
From Compliance to Risk Management, Leveraging Technology for Effective Contractor Management

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Executive Summary

Australian and New Zealand companies increasingly depend on contractors for key processes and activities – exposing them to greater risk. Typically, companies are liable for their contractors' health and safety as well as compliance in other areas such as ESG.

From a health and safety perspective, contractors are generally treated the same as employees. Often contractors are unfamiliar with HSE risks, and it is dangerous to assume they know about the hazards and risks they face. Owing to the time and resources needed to manage HSE risk, many contractors will only do the bare minimum necessary to ensure compliance. This can result in significant oversights and failure to address a range of other risks including cybersecurity risk, insurance risk, DEI risk and ESG risk.

Different business functions usually interface with contractors which can create uncertainty around responsibilities and accountability. For example, an operations team typically manages onsite work, HR manages workflows, HSE teams manage health and safety policies, and procurement manages contractual relationships. Ensuring that these business functions operate seamlessly from an HSE perspective is a major challenge. This is compounded by contractor turnover which is often high—making it particularly difficult to monitor qualifications and clearances, and to identify hidden risks.

HSE leaders need to embrace new technology and mobile work processes to better manage risk across their workforces, promote a safety culture, induct, and train the workforce efficiently, and report on ESG objectives. Crucially, HSE teams need much greater visibility of contractor and subcontractor activities, to ensure compliance, manage risk and centralise data and reporting



Technology allows companies to engage with contractors and provide them with the necessary tools and resources, in real time. Managing contractors and subcontractors requires constant communication, feedback and monitoring, which technology enables. Indeed, the entire contractor safety management lifecycle, which includes prequalification, selection, contractor onboarding, enforcement of policies, monitoring, and evaluation, needs to be centralised. According to Focus Network research, only 21% of HSE leaders in Australasia use a shared software platform for data sharing and visibility between HSE and procurement. This can expose them to increased risk particularly in emerging areas of HSE such as ESG, DEI and cybersecurity.

Focus Network interviewed 117 HSE leaders in Australia and New Zealand to understand their priorities and challenges with respect to contractor management.

This report uses Focus Network research to understand the issues facing HSE leaders from a contractor management perspective as well as the most important features of contractor management technology.

Focus Network research provides insights into:



The leading contractor management challenges



The most important contractor risks to manage



Critical features of contractor management software platforms



Key recommendations



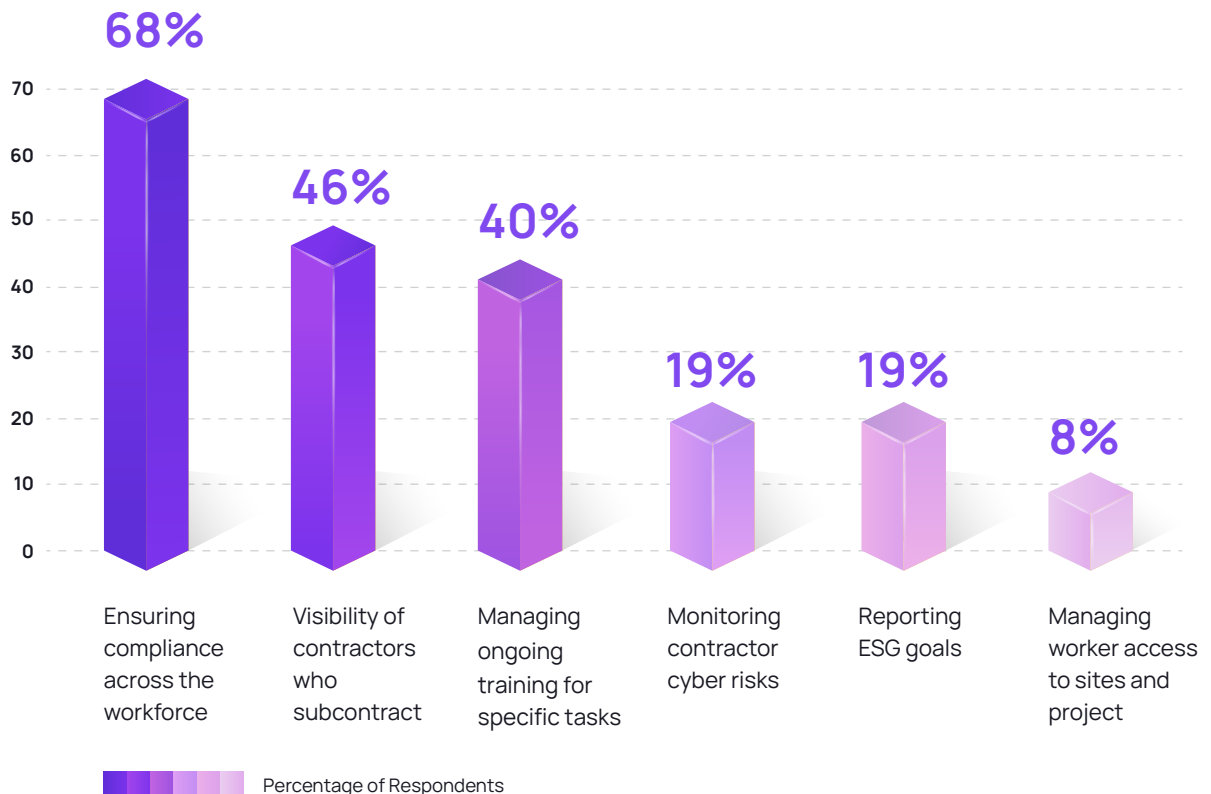
Leading Contractor Management Challenges for HSE Leaders

The rising tide of regulations, the persistence of outdated manual compliance management processes, large scale supply chain disruptions and the lack of contractor management centralisation, make ensuring compliance across the entire workforce (employees and contractors) a major headache. Indeed, Focus Network research reveals that 68% of Australasian HSE leaders consider ensuring compliance across the entire workforce to be their biggest challenge, when it comes to contractor management.

Gaining visibility around contractors who subcontract their work is the leading challenge for 46% of Australasian HSE leaders with 40% citing managing ongoing training that is customised to role-specific risks as their major challenge.

Despite being major contractor management risks, contractor cyber risks and reporting ESG goals are each viewed as leading challenges by only 19% of HSE leaders in Australasia. This suggests that insufficient emphasis is placed on these risks and that hidden risks are likely to appear if they are overlooked.

Figure 1: Illustrates the leading Contractor Management challenges for ANZ HSE Leaders
[Leading Contractor Management Challenges for HSE Leaders in ANZ](#)



Source: Focus Network Australasian Contractor Management Survey, December 2024
N=117 HSE Directors from Australia and New Zealand



Key Risks to Address When Engaging With Contractors

Using contractors and subcontractors exposes organisations to a range of risks in addition to compliance risk. Focus Network research reveals that safety practices and performance metrics are perceived to be the most important risks to manage when engaging contractors, by 74% of HSE leaders.

42% and 31% of HSE leaders cite reputational and financial risk respectively as the most important risks to manage when engaging contracting companies. ESG and sustainability and insurance risk were both cited by 19% of HSE leaders as the most important risks to manage.

Figure 2: Illustrates the most important risks to manage when engaging contractors according to HSE leaders.
[Key Risks to Address When Engaging with Contractors](#)





Essential Features of Contractor Risk Management Software Platforms



The process of managing contractor risk is complex and often conducted without centralised systems. Organisations often continue to use pen and paper, email, and basic spreadsheets for managing different elements of contractor risk.

Contractor management processes ranging from selecting the right contractor, assessing their qualifications and skills, and onboarding them to monitoring their work and evaluating performance, are often conducted in isolation, and by different internal business functions. There is rarely a single source of truth and processes are disjointed. Software platforms can address these issues and manage contractor risk more generally.

Focus Network research shows that 52% of HSE leaders consider the streamlining of contractor management processes to be the most important feature, of contractor risk management software.

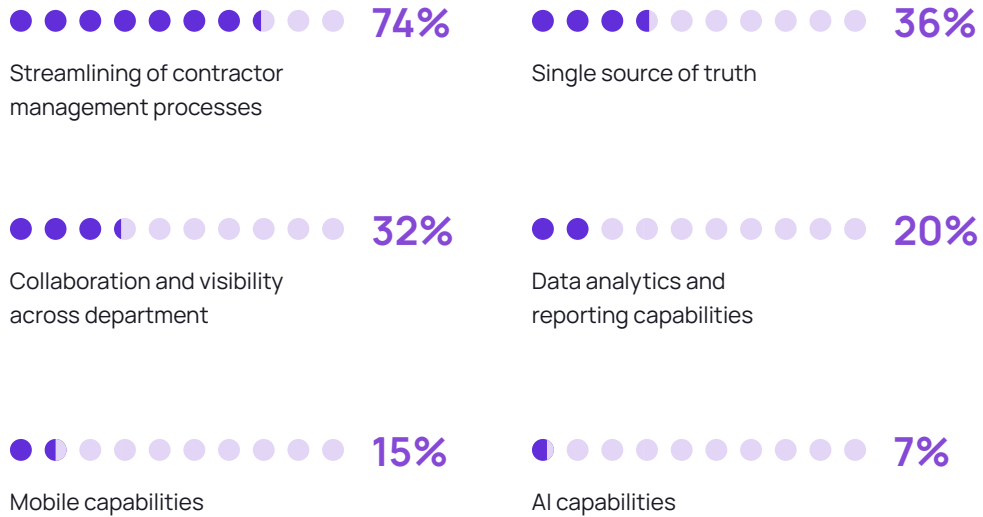
36% of HSE leaders view getting a single source of truth from a contractor risk management platform to be the most essential feature, with 32% stating that collaborations and visibility across departments are the most essential.

20% and 15% of respondents consider data analytics and reporting capabilities, and mobile capabilities respectively to be the most essential features.

Surprisingly, only 7% of HSE leaders consider AI capabilities to be among the most important features of contractor risk management software platforms, however, AI-driven platforms have the capability to mitigate contractor risk substantially.



Figure 3: Illustrates the key requirements needed when implementing contractor risk management software
Essential Features of Contractor Risk Management Software Platforms



■ Percentage of Respondents

Source: Focus Network Australasian Contractor Management Survey, December 2024

N=117 HSE Directors from Australia and New Zealand

During work, all activities can be closely monitored with contractor risk management software platforms, allowing incidents and risks to be mitigated by preventive and corrective actions. AI and advanced data analytics help to predict and prevent hazardous situations. Technology can also provide feedback and data which can reduce risk in later projects.

Ensuring efficient communication and information sharing reduces the risk from communications gaps between departments, offering greater visibility and engendering collaboration. Such technology can enable organisations to adopt a 360° view of HSE activities across contractors and subcontractors.



ESG Priorities When Managing Contractors



ESG is becoming increasingly important for HSE leaders. Ensuring that contractors comply with ESG policies and changing regulations is complex and challenging. Indeed, contractors are often involved in projects that have significant environmental impact. Managing contractors with a focus on ESG helps ensure that they follow practices that minimise waste, reduce carbon footprints, use sustainable resources, address DEI requirements, and don't engage in modern slavery.

Many jurisdictions have environmental and social regulations. Contractors that adhere to ESG standards are more likely to reduce risk significantly and comply with local regulations. This also reduces reputational, legal, and financial risk.

63% of HSE leaders cite evaluating contractor ESG performance as a leading ESG priority when managing contractors.

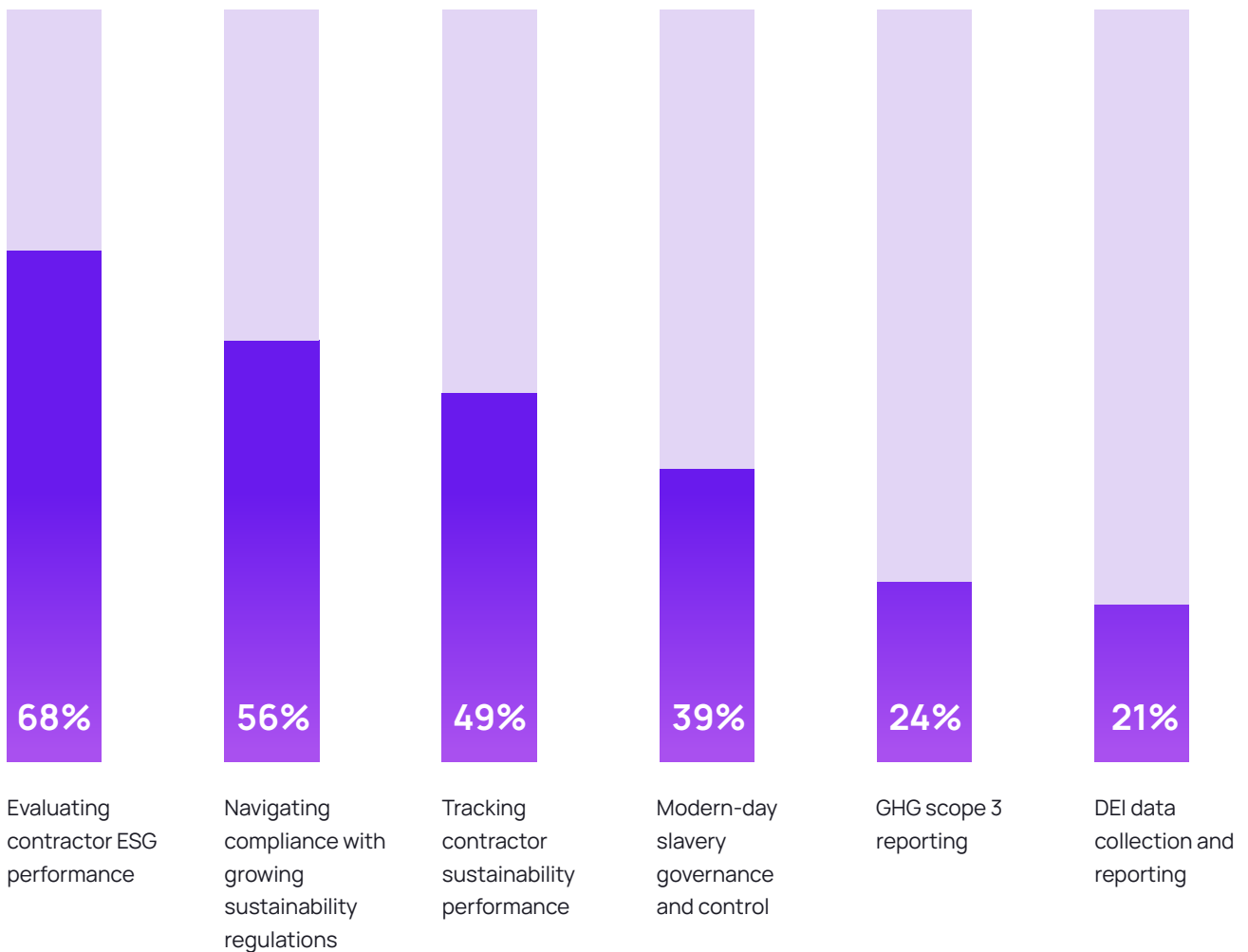
Navigating ESG compliance is increasingly important for HSE leaders. Indeed, 56% state that this is a leading priority when managing contractors.

Tracking contractor sustainability performance is a leading ESG priority for 49% of HSE leaders when managing contractors.



Modern-day slavery governance and GHG scope 3 reporting are leading ESG priorities when managing contractors for 39% and 24% of HSE leaders, respectively. Surprisingly, DEI data collection and reporting are leading ESG priorities for only 21% of HSE leaders, suggesting that hidden risks associated with DEI policies are overlooked.

Figure 4: Illustrates the ESG priorities required when managing contractors
ESG Priorities when Managing Contractors



Percentage of Respondents

Source: Focus Network Australasian Contractor Management Survey, December 2024

N=117 HSE Directors from Australia and New Zealand



Recommendations

By integrating software into the management of contractor health and safety risks, companies can streamline safety processes, ensure better compliance, and maintain real-time oversight of contractor and subcontractor activities. This helps prevent accidents, reduces risks, and ensures a safer working environment. Key benefits include increased efficiency, improved communication, better risk management, and a more proactive approach to safety. Importantly, this technology can also detect hidden risks that are receiving insufficient attention.

Below are some key recommendations to support HSE Directors in effectively reducing contractor risk:



Create a centralised contractor system that acts as a single source of truth. It should include information on audits, certifications, competencies, hazards, and employees. It should also be able to detect hidden risks.



Develop clear communications channels and identify what information can be shared and who can access it. This should prevent costly overlaps between departments and contractors and make accountabilities and responsibilities clear.



Use software for continuous improvement by sharing data from across the contractor ecosystem to identify root causes, assess performance and identify gaps.



Collect data not only on lagging indicators but also on leading indicators that can predict future safety performance and enable a more proactive approach to subcontractor risk management. Additionally, this data can drive AI models which can mitigate risk further.



Integrate contractor management with other safety processes in a seamless manner, most notably with risk and incident management to ensure that contractors have full access to information and resources.



Increase efficiency and productivity by eliminating manual processes, breaking down siloes and speeding up decision making.



Methodology



This report is based on the findings from a survey of 117 HSE decision makers from Australia and New Zealand, which took place in December 2024.

The responses provided have been used to identify and understand contractor usage patterns, major challenges faced by the surveyed group, and leading initiatives for 2025 and beyond.



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