



and, as appropriate. Headquarters to ensure that **safety requirements (including reporting requirements) are adequately addressed** in the contractor's ISMS.

Because the ISMS establishes the contractor's baseline safety **requirements and** systems, Contracting Officers should first **rely on the ISMS to determine** whether the contractor is meeting its contractual requirements. Contracting Officers should use the "conditional payment of fee" clause (or **similar provision**) of **the contract to assure that** the contractor **performs** the ISMS properly. **Regarding work efforts that are to be specifically incentivized**, the enforcement of **the** safety requirements that are inherent in **performance** should **occur as part** of the evaluation of the contractor's **overall performance** for the **work**. **The contractor's failure to execute the work in** accordance with **safety requirements** should result in **a reduction in the fee** for that **work**. Accordingly, when **developing work** efforts for incentivization, the incentive should be structured to promote **the integration of safety in all aspects of contractor work** efforts.

Specific incentives for stand-alone safety requirements (e.g., **injury rates**) should **only be used** where there **is a demonstrated need** to either reduce **specific risks** or better focus the contractor's management attention on **improving specific performance**. In both of these instances, **the incentive should not be continued once the desired level of performance under the specific incentive has been achieved**. The rationale for limiting the use of specific incentives for **stand-alone safety requirements** is that **the contractor may, in fact, succeed in meeting performance targets needed to earn the specific incentive, but still not achieve the more important objective of integrated safety management**.

Lastly, regarding the administration of the "List B" requirements, **the Contracting Officers should periodically (but at least annually concurrent with the annual work scope and fee negotiations) review and update the "List B" set of directives, standards, and other requirements to ensure that they are complete and current**. In order for this to occur, the Contracting Officer should identify the organization and individuals with operational, line management, or technical **support** responsibility for each applicable requirement and **request that entity or individual to review the requirements and affirm their applicability**. Note that "List B" requirements are not limited to safety; alone, and the review **should** encompass the entire set.

In your capacity as **Head of the Contracting Activity**, you **are requested to disseminate** this information to **both contracting staff and technical staff** responsible for the administration of contractor **integrated safety** management. **You should be aware that the Assistant Secretary for Environment, Safety and Health also will be issuing guidance regarding contractor occurrence reporting in the near future. That guidance should also be disseminated to appropriate contracting and technical staff and used in conjunction with the guidance provided herein.**

**Should you need additional information on this matter, or have questions, please contact Mr. Ed Simpson of my staff on 202-586-3168.**