Contractor Management Systems Guideline

SAFETY SERVICES

THE SAFETY ASSOCIATION FOR THE OIL AND GAS INDUSTRY
ENDORSEMENT
This Guideline was developed by industry on behalf of industry. Enform gratefully acknowledges the support of the endorsing organizations in the development of the Contractor Management Systems Guideline:

CAGC  Canadian Association of Geophysical Contractors
CAODC Canadian Association of Oilwell Drilling Contractors
CAPP  Canadian Association of Petroleum Producers
CEPA  Canadian Energy Pipeline Association
PSAC  Petroleum Services Association of Canada
SEPAC Small Explorers and Producers Association of Canada

ABOUT ENFORM
Enform is the safety association for Canada’s upstream oil and gas industry. For almost 60 years, Enform has been proud to work with industry to build a safe, well-trained workforce. Our mandate is to develop safe work practices through a range of safety services and resources, including Industry Recommended Practices, safety alerts and updates, COR certification and Petroleum Safety Conferences. Our portfolio of more than 120 industry-leading training programs covers safety, operations, technology and environmental management. All Enform products and services are developed in consultation with Canada’s leading oil and gas industry trade associations.

AVAILABILITY
This document, as well as future revisions and additions, is available from:
Enform Canada
1538 - 25 Avenue NE
Calgary, AB T2E 8Y3
Phone: (403) 250-9606
Fax: (403) 291-9408
Website: www.enform.ca/publications

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The industry gratefully acknowledges the many individuals who volunteered their time and effort to complete this document, including the CAPP Contractor Management Task Group, who trusted Enform to complete this project.

DISCLAIMER
This document is intended to be flexible in application and provide guidance to users rather than act as a prescriptive solution. Recognizing that one solution is not appropriate for all users and situations, it presents generally-accepted guidelines that apply to all industry situations, as well as recommended practices that may suit a company’s particular needs. The Guideline is designed to provide a useful starting point for those seeking to establish a contractor management system. While we believe that the information contained herein is reliable under the conditions and subject to the limitations set out, Enform does not guarantee its accuracy. The use of this Guideline or any information contained will be at the user’s sole risk, regardless of any fault or negligence of Enform and the participating industry associations.

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Overview
Many companies hire other companies to perform services for them; even a small company may hire an accountant to file the annual tax return. In many cases, a company hires a contractor or service provider to perform a service that the company does not have the expertise or resources to perform. In those situations, the contractor or service provider hired is assuming the risks associated with the service. However; simply hiring a contractor to perform a service does not absolve the hiring company of the obligations to provide a healthy and safe place of work.

Why adopt a Contractor Management System?
Inefficient, incomplete or inconsistent contractor management practices greatly increase the risk of costly delays, mistakes, and hazards to health, safety, equipment and the environment. At worst, they can lead to serious injury or fatality of workers and an irrevocably damaged corporate reputation. This Guideline on Contractor Management Systems will help companies reduce their risks by hiring the right contractor or service provider to do the job with the right equipment and the right plan in place to ensure safe, efficient work practices. The Guideline on Contractor Management Systems applies to all types of projects undertaken by small and medium companies in the upstream oil and gas industry. Investing the time and effort required to adopt an industry consistent contactor management system makes good business sense.

What is the purpose of the Guideline?
This Guideline provides companies with information to develop a system to manage the risks associated with hiring contractors or service providers. This is especially true for the Canadian upstream oil and gas industry. A hiring company should review the contractor or service provider’s health and safety management system to determine if the contractor is qualified to perform the work. A hiring company and their contractor or service provider should define the roles and responsibilities, establish expectations and maintain communication throughout the working relationship. This Guideline describes six steps a hiring company can take to improve the efficiency and work relationship with the contractors and service providers they hire.

This Guideline has been developed to:

- Provide the Canadian Upstream Petroleum industry with an example of a contractor management system.
- Facilitate improved health and safety performance in the industry through a reduction in incidents causing injury and illness.
- Assisting the hiring companies and contractors or service providers in administering effective common business management systems.
- Assist contractors and service providers to develop and implement systems that are consistent with the hiring company’s requirements.
- Improve the communications between hiring companies, contractors and the service providers they hire.
- Align the process of hiring contractors and service providers so that it is compatible with other management systems used by hiring companies.
• Provide every contractor and service provider with a process-based contractor management practice aligned with a plan-do-check-act system that can result in continuous improved performance

Who should use the Guideline?
This Guideline is written for health and safety personnel tasked with facilitating cooperation on multiple employer work sites, procurement and purchasing personnel tasked with implementing an effective system to hire contractors or service providers, and managers required to monitor the performance of the contractors and service providers performing the contracted work. This Guideline is also written for auditors to act as a basis to develop a contractor management system audit.

What does the Guideline cover?
The main sections of the Guideline identify six steps a company may follow when hiring a contractor or service provider.

The contractor management system begins with defining the scope of work that a contractor or service provider will undertake. The second step establishes the expectations that the hiring company has of the contractor or service provider. The third step allows for potential contractors or service providers to submit information that a hiring company can review. A hiring company can then use the information provided to select and qualify the contractor or service provider best suited to perform the work.

The fourth step involves choosing and/or developing an appropriate agreement. A written agreement protects both the hiring company and contractor or service provider against potential liabilities. The fifth step guides the hiring company in the actions required to effectively manage the contractor or service provider at the work site. The sixth and final step in the process describes the importance of keeping records of contractor or service provider performance. The information on contractor performance acts as a record for due diligence and provides justification for the continued use of the contractor or service provider. Record keeping provides hiring companies with information that they can use to improve their management system and provide feedback to the contractor or service provider on how they can improve their performance.

Note: The terms “contractor” and “service provider” are used throughout this Guideline. For the purposes of this Guideline, steps, actions and responsibilities identified for the “contractor” may also be applied to a “service provider,” where relevant.
Figure 1: Contractor Management System

Contractor Management System
This diagram describes the major elements for a contractor management system. It is presented as a repeatable process to convey the concept of continuous improvement that should result from the adoption of this process. It should be noted that this is a suggested process only and should be modified to suit an individual company’s needs.
1 Step One: Define Scope of Work

1.1 Objective
The objective of this section is to provide guidance on defining the scope of work to be performed. It will also lay the groundwork for understanding the required qualifications and capabilities of the contractor or service provider who might be engaged to perform the work.

1.2 Why this is Important
A scope of work definition provides a clear understanding of the work to be performed. It also provides the basis to select and qualify the most appropriate contractor or service provider, have effective communications, and form a basis for due diligence.
1.3 **Key Step**

The key step in meeting this objective is to:

1. Develop an outline describing the scope of the work.

1.4 **Guideline for Completing Key Step**

1.4.1 **Develop an outline describing the scope of the work**

**Action:** Clearly describe the scope of the work using the following information:

- **Description of services/job to be performed**
- **Required ability of the contractor:** Will the contractor or service provider be required to do highly technical activities that require specialized skill and training, or will the activities be simple and routine, requiring generalized training, skills and competency?
- **Performance expectations of the contractor:** How is the contractor or service provider expected to perform and how is performance measured? Are there clear performance guidelines? (e.g. on time, on budget, compliance with legal requirements)
- **Timeframe for completing the work:** Can this work be completed in a few days or weeks, or will it extend into many months, requiring ongoing services? Contractor or service provider availability must be considered when defining the job scope.
- **Cost estimate:** Identify projected costs along with contingencies.
- **Level of risk associated with the work:** Is this high risk work that requires a contractor or service provider with specialized skills and training, or is it a low risk activity that can be handled by a general contractor? The ability of the contractor or service provider must be appropriate to the level of risk of the work.

1.5 **Action Work Sheet to Develop a Scope of Work**

In preparation for working with contracts, collect the following information. This will set the stage to begin the process for qualification and selection of the contractor or service provider and personnel to be assigned to the work.
<table>
<thead>
<tr>
<th>Action To Take</th>
<th>Work Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of job or services to be performed</td>
<td></td>
</tr>
<tr>
<td>Required ability of the contractor or service provider</td>
<td></td>
</tr>
<tr>
<td>Performance expectations of the contractor or service provider</td>
<td></td>
</tr>
<tr>
<td>Time frame</td>
<td></td>
</tr>
<tr>
<td>Cost estimate</td>
<td></td>
</tr>
<tr>
<td>Level of risk</td>
<td></td>
</tr>
</tbody>
</table>

The information gathered to determine the scope of work will be used in the next step when the hiring company refines the contractor or service provider expectations for the specific work or project.
2 Step Two: Establish Contractor Expectations

2.1 Objective

The objective of this section is to provide guidance on defining the expectations the hiring company has regarding potential contractors or service providers. This will help establish the requirements that are discussed during the pre-qualification and selection process. It will also help define the content of contracts and agreements that are developed.

2.2 Why this is Important

Defining the expectations a hiring company has of potential contractors or service providers is important because it helps to clearly identify the qualifications and capabilities they need to bring to the job. Having this information will facilitate the process of contractor or service provider pre-qualification and selection. Additionally, clearly defining the roles and responsibilities assigned to the contractor or service provider will allow a hiring company to describe and communicate those respective responsibilities in the contract to the contractor or service provider hired to do the work.
2.3 **Key Steps**

Key steps in meeting this objective include the following:

1. Understand the jurisdiction and work site
2. Define roles and responsibilities
3. Identify general expectations
4. Identify the risk exposure
5. Develop a list of key health, safety and environment risks
6. Identify key training and certification requirements
7. Define and communicate performance measures
8. Define the expected process for reporting/communicating information

2.4 **Guidelines for Completing Key Steps**

This section provides guidance for completing the above key steps.

2.4.1 **Understand the jurisdiction and work site**

**Action:** Determine the jurisdiction and work site. This will determine the regulatory and legal requirements of the work site. As well, every jurisdiction has particular requirements of what each workplace party is required to perform.

**Figure 2: Framework for Assessing Legal Responsibilities**

Ensure that all companies performing work are committed to, are aware of and follow all the applicable acts, regulations, codes, directives, and industry standards and guidelines established by the local, provincial and federal regulators.
2.4.2 Define roles and responsibilities

**Action:** Clearly define the assigned roles and responsibilities that both the contractor and the hiring company will assume during the execution of the work. Some examples include:

- Supervision
- Procedures
- Equipment
- Manpower
- Emergency response plans
- Supplies
- Training
- Quality control
- Reporting requirements

2.4.3 Identify general expectations

**Action:** Make a list of general expectations the hiring company has of the contractor or service provider hired. Consider including the following aspects:

- Local and/or First Nation/aboriginal considerations
- Equipment, materials and supplies
- Client-specific site access requirements
- Laws, rules and regulations
- Financial capacity to address potential liabilities
- Financial capacity to complete scope of work
- Intellectual property (i.e. ownership of ideas and concepts)
- Confidential information
- General liability insurance, Worker’s Compensation Board coverage, and any other necessary insurance
- Business license, provincial or federal taxation numbers
- Logistical support capacity (e.g. transportation)
- Key personnel
- Sub-contractor

2.4.4 Identify the risk exposures

**Action:** The hiring company responsible for the work to be completed should identify the risks and hazard exposures for all parties involved in the performance of the work. Make a list of the important business, quality, and health, safety or environmental risks that the hiring company expects a service provider or contractor to identify. Consider including the following items:

- Commitment to comply with applicable jurisdictional legislation, company, and site-specific health, safety and environmental rules and requirements.
• Knowledge and ability to establish working conditions consistent with known industry accepted practices (e.g. procedures, competencies, areas of expertise).
• Appropriate personal protective, safety and environmental equipment.
• Health, safety and environmental plans and procedures which are consistent with industry standards.
• Emergency response capabilities consistent with regulatory requirements, operator, and applicable industry standards.
• Health, safety and environmental performance (e.g. incident statistics and documentation).

2.4.5 Identify key training and certification requirements

**Action:** Make a list of the training and certification that the hiring company would expect any contractor or service provider to have, over and above those required by jurisdictional legislation. Consider including the following categories:

• Company orientation
• Requirement of compliance with known industry recommended practices
• Supervisor competency and training
• Safety training certifications (e.g. H₂S Alive, First Aid, Workplace Hazardous Materials Information System, Transportation of Dangerous Goods)
• Trade-specific training and certification (e.g. journeyman apprentice)
• Special certifications (e.g. scaffolding, welding, quality control certification)
• Task-specific training (e.g. confined space entry, fall protection, B.C. tree fellers)

2.4.6 Define process for reporting/communicating information

**Action:** Establish a process the contractor or service provider will use to report or communicate various types of information. The process should encourage accurate, open, honest, and timely communications flowing in both directions between the contractor or service provider and the hiring company. Consider including the following items:

• Routine communications (e.g. health, safety and environmental reporting)
• Meeting requirements (e.g. kick-off meeting, regular safety meetings, pre-job meetings, tailgate meetings, close-out meeting)
• Variance reporting (e.g. cost, schedule)
• Regulatory reporting
• Non-routine communication (e.g. emergency, upset conditions or incident reporting)
• Site management supervision
• Concurrent operations plans
## 2.5 Actions to Define Contractor Expectation

<table>
<thead>
<tr>
<th>Action to Take</th>
<th>Expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understand jurisdiction and work site</td>
<td></td>
</tr>
<tr>
<td>Define roles and responsibilities</td>
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<tr>
<td>Identify general expectations</td>
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</tr>
<tr>
<td>Identify the risk exposures</td>
<td></td>
</tr>
<tr>
<td>List key health, safety and environmental qualifications</td>
<td></td>
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<tr>
<td>Identify key training and certification requirements</td>
<td></td>
</tr>
<tr>
<td>Define and communicate performance measures</td>
<td></td>
</tr>
<tr>
<td>Define expected process for communicating information</td>
<td></td>
</tr>
</tbody>
</table>
3 Step Three: Conduct Contractor Pre-Qualification and Selection

6. Keep Records and Exercise Due Diligence

1. Define Scope of Work

Pre-Contract

2. Establish Contractor Expectations

Act

Plan

Check

Do

5. Manage the Contractor

Create Contract

4. Choose and Develop the Appropriate Agreement

Measure Contract

3. Conduct Contractor Pre-Qualification and Selection

3.1 Objective

The objective of this section is to assess a potential contractor or service provider against a variety of criteria during the pre-qualification and selection process to ensure that they can meet the hiring company's standards for performance (e.g. expertise, job quality, availability, risk assessment, audits, and references). This will provide a clear understanding of a potential contractor's capabilities and past performance.

3.2 Why this is Important

Conducting pre-qualification for performance criteria prior to the bidding process ensures that workers are protected, by selecting only those contractors who meet acceptable standards. The information drawn from the results of the questionnaires, the scores from evaluations of technical capabilities, and bid price provide an overall measure of the contractor or service provider involved in the selection process. The most important criteria to measure are the quality of the contractor's management systems and the contractor's knowledge in managing potential risks involved in the work. This is an important component in fulfilling the due diligence requirements in the federal and provincial legislation.
3.3 **Key Steps**

Key steps in meeting this objective include the following:

1. Review the contractor or service provider’s workforce capabilities, certifications, and qualifications.
2. Evaluate the contractor or service provider’s performance (conduct interviews and reference checks).
3. Determine the contractor or service provider’s ability to meet performance expectations.
4. Prepare a risk management plan to address contractor or service provider deficiencies.

3.4 **Guidelines for Completing Key Steps**

This section provides guidance for completing the key steps presented above.

3.4.1 **Review contractor’s workforce capabilities, certifications and qualifications**

**Action:** Request that the contractor or service provider, provide a written description of their company including its general activities, areas of expertise, length of time in the business, personnel, and experience in the oil and gas industry.

3.4.2 **Evaluate the contractor’s performance**

**Action:** Ask the contractor or service provider to provide relevant information that can be used to evaluate performance with respect to:

a) Insurance (e.g. liability, Worker’s Compensation Board, automobile)
b) Engineering standards
c) Emergency preparedness
d) Use of management systems
e) Health, safety and environmental statistics
f) Hazard assessment process
g) Previous audits
h) Quality control certification

3.4.3 **Determine contractor’s ability to meet performance expectations**

**Action:** Ask the contractor or service provider to provide the following information as part of the bid package:

- Evidence that the contractor or service provider has the appropriate personnel and resources available to complete the proposed work within the timeframe established by your company.
- Information on how the contractor or service provider typically addresses the assessment and management of risk. The response should include information on identifying, prioritizing and managing risks especially those types of risk inherent to the work under consideration.
- A description of the hazards and conditions the contractor or service provider would expect to encounter on the job.
- A description of the process the contractor or service provider would take to eliminate or reduce the expected hazards.
- A list of hazardous materials that may be introduced by the contractor or service provider at the work site.
- A statement of commitment that the contractor or service provider will comply with applicable regulatory requirements and conditions of the jurisdiction in which the work will be performed.
- Commitments regarding participation in pre-job meetings and site orientations.
- Commitments for ongoing communication during the project concerning hazards identified, site inspections, incidents, and other health, safety and environmental issues.
- Processes for reporting and investigating any incidents that may occur.
- Validate the contractor or service provider’s ability to successfully complete the work.

3.4.4 Prepare a risk management plan to address contractor deficiencies

**Action:** For those contractors or service providers who meet most screening criteria but require improvement in some areas of risk management, develop a policy and a plan to identify where and how improvements can be made. Deliver the plan to the proposed contractor or service provider and discuss implementation of identified improvements.
3.5 Actions for Contractor Pre-qualification and Selection

<table>
<thead>
<tr>
<th>Actions to Take</th>
<th>Prequalification and Selection Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review contractor or service provider:</td>
<td></td>
</tr>
<tr>
<td>• Workforce capabilities</td>
<td></td>
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<tr>
<td>• Certifications</td>
<td></td>
</tr>
<tr>
<td>• Qualifications</td>
<td></td>
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<tr>
<td>Evaluate contractor or service providers performance – review contractor information regarding:</td>
<td></td>
</tr>
<tr>
<td>• Insurance</td>
<td></td>
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<tr>
<td>• Engineering standards</td>
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<tr>
<td>• Emergency preparedness</td>
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<td>• Management systems</td>
<td></td>
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<tr>
<td>• Statistics</td>
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<tr>
<td>• Hazard assessment process</td>
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<tr>
<td>• Previous audits</td>
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<tr>
<td>• Quality control</td>
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<tr>
<td>Determine contractor or service provider’s ability to meet performance expectations</td>
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<tr>
<td>Prepare a risk mitigation plan to address contractor or service provider deficiencies</td>
<td></td>
</tr>
</tbody>
</table>
4 Step Four: Choose and Develop the Appropriate Agreement

4.1 Objective

The objective of this section is to provide guidance on choosing the most appropriate contract, agreement, or relationship for working with the selected contractor or service provider. This step will assist the hiring company in developing the most appropriate approach to creating legally binding expectations. There are many ways to capture the expectations for contractor or service provider performance. Each hiring company should determine what is appropriate for its own operations.

This section also provides guidance for developing a requirements section of the agreement that outlines the hiring company’s expectations of the contractor or service provider.
4.2 Why this is Important

There are many different types of agreements that might be put in place for a specific job. These range from very simple agreements that might be used for short-term, non-technical, low risk jobs, to very complex contracts that would be used for multi-year arrangements for major high risk projects. Understanding the types of agreement that might be selected for specific types of work will enhance the hiring company’s ability to select agreements that work best for each individual project.

The importance of including all of the hiring company’s expectations in an explicit way cannot be over-emphasized. Clarity of expectation can also support the demonstration of due diligence. It is important to think carefully about all requirements that the contractor or service provider is to meet and ensure that they are included within the agreement.

4.3 Key Steps

Key steps in choosing and considering the form and content of any agreement include the following:

1. Consider the appropriate agreement relative to the requirements
2. Understand the types of agreements available for dealing with contractors or service providers
3. Define the specific content that will be included in the contract
4. Develop the agreement

4.4 Guidelines for Completing Key Steps

4.4.1 Consider the appropriate agreement relative to requirements

**Actions:** Be aware that whatever type of agreement is selected, you should do the following:

- Consider if the agreement will be stand alone or become part of another contract.
- Consider how the requirements in the contract will be managed.
- Consider the purpose of the agreement in consultation with the contractor to ensure long-term support of the agreement.
- Consider priorities in relation to other technical and business components of the agreement.
- Consider how authority and responsibilities assigned to contractors or service providers under agreements fit with the hiring company’s overall management.
- Consider that this contract will be binding to both parties.
- Consider obtaining a stakeholder and legal review of the agreement.
### 4.4.2 Choose Appropriate Agreement

**Action:** Choose the most appropriate type of agreement to use for the contracted work.

#### Table 1: Types of Agreements

<table>
<thead>
<tr>
<th>Type of Agreement</th>
<th>Description</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
</table>
| Simple Request for Service | In this case, there is no written agreement and the contract is based on verbal commitments to undertake the work. This is obviously the easiest type of agreement to implement, but also offers the least protection to both the operating company and to the contractor. An example of this type of agreement is an emergency request for services when time is at a premium. | Fast and easy to implement          | Terms and conditions not clearly stated  
May be difficult to enforce legally                |
| Master Services Agreement  | The purpose of a Master Services Agreement (MSA) is to streamline contract negotiations between companies and contractors. It defines the general relationship between a company and a contractor. It establishes a framework for implementation of more specific purchase or work orders to be implemented. | Detailed document  
Clearly defines relationship between operator and contractor | May be too detailed for scope of work  
Long period of negotiation                  |
<table>
<thead>
<tr>
<th>Type of Agreement</th>
<th>Description</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase/Work Orders</td>
<td>A purchase or work order is a specific agreement entered into by a company and a contractor. It normally includes specific requirements such as equipment schedules, rate schedules, location and work site descriptions or other attachments that the contractor and operator agree to include as part of the work order.</td>
<td>Easy to implement</td>
<td>These agreements are often not filled out completely</td>
</tr>
<tr>
<td>Service Agreements</td>
<td>Service Agreements are negotiated agreements that define a common understanding about services, priorities and responsibilities. They normally include information on service elements and management elements.</td>
<td>Detailed document</td>
<td>May be too detailed for scope of work</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Clearly defines relationship between operator and contractor</td>
<td>Long period of negotiation</td>
</tr>
<tr>
<td>Alliances/Partnerships/Joint Venture Agreements</td>
<td>An alliance or partnership is an agreement where two parties form a business relationship suitable for a single project or purpose, capital contribution, schedule and structure.</td>
<td>Detailed document</td>
<td>May be too detailed for scope of work</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Clearly defines relationship between operator and contractor</td>
<td>Long period of negotiation</td>
</tr>
</tbody>
</table>
4.4.3 Types of Agreement

Agreements used in this industry include but are not limited to:

- Design Based Memorandum (DBM)
- Simple Request/Dispatch Request
- Performance Technical Agreement (PTA)
- Consulting Services Agreement (CSA)
- Service Level Agreement (SLA)
- Personal Services Agreement (PSA)
- Contract Operating Agreement
- Master Engineering Services Agreement (MESA)
- CAPP/CAODC Master Day Work and Master Well Servicing Contracts
- PSAC Master Agreement
- CAGC Basic Agreement
- CAGC Guarantee and Postponement,
- CAGC General Services Agreement

4.4.4 Define the specific content that will be included in an agreement

**Actions:** Regardless of the type of agreement that is selected, consider the criteria that will be included. These could include some or all of the following:

- Definitions
- Contracting Procedure
- Supply of / Provision of Equipment, Materials, Supplies and Services
- Drilling / Servicing Methods and Practices
- Reports to be Furnished by the Contractor
- Early Termination of Services and Contractor Compensation
- Take Over
- Payments to Contractor
- Allocation of Risk and Liability/ Risk and Loss Indemnity
- Insurance
- Assessments, Liens and Third Party Charges, Withholding Payment, Deductions and Set Off
- Laws, Rules and Regulations
- Force Majeure
- Intellectual Property, Patents, Licenses
- Confidential Information
- Term
- Audit
- Applicable Law
- Exhibits/ Schedules:
  - Equipment to be Provided by the Contractor
  - Safety and Performance Summary
  - Equipment to be provided by the Designated Party
• Camp and Crew Facilities to be Provided by Designated Party
• Additional Insurance Coverage
• Compensation
• Special Provisions
• Designated Representatives

4.4.5 Develop an agreement

A valid agreement must have the following four components:
• An agreement of offer and acceptance
• An exchange of value by both parties
• A legal ability to contract (i.e. authority, age)
• Purpose (legal agreement to do or not do an action)

4.4.6 Define general roles and responsibilities

Action: Clearly define in the contract the roles and responsibilities that all parties will have during the execution of the work.

4.4.7 Identify general expectations

Action: Identify the expectations of both parties regarding the completion of the contracted work, project or tasks.

4.4.8 In the agreement provide clear health, safety and environmental responsibilities for both parties

Action: Consider the following standard clauses in the agreement. The contractor or service provider’s health, safety and environmental responsibilities may include as a minimum the following:

• A requirement to comply with occupational health and safety laws and industry standards – spell out whose safety policies will be followed for the work being done (hiring company or contractor).
• Every employer and service provider has the responsibility to ensure the health and safety of workers present on the work site.
• A requirement to have the hiring company’s permission prior to the hiring of subcontractors.
• A contractor or service provider must ensure all of their employees are aware of their responsibilities according to applicable jurisdiction.
• A requirement for the contractor or service provider to indemnify (reimburse) the hiring company for any and all costs related to a safety violation caused by the contractor or service provider.
• A requirement to cooperate in the event of an incident.
• Responsibilities related to multi-employer or multi-contractor scenarios on the work sites.
• The hiring company and contractor or service provider must ensure that there is a process in place to provide adequate supervision of the work site.
• The need to provide written work instructions and guidance documents on site.
• Both parties are responsible to ensure that current assessments, checklists and procedures are available for all critical tasks.
• Any party who has equipment under their control that is hazardous to other workers is obligated to immediately implement appropriate hazard controls.
• The hiring company and contractor or service provider must have in place a right to refuse unsafe work processes according to the applicable jurisdiction.
• Emergency response plans must be defined according to applicable jurisdiction.

4.4.9 Include any certification and training requirements

Action: Include a list of any specific training and certification you would expect a contractor or service provider to have and any ongoing training requirements in the contract.

4.5 Actions to Implement an Appropriate Agreement

<table>
<thead>
<tr>
<th>Action to Take</th>
<th>Appropriate Agreement Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consider the appropriate agreement relative to requirements</td>
<td></td>
</tr>
<tr>
<td>Choose the most appropriate type of agreement</td>
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</tr>
<tr>
<td>Define the specific content to include in the agreement</td>
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<tr>
<td>Develop an agreement, include:</td>
<td></td>
</tr>
<tr>
<td>• General roles and responsibilities</td>
<td></td>
</tr>
<tr>
<td>• Expectations</td>
<td></td>
</tr>
<tr>
<td>• Provide clear responsibilities for both parties</td>
<td></td>
</tr>
<tr>
<td>• Include any certification and training requirements</td>
<td></td>
</tr>
</tbody>
</table>
5 Step Five: Manage the Contractor

5.1 Objective
The objective of this section is to provide guidance for hiring company representatives interacting with contractors and service providers on work sites. This section covers everything from initial on-site orientations and monitoring contractor or service provider performance to taking steps for improving performance. Consider the actions based on the complexity of the contract.

5.2 Why this is Important
This is probably the most important part of contractor management, because this is the point where a hiring company’s expectations and the contractor or service provider’s ability to meet those expectations become reality. It is important to work with the contractor or service provider to ensure that expectations are met. This includes everything from conducting facility and site orientations, to monitoring performance, to performance reviews. If all steps are carried out effectively, the contractor or service provider will be more likely to meet or exceed expectations. It is very important to provide mechanisms for two-way communication between the hiring company and the contractor or service provider.
5.3 Key Steps

Key steps in meeting this objective include the following:

1. Determine supervisor’s responsibilities and communicate who is in charge
2. Define requirements for orientations
3. Conduct site-specific orientations
4. Monitor the contractor through:
   a) Routine inspections of contractor performance
   b) Evaluations
   c) Formal audits of the contractor’s health, safety and environmental management system
5. Conduct performance reviews and provide feedback

5.4 Guidelines for Completing Key Steps

5.4.1 Designate the supervisor and assign responsibility

**Action:** Refer to the industry *Supervisor Competency Guideline* available from Enform.

5.4.2 Define requirements for orientations

**Action:** There is a legal requirement to communicate working conditions and hazards on-site. Take the following actions to establish an orientation process on all work sites:

- Advise all contractors and service providers that they must participate in a site-specific orientation session that includes job scope and hazard identification prior to commencing work at the job site.
- Ensure that the orientation contains:
  - Company specific information
  - Site-specific information
  - Required permitting processes
- Ensure the orientation includes information on the hiring company’s health, safety and environmental management system, its rules and expectations, specific procedures that the contractor must follow, emergency response plans, and the specific hazards of the work site.
- Site-specific information must be relevant to the conditions at the work location.
5.4.3 Conduct site-specific orientations

**Action:** Conduct site specific orientations that are effective. The following list provides points for effective orientation on a work site:

- Arrange to have orientations conducted by competent individuals.
- Use two-way communication and gather feedback in the course of on-site orientations to ensure information is understood and agreed upon.
- Schedule site-specific orientations for the first day a new individual joins the work site.
- Have all workers sign an acknowledgement form at the conclusion of the orientation or require the contractor or service provider to sign the pre-job or tailgate meeting form.
- Provide a copy of the signed form (i.e. orientation, pre-job or tailgate) to the contractor or service provider and file the original.
- Suggest that the individual carry the signed acknowledgement at all times on hiring company work sites (e.g. as a wallet card).
- Conduct additional site-specific orientations as required (i.e. as conditions or tasks change).

5.4.4 Monitor performance to expectations

**Action:** Where appropriate consider conducting the following:

a) **Formal inspections of the work site, and/or**

**Action:** Identify the types and frequency of inspections required to effectively monitor the implementation of the contractor or service provider’s various management systems and the contractor or service provider’s performance.

- Develop schedules for conducting inspections and review the schedule with the contractor or service providers.
- Clearly define the inspection criteria that will be used during inspections.
- Ensure that inspectors are competent.
- Use a checklist to ensure consistency from inspection to inspection.
- Ensure that all inspections are clearly documented.
- Develop a process to stop work and take action to deal with hazardous non-compliance issues (e.g. unsafe behaviours, unsafe practices, unsafe equipment, and situations hazardous to health or safety).
- Do not authorize a return to work until the high-hazard issues have been corrected.
- Include a process to take action when contractor non-compliance issues are identified.
- Ensure that the contractor or service provider immediately develops and submits a plan for dealing with non-compliance issues.
- Discuss the plan for correcting non-compliance issues.
b) Conduct informal on site evaluations, and/or

**Action:** On a regular basis, visit the work site and conduct informal evaluations:

- Ad hoc inspections
- Observations
- Hazard identification
- Project status meetings
- Unscheduled inspections
- Quality control checks
- Enforcement activities

**c) Assess contractors’ on site program implementation**

**Action:** Conduct audits of the contractor or service provider’s health, safety and environment programs. In developing these audit programs, consider the following:

- Audit contractor or service provider programs to ensure effective implementation and to identify areas requiring improvement.
- Evaluate performance at the end of short-term contracts or on a regular basis for contractors and service providers who are contracted for longer periods.
- Identify areas where poor performance has occurred.
- Identify areas where actions can be taken to improve performance of the contractor or service provider.
- Discuss assessment results with the contractor or service provider and request that they develop action plans to implement recommendations resulting from the assessment.
- Ensure that the results of assessments and audits are available for consideration in subsequent audit processes.

5.4.5 **Assess performance and provide feedback**

**Action:** Use information gathered during inspections, evaluations and audits to assess performance. Consider the following steps at the end of contracts or at significant points during the contract:

- Ensure non-compliance issues (regulatory and contractual) identified during inspections and audits are discussed as a priority.
- Discuss additional recommendations resulting from inspections and audits with the contractor or service provider.
- Identify areas where all parties can work together to improve performance during the continuation of the contract, or on the next contract.
- Discuss and develop an action plan for dealing with any identified deficiencies.
- Document and monitor the implementation of the action plan to ensure that recommendations are effectively put in place.
5.4.6 Track performance assessments

**Action:** Track performance assessments to ensure consistent communication and ongoing improvement:

- Develop tools for documenting and tracking the performance of contractors or service providers (e.g. spreadsheets and databases designed to effectively document and track trends).
- Compare collected information to established benchmarks, targets or goals for contractor or service provider performance.
- Ensure the collected information is discussed with the contractor or service provider and used as the basis for improving performance.
- Develop and implement a process for implementing corrective actions.
- Provide a means for both parties to communicate and resolve issues that cannot be resolved on-site.
### 5.5 Actions to Manage Contractors

<table>
<thead>
<tr>
<th>Actions to take</th>
<th>Managing Contractors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify the supervisor</td>
<td></td>
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<tr>
<td>Define orientation requirements</td>
<td></td>
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<tr>
<td>Conduct site specific orientations</td>
<td></td>
</tr>
<tr>
<td>Conduct formal work site inspections</td>
<td></td>
</tr>
<tr>
<td>Conduct informal work site evaluations</td>
<td></td>
</tr>
<tr>
<td>Assess on site implementation of health, safety and environment programs</td>
<td></td>
</tr>
<tr>
<td>Assess performance and provide feedback</td>
<td></td>
</tr>
<tr>
<td>Track performance assessments</td>
<td></td>
</tr>
</tbody>
</table>
6 Step Six Keep Records and Exercise Due Diligence

6.1 Objective
The objective of this section is to provide guidance on the long-term management of contractor or service provider performance, to stress the importance of developing a record keeping process and to exercise due diligence.

6.2 Why this is Important
Developing a record keeping process and maintaining records over time is an important step in exercising due diligence and remaining compliant with regulatory requirements. Furthermore, by keeping accurate records of contractor or service provider performance and feeding that information into a hiring company’s contractor management system supports the process of continuous improvement. As data on specific contractors or service providers increases, managers will actively use it to improve the processes of contractor or service provider selection and performance management.
6.3 Key Steps

Key steps in meeting this objective include the following:

1. Develop a process for keeping records
2. Exercise due diligence

6.4 Guidelines for Completing Key Steps

6.4.1 Develop a process for keeping records

**Action:** To ensure proper records are kept, consider the following steps:

- Develop a document management process for completed inspections and audits.
- Regularly review and update the documentation process.
- Develop a filing system that allows for easy retrieval of performance data.
- Ensure that employees responsible for hiring contractors or service providers know they are expected to consult performance data in the selection and qualification of contractors or service providers.
- Remove from the approved list contractors or service providers who are not recommended for rehire.
- Provide contractors or service providers with a report on their performance.

6.4.2 Exercise due diligence

**Action:** Keeping records may help to demonstrate due diligence. The following documents can be used to demonstrate due diligence:

- Accurate records, including at minimum:
  - Contracts, agreements, schedules
  - Record of Enforcement
  - Hazard identification
  - Workers’ Compensation Board and other insurance maintained by the contractor
  - Competencies and certifications
  - Documented performance reviews (i.e. audits and inspections)
  - Safety data and reports
  - Incident reports and data
  - Safety meetings
### 6.5 Actions to Prove Exercise of Due Diligence

<table>
<thead>
<tr>
<th>Actions</th>
<th>Documents and Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop a process for keeping records</td>
<td></td>
</tr>
<tr>
<td>Keep accurate records of:</td>
<td></td>
</tr>
<tr>
<td>• Contracts</td>
<td></td>
</tr>
<tr>
<td>• Enforcement</td>
<td></td>
</tr>
<tr>
<td>• Hazard identification and control</td>
<td></td>
</tr>
<tr>
<td>• Insurance</td>
<td></td>
</tr>
<tr>
<td>• Certification and competencies</td>
<td></td>
</tr>
<tr>
<td>• Audits and inspections</td>
<td></td>
</tr>
<tr>
<td>• Incident reports and investigations</td>
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<tr>
<td>• Safety meetings</td>
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</tbody>
</table>
Appendix 1: List of Tools to Assist in Implementation

These tools are available to download and customize in Microsoft Word format at http://www.enform.ca/companies/resources_tools/ under Guideline on Contractor Management Systems.

7.1 Step 1: Scope of Work

- Contractor Management System Document Table
- Sample Contractor Management Policy
- Contractor Procurement Guideline
- COAA Contractors Health and Safety Management Process Overview
- Vendor Accountability Process
- Risk Matrix
- Contractor Screening Criteria
- Safety Specification for Integrity Critical Services

7.2 Step 2: Establishing Contractor Expectations

- Project Manager Qualifications
- Project Manager Specifications
- Client Representative Qualifications
- Pre-job Safety Meeting Minutes Template

7.3 Step 3: Conducting Contractor Pre-Qualification and Selection

- Contractor EH&S Pre-Qualification
- Contractor Safety Evaluation Checklist
- Contractor Safety Performance Assessment
- Contractor Mitigation Plan
- Vendor Pre-qualification Form

7.4 Step 4: Choosing and Developing the Appropriate Agreement

- Instructions for MSSA
- Master Service and Supply Agreement (MSSA)
- Safe Work Agreement
7.5 Step 5: Managing Contractors

- Contractor EHS Performance Evaluation
- General Safety Orientation for Contractors
- Contractor Safety Verification
- Contractor Post Job Evaluation Form
- Contractor Review Form
- Behavioural Observation Sheet
- Contractor Job Evaluation Worksheet
- Project Site Hazard Assessment
- HSE Orientation Checklist
- Contractor EH&S Performance Evaluation Form
- Project Pre-Startup Inspection
- Job Observation Checklist
- Contractor Environment, Health and Safety Evaluation Checklist
- Handover/Turnover Site Conditions/Inspection Report
- Safety Meeting Record
- Work Site Use Agreement
- Safe Work Permit
- Safety Meeting Guidance
- Assessing Consequences for Contractor Safety Performance

7.6 Step 6: Keeping Records and Exercising Due Diligence

- Training /Competency Record – Drilling
## Appendix 2: Definitions

### 7.7 Table 2: Legal Definitions

<table>
<thead>
<tr>
<th>Definition</th>
<th>British Columbia</th>
<th>Alberta</th>
<th>Saskatchewan</th>
<th>Canada Labour Code, Part II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractor</td>
<td>No definition</td>
<td>1(b) “contractor” means a person, partnership or group of persons who, through a contract or agreement or ownership, directs the activities of one or more employers involved in work at the work site</td>
<td>2(1)(d) “contractor” means a person who, or a partnership or group of persons that, pursuant to one or more contracts, directs the activities of one or more employers or self-employed persons involved in the work at the place of employment</td>
<td>No definition</td>
</tr>
<tr>
<td>Employer</td>
<td>s. 1 “employer” includes every person having in their service under a contract of hiring or apprenticeship, written or oral, express or implied, a person engaged in work in or about an industry</td>
<td>s. 1 (k) “employer” means (i) a person who is self-employed in an occupation, (ii) a person who employs one or more workers, (iii) a person designated by an employer as the employer’s representative, or (iv) a director or officer of a corporation who oversees the occupational health and safety of the workers employed by the corporation</td>
<td>2(1)(i) “employer” means a person, firm, association, or body that has, in connection with the operation of a place of employment, one or more workers in the service of the person, firm, association or body</td>
<td>s122(1) “employer” means a person who employs one or more employees and includes an employers’ organization and any person who acts on behalf of an employer</td>
</tr>
</tbody>
</table>

s106 “employer” means

a) An employer as defined in section 1,
b) A person who is deemed to be an employer under Part 1 of the regulations,
c) The owner and the master of the fishing vessel for which there is a crew to whom Part 1 applies as if the crew were workers.
<table>
<thead>
<tr>
<th>Definition</th>
<th>British Columbia</th>
<th>Alberta</th>
<th>Saskatchewan</th>
<th>Canada Labour Code, Part II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prime Contractor</td>
<td>s. 106 &quot;prime contractor&quot; means the prime contractor for a workplace within the meaning of section 118</td>
<td>s. 1 (x) The prime contractor means for a work site referred to in section 3</td>
<td>No definition</td>
<td>No definition</td>
</tr>
<tr>
<td></td>
<td>s. 118: &quot;prime contractor&quot; means, in relation to a multiple employer workplace,</td>
<td>3(1) every work site must have a prime contractor if there are 2 or more employers involved in the work at the work site at the same time.</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>a) The directing contractor, employer or other person who enters into a written agreement with the owner of that workplace to be the prime contractor for the purposes of this Part or,</td>
<td>(2) the prime contractor for the work site is</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>b) If there is no agreement referred to in paragraph (a), the owner of the workplace</td>
<td>(a) the contractor, employer or other person who enters into an agreement with the owner of the work site to be the prime contractor, or</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(b) if no agreement has been made or if no agreement is in force, the owner of the work site</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner</td>
<td>s. 106 &quot;owner&quot; includes</td>
<td>s. 1(v) &quot;owner&quot; in respect of a work site means the person in legal possession of the work site or, if the person in legal possession does not request the work, the person with an ownership interest in the work site who requests that the work be done</td>
<td>s. 2(1)(u) &quot;owner&quot; includes:</td>
<td>No definition</td>
</tr>
<tr>
<td></td>
<td>a) Trustee, receiver, mortgagee in possession, tenant, lessee, licensee, or occupier of any lands or premises used or to be used as a workplace, and</td>
<td>i) A trustee, receiver, mortgagee in possession, tenant, lessee or occupier of any lands to be used as a place of employment; and</td>
<td>ii) Any person who acts for or on behalf of a person mentioned in sub clause (i) as that person’s agent or delegate</td>
<td></td>
</tr>
<tr>
<td></td>
<td>b) A person who acts for or on behalf of an owner as an agent or delegate</td>
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<tr>
<td>Definition</td>
<td>British Columbia</td>
<td>Alberta</td>
<td>Saskatchewan</td>
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<tr>
<td><strong>Multiple Obligations</strong></td>
<td>s. 123(1) In this section “function” means the function of employer, supplier, supervisor, owner, prime contractor, or worker. (2) If a person has 2 or more functions under this Part in respect to one workplace, the person must meet the obligations of each function.</td>
<td>s. 4(1) in this section “function” means the function of prime contractor, contractor, employer, supplier, or worker. (2) If a person has 2 or more functions under this Act in respect of one work site, the person must meet the obligations of each function.</td>
<td>No comparable provision</td>
<td>No comparable provision</td>
</tr>
</tbody>
</table>

- Canada Labour Code (R.S., 1985, c. L-2)

### 7.8 Other Definitions

**Critical Job/Task Inventory List:** A comprehensive list of critical jobs/tasks produced from a systematic survey of all jobs/tasks in the department. The list should include a statement of the criteria used to identify "a critical job/task". <<Industry Recommended Practice (IRP) 16>>

**Directive:** Mandatory requirements and/or rules established by a high level regulatory body, designed to ensure compliance with an applicable policy (or policies).

**Guideline:** Non-mandatory, supplemental information about acceptable methods for implementing requirements found in directives, processes, procedures, or work instructions.

**Procedure:** A written, approved specification for execution of some activity - often composed of steps, using established methods or forms - designed to achieve a uniform approach to compliance with applicable policies or directives.

**Practice:** Local (directorate, divisional, departmental) adaptation for carrying out directives and procedures.

**Process:** A process is a series of inter-related activities that result in an outcome. Several procedures reflect a process.

**Work Instruction:** Work Instructions are step-by-step instructions for the accomplishment of a task by one person and are retained in the department or unit where the work is performed. Work Instructions are often referred to as Desk Procedures, Task Outlines or SOPs (Standard Operating Procedures).
8 Appendix 3: Further Reading


• Health and Safety Executive (2002). Use of Contractors - a Joint Responsibility. Sudbury: HSE.


• International Association of Oil and Gas Producers (2005). Land Transportation Safety Recommended Practice. London: OGP.

• International Association of Oil and Gas Producers (2001). HSE Aspects in a contracting environment for geophysical operations. London: OGP.


