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Corporate PROGRAM

TITLE
CONTRACTOR MANAGEMENT PROGRAM

PURPOSE
This document will establish the program requirements for managing contracted work including the identification of roles and accountability, and the planning, management and administration of contracted work.

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COMPLIANCE
March 1, 2004

EXCEPTIONS

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OPG CONTRACTOR MANAGEMENT PROGRAM**INTRODUCTION**

OPG has established, implemented and is maintaining a Contractor Management Program (this document) to manage its risk and improve performance with respect to management of Contracted Services.

The Contractor Management Program is based on the following principles.

OPG will:

- Pre-qualify and select suppliers based on their ability to manage safety, environment and quality (SEQ) requirements, in addition to satisfying other technical and commercial criteria.
- Clearly identify SEQ requirements in all the contract documents.
- Assess and mitigate risks through the implementation of the contractor management processes.
- Communicate SEQ expectations to the contractor prior to the award of contract.
- Ensure that the contractor's workforce is competent prior to starting the work.
- Assess compliance to contract requirements through monitoring, verifying and validating work-in-progress.

The contractor's overall performance will be evaluated on an ongoing basis for discussion with the contractor in order to improve their performance while carrying out work for OPG and to maintain their qualification status for future work at OPG.

This document establishes the program requirements within OPG for the planning, management and administration of contracted work, including the identification of roles and accountabilities. This program defines the "Plan, Do, Check, Act" management system elements that must be in place to ensure that the Contractor Management processes are effectively executed. This will result in contracted work that is of high quality and meets all safety and environmental requirements. The program is implemented by Supply Chain and the Business Level Authorities and is operationalized through the requirements of the OPG Contractor Management Process Manual and other supporting processes.

The Vice President, Supply Chain is the process owner for the Contractor Management Program and is responsible for ensuring the effective implementation and maintenance of this program.

PURPOSE OF THIS PROGRAM

The purpose of the Contractor Management Program is to demonstrate how OPG will:

- Achieve its objectives related to Contractor Management;
- Demonstrate its ability to manage contractors;
- Comply with applicable regulatory and corporate requirements;
- Manage its risks; and,
- Demonstrate its due diligence.

OPG CONTRACTOR MANAGEMENT PROGRAM**SCOPE OF THE PROGRAM**

With the exceptions noted below, this corporate level program applies to all activities contracted out in OPG workplaces.

The process does not apply to:

- Augmented staff supervised by OPG employees (e.g., temporary clerical or engineering staff hired from agencies).
- Visitors and consultants, including technical and engineering staff, working in office settings or doing work where no additional safety or environmental controls are required beyond the site visitor procedures.
- Contracts issued for the purchase of manufactured goods delivered to site, or for work being done for OPG in a supplier's workplace.
- Other contracts where the company is only on site for delivery, e.g., items handled through warehousing, courier, and bottled water delivery. The process DOES apply to contracts where the company requires craning and rigging to load and unload the delivery.
- Contracts excluded with the approval of the Stratum IV Manager.

This program must be complied with by OPG staff, including augmented staff, responsible for any part of contractor management.

GOVERNANCE OF THE PROGRAM

The OPG Policies that govern the Contractor Management Program are:

- Purchasing & Asset Disposal Policy – approved by the President
- Health and Safety Policy – approved by the Board of Directors
- Sustainable Energy Development Policy – approved by the Board of Directors

Policies are reviewed annually by the Board of Directors and the President and are revised as required.

PLAN**OBJECTIVES AND TARGETS**

As part of the Business Planning process, the Vice President, Supply Chain will recommend Corporate level objectives and targets, with respect to contractor management, to the President/CEO for inclusion in the Annual Incentive Plan (AIP).

The Business Level Authorities will set Business level AIP objectives and targets on the recommendation of the Vice President, Supply Chain.

ROLES AND ACCOUNTABILITIES

The Vice President, Supply Chain and the Business Level Authorities ensure that adequate resources (human, physical and financial) are available for the implementation and maintenance of this Contractor Management Program. Resources are determined through the annual Business Planning process where the volume and type of work is initially determined and meeting objectives and targets is discussed.

The roles and accountabilities described in this section refer to those associated with the implementation and maintenance of the Contractor Management Program. Specific roles and accountabilities for the execution of the contract management processes are described in the Contractor Management Process Manual and any associated Business level documents.

Program

The accountabilities for this program are as follows:

OPG Board Of Directors

The Board is responsible for:

- Approving the corporate Health and Safety Policy, and Sustainable Energy Development Policy; and
- Taking reasonable care in ensuring that OPG complies with all legislation.

President And Chief Executive Officer (CEO)

The President and CEO is responsible for:

- Approving the Purchase and Asset Disposal Policy;
- Approving corporate level contractor management objectives, measures and targets and plans to achieve them; and
- Holding Direct Reports accountable for implementing the Contractor Management Program.

President's Direct Reports

The EVP, Chief Operating Officer; EVP, Chief Nuclear Officer; EVP Law and Corporate Development; EVP and Chief Financial Officer; EVP Human Resources; and the EVP Corporate and Environment Affairs are each responsible for:

- Implementing the requirements of the OPG Contractor Management Program in their Businesses;
- Directing and monitoring the contractor management process in their Businesses;
- Ensuring that all precautions reasonable in the circumstances are taken to maintain compliance with all applicable legislation and all the OPG requirements;
- Monitoring the Businesses compliance to related contractor management processes or procedures to ensure adequate control over risks, meeting all legal and corporate requirements;
- Ensuring that there are adequate resources in their Businesses to achieve contractor management safety objectives and targets; and

OPG CONTRACTOR MANAGEMENT PROGRAM

- Providing feedback on the effectiveness of the OPG Contractor Management Program.

Vice President, Supply Chain

The Vice President, Supply Chain is accountable for:

- Establishing and managing this program for the acquisition of qualified services;
- Monitoring and measuring its effectiveness and efficiency;
- Ensuring that OPG has qualified suppliers by reviewing the overall performance of contractors across the company (including their safety, environmental, quality and financial performance);
- Ensuring the implementation and maintenance of the Contractor Management Program;
- Reporting on performance and identifying needs for improvement; and
- Ensuring the promotion of the Contractor Management Program internally throughout the organization and externally to contractors.

Chief Risk Officer

The Chief Risk Officer provides:

- Risk oversight, support and policy information relevant to contract management in order to mitigate OPG's liabilities and minimize losses.

EVP, Human Resources

The EVP, Human Resources:

- Provides safety support related to the contractor management program;
- Maintains the OPG Incident Management Standard that defines contractor safety accident/incident reporting, recording and investigation requirements;
- Provides contractor safety accident/incident performance data;
- Sponsors the contractor-safety aspects of the OPG Health & Safety Policy; and
- Provides support of regulatory requirements related to contractor safety through Corporate Safety.

VP Sustainable Development

The VP Sustainable Development provides

- Environmental support related to the contract management program;
- Reporting of performance data; and
- Support of regulatory requirements related to the environmental program.

VP Law and General Counsel

The VP Law and General Counsel:

- Provides legal support to the Contract Management process;
- Reviews OPG "Owner-Only" contracts to disposition complex questions that cannot be answered by Supply Chain; and
- Provides advice on the fulfillment of OPG's legislative duties in order to minimize liabilities.

OPG CONTRACTOR MANAGEMENT PROGRAM**Business Level Authorities**

The Business Level Authority is the EVP or SVP of a Business, responsible to implement the requirements of this program. The EVP/SVP must determine who in their Business will be accountable for ensuring requirements are met.

The Business level Authorities are responsible for:

- Setting Business level AIP objectives and targets;
- Implementing the OPG Contractor Management Process;
- Providing feedback for corrections and improvements to the Contractor Management Process; and
- Identifying and providing feedback on industry best practices.

Contractor Management Oversight Committee

The Vice President, Supply Chain (or delegate) will chair the Contractor Management Oversight Committee which is comprised of senior members representing the Businesses.

The Committee has the mandate to:

- Review and recommend changes to the Contractor Management governing documents;
- Assess the effectiveness of the Contractor Management Training program and recommend changes;
- Assess contractor performance and recommend contractor performance improvement initiatives;
- Review Contractor Management best practices;
- Provide input to Supply Chain to support the Management Review of Contractor Management carried out annually with the Executive Committee; and
- Be the Single Point of Contact (SPOC) to their respected businesses.

LEGAL AND OTHER REQUIREMENTS

The Vice President, Supply Chain, with the support of the Law Division, ensures that OPG's procurement practices comply with all legal and corporate contracting requirements.

It is the responsibility of each Business Level Authority to ensure compliance with legal, corporate and business requirements during the execution of the Contractor Management Process. Supply Chain, together with Law Division, Human Resources, Corporate Safety, Sustainable Development and other resources provide the Business Level Authority with support to ensure that contract terms and conditions protect the commercial risks and legal requirements.

RISK MANAGEMENT

Businesses require that appropriately scaled project risk assessments and risk mitigation plans be developed for all projects being undertaken. These project risk assessments and plans include the management of strategic risks that could impact safety, environment or quality issues associated with contracted work on these projects. These requirements are described in the following governing documents:

OPG CONTRACTOR MANAGEMENT PROGRAM

Electricity Production: EPS-PMO-STD-009 R1 Project Risk Management; Nuclear: Project Management Process Guide N-GUID-00120-10000

Contractor Risk Management requirements (operational) are also embedded in the Contractor Management Process Manual.:

- Step 1.2 Contract Safety Hazards Evaluation*
- Step 1.3 Preparation of Due Contract Management Plan*
- Step 3.1 Safe Work Planning Requirements*

It is the responsibility of each Business Level Authority to identify, assess and manage risks associated with contracted work.

EXECUTE**CONTRACTOR QUALIFICATION**

OPG selects suppliers based on their ability to manage safety, environment and quality requirements, in addition to satisfying other technical and commercial criteria.

Contractors and their sub-contractors must have the necessary competence and qualifications to perform the work for OPG. Supply Chain, with the assistance of line and support units, administers a pre-qualification process to ensure that only contractors that meet OPG standards are eligible to perform work at OPG workplaces. The process includes an assessment of the following:

- Technical competency of the contractor to perform the work;
- Competency requirements of the contractor's supervisors and their employees;
- Contractor's Safety and Environmental performance data compared to their industry peer group using WSIB data;
- Contractor's Safety and Environmental management systems or programs;
- Past performance at OPG; and
- Financial performance.

This qualification process includes an ongoing system of re-qualification and disqualification based on the ongoing assessment of new information on the contractor performance (at OPG, and external industry data).

The *Contractor Management – Qualification and Re-qualification* procedure details the process and criteria for qualifying, placing on notice, disqualifying and re-qualifying contractors.

Once contractors have been pre-qualified by Supply Chain, they must also demonstrate their ability to meet all specified technical and safety and environmental requirements of the work to be contracted out.

Contractor Management Processes

The Contractor Management Program gives authority and is operationalized through the Contractor Management Process Manual. The Contractor Management Process Manual includes detailed requirements for managing contractors covering the following stages of the contractor management process:

- Stage I – Contract Planning
- Stage II – Procurement
- Stage III – Post Award
- Stage IV – Contract Execution (Owner/Employer, Owner/Constructor and Owner-Only)
- Stage V – Contract Closeout

The requirements for service and small maintenance contracts are streamlined and are covered in a separate section in the Contractor Management Process Manual. The unique requirements for managing construction contractors where OPG is the “Owner-Only” under the Occupational Health and Safety Act, are also provided in the Manual.

REVIEW**OVERSIGHT**

The Contractor Management Oversight Committee provides the integration and oversight required on the Contractor Management Program. This group will provide a formal means for the Business to have their interests represented and to support Supply Chain in the effective evaluation and continual improvement of the Contractor Management Program.

The Environmental, Health and Safety Committee (EHSC), a subcommittee under the Board of Directors, provides an oversight function by reviewing and recommending changes to the health & safety and environmental policies, including those related to contractor safety. The committee also reviews the ways in which these changes may affect the management of contracted work. They also review contractor safety performance.

AUDITS

The Vice President, Supply Chain, in consultation with the Contractor Management Oversight Committee will determine its annual audit requirements and document them in an Annual Audit Plan. The purpose of the audits is to determine whether the Contractor Management Program and Processes have been effectively implemented. The results of the audit are reported to the Vice President, Supply Chain.

Risk Services performs audits for the Board to assess risks to OPG in accordance with the Corporate audit plan and procedures. The results of the audit are reported to the Board.

OPG CONTRACTOR MANAGEMENT PROGRAM

It is the responsibility of each Business Level Authority to audit the Contractor Management Process annually to assess the effectiveness of implementation in their Business. The audits are conducted in accordance with Business audit procedures.

MANAGEMENT REVIEW

The Vice President, Supply Chain will chair an annual management review to ensure the continuing suitability, adequacy and effectiveness of the Contractor Management Program. The participants of the review will include the Executive Committee.

The management review will address:

- An overview of Contractor performance in OPG including safety, environment, technical and financial results;
- The extent to which objectives and targets have been met related to contractor management;
- Identification of any significant risk areas related to contractor management;
- The results of the implementation of key parts of the Contractor Management Program, such as the Pre-qualification of Contractors;
- Results of contract management audits;
- An assessment of the suitability, effectiveness, and adequacy of the Contractor Management Program relative to the needs of the overall business;
- Contractor feedback on the process/programs; and
- Opportunities for improvement.

The Management Review may result in the following, if required:

- Revisions to one or more of the Corporate Policies related to contractor management;
- Changes to the Contractor Management Program or Contractor Management Process Manual;
- Management actions;
- Changes to Audit Plans.

The results of the management review are captured in the minutes of the management review meeting. The minutes include assigned action items with target completion dates and assigned responsibilities. The Vice President, Supply Chain will monitor the status of the action items until closure.

It is the responsibility of each Business Level Authority to periodically review its performance on the Contractor Management Process in accordance with Business procedures and provide feedback through its member on the management review team.

ACT**CORRECTIVE & PREVENTIVE ACTION**

The Vice President, Supply Chain will monitor and adjust the Contractor Management Program through the corrective and preventive action process to ensure its continual effectiveness.

This will be operationalized through the Contractor Management Oversight Committee who will do the following related to the Contractor Management Program:

- Identify problems or potential problem areas
- Initiate, if required, any temporary remedial action until the permanent solution has been implemented
- Determine root causes
- Identify a solution
- Implement this solution
- Ensure that the solution is an efficient and effective method of correcting the problem

It is the responsibility of each Business Level Authority to initiate the corrective and preventive action process for issues and problems with the Contract Management Process in their Business using its own internal procedures. Where appropriate the problem and resulting actions will be communicated to Supply Chain. If issues or problems could have a corporate wide impact, they will be raised to the Contractor Management Oversight Committee for discussion and resolution.

CONTINUAL IMPROVEMENT

The Business Level Authorities will identify and communicate opportunities for improvement to the Contractor Management Program and Process through the Contractor Management Oversight Committee. The Vice President, Supply Chain, in consultation with the Contractor Management Oversight Committee, will disposition each opportunity and, if required, initiate an action plan to implement the improvement initiatives. The Vice President, Supply Chain will monitor the status of all continual improvement initiatives and evaluate their effectiveness prior to closing out the actions.

It is the responsibility of the Business Level Authorities to implement the new initiatives. It is the responsibility of each Business Level Authority to be aware of relevant best practices and utilize them as required.

OPG CONTRACTOR MANAGEMENT PROGRAM**SUPPORT****TRAINING**

The Vice President, Supply Chain determines, in consultation with the Contractor Management Oversight Committee, the qualifications (training, education, skill and experience) and training content for personnel performing work related to Contractor Management. Training courses are developed and delivered through the appropriate training organizations within Electricity Production and Nuclear.

It is the responsibility of each Business Level Authority to ensure that all employees with contractor management responsibility are qualified and that the Contractor Management training is incorporated into their annual training plan and delivered as required.

DOCUMENT CONTROL

The Vice President, Supply Chain ensures that all documents and data that are related to the Contract Management Program are reviewed, approved, issued and maintained in accordance with the procedures for Processing Administrative Governing Documents CIO-PRO-CS-005 and Requirements for Administrative Governing Documents CIO-PRO-CS-006.

Approved governing documents are maintained and are available on the OPG Intranet web site. Printed copies are considered to be uncontrolled.

It is the responsibility of each Business Level Authority to ensure that all Business documents, related to the Contractor Management Program, are reviewed, approved, issued and maintained in accordance with Business procedures. They must also ensure that all stakeholders are informed of these documents.

The Vice President, Supply Chain is responsible for ensuring that all requested changes to the Contractor Management Program, Process Manual and related documents are dispositioned in consultation with the Contractor Management Oversight Committee and all changes are communicated to all levels of the organization.

RECORDS MANAGEMENT

All records associated with this Contractor Management Program are identified, maintained and dispositioned in accordance with the Corporate (Records Office Guide, Corporate Manual on Records and Information Management) and local record management policies and procedures.

Records related to this Contractor Management Program are outlined in each procedure and instruction.

OPG CONTRACTOR MANAGEMENT PROGRAM

It is the responsibility of each Business Level Authority to ensure that all records required by the program are maintained in accordance with corporate identification and retention criteria and local procedures.

SUPPORT DOCUMENTS

Support documents are requirements or guidelines used in the implementation of the Contractor Management Program. The following is a typical list of support documents:

- Contractor Management Process Manual (FIN-MAN-CM-001)
- Supply Chain Health & Safety Program Evaluation (FIN-INS-CM-001)
 - Evaluation appendix on WSIB rating
 - Field audit tool
 - Environment, Health & Safety Qualification (questionnaire)
- Standards and Procedures
 - FIN-STD-PR/AP-001 Purchases and Payables Controls
 - FIN-PROC-PR-003 Procurement of Contracted Services
- Contract Standards
 - A-10-03 Construction Services
 - A-11-99 Major Construction Work
 - A-12.2-99 Installation of Major Equipment
 - A-18-99 Minor Services
 - A-26-99 Building Construction