

Key Conclusions

The key conclusions drawn from the 2011 survey are:

- Purchaser use of the forward workplan continued to rise in 2011 but further encouragement of suppliers to use this tool is required
- Share Fair attendance continued to rise among purchasers
- Purchasers are particularly keen to communicate with suppliers through:
 - Increased provision of contact details
 - High levels of debriefing
 - Use of the FPAL feedback tool
- Purchasers actively referred to FPAL to eliminate duplication and streamline tendering. To further reduce duplication, suppliers are encouraged to refer more purchasers to FPAL upon receipt of bespoke qualification questionnaires
- LOGIC contract compliance slipped in favour of standardised non-LOGIC contracts
- The use and receipt of KPIs by purchasers and suppliers remained considerably high despite minor decreases in figures since 2010
- Further progress is required to reduce the payment of invoices to 30 days

Driving an improvement in working practices across the supply chain will help individual companies to improve performance, eliminate unnecessary costs, add value and boost competitiveness. Better relationships between purchasers and suppliers will enhance the capabilities of our entire industry and compliance to the Code is paramount in helping to facilitate this.

Criteria	  		
	BRONZE	SILVER	GOLD
Minimum number and average score for questions about the code of FPAL Purchaser Performance Feedback Reports received (Purchasers rated by their Suppliers)			
	Average score of 5	Average score of 6	Average score of 7
Level 1 Purchaser	3	4	5
Level 2 Purchaser	5	10	15
Level 3 Purchaser	10	20	30
Minimum number of FPAL Supplier Performance Feedback Reports issued (Suppliers rated by Purchasers)			
Level 1 Purchaser	5	7	10
Level 2 Purchaser	10	20	30
Level 3 Purchaser	20	40	60
Completion of Annual SCCoP Compliance Survey	✓	✓	✓
Commitment to annual PILOT Share Fair event			
Level 1 Purchaser	Attend	Attend	Attend
Level 2 Purchaser	Attend	Attend	Attend
Level 3 Purchaser	Attend	1 - 1 meetings	Presentation and 1 - 1 meetings
Annual Workplans logged on FPAL Website			
Level 3 Purchaser	✓	✓	✓

The Code is endorsed by:



Oil & Gas UK is the leading representative organisation for the UK offshore oil and gas industry. Its members are companies licensed by the UK Government to explore for and produce oil and gas in UK waters and those who form any part of the industry's supply chain.



PILOT is the oil and gas taskforce which is a unique partnership between the UK oil and gas industry – Operators, contractors, Suppliers, Trade Unions, SMEs – and Government working in co-operation to deliver quicker, smarter and sustainable energy solutions to secure the long term future of the UKCS and to ensure full economic recovery of our hydrocarbon resources.

The Supply Chain Code of Practice is a PILOT initiative and works to improve the efficiency of the UKCS supply chain by improving performance, eliminating unnecessary costs, adding value and boosting competitiveness.

Contact for further information:

Abigail Clark
Oil & Gas UK
Email: aclark@oilandgasuk.co.uk
Website: www.oilandgasuk.co.uk

Rebecca Barry
PILOT Secretariat
Email: rebecca.barry@decc.gsi.gov.uk
Website: www.decc.gov.uk/pilot

SUPPLY CHAIN CODE OF PRACTICE COMPLIANCE 2011 SURVEY REPORT

Streamlining processes and increasing value for the oil and gas industry

Introduction

The Supply Chain Code of Practice (SCCoP) outlines a set of best practice guidelines for the UK oil and gas industry to:

- Improve performance
- Eliminate unnecessary costs
- Add value and boost competitiveness

It is an aspirational Code designed to help its signatories to achieve the highest attainable standards of business ethics, health, safety and environmental operations in accordance with all relevant statutory, local and national legislative requirements.

The SCCoP's principles apply to three key stages of the commercial process:

- Plan
- Contract
- Perform and pay



Signatories to the SCCoP agree to work towards full compliance with the Code, however, it is accepted that this may not be achievable by all signatories. Purchasers are awarded Bronze, Silver, Gold or the Award of Excellence (three years of achieving gold compliance) in recognition of their degree of compliance. Such awards are highly regarded and sought-after throughout the UK oil and gas industry.

Oil & Gas UK monitors how well the Code is implemented within industry on an annual basis by means of a compliance survey. The survey asks signatories questions that are in line with the three stages of the commercial process. This report highlights the survey's main conclusions on industry compliance with the SCCoP best practice guidelines.

2011 Compliance Survey

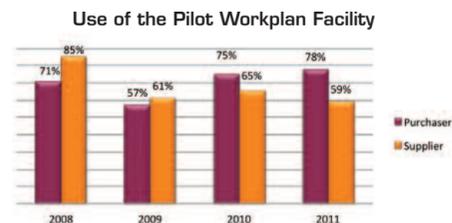
The 2011 survey attracted responses from 41 per cent of the 191 signatories. This is a 22 per cent rise since 2010 and the first year since 2008 where there has not been a decline in respondent numbers. Increased participation delivers a more accurate representation of compliance to the Code by signatories. As response to the survey is the minimum criteria for achieving any of the three compliance awards, completion of the survey is in a signatory's best interest.

STAGE 1 – PLAN

Transparent planning of contracting activity by major purchasers to improve supply chain capability.

PILOT WORKPLANS

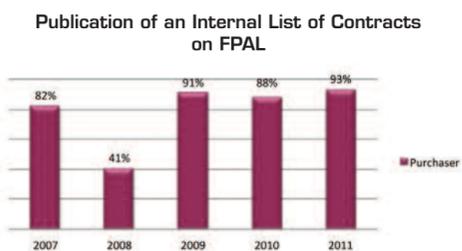
Use of the PILOT forward workplan tool is strongly encouraged under the SCCoP. Purchasers display their future project plans to suppliers which deliver a transparent schedule of work and business opportunities. In 2011, the number of purchasers using the workplan tool increased for the third year in a row to a level of 78 per cent. However, suppliers are encouraged to increase their use of this valuable tool to align with purchaser efforts.



FPAL INTERNAL CONTACTS LIST

An up-to-date company profile on First Point Assessment Limited's (FPAL) database is key to facilitating discussions with the contracting community. Ideally, purchasers' profiles should contain a list of internal company contacts.

In 2011, 93 per cent of purchasers reported compliance with this guidance. This five per cent rise from last year illustrates the importance of this information to both purchasers and suppliers for facilitating business.

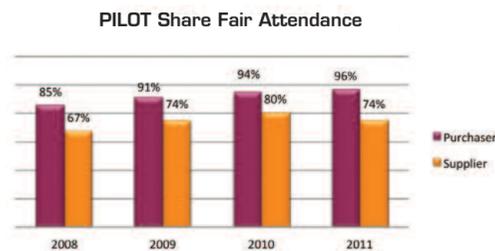


PILOT SHARE FAIR

The annual PILOT Share Fair provides a unique opportunity for all companies active on the UK Continental Shelf (UKCS) to network with hundreds of industry colleagues. In 2011, a significant 96 per cent of purchasers who responded to the compliance survey had participated in, or had attended, Share Fair.

Suppliers reported marginally decreased levels of attendance at 74 per cent. This figure was in part influenced by the number of respondents who joined the Code following the 2011 Share Fair.

In 2011, Share Fair grew by 53 per cent from 2009 with a record 1,155 delegates in attendance. These figures reinforce why attendance at this event should be a priority for all signatories.



STAGE 2 – CONTRACT

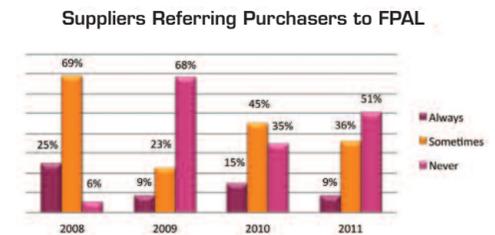
Streamline pre-qualification, tendering and negotiation processes to reduce bidding costs, eliminate waste, add value and increase competitiveness.

ITTS

The number of purchasers who always utilise model invitations to tender (ITTs) decreased from a level of 31 per cent to 27 per cent in 2011. Conversely, there was a marginal increase (five per cent) since 2010 in the number of suppliers who always receive model ITTs.

DUPLICATION

In 2011, a significant 58 per cent of purchasers reported that they always utilise FPAL during the tender process to eliminate supplier data duplication. The number of suppliers who always refer purchasers to FPAL upon receipt of a bespoke qualification questionnaire declined to nine per cent in 2011, with a considerable 51 per cent of suppliers having never referred purchasers to FPAL. To reduce duplication and therefore streamline tendering processes, suppliers were encouraged to increase their referral levels in 2012.



STANDARD CONTRACTS

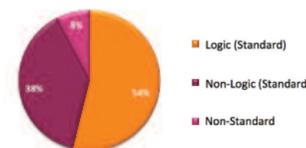
The suite of ten LOGIC standard contracts aims to streamline negotiations and achieve cost savings for industry. Their use is fundamental for compliance with the SCCoP and therefore LOGIC contract use is strongly encouraged.

The use and receipt of LOGIC contracts remained stable in 2011 but they were under strong competition from standard non-LOGIC contracts. Overall, 92 per cent of contracts used by purchasers were reported to be standardised, of which 54 per cent were LOGIC. Purchaser use of non-LOGIC standard contracts rose modestly by two per cent since 2010 and was accompanied by a decrease of four per cent in the use of LOGIC standard contracts.

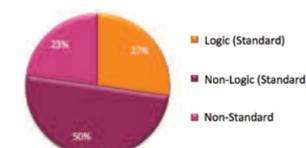
Accordingly, a 16 per cent increase in the number of standard contracts received by suppliers in 2011 was a result of a rise by 17 per cent in the number of standard non-LOGIC contracts being received.

It is evident that while some signatories are utilising the LOGIC contracts, further effort is required to improve and maintain their use.

Purchaser Use of Standard Contracts

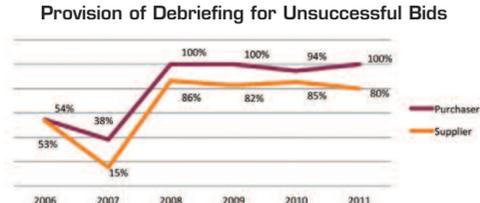


Supplier Receipt of Standard Contracts



DEBRIEFING

In 2011, 100 per cent of purchasers who responded to the survey believed they had provided debriefing to suppliers on all unsuccessful tenders. Conversely, only 80 per cent of all suppliers reported to have actually received feedback, therefore indicating there is room for improvement. This disparity aside, it is important to highlight that 2011 was the fourth year that feedback levels for unsuccessful tenders were maintained in the 80 per cent plus territory.



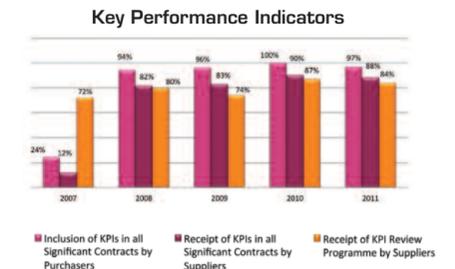
STAGE 3 – PERFORM & PAY

Increasing performance feedback dialogue and shortening payment cycles to improve performance.

KEY PERFORMANCE INDICATORS

In appropriate circumstances, purchasers should include key performance indicators (KPIs) in all significant contracts along with an appropriate review programme. Suppliers should also try to track and discuss these KPIs.

Ninety-seven per cent of purchaser respondents reported the inclusion of KPIs within their contracts, while 88 per cent of suppliers reported receipt of KPIs and 84 per cent of a KPI review programme. Both figures are minor decreases on 2010. The highest KPI receipt levels of 90 per cent were attained in 2010 and should therefore be the minimum target.



FPAL FEEDBACK

The FPAL feedback tool is available to both purchasers and suppliers and allows both parties to provide feedback during a contract period. The intention is to improve mutual performance, minimise waste and develop best practice.

Results indicate that purchasers are more inclined to give feedback than suppliers. Half of all purchasers who responded reported that in 2011 they always provided feedback via the FPAL tool; this is a 12 per cent rise on 2010. While 19 per cent of suppliers claimed that they always provided feedback, 60 per cent sometimes provided feedback and 21 per cent did not provide feedback.

As feedback is integral to both the tiered compliance rating scheme and the improvement of business, all signatories should work towards increasing their feedback levels.

Percentage of Purchasers and Suppliers Who Reported to Have Always Provided FPAL Feedback

Year	Purchasers (%)	Suppliers (%)
2007	38%	15%
2008	75%	21%
2009	30%	36%
2010	31%	25%
2011	50%	19%

INVOICES & PAYMENTS

Suppliers and purchasers were questioned about the time it took to receive/issue payments following an invoice. Fifty-eight per cent claimed that they issued payments between 26 to 30 days of receiving an invoice. However, 12 per cent of supplier respondents reported receipt of payment between 26 to 30 days from the issue of an invoice. These figures illustrate that further progress is required to achieve a 30-day invoice payment period between purchasers and suppliers.

