



Contract Risk Management

This Info Sheet on Risk Management is the first of a series to help organisations implement IOGP Report 423, *HSE management guideline for working together in a contract environment*. Other Info Sheets will address: Capability Assessments, Contract Modes, Contract HSE Plans and Assurance.

Mentioned in these Info Sheets will be various tools, such as checklists, these will be made available on the IOGP as they become ready.

IOGP is committed to sharing good practices from around the world. Please contact us if you have good practices to share on any of these topics.

Main guidance document - IOGP report 423


Contractors are critical to the vast majority of oil and gas operations, IOGP's own safety data shows how over the past 30 years there has been a growing trend for clients to increasingly use contractors.

In 2017 IOGP updated its guide for HSE management throughout a contract lifecycle (Report 423) to:

- align with IOGP 510 – Operating Management Systems Framework (2014);
- place further emphasis on the collaboration between clients and contractors, and their respective responsibilities - including subcontracting; and
- focus on risk management and assurance mechanisms.

423-01 supplement on capability assessment

423-02 supplement on HSE plans & bridging documents



Tools & templates

In this section you'll find materials that can help you with the implementation of IOGP 423. Although consistent with IOGP 423, these materials do not constitute IOGP guidance and are not intended to represent all phases of the contract.

Risk Assessment Checklist - Example

New materials will be added - so do check back!



Check the IOGP website for new materials



Phase 1: Planning

Client actions:

- Conduct an initial risk assessment for the scope of work
- Develop an initial strategy for managing the risks and activities in the sourcing/capability assessment phase

*The "Risk Assessment Checklist" available on the IOGP website can be used to determine if a **Contractor Capability Assessment** is required in phase 2.*

Phase 2: Sourcing/Capability Assessment

Client actions:

- Assess HSE capability of potential contractors based on risk by using IOGP 423-01 "Contractor HSE capability assessment and scoring system"
- Perform audits or inspections, under operational condition if necessary, as assurance to verify contractor's HSE-MS implementation
- Select Contract mode



Phase 3: Tender and award

Client actions:

- Finalize contract mode selection
- Develop HSE requirements for HSE plan within tender documentation
- Establish risk-based HSE contract specifications (technical/administrative)
- Develop potential contract HSE incentive schemes
- Share client understanding of risks associated with scope of work

Contractor actions:

- Develop and submit a bid which is conformant with client requirements and includes risk assessment, actions close-out from the capability assessment, draft HSE plan (including interface information and verification plan),
- Provide gap analysis of its HSE-MS associated with each work activity
- Ensure all subcontractors have the capability to comply with client, contractor and regulatory HSE requirements.

TIPS FOR PHASES 1 & 2

CLIENTS:

- Ensure that sources and types of risk are considered in all phases of the contracting process.
- Leverage existing risk management tools, as appropriate e.g. their Risk Matrix
- The identified risks should be formally shared with the Contractor at a later stage

TIPS FOR PHASE 3

CONTRACTOR:

- apply their own knowledge and experience to the risk assessment process and produce an updated assessment. They will use their own HSE-MS tools, and include this in the tender response.

CLIENTS:

- evaluate the Contractor's ability to deliver the scope of work while effectively managing HSE risk, including any interface requirements by using IOGP 423-02 "Guide to preparing HSE plans and Bridging documents"



Phase 4: Pre-mobilization

Client/contractor jointly:

- Conduct a post-award meeting
- Conduct a risk assessment early in the Pre-Mobilization phase
- Finalize HSE plan specific to the scope of work; including verification plan and associated verification KPIs as assurance mechanisms, schedule with key milestones for the contracted work and organization chart
- Perform a Joint Risk Assessment
- Establish client-contractor HSE bridging documents and resolve interfaces

Contractor:

- Implement and verify contractor's process for managing subcontractors

Client:

- Conduct pre-mobilization audit
- Review and approve all required contract documentation
- Develop a draft assurance and monitoring plan (to compliment the contractor's verification plan) and associated KPIs
- Conduct a readiness to mobilize review

TIPS FOR PHASE 4

TOGETHER carry out a joint risk assessment early in this phase using the risk management process of the company who's HSE-MS is taking precedence

- This process should incorporate all previous assessments performed by both the client and contractor
- Key risk prevention and mitigation controls/barriers should be developed for high and medium HSE risks until the residual risk of each is considered acceptable, and as low as reasonably practicable



Phase 5: Mobilization

Client/contractor jointly:

- Conduct a familiarization or Start-up meeting to ensure understanding of risk related to planned activities/operations
- Ensure that all members of the workforce are empowered to Stop Work if they feel that safety, security, the environment, or working conditions are being prejudiced

Client:

- Perform pre-start HSE checks or mobilization audits
- Deploy client representative personnel with HSE responsibilities

Client or Contractor (depending on contract Mode):

- Carry out contract related HSE-MS orientation/training

TIPS FOR PHASES 5-8

CONTRACTORS HSE risks, controls/ barriers are to be updated in later contract phases, following the activities, to ensure the risk profile is kept up to date

CLIENT to continuously verify

TOGETHER ensure Contract conditions, responsibilities, HSE awareness and understanding of all requirements is clear to all involved in execution

Phase 6: Execution**Client or Contractor (led depending on contract mode):**

- Carry out verification activities and reporting as per plan
- Perform compliance audit(s) of contract, HSE plan and bridging document

Client/contractor jointly:

- Carry out event, incident and non-conformity recording, investigation and follow-up (contract Mode 1 and 2)
- Conduct performance management and reviews, at both the worksite and contract manager level, through formal and regular joint meetings (to include reporting and performance monitoring against agreed KPIs)
- Ensure line management commitment to HSE issues through participation in plans and assessments of HSE-MS effectiveness, worksite visits, audits and incident investigations develop an effective MoC process for changes
- To the contractual scope of work, personnel, equipment or other pre-agreed criteria.

Client:

- Monitor activity and report as per plan

Phase 7: De-mobilization**Contractor:**

- Risk assess de-mobilization activities
- Update the HSE plan or develop a de-mobilization plan including verification activities

Client:

- Monitor de-mobilization for HSE compliance

Phase 8: Evaluation & close-out**Client:**

- Conduct a client/contractor close-out meeting
- Maintain a live register of actions for continuous improvement.
- Conduct experience transfer related to contractor performance and impact on contractor capability assessment

Client/contractor jointly:

- Capture HSE lessons learned
- Share appropriate lessons learned with industry groups

CONTRACT CONTEXT & OTHER RISKS TO CONSIDER

- Weak law enforcement practices/poor history of human rights and labor standards
- Specific country or supplier sector safety, security and social responsibility issues/regulations
- Stakeholders concerns perceptions and potential responses regarding safety, security and social responsibility conditions
- Large construction sites and civil work, including labor intensive activities and/or high level of low skilled labor and/or short term contractor workforce
- High level use of local services e.g. logistics, drivers, trucks etc. (secondary logistics)
- Availability of local suppliers and contractor workforce
- Levels of sub-contractors and/or large use of sub-contracted labor
- Information available/not available regarding the contractor's health, environment, safety, security and social responsibility policies and practices
- Gaps in information regarding sub-contractors/further supply chain and potential health, environment, safety, security and social responsibility issues
- Potential contractor's non-compliance with Client requirements, applicable international or national laws and ILO standards

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