



# Outsourced, Contracted, or Uncontrolled Risk?

Strategies for  
Effective Contractor  
and Supplier  
Management





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# Today's Journey

1. Consider hazards presented by outsourcing operations internally to facilities and externally on sites
2. Explore what ISO 45001 and ANSI Z10 say about outsourced and contractor activities
3. Synthesize methods to control the hazards and reduce risk to the organization presented by outsourced operations

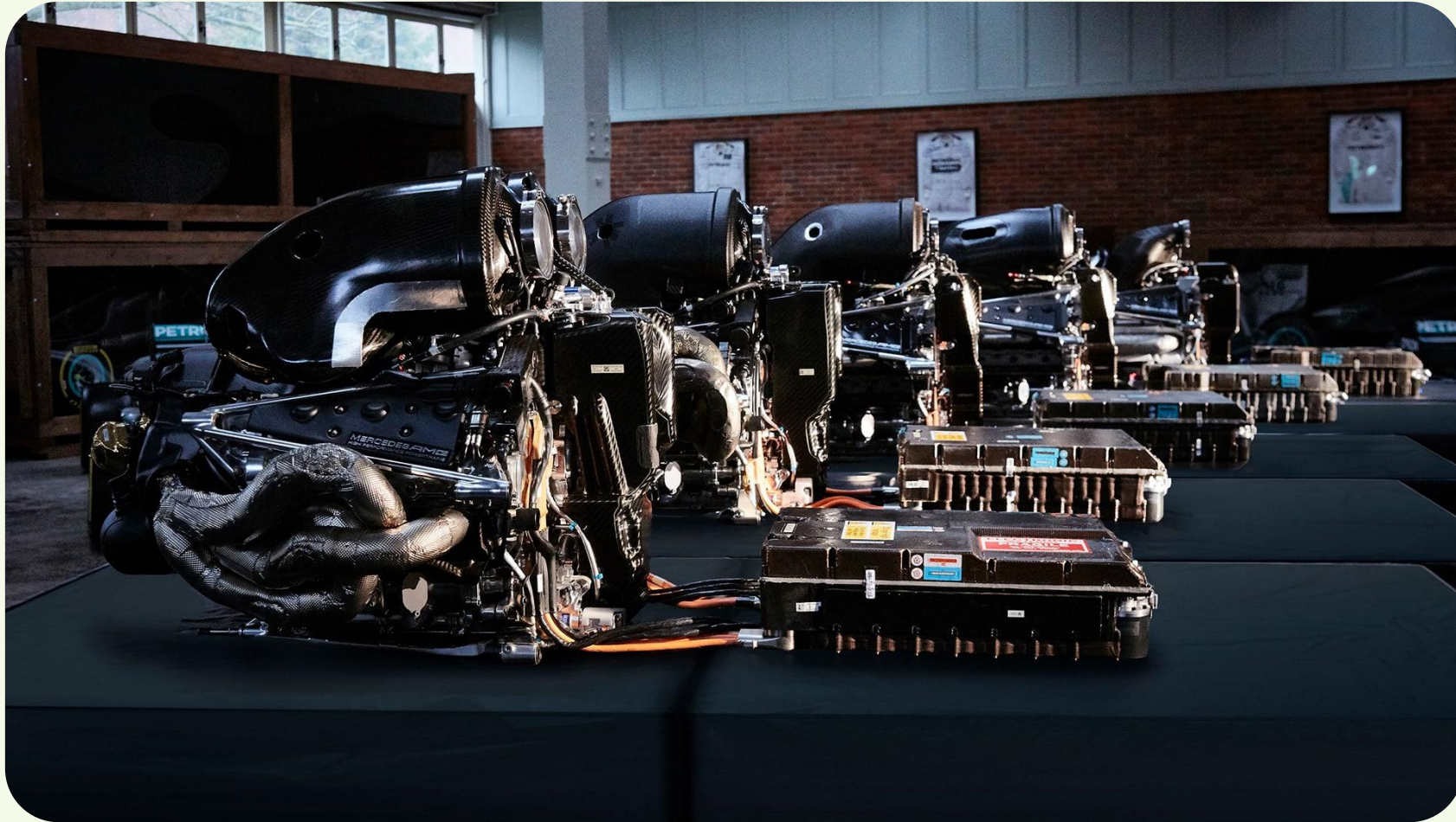
# Key Terms – ISO 45001

- **Outsource:** an arrangement where an external organization performs part of an organization's function or process
  - External Organization is outside scope, but function is within scope
- **Contractor:** external organizations providing services to the organizations in accordance with agreed specifications, terms, and conditions

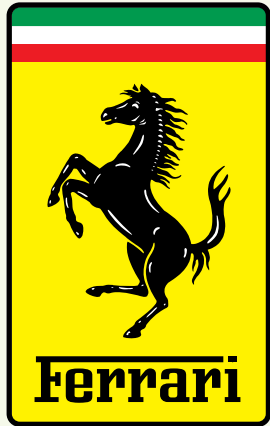
# Key Terms – Outsourcing



# Key Terms – Outsourcing



# Key Terms – Outsourcing



# Key Terms – Contracting



A close-up photograph of a wooden mousetrap with a wedge of yellow cheese as bait. The trap is set on a light-colored surface. The text is overlaid on the left side of the image.

Where is the Risk in  
**Contracting and  
Outsourcing?**



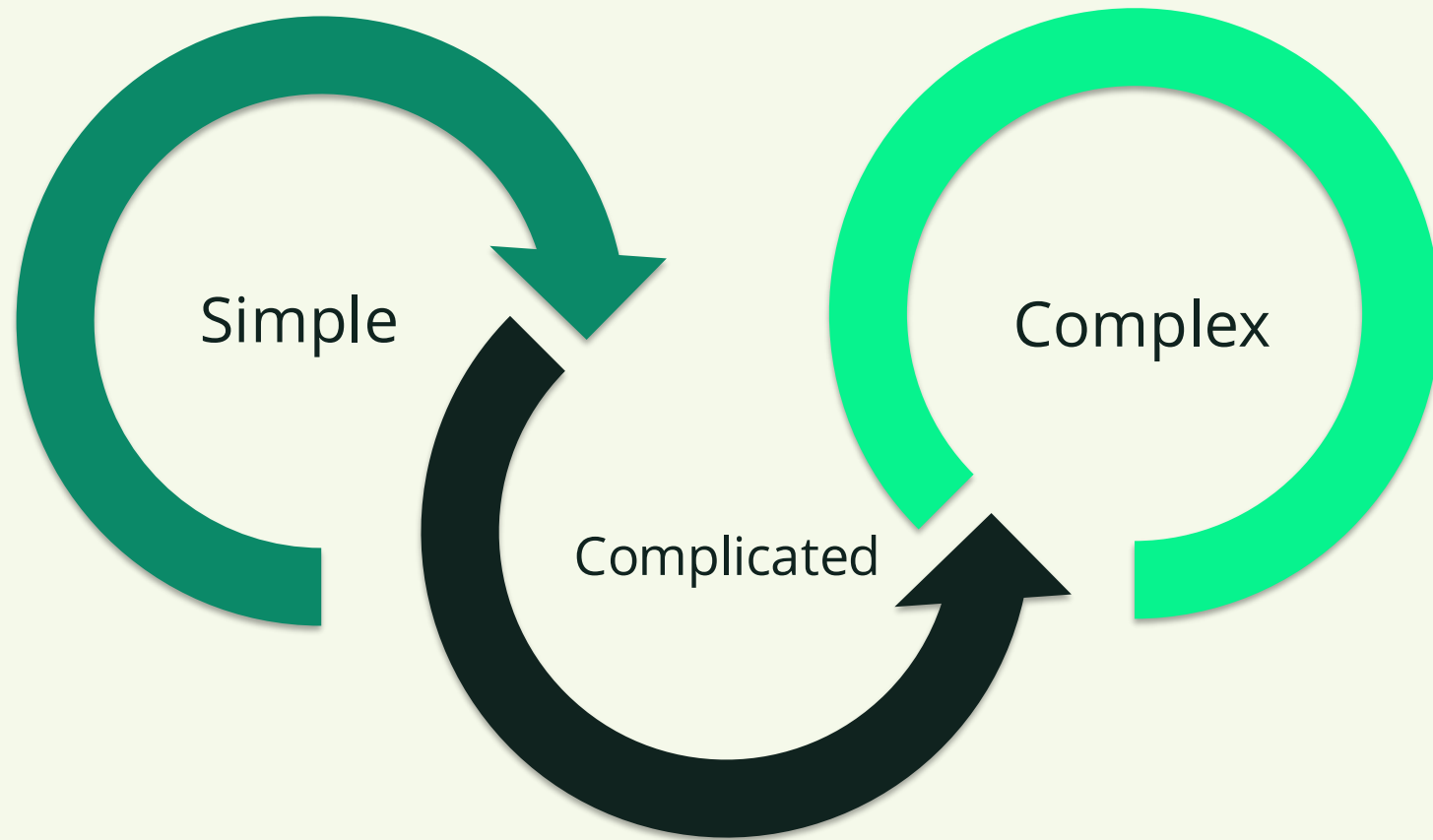
# Easy Answer

- Construction (a proxy for contracting) had **1,075 Fatalities in 2023**
  - Most among all industry sectors
  - Highest number of fatalities since 2011 (Bureau of Labor Statistics, 2024)
- CPWR identified that fatalities have **increased 39.8% from 2011 to 2022**
- **Falls** continue to be highest cause of fatality (421)

The background features a complex, abstract design. It consists of a grid of thin, light-colored lines that create a sense of depth and perspective. In the center, there is a cluster of blue and yellow spheres, with some spheres appearing to be connected by thin lines. The overall color palette is dominated by shades of blue, yellow, and grey, with a subtle gradient from dark to light.

# Underappreciating **the Complexity**

# Simple, Complicated, Complex





# Simple Systems

- Degree of predictability
- Requires technical knowledge
- Defined Inputs and outputs
- Trends, routines, patterns

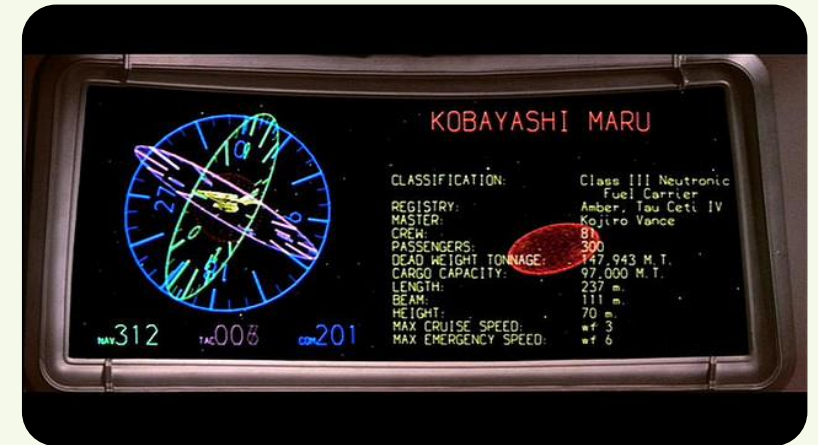
# Complicated Systems

- Degree of predictability
- Multitude of inputs and outputs
- Redundancies and nested systems
- Higher degree of technical competence is needed to operate and navigate redundancies as failure occurs



# Complex Systems

- Non-linear degree of predictability
- Interaction between socio and technical systems
- Not Necessarily a clear set of inputs or outputs
- The relationship between the input and resulting output is also not clear
- Working within this system requires continual learning, not analysis, and actions are ongoing in support of this learning, not finite



# Complicated Vs. Complex

- More experience
- More information
- Analyze and act

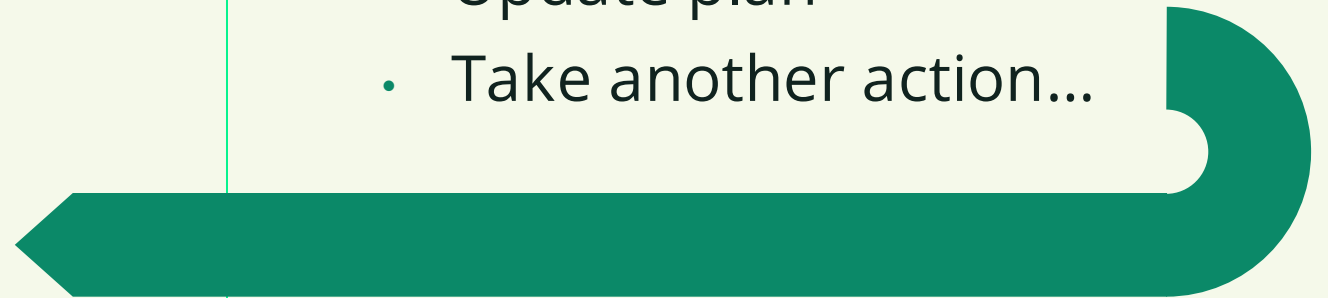
- Plan
- Take an action
- Evaluate
- Review
- Update plan
- Take another action...

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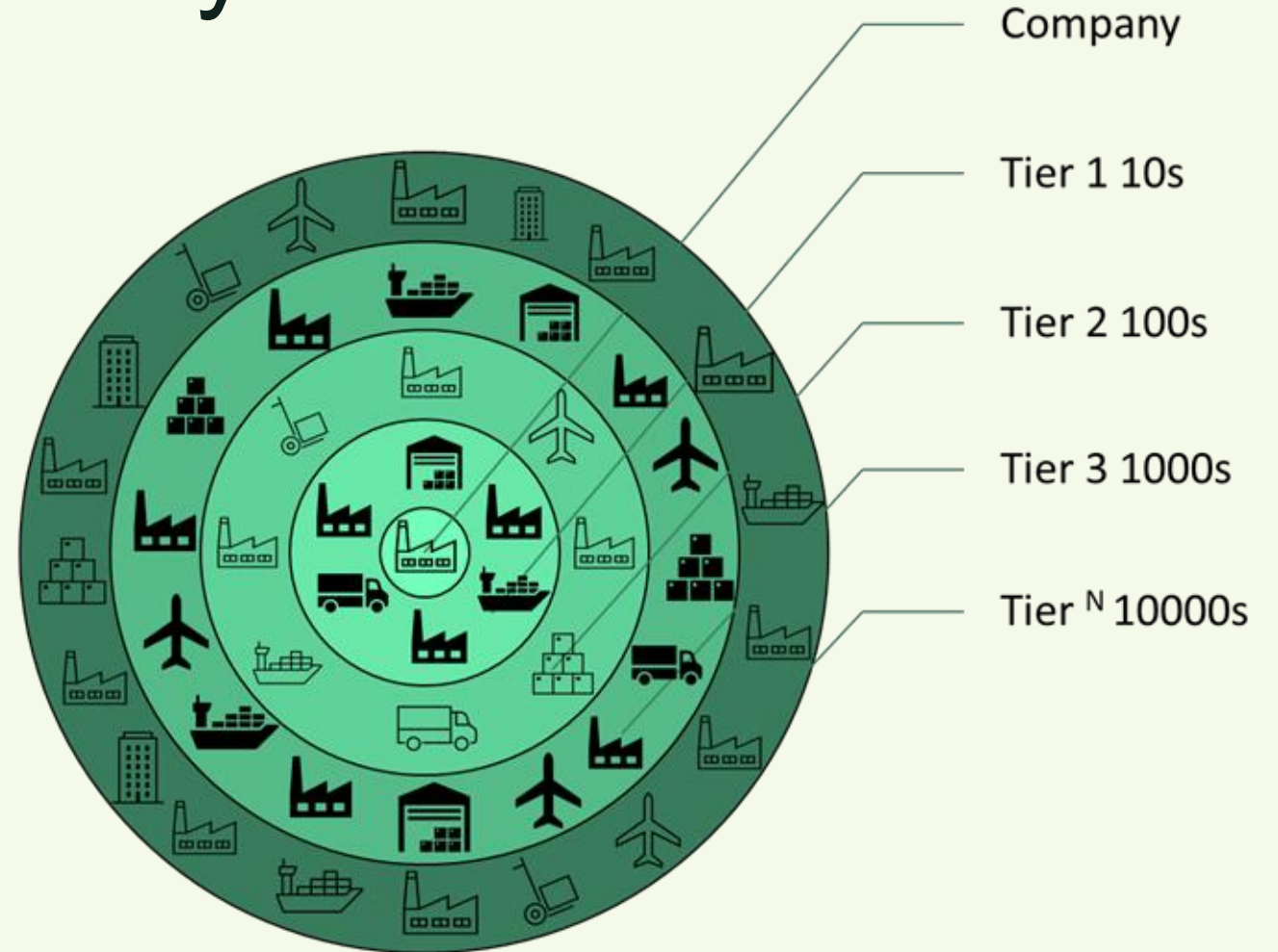
# Layers of Communication



# Visibility & Transparency

## The Tier<sup>n</sup> Challenge

- Risks multi-factor versus singular
- Risks exist across the supply chain
- Identifying vulnerabilities broader than Tier 1
- Identification of risk and developing solutions requires collaboration across tiers and stakeholders



# Supply Chains Overlap & Intersect

Company A



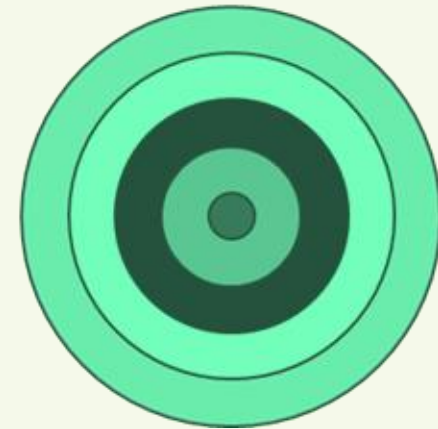
Company B



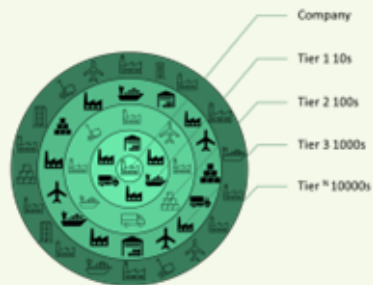
Company C



Company D



Company A's Tier 4 = B's Tier 3 = C's Tier 1 = Company D



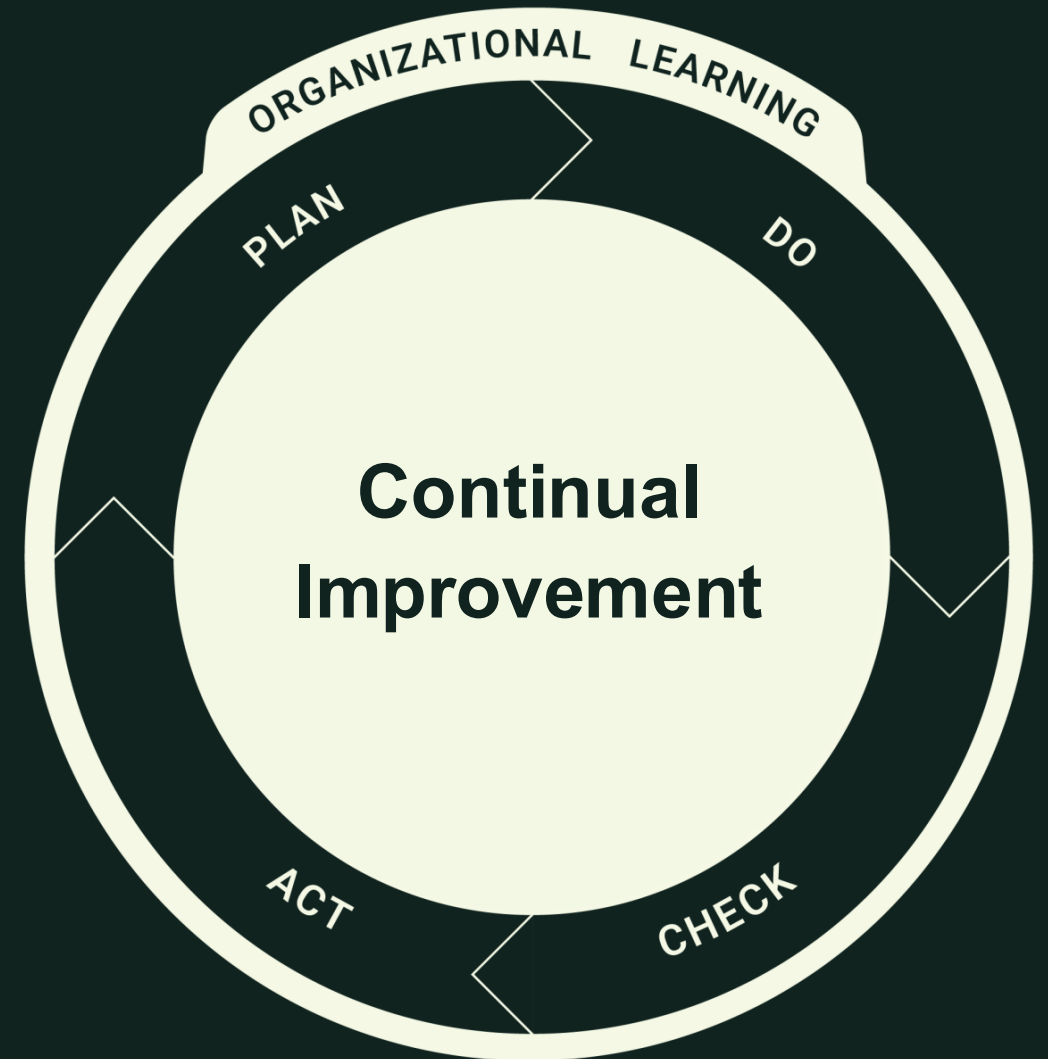
A global view across industries is required to assess risks and priorities Supply chains compete!

# How Do We Approach Outsourcing and Contracting?



# How Do We Approach Outsourcing and Contracting?

- Assessment
- Execution
- Planning
- Reflection







# What Do the **Standards Say?**

# Why do we review standards?

- Get diversity of ideas and approaches
- Helps us identify what may work for you!

#### **8.1.4 Procurement**

##### **8.1.4.1 General**

The organization shall establish, implement and maintain a process(es) to control the procurement of products and services in order to ensure their conformity to its OH&S management system.

##### **8.1.4.2 Contractors**

The organization shall coordinate its procurement process(es) with its contractors, in order to identify hazards and to assess and control the OH&S risks arising from:

- a) the contractors' activities and operations that impact the organization;
- b) the organization's activities and operations that impact the contractors' workers;

- c) the contractors' activities and operations that impact other interested parties in the workplace.

The organization shall ensure that the requirements of its OH&S management system are met by contractors and their workers. The organization's procurement process(es) shall define and apply occupational health and safety criteria for the selection of contractors.

**NOTE** It can be helpful to include the occupational health and safety criteria for the selection of contractors in the contractual documents.

##### **8.1.4.3 Outsourcing**

The organization shall ensure that outsourced functions and processes are controlled. The organization shall ensure that its outsourcing arrangements are consistent with legal requirements and other requirements and with achieving the intended outcomes of the OH&S management system. The type and degree of control to be applied to these functions and processes shall be defined within the OH&S management system.

**NOTE** Coordination with external providers can assist an organization to address any impact that outsourcing has on its OH&S performance.

# ISO 45001 – 8.1.4 Procurement

## 8.1.4.1 – General

- Establish, Implement, Maintain
- Processes to control procurement of goods and services
- Ensure conformity to OSHMS/HSEMS



# ISO 45001 – 8.1.4 Procurement



## 8.1.4.2 – Contractors

- Identify Hazards and Assess/Control Risks
  - From contractor planned & unplanned work to YOUR operations
  - From YOUR operations to the contractors
  - Other “interested” [affected] parties - stakeholders
- YOUR OSHMS/HSEMS needs to be met by the contractors and their workers
- Procurement processes shall define and apply OSH/HSE Criteria for contractors
  - “Helpful” to include in contractual documents

# ISO 45001 – 8.1.4 Procurement



## 8.1.4.3 – Outsourcing

- Outsourced functions and processes need to be controlled
- Outsourcing shall be consistent with:
  - Legal and other requirements
  - Intended outcomes of the OSHMS/HSEMS
  - Type and degree of control needs to be defined in MS

## 8.6 Procurement

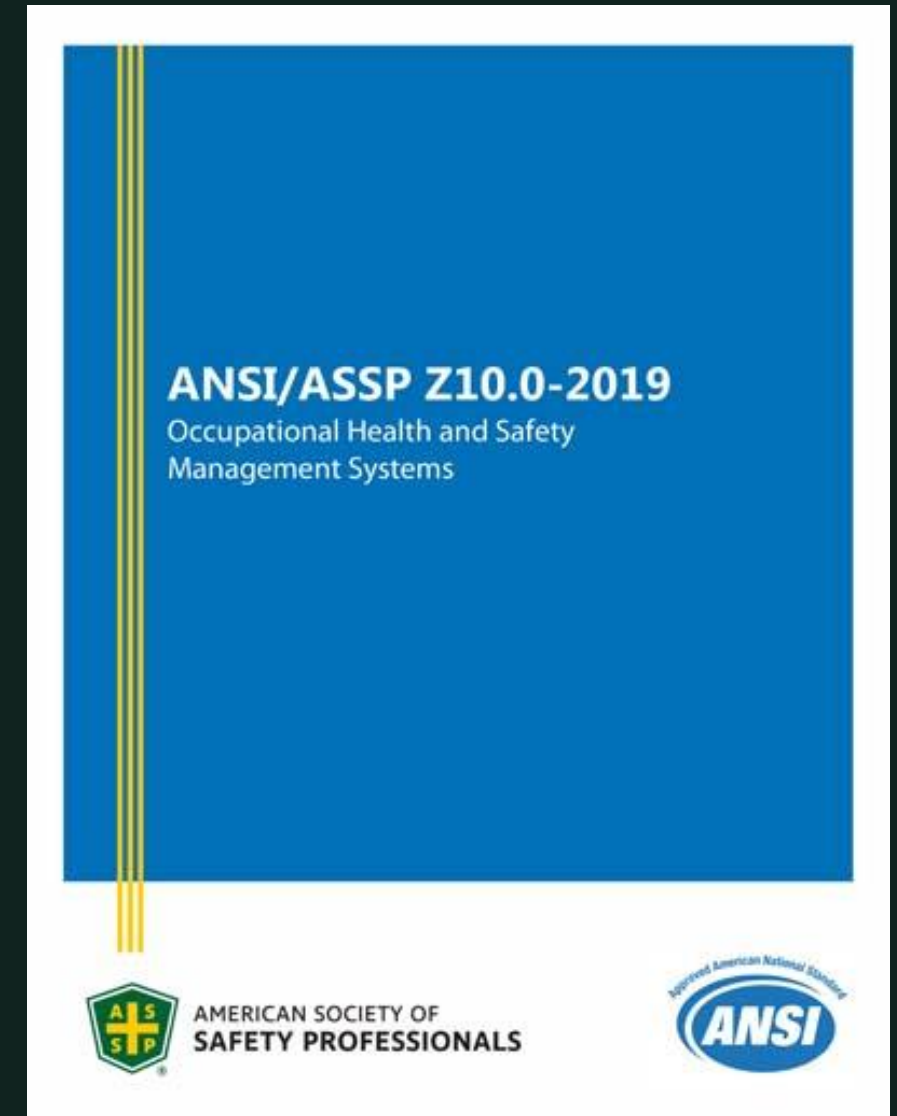
The organization shall establish a process to:

- a) Identify and evaluate the potential OHS risks associated with purchased products, raw materials and other goods and related services before introduction into the workplace;
- b) Establish requirements for supplies, equipment, raw materials and other goods and related services purchased by the organization to control potential OHS risks;
- c) Ensure purchased products, raw materials and other goods and services conform to the organization's OHS requirements;

# ANSI Z10 – 8.6

## Procurement

- Identify and Evaluate Risks
  - Products, raw materials, other goods and services
- Establish requirements
  - Products, raw materials, other goods and services
- Ensure products conform to requirements
  - Products, raw materials, other goods and services



- d) Address outsourced arrangements where there is an impact on the performance of the OHSMS; and
- e) Ensure that contractors are capable of meeting the requirements of its OHS management system. (Section 8.7)

### **8.7 Contractors**

The organization shall establish a process to identify, evaluate and control potential OHS risks to:

- a) The organization's workers from contractors' planned and unplanned activities, operations and materials on the organization's premises;
- b) The contractors' workers from the organization's activities and operations; and
- c) Other interested parties in the workplace that may be impacted by contractors' activities and operations.

The organization shall establish a process to ensure that the requirements of its OHS management system are met by contractors (see Note 1). This process shall include appropriate contractor OHS performance and selection criteria.

On multi-employer work sites, the organization shall implement a process for coordinating the relevant portions of its OHSMS with other applicable organizations (see Note 2). Accountabilities and responsibilities for OHS must be clearly defined for the contract and with the defined scope of work.

*Note 1: The organization may delegate authority to those best capable of identifying, evaluating and controlling OHS risks.*

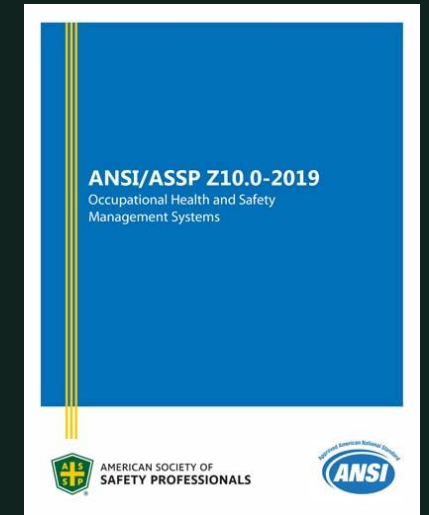
*Note 2: Under certain circumstances, contractors and their employees may be involved in the decision-making process such as when highly hazardous work is being performed.*

### **8.8 Occupational Health**

# ANSI Z10 – 8.7

## Contractors

- “Identify, evaluate, control” OSH Risks
  - From contractor planned & unplanned work to YOUR operations
  - From YOUR operations to the contractors
  - Other “interested” [affected] parties – stakeholders
- Your OSHMS/HSEMS shall be met by contractors
- How are YOU coordinating OSHMS/HSEMS requirements on multi-employer worksites?
  - Accountabilities and responsibilities for health and safety need to be defined – in the contract and by SOW



# What about other HSE Standards?



## **IOGP 423** – HSE Management Guidelines for Working Together in a Contract Environment

- Need to have a Pre-Tender Prequal Process with Feedback
- Cross-Functional Team Evaluating
- “Bridging”
- Auditing
- Scoring
- Focus on Risk Based Hazard Controls
- Mobilization & Demobilization
- Resourcing
- Roles and Responsibilities
  - Multi-Employer
- How are contractors held responsible
- Monitoring and Measurement
- Extensive Documentation of Decision Making
- Subcontractor Expectations
  - 1 Level Down
  - Inform client of subcontractors
  - Cascade Requirements

# What about other HSE Standards?



## Certificate of Recognition (COR)

- Establish, Implement, Monitor, Maintain policy & Procedure
- Hazard Assessment, Analysis, Control
- OHS Criteria for Selecting, Monitoring, and Evaluating
- Competency Evaluation
  - Assess, analyze, control, hazards
- Communication Expectations

# What about other HSE Standards?



## IAEA

- Management of Supply Chain
- Supply Chain includes designers, vendors, manufactures, constructors, contractors, subcontractors, consigners, and carriers
- Specifying, Monitoring, and Managing
  - Organization retains responsibility and competence to specify scope/standard and assess if it meets requirements
- Process for qualification, selection, evaluation, procurement, oversight of supply chain
- Suppliers of items, products, services adhere to safety requirements

# What about other HSE Standards?



## OSHA VPP

- Encourage contractors to develop a Management System
- Documented Oversight and Management System for Contractors
  - Selection and while onsite
- Identification, correction, tracking of uncontrolled hazards
- Remove companies and employees for violations

## OSHA 3885

- Establish Effective Coordination
  - Safety Specifications/Qualifications in Bid Documents
  - Identify issues
  - Plan work
  - Train Workers
  - Harmonize work practices
  - Ensure Decision Makers are Available

# What about other HSE Standards?



## FAA (ICAO Proxy)

- Oversight
  - Risk based
  - Focus on Safety Assurance
- Data/Information
  - Monitor, manage, collect data
- Stakeholder Reporting
  - Hazards, Issues, Concerns, Occurrences, Incidents
- Auditing
  - Surveillance and sampling
  - Products, processes, services
  - Conformity with risk controls
- Investigation
  - Criteria and Procedures
- Corrective Actions

# What Do Sustainability Standards Say?

- ISO 20400 – Guidance for Sustainable Procurement
- ISO IWA48 Environment, social, and governance (ESG)
- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
- GRI 403 Occupational Health and Safety

# What Do Sustainability Standards Say?

- Health and safety are metrics (frequently reduced to TRIR)
- Health and safety is moving from compliance to value creation and business impact
- Moving HSE to a higher level of organizational risk management
- Right now ESG and sustainability is floating as its own vertical – but it is going to move horizontal and start to be broken across multiple disciplines
- Health and safety is an operational performance metric – it's good business



Let's Put This  
Into Practice

## Put it to Practice

# Contractor Management Programs

- Outline the actions, expectations, standards, laws, policies, procedures, and deliverables
- What do you expect them to know, do, and follow?
- Where can they get resources to help? (i.e., Procedures, policies, forms)
- How can they effectively engage with you? (i.e., Delivery of SDS sheets, participation in kickoff meetings, joint inspections and walkthroughs, etc.)
- What do they owe you? (i.e., Daily briefing, weekly TBT, EHS inspections, incident reports, etc.)
- Kickoff Meeting





## Put it to Practice

# Contractor Safety Leadership

- Beyond Orientation & OSHA 30
- A training for Supervisors, EHS, Quality, Inspectors, PMs, and other Leaders in how you expect them to execute safety in your facility
- Think, BCSP-STSC in Practice
- For those with Canadian Operations, think a Supervisor JHSC Training but specific to a client



Put it to Practice  
Qualification Standards

# AVETTA ONE™

## Single Platform for Safe, Sustainable, & Secure Contractors



24/7 localized contractor onboarding, training, and support



Licensed safety auditors, ESG experts and insurance advisors



Third-party verification for companies and workers



All-in-one modern SaaS platform



Put it to Practice

# Qualification Standards








- Work cross-functionally to determine what good looks like
- What makes sense for you?
- What data do you want to capture and currently can't so you can action it?
- Consistency

# Put it to Practice

## Safety Maturity Index (SMI)

- SMI is a deep dive into the organizational management system
- SMI evaluates across all key areas of the HSEMS
- SMI gives insights into areas of weakness and strength

### CMI Key:

-  Leadership Commitment & Worker Engagement
-  Organizational Planning
-  Hazard Identification, Control, & Risk Management
-  Worker Training & Communication
-  Monitoring, Measurement, & Performance Evaluation
-  Incident Management & Response
-  Continual Improvement



# Put it to Practice

## Organizational Culture

- Include contractors in cultural evaluations that are conducted
- Consider how to evaluate contractor culture along with compliance
- How can you build culture into bid requirements

Pathological	"Who cares as long as we are not caught"
Reactive	"Safety is important, we do a lot every time we have an incident or enforcement"
Calculative	"We have systems in place to manage all hazards"
Proactive	"Safety leadership and values drive continuous improvement"
Generative/HRO	"Health and Safety is fully integrated into our business"





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## Follow Up

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