

## 1 PURPOSE

This Standard establishes the HSER requirements for evaluation, approval and use of contractors.

## 2 SCOPE

The Standard applies to all contractors providing services at a Chesapeake (CHK) workplace.

## 3 DEFINITIONS

**Business Critical Exemption (BCE)** – a process to authorize use of a contractor that does not meet CHK’s HSER requirements but provides services critical to CHK business.

**Chesapeake (CHK)** - Chesapeake Energy Corporation.

**CHK Sponsor** – a CHK employee or contractor submitting a request to on-board a new Supplier.

**Contractor** – a supplier holding a contract with CHK for the supply of services.

**Contractor Management System (CMS)** – system for maintaining contractor data for safety and other department analysis. Examples include ISN and PEC.

**Subcontractor** - a company or individual hired by an approved CHK contractor to provide services in support of, or on behalf of, the approved contractor.

**HSER** – Health, Safety, Environmental and Regulatory department.

**HSER Improvement Plan (IP)** - IPs are developed for contractors that do not meet CHK’s HSER performance expectations. IP’s are a tool to promote continuous improvement.

**HSER Contractor Handbook** – a reference document that describes the minimum HSER requirements and expectations for contractors providing services to CHK.

**HSER Performance Questionnaire** – a questionnaire completed by a contractor and used to evaluate HSER performance and culture.

**Functional Group** – a department within CHK involved with the exploration, development, and production of oil and gas, construction, facility maintenance or any other group that may utilize the goods or services of a vendor/contractor that requires HSER risk screening.

**Incident** – an unplanned or undesired event that results in injury, illness, damage to property, negative environmental impact, loss of company assets, or any combination of these.

**Industry Recognized HSE Orientation** - CHK recognizes SafeLand, SafeGulf, RigPass or an equivalent orientation accredited by the Energy Training Council (ETC), Petroleum Education Council (PEC) or the International Association of Drilling Contractors (IADC).

**ISNetworld** - a contractor management system owned by ISN that maintains an HSER performance database for the selection and retention of vendors or contractors.

**Near Miss** - an unplanned or undesired event, unsafe condition, or behavior that had the potential to result in an Incident, but due to the circumstance(s) present, did not result in an incident.

**Stop Work Authority** - A CHK policy that every person has the right and responsibility to stop any task that is believed to be unsafe or that could lead to environmental impact. No worker will be penalized in any way for raising a legitimate concern, even if it is just to ask questions because they are unsure about an aspect of the operation.

**Supplier Qualification Report (SQR)** - A list of the CHK's suppliers and their approval status maintained by the Supplier Quality group.

**Workplace** - any site, property, equipment, facility, location, activity, or project that is owned, operated, leased, controlled, supervised or accessed by CHK. CHK sites include, but are not limited to: construction, drilling, completion, production sites, compressor stations, easements, rights-of-way, pipelines, gathering systems, storage facilities, meter stations, office buildings, warehouses and shops.

## 4 RESPONSIBILITIES

### 4.1 HSER DEPARTMENT

- Support Functional Group and Supply Chain with management of contractor HSER performance
- Maintain a database of existing contractor HSER performance on CHK worksites
- Support Functional Group(s) evaluation of contractor HSER performance and participate in audits as required/requested
- Maintain CHK HSER orientation for contractors

### 4.2 FIELD HSER SUPERVISOR

- Track, trend and communicate with Functional Group(s) contractor HSER performance for their area of responsibility
- Identify and monitor contractors with safety culture or performance deficiencies
- Conduct field audits based on contractor performance, high risk activities or critical to business services
- Support Functional Group(s) development of effective contractor HSER improvement plans

### 4.3 FUNCTIONAL GROUP

- Assure contractors receive CHK HSER orientation annually prior to performing services
- Continuously monitor and evaluate contractor HSER performance and competencies
- Evaluate contractors for continued use and correct status on SQR
- Follow the BCE process for continued use of a contractor who does not meet HSER requirements
- Lead and/or participate in contractor audits and performance reviews promoting continuous improvement
- Coordinate with Field HSER to manage underperforming contractors
- Communicate contractor improvements and concerns with HSER and Supply Chain
- Communicate requirements outlined within this standard with the contracting companies

### 4.4 CONTRACTOR

- Maintain approved supplier status on CHK's SQR unless formally exempted
- Provide services that meet or exceed CHK HSER requirements
- Provide employees with all necessary protective and safety equipment
- Exercise Stop Work Authority as warranted
- Conduct safety reviews and observations as required to ensure work is performed safely
- Assure their data is kept current in the CMS
- Communicate hazards to CHK and participate in reporting programs such as "Good Catch"
- Report incidents resulting in injury, unpermitted environmental release, Notices of Violation, property damage, regulatory inquiries, or other matters that may result in litigation or regulatory inquiry on CHK locations and investigate as appropriate
- Provide any un-privileged reports related to incidents on CHK locations as requested
- Ensure employees have the required training and certifications for tasks performed
- Adhere to required governmental regulations and applicable CHK and contractor company standards and procedures
- Ensure employees complete CHK orientation before working on CHK location
- Provide appropriate level of oversight for Short Service Employees and sub-contractors
- Provide an SDS for any chemicals (or materials as required) brought on to CHK locations
- Ensure all unpermitted environmental releases are remediated and/or repaired to CHK requirements
- Cooperate in any HSER assessments or audits performed by CHK
- Provide employee exposure or other HSER data as requested by CHK
- Participate in applicable safety meetings as requested by CHK

## 4.5 SUPPLY CHAIN

- Coordinate and communicate information needed to maintain the correct connections with contractors in the HSER CMS
- Maintain a process for contractor status changes on SQR

## 5 IMPLEMENTATION

This Standard establishes minimum HSER requirements for new contractor approval, approved contractor management, sub-contractor management, development of an Improvement Plan, CMS enrollment, contractor engagement, as well as contractor monitoring, orientation and training.

### 5.1 HSER NEW CONTRACTOR APPROVAL

During the screening and evaluation phase HSER criteria outlined in Appendix A are used to evaluate new Contractors. HSER will assist Supply Chain and Functional Group(s) as needed in Requests for Proposal and contractor selection activities. HSER will also provide input to Supply Chain and Functional Group(s) regarding suitability of potential contractors based on HSER considerations when requested.

### 5.2 APPROVED CONTRACTOR MANAGEMENT

All contractor management stakeholders should periodically monitor and measure contractor performance to assure all aspects of contractor management are complied with and deficiencies are addressed in a timely manner.

### 5.3 SUBCONTRACTOR MANAGEMENT

- Contractors are responsible for the management and performance of their subcontractors at all times when providing services at a CHK workplace
- Subcontractors will be held to the same standard and expectations of the contractor for which they are providing services
- Contractors using subcontractors are required to have a Subcontractor Management Program which shall include at a minimum:
  - A procedure for evaluation and selection of subcontractors based on HSER performance
  - Assurance of training and qualification including completion of an approved industry recognized safety orientation such as SafeLand, SafeGulf, or RigPass
  - Completion of a CHK HSER orientation.

- Verification that subcontractors' applicable HSER Programs meet applicable regulations, the hiring contractor's HSER requirements and CHK's HSER performance expectations and requirements
- Verification that subcontractors maintain any special license or certification requirements applicable to the services being performed
- Verification that subcontractor's equipment is appropriate for the services provided, in good working condition and inspected prior to use
- CHK reserves the right to deny use of any subcontractor at CHK's sole discretion.

#### **5.4 BUSINESS CRITICAL EXEMPTION (BCE)**

An HSER BCE may be granted for contractors who do not meet HSER screening criteria designated in Appendix A or who fall below HSER criteria after initial screening. Refer to the CHK HSER BCE procedure for more detailed information. A pre-work audit should be performed for any contractor requiring a BCE.

#### **5.5 IMPROVEMENT PLAN (IP)**

An improvement plan is required for contractors as part of the BCE process for contractors who have open corrective action items to address any deficiency triggering the BCE.

Improvement plans are also recommended for contractors who have a single significant event, an unacceptable trend of events or a contractor who on a day to day basis is not demonstrating the values expected by CHK. The Director – HSE Field, shall be responsible for oversight of all Improvement Plan requests and assure that the proper process is followed.

- An IP shall consist of detailed improvement opportunities, target completion dates, responsible personnel, and methods to measure success
- Initial acceptance of the contractor IP requires the approval of the Functional Group Manager and the appropriate HSE Supervisor.
- IPs as part of a BCE shall be submitted for approval as defined in the BCE procedure.
- The accepted IP shall be submitted to CHK HSER and should be posted in the contractor's CMS account
- IPs shall be reviewed quarterly by the CHK Sponsor and HSER representative. Quarterly reviews will continue until the objectives of the IP have been met and the CHK sponsor and appropriate HSE supervisor are satisfied with the contractor's performance
- If the contractor does not meet the objectives of the IP and HSER performance has not progressed to a satisfactory level, they should be unapproved on the SQR
- All quarterly review findings shall be uploaded to the appropriate system of record as defined by Supplier Quality and HSER

## 5.6 CONTRACTOR MANAGEMENT SYSTEM (CMS)

Contractors that require an HSER evaluation as part of the Supply Chain on-barding or review process will be required to subscribe to a CMS designated by CHK HSER. The risk criteria to determine the HSER evaluation requirement are defined in the Supplier Quality Risk Matrix.

- Contractors will have 30 days to complete the HSER questionnaires and program submissions
- Incomplete profiles will change the contractor status to unapproved after 45 days
- HSER may maintain a list of special cases or circumstances that do not require CMS enrollment
- A contractor can receive exemptions for scope specific HSER programs if it is verified that the contractor's job responsibilities do not expose them to the relevant hazard or environmental liability

## 5.7 CONTRACTOR ENGAGEMENT

Effective contractor management requires clear communication and routine engagement. It is essential that CHK Leadership frequently engage with contractors to clearly communicate expectations and demonstrate commitment to HSER principles.

### 5.7.1 Routine / Day to Day Engagement Opportunities

- Participate in JSA development and review during pre-job HSER meetings
- Promote the use of "Stop Work Authority"
- Participate in Hazard Hunts
- Utilize an HSER Stand-down
- Attend contractor's monthly HSER meetings
- Participate in incident investigation / review as appropriate
- Communicate HSER Alerts and Memorandums

### 5.7.2 Contractors Working Under an Open Improvement Plan

- The CHK Sponsor and Field HSER shall coordinate and conduct quarterly IP reviews with all effected contractors
- Agenda Topics should include:
  - An IP review and update
  - Positive reinforcement as applicable
  - A review of significant incidents, current trends, concerns and performance improvements over the past quarter
  - Review of established Key Performance Indicators such as incident rates

## **5.8 CONTRACTOR MONITORING AND MEASURING TOOLS**

These tools can be used to monitor and measure a contractor's HSER performance and aid in making critical decisions relevant to a contractor's working relationship with CHK.

- Field Audits (by Supervisor, Managers, HSER)
- HSER Improvement Plan Review
- HSER Performance Reviews
- CMS questionnaires, Score and or Grade
- Location Specific HSER Data, (i.e. TRIR)
- KMI or equivalent system review

## **6 TRAINING**

### **6.1 SAFELAND, SAFEGULF, RIGPASS ORIENTATION**

- Contractors must assure their employees have completed a SafeLand, SafeGulf or RigPass Orientation prior to performing any drilling, completions, work on production facilities, or work on locations where they may be exposed to Oil or gas or associated byproduct.
- Contractor employees must provide a valid SafeLand, SafeGulf, or RigPass card or other accepted form of verification upon request of any CHK representative

### **6.2 CHK HSER ORIENTATION**

- CHK and contractor companies are jointly responsible to assure contractor Employees complete CHK's Contractor Orientation prior to performing any services for CHK
- A method of verification (i.e. Sticker or ISN card) must be available to CHK representatives
- The orientation can be delivered by CHK HSER Field Representatives, Supervisors, Managers, Site Supervisors/Consultants, or designated CHK or contractor trainers

### **6.3 CONTRACTOR HANDBOOK**

- All contractor employees should be issued a Contractor Handbook or have access to an electronic copy
- The contractor employee should become familiar with the handbook and use it as a reference for basic HSER guidance

### **6.4 TRAINING FOR WORK PERFORMED**

- Contractors shall assure their employees have completed all regulatory training applicable to their scope of work

- Equipment operators shall be trained and qualified to operate equipment, i.e. forklift, cranes, man-lifts etc.
- Contractors shall be able to provide proof of training to CHK representatives
- OSHA 2254-09R 2015 Training Requirements in OSHA Standards is a good reference for training required for various types of work

## **7 AUDIT REQUIREMENTS**

Regular audits of this standard and associated procedures may be conducted by the Compliance Assurance department. Audits will be documented, and corrective actions monitored until they are implemented.

## **8 DOCUMENT STORAGE AND RETENTION**

Documents shall be retained in accordance with the Records Management Program, Document Control Program and applicable laws.

## **9 REFERENCES**

### **9.1 INTERNAL**

- Supplier Qualification Standard
- Supplier Risk Matrix Procedure
- HSER BCE Procedure

### **9.2 EXTERNAL**

- API Standard 2220: Contractor Safety Performance
- API Recommended Practice 76: Contractor Safety Management for Oil and Gas Drilling and Production Operations

## **10 APPENDIX**

- A – BCE Screening Criteria and Flow Chart



## APPENDIX A:

### BCE Screening Criteria

The BCE screening criteria for companies in business more than three years is a three-tiered review of contractor safety statistics as defined below.

#### Level 1

1.  $\leq 1$  Fatalities in past 3 years
  2. Experience Modifier Rate (EMR)  $\leq 1$  (1 is "industry average")
  3. 3-year cumulative Total Recordable Incident Rate (TRIR)  $\leq 3$
- Failure of any test leads to Level 2 Screen
  - Pass all three tests – No BCE required

#### Level 2

1. 3-year cumulative Days Away, Restricted or Transfer (DART):
    - a.  $\leq$  prior year Bureau of Labor Statistics (BLS) industry average OR
    - b. 2 of 3 past years  $\leq$  to respective BLS industry averages
  2. 3-year cumulative TRIR:
    - a.  $\leq$  prior year BLS industry avg OR
    - b. 2 of 3 past years  $\leq$  to respective BLS industry averages
- Failure of either test leads to Level 3 Screen
  - Pass both tests – No BCE required

#### Level 3

- If company size is  $> 50$  employees a BCE is required
- If company is  $\leq 50$  employees with no DART incidents in past year or 2 of the 3 past years or the incidents were not "at fault" as determined by an HSE Supervisor or above – No BCE is required. Otherwise a BCE is required.

