

Annex 2 to the Memorandum of Understanding of the One Safety Project



Handbook for the subscription of Contractors to the One *Safety Project*

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1. PREMISE

This document is intended to provide general guidance on rules for the implementation of the "One Safety" Project by contractors working for the Enel Group.

Any contractor is free to join in the One Safety Project, sending a written request to Enel. The subscription application must indicate, among other things, the name of the contact persons that the company will use to develop the project internally.

2. INTRODUCTION TO THE "ONE SAFETY"

"One Safety" started in 2012 in Enel and implemented in all Group sites, is aimed at monitoring the behavior of both the Enel Group and contractor employees.

As concerns the contractors, the purpose of the Project is to observe the behaviour of those working for the contractors themselves, as well as the employees of any subcontractors, with the aim of supporting and promoting safe behaviour while at the same time correcting dangerous behaviour.

The adoption of the Project by the Contractor enables it to:

- have a monitoring system connected to its own Safety Management System;
- use checklists prepared by Enel¹, useful for monitoring and tracking the observations;
- monitoring the behavioural factor of staff, the typical critical element in operating activities in the Enel work areas.

Joining the "One Safety" Project is a measure of improvement to be considered also as part of the Vendor Rating system.

3. PROJECT CHARACTERISTICS

"One Safety" focuses on behaviour because, as analysis of accident histories shows, about 80% of accidents are due to risky behaviour adopted by workers during work. Reducing risky behaviours means reducing the occurrence of accidents.

The Project's main features are as follows:

- strong management commitment, at every organizational level;
- application of a common and uniform methodology for all companies operating in the Group for the implementation of the observations;
- application to both Enel and contractor personnel.

The "One Safety" Project respects the "no blame culture" and the anonymity of the people observed.

¹ Checklists prepared by Enel for the different types of plants and the activities are the same. They differ only in the parts relating to "parts of plants" and "activities", which are different depending on the technology (thermal power generation, hydroelectric, construction sites, distribution, etc.). The checklists differ also in the sections "definitions" and "examples", that can also be customized as part of the same technology..

4. DEFINITIONS, ROLES, AND RESPONSIBILITIES

Enel: any Enel Group company that has at least one contract in progress with the Contractor intending to join the "One Safety" Project;

Contractor: the company that intends to join the "One Safety" Project.

Representative of Contractor: the person who has the hierarchical responsibility in the organization of the Contractor and who is responsible for promoting the Project's application among the staff of the Contractor.

Contractor Local Responsible: person at the top of the organizational chart at the local level of the Contractor that is committed to the Project on the Site/s for which he is responsible and approves the Site/s improvement plan/s.

Contractor Local Coordinator: person who can be identified under the Contractor Local Team, or alternatively at the Headquarters level, to whom the task of facilitating the implementation of the project and monitoring its progress is primarily assigned.

Contractor Local Team: Team set up by the Contractor in each site, usually comprising: Navigator (if present), Key people, H&S officer / Safety manager with the task of implementing the Project Site.

- **Navigator** person with specific knowledge of the methodology of the Project. Concerning the contractors' implementation of the "One Safety" Project, the navigator, if identified, usually is chosen within the Contractor's personnel. Each Business Line/Country of Enel Group may decide from time to time, depending on the complexity of the Site and the Contractor's organization, whether or not to require the Contractor to identify the navigator. In the case of Consortia or Groupings / Temporary Associations, the navigator must always be identified.
- **Key people of the Contractor:** the person identified by the Contractor having specific work skills and capacities, including leadership skills the other employees of the Contractor recognize (**Natural Leaders**).

Navigators and Key People must have the following characteristics: high sensitivity to the value of safety; good communication skills; ability to motivate colleagues and influence their behaviour; natural gifts of leadership; interpersonal skills.

- **Contractor H&S officer / Safety managers:** the person with experience and knowledge in the field of safety referred to for all the technical aspects of the Project. Within the "One Safety" Project this person is also responsible for the liaison and support role for Safety issues with respect to Key People.

Observer: a worker who, as part of the day's work, normally also makes observations.

Enel Area Manager: Enel officer at the top of the organizational chart at the local level (e.g. Production Unit Manager, Plant Manager, etc.). He gives the commitment to the Project for the Site / Sites where he is responsible to whom the Contractor sends the site improvement plan/s. The tasks of monitoring the Project's progress and of receiving and approving the Site improvement plan are mainly entrusted to the said officer and his structure.

Observation: evaluation of behaviours of one or more workers during work, conducted with the aid of a checklist and in order to analyze the behaviour of the workers (eg. compliance with standards, regulations and work procedures). A checklist corresponds to each observation.

Observers manual: document setting out operational guidelines for carrying out observations on behaviours. In particular, it lists: people involved, methods used to carry out the observations and compile checklists, and guidelines for feedback.

Behaviour: conduct of the individual worker in relation to a particular aspect of the work activity related to safety at work. Each single entry on the checklist corresponds to one behaviour.

Feedback: feedback (positive or negative) provided downstream of the observation process designed to make workers aware of the correct behaviour to adopt and spread the "safety culture". Giving feedback **is always mandatory**, even if unsafe behaviour is not detected. When giving the feedback the positive behaviour must always be commented on first before the negative behaviour.

During the feedback the attitude must always be "friendly" and never inquisitive, focused on the "No Blame Culture".

Immediate corrective action: corrective action taken immediately in the field after observing unsafe behaviour. The type of action should be graduated depending on the seriousness of the situation, right up to - in the event of serious, imminent, unavoidable danger - suspending the activities (Stop Work). The table below shows, as an example and not exhaustively, a number of violations / breaches that can result in situations of serious, imminent, unavoidable danger:

- danger of objects / equipment / materials from falling above
- situations of danger during lifting of loads (for example passage of people in areas subject to lifting, undemarcated lifting area)
- incorrect use of work equipment
- unsuitable work equipment
- failure to comply with the rules for access and circulation or speed limits
- failure / improper use of personal protective equipment
- failure to protect electrical cables on the ground in passages and work areas
- presence of unauthorized dangerous substances and preparations
- failure to follow correct procedures for storing waste and waste materials
- interferences
- improper use of scaffolding
- unauthorized use of equipment
- failure to comply with the requirements for the use of transportable, mobile, or portable electrical equipment in particular places (large metal masses, - inside hollow uninsulated structures - activity on metal trellis and in wet or very damp places)

Improving action: Action in the medium or long term resulting from the analysis of the observations, aimed at removing the causes of unsafe behaviour and improving safety performance. The actions must be approved and included in the improvement plan of the Contractor.

Improvement Plan: Plan prepared by the Contractor showing the set of improvement actions decided and approved with the schedule for their implementation.

"One Safety" Site (hereafter "Site") - an area where the activity that is the subject of the contract takes place – where the project is implemented (the area may coincide with a production unit or a part of it, with a part of a facility, etc. according to the organizational criteria defined by Enel).

Checklist (observation sheet): specific list for every Site technology, available on the One Safety Tool computer system, consisting of:

- general information and behaviours subject of observation. This part is common for all;
- definitions and examples useful for a full understanding and implementation of observation. This part customised for each Site technology.

One Safety Tool: computing system through which observations and improvement actions made by Contractor Companies and Enel can be recorded and managed on the One Safety platform directly via internet.

Vendor Rating: Systematic process of checks and audits on contractors during performance of contractual activities resulting o in a specific score (i.e. the Vendor Rating Index).

Among the parameters that are evaluated in the Vendor Rating Index, the indicator for safety aspects at work is particularly relevant.

5. ACCEPTANCE AND IMPLEMENTATION OF THE PROJECT

To join the "One Safety" Project a contractor company shall have:

- a contract with Enel at the time of signing the Memorandum of Understanding of a residual term of over one year;
- have been awarded tenders for contracts to be performed at Enel Sites of a term at least of one year.

The contract shall have as object Works and/or Maintenance.

The Contractor's participation in the Project covers all sites where the performance of the said contract takes place and extends to all existing contracts.

The project is developed and coordinated centrally on the basis of the Contractor's organizational structure.

In the case of Consortia of companies or Temporary Groupings / Associations of Companies , participation in the project covers all consortium / grouping members performing the contract which have formally joined the Project.

In the case of Consortia, the Holding Company (i.e., the Company that has been mandated to act on behalf of the other consortium / group member companies) shall provide the central coordination and have to submit, within 2 months from the signing, a time schedule with the progressive inclusion in the Project of the consortium members performing the contract, if their inclusion can not take place at the beginning of the Project. This plan must be approved by Enel.

The main tasks of the central structure of the Contractor are:

- coordinating the Project's implementation on the Site
- communicating to the Workers' Representatives for Safety or similar roles
- ensuring that observations and improvement actions are loaded on the One Safety Tool updating the status;
- preparing an improvement plan with improvement actions based on the results of observations, which must be approved by Enel. The first improvement plan must be formulated after the first quarter of observation.

6. INFORMATION

The initial information activity to the Contractor's navigators, if identified, and to the Key People is responsibility of Enel. The training effort, lasting one day, is structured as follows:

- ½ day for illustration of the objectives of the project, the procedure for filling in the sheet and how to use the "One Safety Tool" computer system;
- an additional half day in the field to train navigators and key people in conducting observations and returning feedback, etc ..

Places and dates for the information activities shall be determined by mutual agreement between Enel and the Contractor. Enel reserves the right to start the information activity on reaching a minimum number equal to 8.

7. DATA COLLECTION AND ANALYSIS SYSTEM

For collecting and analyzing the data from the observations carried out by contractors Enel grants the access to the "One Safety Tool" computer system for Contractors joining the "One Safety" Project,. After the enabling, the Contractor shall directly load on the said computer system its own observations and improvement actions for each Site covered by the contracts, and shall make reports on the observations made.

8. BONUS SYSTEMS

The contractors who decide to join the "One Safety" Project have the right to participate in the following incentive systems:

- bonus in terms of **Vendor Rating scoring**;
- bonus in terms of reduction of the **contractual surety**².

In particular, in order to be awarded of a bonus related to a contract, it is necessary for the Contractor, for at least one of the sites implementing the project:

- ,to make observations for at least a quarter after the subscription; in this respect Enel shall ensure that the observations are sufficiently numerous to create an improvement plan and are carried out on an ongoing basis;
- To present an improvement and implementation plan to the **Enel Area Manager** containing the improvement actions identified after the observations. This plan shall be prepared by the Area Manager of the Contractor and approved by Enel.
- To implement the improvement actions in the plan, providing Enel with evidence that the measures identified have actually been implemented;

The right to the Bonus is acquired with the final approval by Enel of the completion of the Contractor's improvement plan. It is understood that the recognition and the provision of the bonus is connected to the contracts related to the Site where the project is implemented and is still subject to the fulfillment of all obligations under the Memorandum and Handbook.

² In the event of a tender, this bonus shall be immediately granted to the successful bidder, provided if the said Contractor adheres to the "One Safety" Project no later than the date the contract is signed.

If the contractor who intends to join the "One Safety" project:

- has its qualification suspended or cancelled as a result of serious injury or death (occurred in the course of performing contracts or subcontracts with Enel),
- is kept under observation for having registered a Vendor Rating index for safety lower than the threshold value,

the granting of bonus systems shall be subject to:

- the termination of the suspension or cancellation of the qualification;
- attaining a vendor rating index relating to safety equal to or higher than the threshold value.

In the event that the Contractor has successfully implemented the One Safety Project gaining the right to the bonuses and, subsequently on expiry of the contract, these rights cease, if within six months after the end of the contract the Contractor signs a new contract with a company in the Enel Group, the bonuses previously acquired shall be reallocated to Contractor for the new contract upon re-joining the Project.

8.1 "One Safety" Bonus - Vendor Rating"

Bonus for increase of 5 points in the overall Vendor Rating Index, i.e. "VRI". The bonus has an on / off type application and applies to the Contractor for the Merchandise Group of the contract, in relation to the site where the Contractor completed the Improvement Plan. This bonus is confirmed with each new assessment of the VRI until the contract expires on condition that the Contractor demonstrates that the Project has been implemented successfully (observations and improvement plans done);

Enel reserves the right at its sole discretion to withdraw the bonus if there is evidence of a significant decrease in the Contractor's H&S performance over time.

The bonus does not make up for the deficiencies in the Contractor's safety and shall not be applied to the Contractor in the event that the **Vendor Rating safety index is less than or equal to 50**. In addition, the bonus shall not produce increases in the Contractor's Vendor Rating safety index resulting in obtaining the "excellence" threshold, meaning that access to the section of "excellent" suppliers must take place regardless of the application of the bonus.

The bonus shall not lead to increases in the Contractor's Vendor Rating safety index sufficient to make it exceed the threshold that would exempt it from the process of observation.

In the case of Consortia the bonus is paid both to the individual member/s of the consortium - performing the contract and having successfully implemented the project - and to the Consortium. In case of bonus to more than one of the performing consortium members, the Consortium shall be assigned of a unique bonus.

8.2 Surety reduction bonus

The companies joining the "One Safety" Project are granted the reduction of the surety to the extent of 20%. This reduction will be applied to:

- new contracts awarded in tender or with direct assignment, with a duration of over one year;
- ongoing contracts with a residual term of over one year by the time of signing the Memorandum of Understanding. In this second case, upon receipt of the communication attributing the said bonus, the contractor must take the step of formally requesting to the relevant Enel Unit.

8.3 Revocation of the bonus

Bonuses will not be granted or, if already granted, revoked as of right:

- in case a fatal or serious accident at work occurs to a Contractor employee, whether its responsibility is ascertained;
- at the Enel's sole discretion, in case the Contractor didn't sent a new improvement plan within six months of the completion of the previous plan;
- in the case of natural expiration of the contract;
- in the event of termination of the contract or cancellation of the same (e.g. withdrawal, etc);

For qualified Companies, the bonus will not be granted or revoked, if assigned, in case of:

- suspension / revocation of qualification;
- Vendor Rating safety index less than the threshold under which the Contractor is kept under observation.

9. PROJECT BUDGET

Each Contractor is responsible for the management and training costs (travel costs) related to its own staff. They are also responsible for the costs of any Communication initiatives directed to its staff.

10. CHECKLISTS

For the application of "One Safety" Enel has provided the companies participating in the Project with specific checklists.

The part of the "Observations" list which is at the heart of the behaviour analysis Project takes into account five classes of behavior:

- Workplace
- Work methods
- Procedures
- Equipment and materials
- Personal Protective Equipment

Each of the above topics is organized in more behaviours, detailing and specifying the individual items.

11. ENEL RIGHTS

Enel reserves the right to analyze the content of observation checklists made by the Contractor.

On sites where the "One Safety" Project is implemented, control and audit processes defined by Enel and accepted by the Contractor are still in force for other activities outside the project. Therefore, if breaches or failures that may lead to situations of serious, imminent, and unavoidable danger occur, Enel shall take the measures provided for in the existing contracts, fully respecting Group Policies.