DOCUMENT NUMBER

ALASALA CO.

-16 A- HSE-010

DOCUMENT TITLE

H.S.E

AUDIT AND MANAGEMENT SYSTEM REVIEW

CONTENTS

Compliance Audit Process

The purpose of a compliance audit is to provide a detailed analysis of a facility's or function's ability to comply with applicable safety, health, and environmental laws and regulations as well as company policy and procedures.

The compliance audit program identifies and communicates:

- SH&E regulatory exposures
- Compliance improvement opportunities for the function
- Best practices in managing SH&E compliance activities
- Input to effect continuous improvement in SH&E and operational performance

Evaluation Team

Selection

Evaluation teams are selected based on specific requirements such as size, complexity, operations, etc. Normally, all members of the team, except for the Evaluation Site Coordinator, are from outside of the evaluated unit. Members should have strong technical expertise in areas being evaluated, or others should have a strong, broad understanding of IMS or a detailed SH&E compliance knowledge and good evaluation techniques. When selecting participants, the objective is to achieve an appropriate mix of technical, operating, and SH&E regulatory knowledge as well as a mix of disciplines and levels of experience.

Team Member Requirements, Roles & Responsibilities

Team Leader

- Normally a line manager from the appropriate function
- Conducts pre-evaluation, daily and closing meetings
- Manages/Coordinates evaluation team's time and site activities
- Ensures that correct and appropriate evaluation methodologies are applied
- Ensures that all systems are appropriately reviewed during the evaluation
- Keeps evaluated unit manager abreast of significant observations made on a daily basis
- Maintains the "No Surprise" culture while conducting the evaluation
- Reviews, approves and issues final evaluation report
- Ensures that evaluation critique is completed and communicated
- Provides appropriate feedback to site and evaluation team members

Site Evaluation Coordinator

- Representative from evaluated unit with broad knowledge of evaluated operations
- Coordinates pre-evaluation and evaluation planning, including assembling and communicating pre-evaluation package
- Facilitates adjustments to the schedule/process as requested by the evaluation team

Conducting the Evaluation

Site Logistics

Before the evaluation date, the Team Leader and Site Evaluation Coordinator should discuss and confirm the evaluation logistics.

Pre-evaluation Team Meeting

The evaluation team should meet prior to the start of the evaluation. This meeting is generally held on location the day before the evaluation begins, and should include the following content:

- Team introduction
- Review/discussion of evaluation objectives
- Confirm the team's assignment ensuring a good match with team expertise and experience
- Confirm team member's responsibility for each IMS system
- Review evaluation methodology, ground rules, and boundaries
- Review proposed interview and validation/observation schedule
- Discuss the evaluation process and expectations for daily team meetings
- Reminder of important interviewing techniques and/or sensitivities
- Review specific document requirements and plan to complete the report
- Review site's IMS implementation/SH&E regulatory compliance issues/status
- Discussion of special topics or site issues
- Review team's evaluation knowledge and conduct any required or refresher training

All team members and the Site Facilitator should attend the pre-evaluation team meeting. The Team Leader and Unit Evaluation Coordinator will jointly develop the agenda and make appropriate arrangements for the meeting. Prior to the meeting, the Team Leader/Co-Leader and Unit Evaluation Coordinator should prepare the detailed evaluation schedule, including interviews, logistics, and timing. Adjustments to the schedule can be made during the pre-evaluation team meeting.

Opening Meeting

The evaluation should begin with a site kick-off meeting attended by the evaluation team and representatives of the function's management team. The purpose of this meeting is to: introduce the evaluation team and the unit's management team

- Reiterate and confirm evaluation objectives
- Confirm acceptability of the evaluation scope, boundaries, process, focus, and any areas of emphasis. Review the schedule and timing of key evaluation milestones
- Identify additional potential issues or concerns that are to be specifically addressed in the evaluation
- Identify any additional areas of special sensitivity

Site Interview Planning and Strategy

Evaluations are usually conducted in a "top down" sequence, in which the team commences a series of discussions and interviews with management. Subsequent interviews are also held with supervisors, staff supports personnel, and field personnel and contractors. These interviews are expected to provide an overview of the status and processes associated with IMS systems in place within the organization. In addition to interviews, system effectiveness can be evaluated by:

- Reviewing documentation (records, permits, operating manuals, detailed procedures, etc.)
- Observing field activities (safety/toolbox meetings, lineup meetings, maintenance/construction work, issuing permits, drills, shift changes, interface meetings etc.)
- Inspecting facility/equipment, housekeeping, machine guarding, and safety/operating practices, etc.

Management Team Interviews

The unit's management leadership team is typically interviewed shortly after the kickoff meeting. The purpose is to gain an understanding of the extent of involvement of management in IMS and SH&E regulatory compliance and how they are influencing implementation and support within the organization. The assessors should gain a perspective on management's view as to the extent to which the IMS expectations and guidelines and SH&E regulatory compliance areas are being met.

Supervisor, and Staff Support Interviews

Interviews with supervisors, and support staff may range from 1/2 hour to 3 hours each. The purpose of these interviews is to determine individual roles and involvement in IMS System support and execution. The effectiveness of this support is to be evaluated and will be further tested during field visits. The topic(s) to be the subject of each interview should be communicated to the interviewees by the Site Facilitator before the interview.

Field Visits

A primary focus of the SH&E evaluation is to evaluate the quality of IMS execution and the effectiveness of managing site operations and the compliance with appropriate SH&E laws and regulations. Field visits and interviews with key site managers and supervisors, followed by interviews with the personnel are essential to accomplishing this objective. Field visits should begin with a brief introduction and purpose with site manager /supervisor, subsequent levels of supervision, site staff support personnel, and appropriate field wage personnel and contractors.

Prior to visiting a field site, all onsite arrangements are to be discussed and agreed with the supervisor or manager having responsibility for the site. Specific details of the visit, such as the schedule, logistics, safety expectations/precautions, personnel to be interviewed, types of inspection tours, and drills to be performed are to be confirmed. The Site Facilitator handles this interface before and during the evaluation. Unannounced field site visits may be appropriate. In such cases, minimal advance notice of the visit should be given. The evaluation team should receive all of the required site SH&E training required for visitors.

Although the evaluation team should make every effort to minimize its impact on ongoing operations/activities, sufficient accessibility to field facilities and personnel is essential to assess a representative sampling of site operations. The evaluation team should witness "normal operations" and there is no reason to curtail or vary field activities for the evaluation visit. Field sites that have a high level of activity (e.g. new construction, and large maintenance programs) are suitable and preferred where available.

Once the evaluation team arrives at the site, the following activities are suggested:

- Conduct an informal meeting to introduce the evaluation team and to review the evaluation objectives, purpose, and deliverables.
- Interview site management, supervisors, additional support staff and contractors
- Interview field personnel & operators
- Conduct field tours and inspections. Observe ongoing activities, including routine operations, maintenance work, and special activities such as emergency drills. Emergency drills may be requested in some instances, however all requests should be approved by site management.
- Conduct sessions or meetings to help verify that the team's observations are correct and valid. Conduct validation sessions with (1) site supervision/management and key staff members, and (2) field personnel and contractors as necessary.

Team Meetings

The evaluation team will meet regularly, usually at the end of each day, to summarize and discuss observations, identify follow-ups, and assign follow-up responsibilities. Daily meetings are also a good forum for reviewing/adjusting the schedules and plans, and discussing upcoming events and deadlines. Usually, facility personnel and or the site coordinator are present at team meetings.

Writing the Report

The evaluation team will compile observations and recommendations throughout the interview and field observation activities and discuss them during the daily meeting. At the designated time near the completion of the evaluation, each team member or sub-team will author the portions of the draft report specific to the systems they were responsible for assessing.

Rating Systems

While the evaluated unit reviews the draft report, the evaluation team assigns ratings to each IMS System. The Team Leader is responsible for facilitating the system rating process and for training team members who may not be familiar with this process. The evaluation portion of an IMS evaluation involves:

- Evaluating IMS Management Systems for their status and effectiveness;
- Developing numerical ratings for each system

A recommended process for completing the ratings process is as follows:

- Each team member individually assigns numerical ratings to the status and effectiveness of each system associated with his/her assigned elements, using a single decimal place.
- The sub-group meets, reviews/discusses the individual numerical rating, and develops collective ratings for their assigned systems
- The entire team next meets to review the sub-group system ratings. Each subgroup will explain the basis/rationale for its ratings, any adjustments will be made by the group

collectively to obtain team consensus and ensure overall ratings are appropriate relative to one another.

Closing Meeting

After meeting with the site review team and completing the system/element ratings, the evaluation team finalizes the draft report. The final draft report, completed SH&E regulatory Compliance Model/Summary, and final ratings are then reviewed with facility management at the Closing Meeting. During the Closing Meeting, the evaluation team reviews the key findings, observations, and recommendations associated with each of the management systems and SH&E regulatory compliance areas.

The Team Leader is responsible for providing a draft copy of the evaluation report to the site/facility manager prior to the departure of the evaluation team.

Data Collection

During the on-site evaluation, each evaluation team member will be required to collect data to support their findings and to determine the compliance status of the facility. In the most basic sense, the evaluation process includes several methods of acquiring evidence. The four basic approaches to acquiring evidence are interviewing, documentation review, observations and sampling. The following information provides minimum guidance for collecting data during evaluation observations and reviewing system data samples.

Interviewing

Much of the information gathered during the evaluation will be collected via interviewing. Because interviewing is one of the primary techniques used in conducting evaluations, good interviewing skills are essential. For some people, interviewing is a natural skill; however, in most cases good techniques must be developed. As a general rule, the team member should follow the "top-down" approach and should meet with line and facility staff

Documentation Reviews

Documentation review allows a team member to test hypotheses developed during the evaluation as to whether a particular activity, program, and/or management system is in compliance or noncompliance with guidelines. Team members can use several techniques for reviewing documentation. Operator competency may be an area to evaluate. The suggested methods of reviewing data include the following approaches: retracing data, re-computation, vouching or confirmation of a documented procedure.

Retracing Data - Retracing data from the original data and proceeding forward would uncover errors in recording original data. In this way, the team member can check that all transactions were recorded. For example, to verify that incidents and near-misses are properly managed at the site, the team member could review operator logs, first aid reports, and initial incidents reports or interview personnel to identify incidents and near-misses that have recently occurred at the site. The team member would review site documents to verify that each incident or near-miss was properly reported, investigated, analyzed and documented.

Re-computation - Arithmetic calculation can be checked for accuracy. This would include, for example, recalculating the capacity of the dikes around a storage tank.

Vouching - Vouching requires going to the activity that required a program or management system implementation. Vouching often goes backwards. By starting with the activity and moving back to the original documents, the team member can check that all supporting documents, evaluations and training took place. For example, the team member would identify a temporary or permanent change in site design or operation. The team member would review supporting documentation for the change to ensure that there was approval for that change, the change was analyzed for safety and environmental implications, necessary permits were acquired, appropriate training was provided, etc

Confirmation - Confirmation is written evidence from independent third parties. This test may be used where a team member cannot physically observe a condition, such as the operation of an automatic sprinkler system.

Typical compliance documents for review during evaluations include but are not limited to the following:

- Environmental discharge tests and waste manifests reports
- Maintenance inspection records for vessels, tanks, pipelines, boilers, and critical safety equipment
- Inspection records for fire fighting equipment, lifting equipment, forklifts, vehicles, and alarms
- Training records for safety, environmental, health and hazard management requirements

Observations

During an evaluation, it is desirable for team members to observe operations and activities so that each team member can be assured that these operations and activities are properly and effectively implemented. Observation means the team member collects evidence through what can be seen, heard or touched. Most observations are visual in nature and include:

- Drills & Exercises
  Plan scenario, witness, participate in de-briefing
- Facility inspections
  Condition of plant equipment, layout, safety equipment/systems, housekeeping, etc.
- Work operations/practices
  Planning, safe procedures, coordination, interfaces
- Emission/Hazardous Materials controls
  Spills, storage practices, waste management, stack emissions, water discharges
- Meetings, Briefings
  Safety, shift hand-over, training and tool box sessions

Sampling Guidelines

It is virtually impossible for an evaluation team to review all of the records during the evaluation due to the large volume of SH&E records kept at most facilities. The evaluation team must select an appropriate level of records to review. To insure this is done in an efficient manner, records are "sampled". Sampling of SH&E records by team members must be:

- Representative of the data
- Adequate to support team findings
- Objective and reproducible
- Appropriate to the hypothesis being tested

Sampling is a relatively simple process to use. The team member should:

- Determine what documentation/evidence is required
- Identify total population to be reviewed
- Select sampling procedure
- Determine sample size
- Review documents
- Summarize and document findings

Evaluation Reports

Report Minimum Content

- The first section is to include an **Evaluation Summary Report**. It should include the key components of the evaluation including, at a minimum, the following information:
  - **Team**
  - **Scope**
  - **Methodology**
  - **Performance Trend**
  - **General Observations**
  - **Evaluation Summary**
  - **System** and **Element Rating Summary**

- The second section is to include the detailed **Systems Report**.

In the detailed Systems Report, all evaluation findings should be reported to the evaluated unit to ensure understanding of the main points and guidance for the system's administrator. Separate headings are suggested for each detailed **recommendation/observation** related to each management system. Individual **Noteworthy Items** (Best Practices, exceptional systems with proven results, etc.) should also be included under separate headings. In order to highlight priority issues, an **Area of Emphasis** should be clearly noted for specific systems where appropriate.

- The **Overview** will summarize the team's observations and findings as well as provide limited information regarding the evaluation methodology. Comments will address the organization's strengths and opportunities related to SH&E compliance.

- The **Main Report** will provide details of findings. All findings are categorized as either Action Items or Improvement Opportunities. SH&E regulatory citations will be included in conjunction with each finding. Any Best Practices identified by the evaluation team will also be listed in this section.
- An **Addendum** will be used, as necessary, to provide additional or clarifying information regarding a specific finding, e.g., fire protection, SH&E regulatory compliance.

Other sections of the report include:

- The **Facility Overview** will include a brief description of the type of unit evaluated, the number of employees, size, descriptions of major equipment and product throughput.

- A **Review of Team Organization** will identify the evaluation team members by name, title, and affiliation as well as describe their assignments for the evaluation.

Disposition/Distribution

Following the Closing Meeting, there are often changes and revisions proposed and required to the draft evaluation report. The Team lead is to ensure that changes are included in the draft report after the Closing Meeting and all previous draft reports destroyed. The report should he handled as follows:

1. Team lead will forward the final draft document to the evaluation team and evaluated organization for final comment.
2. Team lead will incorporate any suggested final comments into the document.

Evaluation Findings/Follow-up

Evaluation findings/recommendations

The findings/recommendations for each system evaluation should consist of the following:

a. Recommendations/Considerations – these are items/areas for improvement.
b. Best practices – these are noteworthy practices worth adopting by other sites/units.
c. Observations – these are points added mainly to elaborate on (b), where necessary.

Only categories (a) and (c) will require follow-up by the evaluated site.