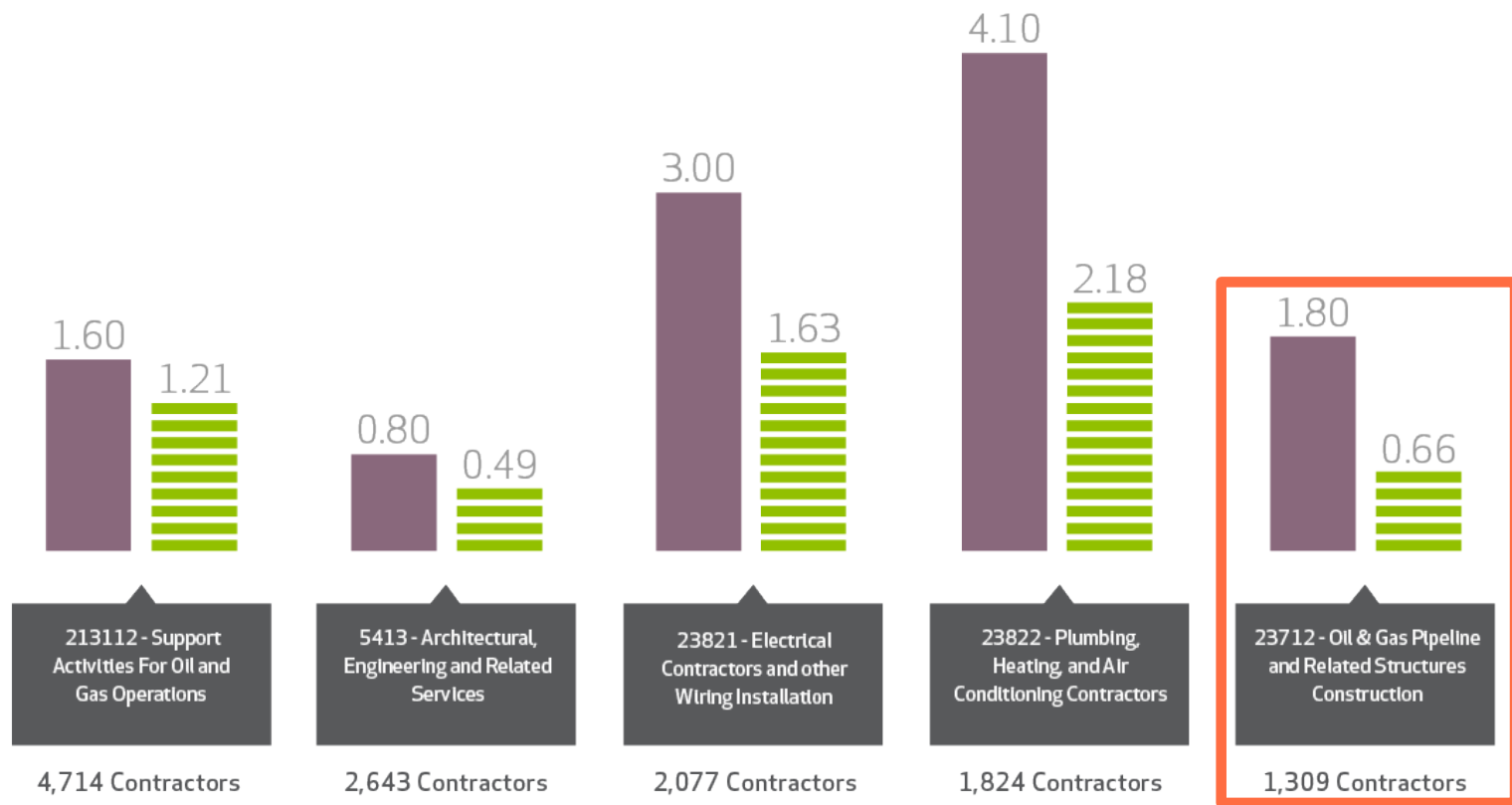
TRAINING MANAGER

A customizable tool that allows contractors to manage in-house training records specific to their company.

The Results

ISN US Contractors vs. BLS 2014 Nonfatal TRIR Rate Comparison

All Industries, Most Frequent NAICS Codes in ISN



■ 2014 BLS NONFATAL TRIR* ■■■■ 2014 ISN NONFATAL TRIR

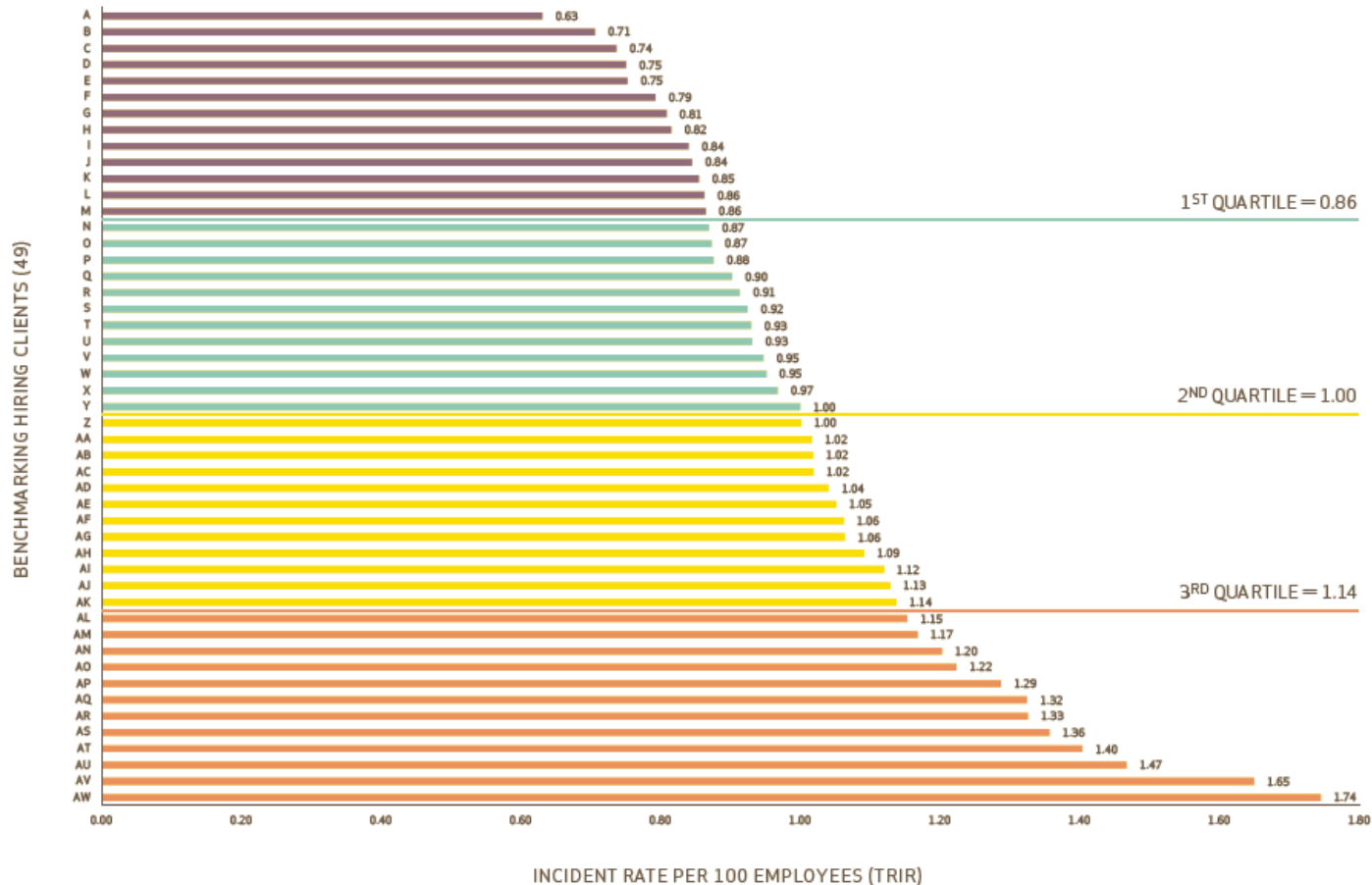
North American Industry Classification System (NAICS) Name and Number of Contractors/Suppliers

*Bureau of Labor Statistics for 2014: <http://www.bls.gov/iif/oshwc/osh/os/ostb4343.pdf>

2015 Peer Benchmarking Report – Hiring Clients

Section 3.1: Midstream Oil & Gas (Pipeline)

Total Recordable Incident Rate (TRIR)



The 2015 Benchmarking Report was created by ISNetwork to compare Pipeline Hiring Clients to their peer companies in the Midstream Oil & Gas (Pipeline) industry.

ISN Benchmarking Report – Contractors

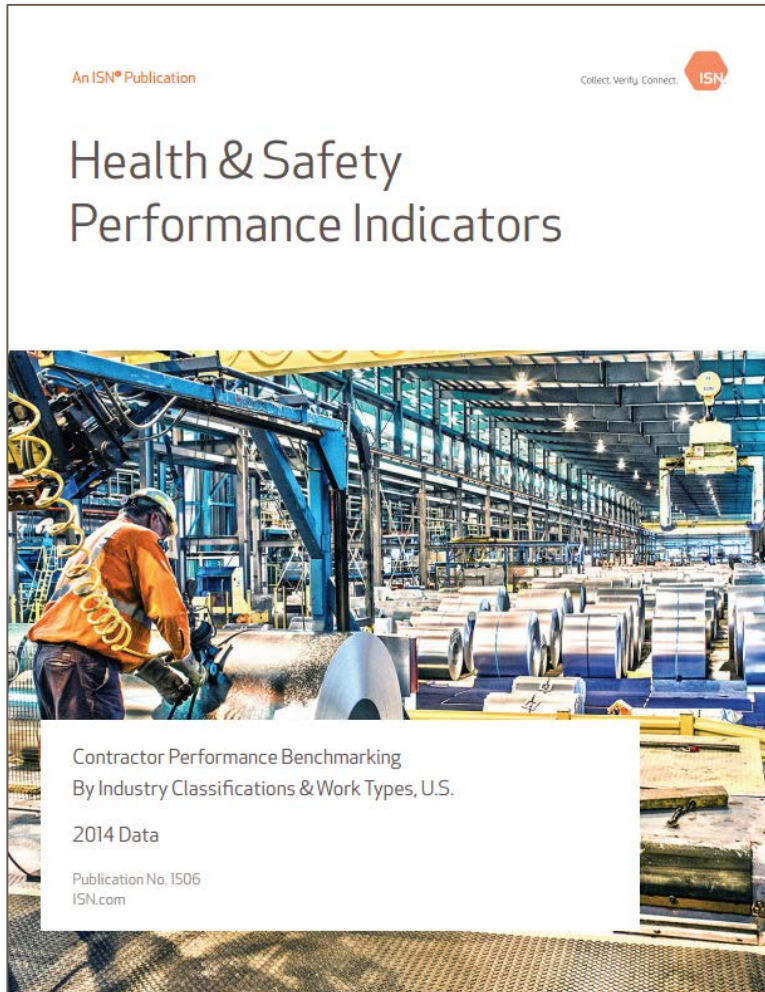


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Contractor Performance Benchmarking by Industry Classifications & Work Types, U.S., 2014 Data // Table of Contents

ISN.com

Contractor Performance Benchmarking





Operator Qualifications (OQ)

Operator Qualifications Process in ISNetwork

1. Hiring Client Determines OQ Covered Task List

Hiring Client: Determines acceptable qualifications and data providers



Task: Pipeline Repairs

- Hot Tapping
- Welding
- Installation
- Replacement

2. Contractor Inputs OQ Data Provider IDs

Contractor: Inputs employee data into ISNetwork

Data Provider: Sends employee qualifications to ISNetwork via automatic data feed



Qualification Methods

- Client Specific
- 3rd Party Data Providers

3. Hiring Client Monitors Compliance



Reporting Capabilities



Continuous Employee Evaluation



Notifications

Data Providers

Hiring Clients can use current data providers listed below or sponsor new data provider relationships.



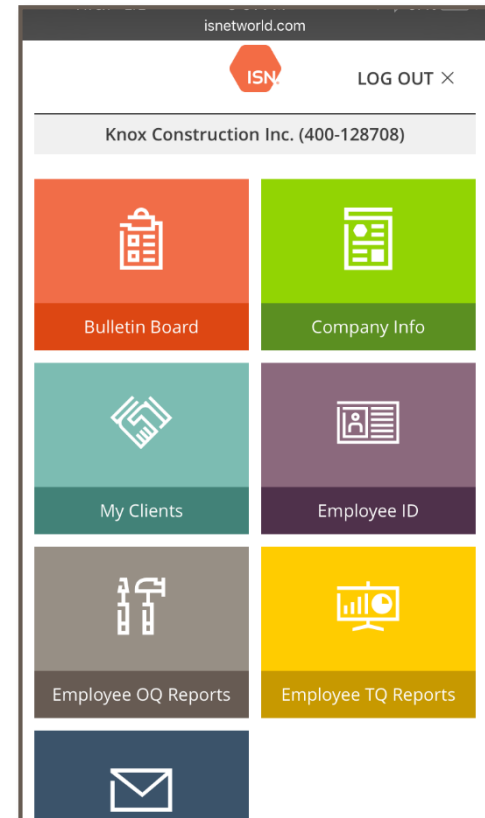
eWebQQ



Solar Turbines
A Caterpillar Company

Mobile Application

- Ability to quickly view/search for information on contractors, check ISN Messages, etc.
- ISN Mobile Tools:
 - Browse OQ Reports
 - Bulletin Board
 - Dashboard
 - Evaluation Reports
 - Messages
 - Contractor Search
 - QuickCheck





Quick Facts

Hiring Clients Using OQ

MIDSTREAM

- American Midstream Partners
- Belle Fourche
- BP Pipelines & Logistics
- Buckeye Partners, LP
- Castleton Commodities International, LLC
- Centurion Pipeline L.P.
- Chevron Pipe Line Company
- Colonial Pipeline Company
- Enbridge Gas Transportation
- Enbridge Pipelines Inc.
- Enterprise Products
- Explorer Pipeline
- ExxonMobil Pipeline Company
- Genesis Energy, L.P.
- Holly Energy Partners
- Kinder Morgan
- Koch Pipeline Company
- LOOP, LLC
- Magellan Midstream, LP
- Marathon Pipe Line LLC
- NuStar Energy, LP
- ONEOK NGL Pipeline
- ONEOK Services Company
- Phillips 66
- Plains All American Pipeline

- SemGroup Corp
- Shell Trading & Supply Americas/US Pipeline
- Summit Midstream Partners
- Sunoco Logistics Partners, LP
- Tallgrass Energy Partners
- Targa Resources
- TransMontaigne
- Williams
- Wolverine Pipe Line Company

REFINING

- CITGO Petroleum Corporation
- Flint Hills Resources
- CHS McPherson Refinery Inc./Jayhawk Pipeline
- Par Pacific Holdings
- PBF Energy
- Philadelphia Energy Solutions
- Tesoro Companies, Inc.
- Valero

CHEMICAL

- Celanese
- The Dow Chemical Company
- INEOS USA LLC
- LyondellBasell
- NOVA Chemicals Corporation
- TOTAL Petrochemicals & Refining USA, Inc.

UPSTREAM

- Aera Energy LLC
- Apache Corporation
- Blueknight Energy Partners, L.P.
- BP Exploration & Production
- Chevron E&P Co.
- Denbury Resources Inc.
- Devon Energy Corporation
- Halcón Resources Corporation
- Holly Energy Partners
- Kaiser-Francis Oil Company
- Marathon Oil
- Noble Energy
- OXY USA Inc.
- Samson Resources
- Southwestern Energy Company
- Stone Energy
- XTO Energy

UTILITIES/POWER GENERATION

- Atmos Energy Corporation
- CenterPoint Energy
- FortisAlberta Inc.
- Liberty Utilities
- NiSource Corporation
- Piedmont Natural Gas
- SourceGas Inc
- TECO Energy

OFFSHORE

- ConocoPhillips Company (Lower 48)
- Eni Petroleum
- Statoil

79

Number of ISN Hiring Clients Using OQ

2,312

Number of Contractor Companies Submitting OQ

134,550

Number of Individuals with at least 1 OQ Report Submitted

324,612

Number of Current OQ Reports Submitted

1.1 Billion +

Number of Qualifications Housed in ISN



ISN Events

2015 ISN CONNECT Conference Recap

April 2015 in Grapevine, Texas



CONNECT 2015

Keynote Address by President Bill Clinton

Founder of the Clinton Foundation &
42nd President of the United States



Topics of Focus

- ISN Functionality Enhancements
- Best Practices
- Networking
- Hands-on Training
- Help Desk
- Industry Breakouts
- Regulatory Updates
- Continuing Education Credits

35+

Breakout Sessions

85+

Speakers

2000+

Attendees



2016 Midstream Hiring Client Roundtable

Midstream Hiring Client Roundtable – May 25, 2016 in Houston, TX

- **General Session Topics**
 - ISN Updates and Functionality Enhancements
 - 2014 Benchmarking Report
 - Subcontractor Management Best Practices
- **Breakout Session Topics**
 - Operator Qualifications
 - PHMSA Update
 - Integration with Internal Systems
 - Industry Initiatives
 - Midstream Training Qualification Initiative
 - Field Audit Network

2014 Midstream HSE & OQ Attendance: 73 attendees from 42 companies

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