

**Lotte Chemical Pakistan Limited
Port Qasim**

PROCEDURE NO.	HSE&S Procedure No. 8.01-01	Page 1 of 7
TITLE	Management of Contractors	
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Contents

	Page No
1. Purpose	2
2. Scope	2
3. Definitions	2
4. Requirements	3
5. Communication and Training	7
6. Documentation	7
7. References	7
8. Amendments	8

1. PURPOSE

The purpose of this procedure is to support Company HSE&S Standards that requires assessment of the HSE&S Implications of work carried out by others on behalf of Company. To define the requirements & to provide guidance for ensuring that only competent Contractors are employed by Lotte Chemical Pakistan Limited (LCPL) and that they operate to standards which are acceptable to LCPL Site and City Office.

2. SCOPE

It applies to all contractors engaged to carry out work at LCPL Site. The requirements apply to all of operations from simple service provider to major chemical plant construction projects but the degree of application can be based on the specific circumstances, in particular to the hazards involved and size of operation. The requirements & principles in this procedure are applicable to any Manager who engages a third party to carry out work for LCPL Site and City Office.

It covers the following:

- (a) Assessment and selection of the contractor.
- (b) Formation of the contract / agreement.
- (c) Provision of information to the contractor by LCPL.
- (d) Provision of information and method statements by the contractor to LCPL.
- (e) Arrangements for subcontracting.
- (f) Responsibilities for HSE&S (Health, Safety, Environment & Security).
- (g) Monitoring and review of the contractor's activities.

3. DEFINITIONS

- 3.1 Contractor - Any company in his own right employed via a contract or an agreement to carry out an activity at LCPL Plant Site, City Office or Raw Water Pumping Station.
- 3.2 Method Statement - A suitably detailed written description of the work to be done, setting out the key elements of the task to be carried out and the safety, health and environmental implications.
- 3.3 Purchase Manager - A Manager in Purchasing Department authorised by LCPL to form legally binding contracts / agreements in liaison with respective Contract Manager (s) for work to be carried out on behalf of LCPL.
- 3.4 Contract Manager - The Manager responsible for all aspects of the work to be carried out, under the specific contract / agreement. (A list of approved Contract Managers should be maintained at each location.)
- 3.5 Location Manager – The [Director](#) Manufacturing for the plant premises and Raw Water Pumping Station. The General Manager HR & IT for the City Office and Commercial Manager for off-site Container Park.

3.6 Site

In the context of this procedure, Site is taken to mean the LCPL Site, Raw water Pumping Station, and the adjacent 50 Acre Plot.

4. REQUIREMENTS

4.1 Principles

4.1.1 LCPL shall:

- (a) Ensure that Contractor activities do not expose LCPL. Employees, public, other Contractors or the environment to unacceptable hazards.
- (b) Ensure that LCPL activities do not expose contractor's employees or businesses to unacceptable hazards
- (c) Establish as far as practicable, that selected Contractors are competent & qualified to do the contract work.

4.1.2 Standards for health safety environment & security issues shall be applied equally to contractor's activities as these are the activities carried out by LCPL own employees.

4.1.3 It is the responsibility of Contractors to supervise their own employees and LCPL shall not assume this responsibility unless specified in the contract.

4.1.4 The hazards of each job shall be clearly identified, understood and communicated to all the concerned persons.

- (a) LCPL shall specify those arising from LCPL activities.
- (b) The Contractors shall specify those arising from his own activities.

4.1.5 Each job shall be [assessed for the appropriate](#) risk assessment. The risk assessment may take any one or a combination of techniques, and shall be applied dependent upon the nature of the task being considered. Example techniques include:

- (a) Formal Hazard Analysis & Risk Assessment
- (b) Method Statement
- (c) Permit to Work
- (d) Standard Operating Procedure
- (e) Mental Risk Assessment

The level of high risk assessment and appropriate combination of techniques shall be determined by the [Concerned](#) Contract Manger in relation to work in question. HSE-015 Appendix-C lists what should

be included in an assessment and method statement for tasks, which 'have inherent HSE risk'. Where appropriate all such risk assessments shall be documented.

- 4.2.1 The Location Managers shall have system in place to ensure that all locations where contractors are engaged to carry out work for LCPL, arrangements are in place which required:
- (a) An authorised and nominated LCPL Contract Manager for each contractor activity.
 - (b) A formal contractor selection process based on their HSE&S management and past performance.
 - (c) A written contract describing all HSE&S aspects.
 - (d) An appropriate risk assessment process for each contractor services activity.
 - (e) Appropriate system of work, e.g. a Permit to Work procedure for hazardous tasks.
 - (f) Introduction and entry control procedure for contractor employees.
 - (g) Systematic monitoring of the HSE&S performance of contractors.
- 4.2.2 The Contracts should include the following to an extent appropriate to the nature of the work and local circumstances:
- (a) The scope of the work to be performed or service to be provided.
 - (b) The respective responsibilities of LCPL and the contractor for HSE&S aspects.
 - (c) Specific LCPL HSE&S and Insurance requirements.
 - (d) Suitably detailed risk assessments and method statements, as necessary, for the type of work to be done.
 - (e) The arrangements for selection and management of sub-contractors.
 - (f) The arrangements for monitoring compliance with statutory and LCPL requirements.
 - (g) Reporting and investigation requirements for HSE&S incidents, injuries and illnesses.
- 4.2.3. Line Manager overseeing the work of contractors should have systems in place to:
- (a) Ensure that the necessary HSE&S information and instruction are exchanged between LCPL and the contractor for satisfactory control of any risks arising from interactions between the activities of LCPL and the contractor.
 - (b) Ensure that appropriate induction training and any other specific training to meet LCPL HSE&S requirements is provided and verified.
 - (c) Monitor compliance with HSE&S requirement.
 - (d) Work with the contractor's management to promote HSE&S improvement.
- 3 The **Director** Manufacturing shall authorise LCPL Managers to act as Contract Managers on the Site. Commercial Manager shall authorise LCPL Managers

to act as Contract Managers on offsite Container Park and other Product Stewardship activities.

- 4.4 It is the responsibility of Contract Manager to ensure that all the requirements of the contracts (Appendix-1 & Ref. 7.8) are fulfilled. In carrying out the required actions, he will work in conjunction with the Purchase Manager, the end users of the contract service and other parties.
- 4.5 The Contract Manager and Purchase Manager shall decide on the appropriate enquiry strategy dependent on the nature of the task, value, urgency etc.
- 4.6 The Contract Manager and Purchase Manager shall as a minimum consider followings in comparing tenders.
 - (a) HSE&S (Health Safety, Environment & Security),
 - (b) Quality,
 - (c) Delivery,
 - (d) Past Performance,
 - (e) Cost Effectiveness,
- 4.7 The Contract Manager shall authorise “Services Purchase Requisition (Indent)” for the contract and send it to the Purchase Manager, having first ensured that the contractor has fully understood the scope of work and requirements for working on site.
- 4.8 The Purchase Manager shall create a “Services Purchase Order” to complete the contract, ensuring that the “Services Purchase Requisition (Indent)” is properly authorised and that the correct LCPL terms and conditions are enforced.
- 4.9 Before work starts on site the Contract Manager shall ensure that:
 - (a) All Contractor staff are site inducted,
 - (b) All Contractor staff are competent qualified and adequately trained
While it is the contractors responsibility to ensure that the contractors employees are adequately trained for the task, the Contract Manager must be satisfied that the contractor has done this.
 - (c) All Contractor staff are adequately supervised to easily conduct their job.
 - (d) All equipment provided is safe and complies with relevant standards,
 - (e) An effective system for the safe management of the Contractor whilst on site has been established and communicated to those involved (See Appendix-1).
- 4.10 The Contract Manager shall ensure that LCPL owned or hired equipments not used by the Contractor unless there is no practical alternative. The Contract Manager in agreement with Engineering Manager shall approve in writing any such loan prior to use and shall ensure issues of liability are fully considered, understood & agreed by contractor.

- 4.11 In the case of lifting equipment the Contract Manager shall obtain formal approval from the Nominated Lifting Engineer, see Ref. 7.1
- 4.12 In case of cranes, Heavy Vehicles and other Abnormal Vehicles, the Contract Manager shall obtain formal approval from the Engineering Manager See Ref.: 7.4
- 4.13 The Contract Manager shall ensure that the work is carried out safely and in accordance with agreed procedures. He shall monitor contractor activities regularly against any method statement or other clearly understood criteria. Non-conformities, if any, shall be recorded, and correction actions taken immediately. Efforts shall be made to ensure that contractor is contractually bound to rectify such situations. This shall be achieved by the use of audits appropriate to the task. See Appendix-1 & Ref. 7.8
- 4.14 The Contract Manager shall ensure that all accidents and incidents learning events involving the contractor are reported and investigated in accordance with Ref. 7.2
- 4.15 During and after the contract, the Contract Manager shall review the overall performance of the contractor in terms of HSE&S, quality, delivery and cost effectiveness.
- 4.16 The Contract Manager and the Purchase Manager shall ensure that all the principles & requirements laid in the LCPL “Business Ethics” are followed & implemented in spirit and in accordance with Appendix-2.
- 4.17 For all project work of Capital nature under [Form ‘A’](#) and [Form ‘B’](#) undertaken by the Technical, the nominated Contract Manager in the group all shall be responsible for the following;
- (a) Defining the Contract Requirements.
 - (b) Developing the Enquiry Strategy.
 - (c) Evaluation of Tender.
 - (d) Contract Negotiation.
 - (e) Preparation of Services Purchase Requisition.
 - (f) Preparation of Legally Bound Agreement / Contract.

He may ask the Purchase Manager to help him in certain areas.

- 4.18 For all the offsite Maintenance Repairs and Local development undertaken by the Engineering, the nominated Contract Manager(s) in the shall be responsible for the followings;
- (a) Defining the Contract Requirements.
 - (b) Develop the Enquiry Strategy.
 - (c) Evaluation of Tenders.
 - (d) Contract Negotiation.
 - (e) Preparation of Services Purchase Requisition.

In carry out the action (c) and (d) above, he will work in conjunction with the Purchase Manager.

- 4.19 The Contract Manager shall establish a file for each contract so that the complete history of the contract is recorded and available in one place. Besides providing a reference point for matters concerning the contract it will also form a valuable source of information when appraising the contractor for future contracts.
- 4.20 A Contractor HSE&S performance review system shall be established and improvement plans, shall be developed Regular communication shall be established. In the event if unsatisfactory HSE&S performance continues the following actions shall be taken: (Appendix -4)
1. Initiate search for alternative contract services.
 2. Termination of contract.

5. COMMUNICATION AND TRAINING

- 5.1 The **Director** Manufacturing shall ensure that all Managers are aware of the contents of this Procedure.
- 5.2 Contract Managers shall be given additional training by the Engineering Manager and HSE & Technical Training Manager.

6. DOCUMENTATION

- 6.1 Contracts / Agreements
- 6.2 Method Statements
- 6.4 Appendix-1 Advice On How To Apply The Principles
- 6.5 Appendix-2 Business Ethics
- 6.6 Appendix-3 List of Nominated Contract Managers
- 6.11 Appendix-4 Contractor Evaluation Checklist
- 6.12 Appendix-5 Rules & Regulations

7. REFERENCES

- 7.1 HSE&S Procedure No. 19.13-01 Purchase, Registration, Inspection and Maintenance of Lifting Equipment
- 7.2 HSE&S Procedure No. 3.01-01 Reporting Health, Safety, Environment & Security Information

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| 7.3 | HSE&S Procedure No. 19.05-01 | Permit to Work |
| 7.4 | HSE&S Procedure No. 19.08-01 | The Movement and Operation of Cranes,
Heavy Vehicles & Other Abnormal
Vehicles on Site |
| 7.5 | HSE&S Procedure No. 13.01-01 | Chemical Inventory & Hazard
Assessment |
| 7.7 | Guideline 8.01 | Use of Contracted Services |
| 7.8 | HSE&S 015/A/B | Information Notes for Managers |

8. AMENDMENTS

This is the [sixth](#) revision.