

EH&S Management System	
Level:	B – FM O&G
Section:	1 – Administration
1.02	Contractor Environmental and Safety Management Plan

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PURPOSE

This document describes how Freeport-McMoRan Oil & Gas (FM O&G) will evaluate, select, monitor and communicate their Environmental, Health and Safety (EH&S) expectations to the contractor workforce. This process will create focus and drive improvement in contractor safety performance.

SCOPE

The area of coverage is all of FM O&G's domestic operations. This document is applicable when any contractor is being considered for work supporting this area. This document covers how the entire contractor workforce supporting both onshore and offshore operations and offices will be handled.

COMMUNICATE CONTRACTOR EH&S EXPECTATIONS

FM O&G shall communicate its contractor EH&S expectations in the EH&S Management System and the Contractor Safety section of the Safety Guidebook.

SUBCONTRACTING EXPECTATIONS

Each contractor shall be responsible for ensuring that its subcontractors comply with all of the requirements set forth in the FM O&G Safety Guidebook.

EVALUATION REQUIREMENTS

To ensure that Contractors are capable of effectively managing the safety, health and environmental requirements of proposed work/projects in accordance with FM O&G objectives, all Contractors will undergo a qualification evaluation prior to beginning work at any Company site and also be a member of ISNET World (EH&S may exempt some low risk Contractors from ISN requirements). Contractors that work on Company site and have significant exposure to risk due to the type of jobs or number of personnel on location may be subject to a more comprehensive evaluation.

In addition, Contractors will be held accountable for the safety performance of their Subcontractors. Subcontractors must also meet the requirements of this plan and undergo a performance evaluation and also be a member of ISNET World. The performance of the Subcontractors will be reflected in the Contractor's post performance evaluation. Refer to the table on the next page for Contractor category and evaluation requirements.

Contractor Category and Evaluation Requirements Table

<u>Category (Type)</u>	<u>Description / Work Examples</u>	<u>Evaluation Requirements</u>
Construction and Maintenance	<p>Provides people, equipment, materials for constructing and maintaining company facilities. They may perform general or specialized maintenance work, are usually engaged in capital projects. May operate as independent Contractors or as contract labor. A partial listing include the following:</p> <ul style="list-style-type: none"> • Abrasive Blasting • Coatings • Hot Bolting • Instrumentation • Leak Repair • Operators • Welders/Cutters • Dismantling • Building Construction • Steel Erection • Electrical • General Contractors • Electrical • Heavy Equipment Operations • Hot Tapping • Insulation • Mechanical (fitters, riggers) • Scaffolding • Vacuum Truck Operations • Environmental Services • Cranes & Lifting Equipment • Demolition • Excavation & Earthwork • Masonry 	Complete
Exploration Drilling and Servicing	<p>Provides people, equipment, and materials for oil and gas well activities. They perform exploratory and developmental drilling and lease construction and associated services. These are usually independent Contractors. A partial listing include the following:</p> <ul style="list-style-type: none"> • Rigging Up/Down • Fracturing • Chemical Handling • Wireline • Work Over • Completion Services • Acidizing • Perforating • Cementing • Drilling • Seismic 	Complete
Operations Support	<p>Provide skilled or unskilled labor to assist the company in its activities. They include consultants, contract operators, and laborers who may operate as independent Contractors or as contract labor. A partial listing include the following:</p> <ul style="list-style-type: none"> • Asbestos and Lead Abatement • Container Movement • Work Boats • Gauging/Pumping • Testing & Inspection • Catering • Chemical Cleaning • Container Cleaning • Marine Diving • Remediation • Waste Disposal 	Complete for Independent Contractors
Office Administrative and Technical Support	<p>Office Assistance, Engineering Technician, Drafters</p>	Partial Evaluation

Evaluation Components

An evaluation consists of the following processes:

- Pre-justification
- Qualification Review
- Grade and work scope
- Audit (based on risk assessment/HSE performance)

QUALIFICATION

In order to qualify a contractor to perform work, EH&S data shall be compiled and evaluated to determine contractor’s suitability to perform work for FM O&G. Contractor EH&S information shall be gathered and evaluated prior to work commencing. An EH&S Questionnaire shall be utilized to gather EH&S pre-qualification/re-qualification data on each contractor.

Contractors shall utilize a Standardized Contractor Questionnaire – Verified (SCQ-V) available through third party service provider, ISN, at <http://www.isnetworld.com>.

FM O&G’s EH&S Department, with support from Procurement and Operations, will gather, evaluate and grade the data in the questionnaire. If, upon review and deemed necessary, FM O&G may request additional data from the contractor.

EH&S DASHBOARD SCORE

All contractors used by FM O&G or contemplated for use, except those determined to be “exempt” will be assessed and rated by FM O&G’s EH&S department. Those Contractors determined to bring a significant risk to FM O&G locations will be audited (see *Risk Assessment Matrix*).

The contractor Dashboard Score system will have four designations for specific contractor safety programs and performance. FM O&G will follow the guidance below when making contractor selection for work:

Exceeds Expectations	Green (90-100%)	No restrictions
Meets Expectations	Yellow (80-89.99%)	No restrictions; look for higher Dashboard Score
Needs Improvement	Orange (65-79.99%)	Needs improvement; pre-job meeting; mitigation plan; management approval in writing; trained EH&S personnel on site during work (10 or more employees on site)
Not Acceptable (Fail)	Red (<65%)	Not to be used

The EH&S Dashboard Score will consider:

Without EH&S Audit

- Safety Questionnaire – 50%
- Overall TRIR (12 month rolling average updated quarterly) – 25%
- FM O&G specific TRIR (12 month rolling average updated quarterly) – 25%

With EH&S Audit

- Safety Questionnaire – 25%
- Overall TRIR (12 month rolling average updated quarterly) – 12.5%
- FM O&G specific TRIR (12 month rolling average updated quarterly) – 12.5%

- EH&S Audit – 50%

* Statistical data will be graded by comparing Contractor TRIR statistics to the associated NCIS Code industry average.

Contractors with a **'Not Acceptable'** EH&S Dashboard Score can only be used if a variance is approved by a FM O&G VP. This approval authority cannot be delegated down. Contractor must also follow **'Needs Improvement'** guidance, if approved.

Content of the mitigation plan shall include high level and job-specific issues and may include but is not limited to the following, depending on the situation:

- Achievable goals with measures
- Clearly defined roles and responsibilities
- Additional EH&S training for employees
- Special EH&S training for supervisors
- Management visits to work sites
- Short Service Employee Program
- Near Miss Program
- Behavior Based Safety Program
- Additional EH&S supervision
- Management Plan for subcontractors

Contractor is responsible for development of the mitigation plan with input from the FM O&G Project Manager and EH&S team. Mitigation plan will require FM O&G EH&S management approval.

If data submitted is found to be false or misleading, contractor's management will have a meeting with FM O&G management to discuss. Based on feedback, functional management will be notified to make a decision on action to be taken. If misleading information is intentionally submitted (as discovered through an audit), the contractor will be dropped to a **'Not Acceptable'** EH&S Dashboard Score for a specified time frame that could include cancellation of the contract.

CONDUCTS AUDITS AND REVIEW

PAST AUDITS

FM O&G shall validate qualification information and contractor's compliance with their safety management system through conducting audits and reviewing past audits.

FM O&G or a designated party will conduct audits on selected contractors. Each audit conducted will be two to three days in length; one to two days for paperwork review and management interviews and the second day for site audit. If a third party auditor is used, a FM O&G representative may attend the audit with the third party auditor. The FM O&G representative attending the audit shall review the audit guidance and audit protocol prior to the audit and be prepared to ask the FM O&G specific section of questions and take notes. Audit protocol shall include:

- Comparison to safety questionnaire responses
- OSHA Log and Loss run report review
- Regulatory compliance of contractor's environmental and safety management plan
- Training records to ensure attendance
- Paperwork reviews
- Management interviews
- Field audits

- Field personnel interviews

Results shall be included in contractor's overall EH&S Dashboard Score. The Contractor is responsible for closing all gaps in a timely manner. Timing, resolution and owner of each finding will be determined and shared with FM O&G.

Frequency of contractor audits will be done on a random basis and as deemed appropriate (after significant incident, upon receipt of new incident rate data, etc) Audits shall be required for all contractors working on large projects. A completed audit within the previous 36 months must be in place for all contractors working on large projects. FM O&G will prioritize contractors to be audited by exposure hours, risk, incident history, etc.

ESTABLISH REAL-TIME PERFORMANCE MONITORING

Contractors EH&S performance will be monitored in real-time to ensure that as selections are being made, they are made with the full picture of how that contractor is performing at that time, not just in the previous year.

The contractor will update their Safety Questionnaire and their overall TRIR and FM O&G specific TRIR once a quarter. These updates are included real-time in the Contractor Safety Database as this information is fed in nightly from the third party safety questionnaire provider. The quarterly TRIR data must be in 15 days after the close of the previous quarter. Audits are included as a form of real-time performance monitoring in the EH&S Dashboard Score Process.

Contractors shall perform updates to the *Contractor Safety Database Safety Questionnaire* (SCQ-V) provided online with ISNetworld at <http://www.isnetworld.com>.

REMOVE CONTRACTORS FROM APPROVED VENDOR LIST AS NEEDED

The FM O&G Approved Vendor List is reviewed annually to determine if certain contractors should remain on the list. Criteria considered includes:

- EH&S Dashboard Score
- Frequency of Use
- Spending Levels
- Length of Pending Status
- Mergers/Acquisitions

Contractors who have demonstrated a low commitment to EH&S will be considered for removal from the FM O&G approved vendor list.

EMERGENCY CONTRACTOR USAGE

In order to utilize a contractor not on the Approved Vendor list for emergency work, a FM O&G project manager shall make a determination that:

- Personnel or the environment is endangered
- Significant rig, production or construction downtime is involved

Emergency contractors may only be used if a variance is approved by a FM O&G VP. This approval authority cannot be delegated down. Contractor must also follow '**Needs Improvement**' guidance, if approved.

**CONTRACTOR EH&S ASSESSMENT
ANALYSIS SUMMARY**

Dashboard Score Range	General Description of EH&S Process	CESMP Work Scope
<p>A – Exceeds Expectations Score: 90 – 100</p> <p>B – Meets Expectations Score: 80 – 89</p>	<ul style="list-style-type: none"> Has established processes sufficient to control work activity exposures Statistical performance is below established industry averages (for assigned SIC code) Has documentation to support statistical performance <p>Capable of providing services without additional FM O&G contractor HS&E management oversight</p>	<ul style="list-style-type: none"> Can perform any job Submit management plan to address system deficiencies required to be corrected.
<p>C – Needs Improvement Score: 65-79</p>	<ul style="list-style-type: none"> Has minimum established processes to control work activity exposures Lacks sufficient documentation to acquire approved status Lacks sufficient documentation to support statistical performance Processes are in the development/implementation stage Statistical performance exceeds established industry averages (for assigned SIC code) 	<ul style="list-style-type: none"> Must acquire department manager approval before use Work assigned on a case-by-case basis Limited to moderate and low risk jobs May require additional safety management monitoring Submit management plan to address system deficiencies in order to be accepted as approved. Develop and implement EH&S mitigation plan
<p>F – Not Acceptable (Fail) Score: < 65</p>	<ul style="list-style-type: none"> Does not have sufficient processes to control work activity exposures Statistical performance is significantly higher than established industry averages (for assigned NCIS code) 	<ul style="list-style-type: none"> Shall be excluded from performing service. May be re-evaluated upon receipt of sufficient information to indicate that EH&S process has significantly improved.
<p>Note: The term “processes” means adequate management support, documentation, training and implementation.</p> <p>The General Descriptions listed above are “general” and is not intended to mean that “all” items listed will apply to every contractor in the corresponding rating. The exception may notably be statistical performance.</p>		

CONTRACTOR AUDIT RISK MATRIX

CONTRACTOR AUDIT / RISK MATRIX

		CONSEQUENCES					SEVERITY				
		1 Extreme	2 High	3 Medium	4 Low	5 Negligible	Extreme 1	High 2	Medium 3	Low 4	Negligible 5
Impact To:											
People	<ul style="list-style-type: none"> • Fatality • Long Term Health Impact • Evacuation of Community 	<ul style="list-style-type: none"> • Lost Time Injury • Short Term Health Impact • Evacuation of Facility 	<ul style="list-style-type: none"> • Serious Injury • Medical Treatment • Evacuation of Area 	<ul style="list-style-type: none"> • Minor Injury • Minor Illness • First Aid Required • No Evacuations 	<ul style="list-style-type: none"> • No Health Effect or Injury 	Frequent 1 >10,000 HOURS	ISN / Audit Required	ISN / Audit Required	ISN / Audit Required	ISN / Audit Required	ISN / Audit Required
Environment	<ul style="list-style-type: none"> • Massive Effect • Severe Long Term Impact to Lease • Massive Off Lease Impact 	<ul style="list-style-type: none"> • Major Effect • Severe Short Term Effects to Lease • Large Off Lease Impact 	<ul style="list-style-type: none"> • Local Effect • Effects Off Lease but Localized • Moderate Permit Violations 	<ul style="list-style-type: none"> • Minor Effect • Effects confined to Lease or Facility • Minor Permit Violations 	<ul style="list-style-type: none"> • No Effect 	Occasional 2 7,500 TO 10,000 HOURS	ISN / Audit Required	ISN / Audit Required	ISN / Audit Required	ISN / Audit Required	ISN / Audit Required
Assets	<ul style="list-style-type: none"> • One Week Facility Outage • Equipment Damage >\$1,000,000 	<ul style="list-style-type: none"> • 1 – 6 day Facility Outage • Equipment Damage >\$250,000 	<ul style="list-style-type: none"> • Short Term Facility Outage • Equipment Damage >\$50,000 	<ul style="list-style-type: none"> • Minor Damage >\$10,000 	<ul style="list-style-type: none"> • No Damage 	Possible 3 2,500 TO 7,500 HOURS	ISN / Audit Required	ISN / Audit Required	ISN / Audit Required	ISN / Audit Required	ISN / Audit Required
Production	<ul style="list-style-type: none"> • Production Loss >\$1,000,000 • Downtime ≥7 days 	<ul style="list-style-type: none"> • Production Loss >\$250,000 • Downtime 1-6 days 	<ul style="list-style-type: none"> • Production Loss >\$50,000 • Downtime 4-24 hours 	<ul style="list-style-type: none"> • Minor Production Loss >\$10,000 • Downtime <4 hours 	<ul style="list-style-type: none"> • No Effect • Minor Product Quality Variation 	Unlikely 4 1,000 TO 2,500 HOURS	ISN / Audit Required	ISN / Audit Required	ISN / Audit Required	ISN / Audit Required	ISN / Audit Required
Reputation	<ul style="list-style-type: none"> • Prolonged Regional Impact • National or International Impact 	<ul style="list-style-type: none"> • Prolonged Local Impact • Regional Impact 	<ul style="list-style-type: none"> • Local Impact • Company Wide Attention 	<ul style="list-style-type: none"> • Limited Impact • Inter-Department Attention 	<ul style="list-style-type: none"> • No Impact 	Improbable 5 <1,000 HOURS	ISN / Audit Required	ISN / Audit Required	ISN / Audit Required	ISN / Audit Required	ISN / Audit Required

AUDIT FREQUENCY REQUIREMENTS			
A	B	C	F
3 Years	2 Years	Annually	EH&S Determination
Exceeds Expectations	Meets Expectations	Needs Improvement	Fail – Requires VP Approval

* LIKELIHOOD				
Frequent	Occasional	Possible	Unlikely	Improbable
<ul style="list-style-type: none"> • Repeated Incident • Happens Often and Might be Expected • Annual or Greater Occurrence 	<ul style="list-style-type: none"> • Possible to occur once every 5 years • Most personnel aware of potential 	<ul style="list-style-type: none"> • Isolated Incident • Possible under unusual circumstances • Occurs once or more in 15 years 	<ul style="list-style-type: none"> • Conceivable but Unusual • Possible to occur during lifetime of plant • Occurs once or more in 30 years 	<ul style="list-style-type: none"> • Almost Impossible • Rare in Industry • Unlikely to occur during life of the plant
1	2	3	4	5