

Shell Unconventionals

Contractor HSSE Management

Guidelines

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Contractor HSE Management Guidelines

Purpose

To provide guidelines, consistency and understanding of the Unconventionals Contractor Safety Management (CSM) process requirements for evaluating contractor HSE Management Systems including types, frequency and the depth of the reviews, from pre-award through post-award.

Governance

The Contract Safety Management process is governed by Control Framework. To achieve compliance with these expectations, the CSM process is implemented based on the below expectations. As the Control Framework is modified, the guidelines will be amended to ensure alignment.

Overview of CSM Process

The Contract Holder is responsible for determining whether the contractor has the capability and resources to manage HSSE risks. The CSM Specialist supports the Contract Holder in this responsibility through the application of the CSM process. The primary goal of the CSM process is to determine if the contractor’s HSE Management System can effectively identify and manage HSE risk based on the services provided, throughout the life of the contract. This is determined through the results and subsequent banding of a contractor derived from an ISNetwork (ISN) or CSM Assessment. ISN is a third-party database used to house banding results, assessment outcomes, HSSE performance and information related to the HSSE management system of the contractor.

During the post award contract stage, additional activities are directed toward supporting the Contract Holder and Contract Management Team to improve contractor HSSE performance. Banding may fluctuate based on HSE performance and can be manually adjusted through the application of a Performance Penalty. Through engagements, both at the contractor's office and worksite locations, the CSM Specialist supports the Contract Holder to validate that the contractor is aligned with Shell's expectations and pursuit of Goal Zero.

The CSM Specialist works directly with Contracts and Procurement (CP) to provide training and knowledge support of the Contract Holders and Owners. This includes guidance to ensure the correct HSSE risk has been assigned to a contract

The 13 Task Matrix and CSM Process Executive Summary may be used as quick references to assist with understanding and communicating the Process.

Definitions:

- Banding Review – a review of a contractor's demonstrable closure of corrective actions from a previous CSMA which includes review of their CSM Gap Closure Plan, HSE Performance and Field Feedback.
- COR – Certificate of Recognition (Canada Only)
- Sharp – Contractor Management System – a database utilized by CP to track contractor-related information.
- Contract HSSE Plan – Plan currently developed by the Contract Management Team to manage the HSSE risk throughout the life cycle of the contract.
- Contract HSSE Risk – Highest unmitigated risk to the worker that is associated with the work scope of the contract.
- CMP - Contract Management Plan – Maintained by Contracts and Procurement, it outlines actions that support contract objectives and define activities, milestones, resources and specific performance opportunities that need to be monitored during the contract lifetime.
- CMT – Contract Management Team is comprised of Shell employees assigned to manage a contract. The team typically includes the Contract Owner, Contract Holder, a CP Representative, an HSSE Focal (which can be either a CSM Specialist or HSEiB) and Finance.
- CSMA – Contractor Safety Management Assessment; on-site verification of a contractor's HSE Management System conducted by a CSM Specialist.
- CP – Contracts & Procurement
- Gap Closure Plan – Developed by the contractor detailing how CSMA or Banding Review Findings will be corrected and mitigated.
- High/Medium Risk Prequalification Variance – form utilized to document how HSSE concerns will be managed and to approve use of contractors that are exempt from prequalification requirements.
- HSE MS – Health Safety Environment Management System.
- HSEiB – HSE representative (coordinator, technician, etc.) from the business.
- HSE IP – HSE Improvement Plan developed annually by the contractor to address HSE improvement opportunities identified by the contractor.

- ISN – ISNetworld is a third party online data service used to house banding results, assessment outcomes, HSSE performance and information related to the HSSE management system of contractors.
- ISNA – ISN Assessment that utilizes a standardized questionnaire, safety performance, and a detailed Review and Verification (RAVS) of the policies and procedures of the contractor’s HSE MS in comparison to industry as well as Shell’s minimum HSE requirements and assigns a Dashboard Score
- KPI – Key Performance Indicator
- Mode – classification of a contract which establishes the HSE MS that will be utilized to manage the operations throughout the contract duration. Contracts can be Mode 1, 2, 3 or Multi-mode
 - Mode 1: The contractor provides people, processes and tools for the execution of the contract under the supervision, instructions and HSSE-MS of Shell. The contractor has a management system to provide assurance that the personnel for whom it is responsible are qualified and fit for the work and that the processes, tools, materials and equipment they provide are properly maintained and suitable for the contract.
 - Mode 2: The contractor executes all aspects of the contract under its own HSSE-MS, providing the necessary instructions and supervision and verifying the proper functioning of its HSSE-MS. Shell has the right to verify the overall effectiveness of the HSSE-MS controls in place and assuring that both the Shell and contractor HSSE-MS are compatible.
 - Mode 3: Work is conducted at contractor site and HSSE Risks are managed under the Contractor’s HSSE-MS. Contractor operates within its own HSSE-MS that has no interfaces with the client HSSE-MS.
 - Multi-mode: In certain circumstances, contracted services span a number of activities and/or are delivered at various locations. In these circumstances, contracts are identified as multi-mode and work is broken down into smaller, identifiable activities each with a mode and party assigned for management of HSSE risks. Depending upon location, HSSE risks are managed under the contractor’s HSSE-MS or Company HSSE-MS.
- MSQ - Management System Questionnaire. References the HSSE Prequalification in ISN.
- Operational Contracts – see “Contract Segmentation” table below
- Red Contractor Variance – document utilized to capture requirements and management approval to utilize a contractor that has not met the expectation of the CSM Assessment
- RT – Road Transport
- RT Assessment – assessment conducted by the Logistics group utilizing the Road Transportation Assessment Protocols and tools.
- Strategic Contracts – see “Contract Segmentation” table below
- SFA – Subcontractor Focused Assessment
- Tactical Contracts – see “Contract Segmentation” table below

Contract Segmentation

Segmentation is based on three drivers

Contract HSSE risk: responsibility of CH and HSSE to determine

Business Criticality: determined by CH and CP Lead

Commercial Complexity: determined by CP Lead

The outcomes of the three risk drivers determine the Aggregated Contract risk classification. Decisions on the level of rigor to determine HSSE capability are based on the Contract HSSE risk and Segmentation.

Contract HSSE Risk	Business Criticality	Commercial complexity	Aggregated Contract Risk	Segmentation
Low	No	No	Low	Operational
	One or both Yes		Medium	Tactical
Medium	No	No	Medium	Operational
	One Yes		Medium	Tactical
	Both Yes		High	Strategic
High	No	No	Medium	Tactical
	One or both Yes		High	Strategic

Contract HSSE Risk is the highest unmitigated risk to the worker that is associated with the work scope of the contract.

A contract is considered business critical if it is supporting an activity that is critical to ongoing business operations. The failure of a business-critical contract to provide materials would have severe/catastrophic effects on operations, assets or individuals.

Contracts that are considered commercially complex involve the following aspects:

- Uncertainty in execution
- Numerous parties involved and high degree of interface requirements
- Wide variety of products provided with complex pricing schemes
- Incentive models that are linked to contract performance scorecard outcomes
- Actual Contract Value (ACV) exceeding 100M

Pre-assessment Activities

1. A new contractor is identified for use by the business. CSM is notified.
2. Mode, HSSE Risk, and Segmentation are determined / confirmed by the Contract Holder with input from HSSE, CSM and CP. Designations are documented by CP in Sharp.
3. The initial assessment and/or Banding Review occurs based on the following, with exceptions to be agreed upon by CSM and HSE in the business:

Segmentation	Tactical			Strategic		
	Low	Medium	High	Low	Medium	High
Contract HSE Risk						
General Contracts	N/A	ISNA	CSMA	N/A	ISNA or CSMA	CSMA
Road Transport (RT)	RT Only	ISNA + RT	CSMA+ RT	RT Only	CSMA + RT	CSMA + RT

Contract HSSE Risk Determination

Each contract must be assessed to determine the HSSE risk. This is accomplished by evaluating the activities that are covered in the contract work scope and performed by that contractor. The activity with the highest level of HSSE risk determines the overall HSSE risk of the contract. Shell does not classify the contractor as an HSSE risk but rather assesses their HSE MS and ability to manage that risk.

This note provides further guidance on the assignment of contract HSSE risk.

1. High or medium contract HSSE risk is determined only for activities undertaken by “Reporting Contractors” otherwise referred to as Mode 1 or 2 contracts.
2. Contract HSSE risk is concerned with risks leading to incidents during the performance of the contract. Consequential risks through bad design or materials are addressed through the technical specification of the contract.
3. Some activities are not hazardous in themselves but become hazardous because of exposure through the location or through personnel being transported. In such cases, Shell allocates the contract HSSE Risk to the contract that can affect the risk. In other words, only the contractor performing the activities and not those simply exposed to the hazard.
4. Competence of contractors and subcontractors is critical. Even low contract HSSE risk activities can lead to incidents (immediate or delayed) if the competence of the workers involved is not adequate. The contract HSSE Risk categorization is based on the assumption that the work will be done by competent workers that are properly trained to perform their assigned tasks.
5. Many contracts involve contractor companies driving themselves, or their colleagues, between worksites or in mobilization activities. Where these activities are explicitly included within the scope of the contract and they are undertaken by a “Reporting Contractor”, the contract cannot have low contract HSSE Risk.

Assessment Types

The ISNA and CSMA supports the Contract Holder to determine the capability and resources of the contractor to manage HSSE risk in the following areas.

- 3.1 The Contractor Company must show past and current HSSE performance.
- 3.2 The Contractor Company must have a documented process, including procedures and work instructions, or an HSSE – MS which shows that the contractor can manage the HSSE risk.
- 3.3 The Contractor Company must have a Competence Assurance process for its personnel and assure they are competent.
- 3.4 The Contractor Company must show that its training program supports the management of the HSSE Risks.
- 3.5 The Contractor Company must have a fitness to work process for its personnel and assure they are fit to work.
- 3.6 Tools or equipment that the Contractor company plans to use must be suitable for the job and safe to use.
- 3.7 Before contract award, confirm that the contractor company meets 3.1 to 3.6 above. Use an approval process for exceptions and record the outcome.
- 3.8 Before the contractor company awards a subcontract, check that the Contractor has assessed the subcontractor’s ability to meet requirements 3.1 to 3.6.

Requirement in Manual Section	ISNA	CSMA
3.1 The Contractor Company must show past and current HSSE performance	HSSE Performance Statistics Workers' Compensation Premium Rate Statement (Canada) or Current and Verified Experience Modifier (U.S.), MSQ – Audits and Reviews, Investigation and Reporting, HSSE Additional Features	Element 6 Implementation and Performance Monitoring
3.2 The contractor Company must have a documented process, including procedures and work instructions, or an HSSE – MS which shows that the contractor can manage the HSSE risk	RAVS - Safe Work Procedures by Work Type, Journey Management MSQ - Policy and Strategic Objectives, MSQ - HEMP: Assessment, Communication of Hazards, Exposure Monitoring, PPE, Waste and Environmental, MSQ - Road and Vehicle Safety, Planning and Procedures	CSM Assessment verifies presence of HSSE MS Element 1. Leadership and Commitment Element 3. Organization, Responsibilities, Standards and Documentation Sub-element Training of Managers/Supervisors and HSE Critical Positions Element 4 Hazards and Effects Management Sub-element Risk Assessment and Controls Element 5. Planning and procedures Sub-element Safe Work Procedures and Programs
3.3 The Contractor Company must have a Competence Assurance process for its personnel and assure they are competent	RAVS - Job Competency, Short Service Employee and New Employee	Element 3. Organization, Responsibilities, Standards and Documentation Sub-element Competency Assurance
Requirement in Manual Section	ISNA	CSMA
3.4 The Contractor Company must show that its training program supports the management of the HSSE Risks.	MSQ - Manager/Supervisor/HSE Support Competency and Training, Competence	Element 3. Organization, Responsibilities, Standards and Documentation

	and General HSE Training, Specialized HSE Training	Sub-element General HSE Training and Orientation Sub-element Training of Managers/Supervisors and HSE Critical Positions Element 5. Planning and Procedures Sub-element Safe Work Procedures and Program Company has a Management of Change (MOC) Process
3.5 The Contractor Company must have a fitness to work process for its personnel and assure they are fit to work.	RAVS - Fit for Duty, Fatigue Management MSQ - HEMP – Alcohol and Drugs	Element 4. Hazards and Effects Management Sub-element Health Hazards
3.6 Tools or equipment that the Contractor company plans to use must be suitable for the job and safe to use.	RAVS - associated with tools and equipment in Work Type MSQ - Equipment Controls	Element 5. Planning and Procedures Sub-element Equipment and Infrastructure Integrity
3.7 Before contract award, confirm that the Contractor Company meets requirements 3.1. to 3.6 above. Use an approval process for exceptions and record the outcome.	Results of ISNA Banding	Results of CSM Assessment. Outcomes recorded and stored in ISN. Banding based on HSSE MS and HSSE Performance. Approval process for exceptions include: High/Medium Risk Variance, Red Contractor Variance
3.8 Before the Contractor Company awards a subcontract, check that the Contractor has assessed the subcontractor’s ability to meet requirements 3.1. to 3.6 above.	RAVS - Subcontractor Management Plan	Element 3. Organization, Responsibilities, Standards and Documentation Sub-Element Subcontractor Management all within context of entire CSMA Subcontractor Focus Assessment

ISN Assessment

All contractors performing activities with an HSE Risk of Medium or High must undergo a prequalification review of their HSE Management System and their ability to manage the risk associated with those activities. For Unconventionals, this is accomplished using ISNWorld. The ISNA must be performed on all new medium and high-risk contractors prior to the award of the contract. Contractors should have a

minimum dashboard score of Amber to be considered eligible for a new contract with a preference for those that have been scored Green.

CSM Assessment

If the decision is made to conduct a full CSM assessment, the following will be reviewed, at a minimum, during the CSM Assessment Process:

- ISN Data (HSSE Performance, HSSE Pre-qualification and RAVS)
- COR (Canadian contracts only)
- Contractor HSE MS
- Subcontractor Management Process (if applicable), approved / not approved result
- Contract employee interviews to determine level of understanding and compliance with HSE MS

The Contractor Safety Management Assessment (CSMA) is a structured session with a standardized set of criteria used to verify and evaluate the HSSE Management System of a contractor. This typically requires a full day of inquiry involving contractor senior leadership, HSSE, and other roles relevant to the work scope. Contractors are required to explain their HSSE risk mitigation processes and demonstrate that they are effectively implemented. These sessions are led by the Contractor Safety Management Specialist and involve contractor employee interviews to help determine their knowledge of risks and required mitigation efforts. The Shell Contract Holder (CH) assigned to the contract participates in the CSMA process and is accountable for managing the contractor. Depending on contract scope, Subject Matter Experts (SMEs) are present to provide assurance that technical safety is addressed and can be managed appropriately by the contractor. Some examples of SME's may include, Lifting and Hoisting, Road Transport or Electrical authority representatives.

Considerations that will prompt the decision to conduct a CSMA include:

- High HSE risk (including subcontracted work)
- Strategic contracts
- Commercial complexity
- HSE performance of the contractor
- Extensive subcontracting
- Pro-active field observations from business
- Contractor is not registered in ISN (i.e. Argentina)

CSM assessments typically occur at the corporate location or central office of the company. Banding reviews may occur in a virtual environment considering logistics and economics. Regional or field offices may be reviewed to verify implementation of that system and to observe worksite safety behaviors. Multiple Shell Bandings for a single company can cause confusion therefore a full assessment, with a Shell banding, is not required for each division. Gaps identified at the regional level should be communicated to the Contract Holder at the company corporate office to determine if the system needs improvement or there is a local implementation and/or management issue. For Contractors used in different Countries separate CSM Assessments are required.

Prior to the assessment, a terms of reference (TOR) will be provided to the contractor highlighting the expectations and agenda. Upon completion of the assessment, the CSM Specialist will provide a Closeout Report within 7 business days detailing the verified positive aspects, findings that require improvement and subsequent banding of Green, Amber or Red. The contractor will also be notified if they are Approved or Not Approved to hire and manage subcontractors. Once received, the contractor is expected to respond with a CSM Gap Closure Plan within 14 days that is approved by the Contract Holder and

addresses the deficiencies outlined in the report. These plans are monitored by the Shell business with support of the CSM Specialist.

Contractors that provide a range of services may require the input of other cross functional groups to determine the HSSE capability of the company. Examples of other cross functional groups include Road Transport, Industrial Hygiene, Lifting and Hoisting, Process Safety. As opposed to individual capability assessments being conducted by each cross functional group, the CSM Specialist will be required to assemble a cross functional team to ensure the assessment determines the HSSE Management System capability to support of all services provided.

Banding Classifications

Contractors must achieve an acceptable banding score to be considered eligible to work for Shell. The aggregate score determines the band based on a minimum score of 90% to be considered Green and 70% to achieve Amber.

The Dashboard Grade within ISN is comprised of both HSE Management System and HSE Performance components with the following criteria and weightings:

Grade Component	Description	Weight
HSSE Pre-Qualification or Shell On-Site CSM Assessment	Also, referred to as Management System Questionnaire or MSQ. Set of questions answered by the contractor regarding aspects of the HSE MS	30%
HSSE Performance Stats	Based on HSSE Performance Statistics (total company, including outside of Shell)	30%
RAVS Safety Program	Desktop review conducted by ISN of legal Occupational Health and Safety requirements based on the jurisdictions the contractor is operating within and the Work Type recorded in ISN. Additional RAVS as required by Shell have also been added: Fatigue Management, Fit for Duty, Job Competency, Subcontractor Management, Short Service Employees and New Employees, Journey Management	20%
Drug & Alcohol Policy	Contractor must meet all Shell Drug & Alcohol policy requirements	5%

COR/SECOR	Certificate of Recognition (Canada Only)	5%
Workers' Compensation Premium Rate Statement (Canada) or Current and Verified Experience Modifier (U.S.)	Status based on legal jurisdiction	10%
Shell Performance Penalty	Mechanism to place a negative penalty on a contractor for events/findings that are considered significant but not reflected in the outcomes of the aggregate score and subsequent Banding. This penalty is at the discretion of the CSM Specialist and Contract Holder	0 – (-50) Points

Banding Results and Findings

Banding results and findings require discussion with the Contract Holder to achieve alignment and understanding. It is important to understand the gaps and associated to the HSE risk as opposed to focusing only on the banding. Circumstances may arise where a performance penalty is required to be applied based on the deficiencies of a contractor's lack of capability, resources to manage HSE risks, failure to close off CSMA Gaps in a timely matter or other performance related behaviors. Missing requirements outlined in the contractor's HSSE management manual are circumstances where the performance penalty needs to be considered and discussed with the Contract Holder:

- Lack of procedures and work instructions relevant to work scope and related HSE risk
- Competence assurance
- Training
- Fitness to work
- Tools and equipment not suitable and safe

Communication Strategy

Impacts of the findings and banding results to the line or lines of business using the contractor need to be understood and communicated internally before reporting out. Contractors with significant deficiencies require the Contract Holder to determine if there are any additional resources needed to manage the contractor, alternative contractor availability and approaches to communicating results to the contractor. The CSM Specialist may be required to facilitate internal and external meetings involving the lines of business to support the Contract Holder in communicating the results. Legal implications may also arise depending on contractual circumstances. In these instances, consultation with Shell Legal

is required when communicating banding results and it is important to ensure that communication is controlled and kept confidential as instructed.

Red Banded Contractors

Contractors receiving a Red Banding have failed to demonstrate an acceptable HSE MS and should be considered incapable of managing the HSE Risk identified in the contract without significant Shell oversight. Prior to assigning a Red Banding it is recommended that a meeting with the Contract Holder occurs to ensure alignment exists on the banding, proper communication with the contractor occur and impacts to other Shell businesses that utilize the contractor are understood and communicated. The contractor shall be disqualified from consideration to work for Shell unless the business has determined that the contractor provides unique services that cannot be provided by another qualified vendor and the associated risk regarding the contractor are mitigated. The business must accept responsibility and approve additional resources to manage the contractor. A Red Contractor Variance must be completed and approved by the business to justify use of the contractor and document how the risk will be managed. Also, a Red Banded Contractor should have a HSE IP to improve their processes. An additional banding review should occur between 6-12 months of the use of the contractor. It is expected that the HSE MS will improve so that the contractor does not remain Red Banded more than 12 months (i.e. move to Amber or Green banded). A Performance Penalty should occur for contractors not demonstrating improvement.

Amber Banded Contractors

Contractors receiving an Amber banding have demonstrated an “acceptable with improvements” HSE MS and can manage the HSE risks identified in the contract. Once all corrective actions have been deemed implemented, and verified by the Contract Holder, the contractor is expected to submit a CSM Gap Closure Plan. An Amber banded contractor should undergo a banding review between 3-6 months. It is expected that the HSE MS will improve so that the contractor does not remain Amber banded more than 12 months (i.e. move to Green Banded).

Green Banded Contractors

Contractors receiving a Green banding have demonstrated an “equivalent to Shell” HSE MS and are fully capable of managing the HSE risks identified in the contract. The contractor will be expected to submit an Annual HSE Improvement Plan (HSE IP) utilizing a SMART template (Specific, Measurable, Attainable, Realistic, Timely). Banding Reviews should occur upon significant change in (1) Contractor ownership, (2) HSE MS, or (3) unacceptable HSE performance.

Gap Closure Plans

Upon receipt of the Close Out Summary Report from CSM, Contractors will then have 14 days to review and provide a Gap Closure Plan, utilizing a SMART template (Specific, Measurable, Attainable, Realistic, Timely), to address the Findings of the Assessment.

Documented Exceptions

If the Shell business decides to use a contractor that has been banded Red, a Red Contractor Variance is completed and approved by the business to justify use of the contractor and outline how the risk will be managed.

A High/Medium Risk Pre-Qualification Variance is approved for contractors that have not undergone an ISNA or CSMA and are required on a short term or emergency basis. This document requires approval from the business and must document how the contractor will be managed to mitigate risk.

These documented exceptions are to be uploaded into ISN.

Banding Review

A Banding Review typically is conducted to determine the contractor’s HSE MS improvements and implementation of programs that were noted as deficient or absent during the original assessment. These are conducted in a virtual environment as opposed to at the contractor’s location. Presentation of written programs alone should not be considered as evidence that the gap has been filled. All program improvements or additions must be accompanied by verifiable evidence (e.g. completed reports, worker interviews etc.), of what the contractor has done to demonstrate implementation of changes to their HSE MS. The Banding Review schedule is noted below in the Banding Classifications section.

A Banding Review will consist of a review of the following as available:

- Gap Closure Plan
- Contractor’s HSE IP
- Contractor’s ISN Data
- Contractor’s HSE Performance – detailed information regarding incidents and lessons learned
- Feedback from field personnel

Prior to the review, a Terms of Reference (TOR) will be provided to the contractor highlighting the expectations and agenda. Upon completion of the Assessment, the CSM Specialist will provide a Closeout Report within 7 business days detailing the verified positive aspects, findings that require improvement and subsequent Banding of Green, Amber or Red. The contractor will also be notified if they are Approved or Not Approved to hire and manage subcontractors. Once received, the contractor is expected to respond with an updated Gap Closure Plan, if applicable, within 14 days that is approved by the Contract Holder and addresses the deficiencies outlined in the report. These plans are monitored by the Shell Business with support of the CSM Specialist.

The HSE MS Assessment Score Sheet should be updated to reflect improvements made and, along with the Summary Report, uploaded into ISN.

Banding Review Frequency

Initial Banding	Minimum Time before Banding Review	Maximum Time before Banding Review
Red	6 months	12 months
Amber	3 months	6 months
Green*	-	-

* Green banded only review upon significant change in one of the following or after 3 years:

- (1) Contractor ownership
- (2) HSE Management System
- (3) Unacceptable HSE Performance

Changes in HSSE MS After Completed Assessment

Note that changes made to the HSSE MS and, or types of services provided have the potential to impact the relevance of an assessment. The contractor is required to notify Shell in writing of these changes upon implementation which may be subject to further review and approval. This requirement is aligned with the services outlined in the contract work scope that is current with Shell. Failure to properly notify Shell of these changes may invalidate this CSM assessment and subsequent banding.

Non-ISN Assessments Within UA

Some Shell interests within Unconventionals such as Latin America do not require contractors to subscribe to ISN.

Banding of these medium and high-risk contractors working in Latin America rely on the results of a CSM assessment that in most cases, the CSMA is conducted by the CSM Specialist. But specifically, in Argentina, the CSMA for a medium tactical contractor is conducted by a third-party consultant in consultation with the CSM Specialist who provides a Scope of Work and gives authority to the consultant for scheduling and billing purposes. The CSM Specialist prepares a Close Out Report based on the assessment results from the third party. Follow up with the contractor on Gap Closure Plan progress is conducted by the CSM Specialist.

Subcontractor Management

Contract companies are often required to subcontract to fulfill the terms of their contract for services with Shell. Prior to hiring subcontractors to work on Shell locations, the primary contractor must have an approved HSE MS and subcontractor management program that adequately prequalifies and manages those subcontractors.

Subcontractor Management Capability Assessment Matrix (Minimum Shell Requirements)

Segmentation	Tactical			Strategic		
	Low	Medium	High	Low	Medium	High
Contract HSE Risk	Low	Medium	High	Low	Medium	High
Mode 1&2	N/A	CSMA	CSMA	N/A	CSMA	CSMA
Primary Contractor is not in ISN	N/A	CSMA	CSMA	N/A	CSMA	CSMA
Subcontractors providing service/repair to primary contractor equipment at a Shell site.	N/A	Shell to manage if primary contractor not approved	Shell to manage if primary contractor not approved	N/A	Shell to manage if primary contractor not approved	Shell to manage if primary contractor not approved

*subcontractors that are embedded into the primary contractor's organization, and are managed as such, do not require prequalification (i.e. Finning)

Matrix Considerations

- Subcontractor Focus Assessment (SFA) is used if the CSM Assessment was recently conducted but did not consider subcontracting.

- The Business may determine additional subcontractor assessments are required beyond the minimum UA requirements (e.g. onsite HSE performance issues, Onshore Projects Subcontracting Strategy, etc.)
- ISN RAV's Review – Primary contractor must have 100% in the Subcontractor Management Plan RAVS Protocol.
- A CSM Assessment is conducted if the company not in ISN. Subcontracting capability can be determined within the CSM Assessment.
- HSE Risk ranking of the contract must consider work scope of the subcontractor.
- Low Risk contractors are not allowed to subcontract.
- Medium Risk Contractors cannot subcontract High Risk contract services

Determining Subcontracting Capability within the CSM Assessment

Prior to conducting the CSMA, the CSM Specialist will confirm with the Contract Holder and CP if any activities within the contract are to be subcontracted. If so, verification must be made, with input from the contractor, of the activities to be conducted by the subcontractor as well as the frequency and number of personnel involved to determine the overall exposure.

During the CSMA, verification of the subcontractor management program will be obtained for each element of the assessment and not restricted to that sub-element of the questionnaire.

- The Subcontractor Management sub-element is a reminder to review the subcontracting policy itself and determine how contractors are pre-qualified.
- The Subcontractor Management sub-element is designed to assist with scoring the subcontractor program based on information obtained from the entire Assessment.

Subcontractor Management Assessment

It is the responsibility of the contractor to inform Shell whenever services within the contract are to be subcontracted. Failure to inform Shell of subcontracting may result in termination of the contract. It is the responsibility of the Contract Holder to know what work is being subcontracted and what the capabilities of that subcontractor are to perform the work. The contractor must have a policy within their system and able to demonstrate a requirement for prequalification and management of the subcontractor employees in alignment with Shell's expectations. The contractor's ability to manage subs will be determined during the full CSM Assessment and documented as "Approved" or "Not Approved" within ISN.

Responsibility and Performance of the Contractor

Safe performance of activities by the subcontractor reflects the overall management capability of the primary contractor.

- The primary contractor must demonstrate that subcontracted companies have been prequalified and their employees are deemed competent to perform the work.
- The primary contractor must manage subcontractor personnel as they would manage their own employees regarding HSE expectations.
- Shell's Subcontracting Management Principles prohibit subcontractors from hiring other subcontractors.

Additional Considerations

- Hiring known Red contractors through a vendor with an approved Subcontractor Management Program is not acceptable.
- Contractors that embed subcontracted personnel into their organization and manage them under their own HSE MS (e.g. treat them as employees) do not require a Subcontractor Management Program.

CSM Assessment and Subcontractor Focus Assessment Results

The contractor must obtain a score of 70% within the Subcontractor Element of a CSM Assessment or 70% within the Subcontractor Focus Assessment to be “Approved” to subcontract.

For contractors that are utilized in multiple assets within Unconventionals, all “non-approved” subcontracting capability findings should be shared with the affected businesses, prior to disseminating the Closeout Report, to evaluate the potential impact.

Non-Approved Contractors

If a contractor does not have an approved program for subcontracting, the contractor must determine if alternative arrangements can be made to avoid subcontracting. If operational needs dictate that subcontracting is required, the business must directly manage all HSE aspects of this activity. This will include Shell approval of the subcontractor(s) selected as well as oversight of the management of those personnel.

The Medium/High Risk Variance document will be used if the contract relationship dictates that the non-approved contractor must be able to independently hire and manage subcontractors on the behalf of Shell.

Contract Management Plan

A contract management plan (CMP) is the plan to manage all aspects of the contract: Commercial, Technical, Legal, Finance and HSSE. The CMP is owned by Shell and details the actions and timelines to achieve the contract deliverables. Upon award of a contract, the CP Category Manager will develop a CMP that may include progress meetings (e.g. monthly, quarterly) depending on the overall strategy and complexity of the contract. KPI's will be established to set goals in both operational and HSE performance. The CMP is a document that describes all key activities, risks and opportunities of delivery as well as roles and responsibilities for the management of the contract throughout its lifespan including the Contract HSSE Plan if applicable.

Contract HSSE Plan

A Contract HSSE Plan is mandatory for all Mode 1 and 2, high HSSE Risk contracts, and encouraged for medium HSSE Risk contracts.

The Contract HSSE Plan is developed and owned by the Contractor, and should be based on the contracted activities and how the HSSE Risk management as defined in the contract clauses will be delivered. It is the roadmap of how a Contractor will fulfil their role in managing HSSE Risks during the life cycle of a contract. It is a live document with the intent of ensuring continual improvement in the Contractor's HSSE performance and is a contractual obligation.

The length and detail of the contents in the Contract HSSE Plan may vary dependent of the HSSE Risk to be managed and the complexity of the work scope and work site; this includes consideration of

Subcontractor interfaces. It needs to support people in the field in performing the HSSE aspects of their roles, and have clear expectations on triggering conditions to stop work and seek help.

Mode 1 contract HSSE Plans should describe how the Contractor works underneath, and interfaces with, the Shell HSSE Management System.

Post Award Performance Monitoring

Performance Penalty

The Shell Performance Penalty in ISN allows the CSM Specialist to adjust a contractor's grading and apply a scoring penalty based on onsite performance or high findings discovered through a CSMA. Examples of a performance penalty would include a fatality in our business, multiple recordable incidents or Life Saving Rule violations. Decisions regarding contractor grading changes are done in consultation with the Contract Holder or Contract Owner and are applied as appropriate. For example, contractors could go from Green to Red or Green to Amber, etc. This penalty is applied at the discretion of the CSM Specialist and Contract Holder based on the request and information contained within the Performance Penalty Request form. Removal of the penalty requires the same endorsement by the Contract Holder and approval by the CSM specialist.

Additional "Fit for Purpose" Post Award Support

The post contract award activities are efforts that may be performed, facilitated, supported or led by Contractor HSE-SD Specialists in the interest of managing Shell's contractor base toward realization of "Goal Zero". Generally, post award activities are to be conducted in support of the entities below but other business components may be supported as needed.

Virtual Engagements

Topics of discussion for these engagements include the contractor knowledge of questions answered in the MSQ, HSSE Improvement Plan follow up, consultation of RAVS to address deficiencies or confirm knowledge or sudden changes in HSSE performance as reported in ISN. These sessions are cost effective and present an opportunity to maintain communications with the contracting community regarding HSSE MS expectations.

The CSM Specialist may also provide additional support as deemed appropriate by the business as well as serve as a conduit between business units to:

- Identify best and proven practices
- Provide training and competency around Contractor HSE Management
- Broadly communicate successes, and promote cross-business collaboration regarding HSEMS improvements and Goal Zero performance

There are several ways that the CSM Specialist can support the business and contractor(s) in the on-going efforts to support a Goal Zero culture. Some options are:

- Facilitate HSE Improvement Plan Discussions
- Coaching Contract Holders, HSE professionals, contractor leaders, etc. in techniques and behaviours to drive HSE-related results
- Provide data analysis to help identify HSE performance trends
- Be a “third party” or provide an “external view” regarding HSE efforts to help identify opportunities that those more closely involved may not see or appreciate

By working collaboratively with the business and being fit for purpose, CSM will add their support to the effective HSE-related strategies between the business, contractors, and CSM.

Local Contracting Goals

Local Contracting Process Map

In certain areas that Shell operates, Assets have goals that are tied to ensuring local contractors, including Indigenous owned companies, are employed through either direct or indirect relationships. The CSM Specialist is required to provide support by ensuring contractor HSE capability is aligned with these expectations and that associated risks are known and can be mitigated. To assist with these internal and external discussions the Local Contracting Process Map was developed to identify potential direct or indirect opportunities these companies may have. It also outlines the scope/evaluation and qualification requirements. This document is intended for stakeholder engagement to improve the general understanding of the Shell Contracting Process including Contractor Safety Management and must be supplemented with a discussion.

Internal Performance Reviews

Performance Plan

Annually the CSM Specialist will consult with their stakeholders to determine the contractors that require focus and agree to the type of engagement directed toward improving performance. This information is tracked within the performance plan. Outcomes of engagements related to this plan is reviewed monthly by the CSM Manager and presented to the Unconventionals Leadership Team.

Stakeholder CSM Process Review

Senior leaders representing the businesses supported by the CSM Process will be consulted (minimum annually) to conduct a review of the CSM Process to ensure its continuing suitability, adequacy and effectiveness. The review includes a determination of opportunities for improvement and the need for changes to the Contractor HSE Management Guidelines and related documents.

Registry of Changes

A registry of changes related to all CSM Assessment documentation is maintained in the Change Registry Tab of the CSM Assessment Documentation. Changes made to all other guidance document including these Guidelines is found in the Guidelines and Guidance Document Change Registry. It is the responsibility of the appointed Process Owner of these documents and processes to ensure these registries are maintained and current.