

Key Conclusions

- Purchaser use of the forward workplan facility has remained constant at 78 per cent, however, supplier usage has fallen to 46 per cent indicating the need to raise awareness of the value of this facility.
- All purchaser firms are maintaining an up to date contact list on FPAL, the first time this has been achieved.
- Purchaser use of LOGIC Standard contracts has increased significantly.
- The number of purchasers who report to have provided feedback on unsuccessful tenders has remained at an encouraging 100 per cent.
- Despite a small decrease on 2011 levels, the use and receipt of KPIs by purchasers and suppliers has remained significantly high, with all purchasers reporting the inclusion of KPIs in significant contracts.
- Suppliers and purchasers should be encouraged to increase referrals to FPAL to further reduce data duplication.
- The percentage of purchasers who always provide FPAL feedback has risen slightly to 52 per cent.
- Although progress is being made, further improvements are necessary in order to meet the 30 day payment commitment.

The results of the 2012 survey show that overall compliance with the SCCoP is increasing among purchasers, however, compliance levels among suppliers appear to be declining. An increased level of engagement with suppliers is therefore required to raise overall compliance levels and address any issues that are being faced.

Both purchasers and suppliers are strongly encouraged to comply with the SCCoP in order to create new business opportunities, drive efficiency savings and promote enhanced competition throughout the UKCS supply chain. Compliance with the SCCoP will also ensure that firms can take full advantage of the business opportunities that the current record levels of investment in the UKCS will produce.

Criteria	BRONZE	SILVER	GOLD
Minimum number of FPAL supplier performance feedback reports (suppliers rated by purchasers)			
	Average score of 5	Average score of 6	Average score of 7
Level 1 Purchaser	5	7	10
Level 2 Purchaser	10	20	30
Level 3 Purchaser	20	40	60
Complete annual SCCoP Compliance Survey	✓	✓	✓
Minimum number and average score for FPAL feedback reports received (purchasers rated by suppliers)			
	Average feedback score of 5 required	Average feedback score of 6 required	Average feedback score of 7 required
Level 1 Purchaser	3	4	5
Level 2 Purchaser	5	10	15
Level 3 Purchaser	10	20	30
Commitment to annual PILOT Share Fair			
Level 1 Purchaser	Attend	Attend	Attend
Level 2 Purchaser	Attend	Attend	Attend
Level 3 Purchaser	Attend	1 - 1 meetings	1 - 1 meetings and presentation every second year
Annual Forward Workplans on FPAL			
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.

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SUPPLY CHAIN CODE OF PRACTICE COMPLIANCE 2012 SURVEY REPORT

Streamlining processes and increasing value for the oil and gas industry

Introduction

The Supply Chain Code of Practice (SCCoP) is a set of best practice guidelines which the UK oil and gas industry is encouraged to follow in order to help businesses:

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

There are three key stages that apply to the SCCoP:

- Plan
- Contract
- Perform and Pay

Signatories to the SCCoP should aim to comply with the code during each of these stages. This will help companies achieve the highest standards of business ethics and comply with all relevant legislative requirements. It is acknowledged that full compliance with the code will not be achievable by all signatories, however, they should all aim to comply as fully as possible.



Purchasers have the opportunity to achieve an industry award of Bronze, Silver, Gold or Excellence (three years of Gold compliance) dependent upon their level of compliance with the SCCoP. These awards are highly coveted within the industry and are therefore a strong incentive to comply with the code.

2012 Compliance Survey

Oil & Gas UK is responsible for monitoring levels of compliance within the industry, by conducting an annual survey. This report highlights the main findings of the 2012 survey. Participation is a pre-requisite to be considered for an industry award for compliance with the SCCoP; signatories are therefore strongly encouraged to participate in the survey.

A total of 86 responses were gathered for the 2012 SCCoP compliance survey, representing 61 per cent of the current signatories to the code. This figure represents a significant 19 per cent rise in the number of signatories who responded to the 2011 survey, demonstrating the value which firms place upon compliance with the SCCoP.

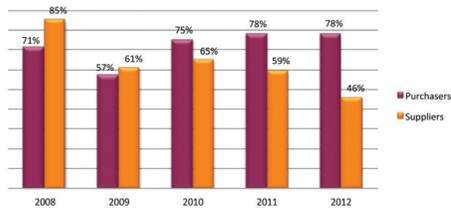
STAGE 1 – PLAN

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

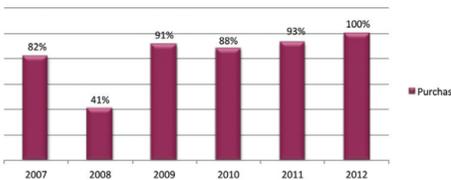
PILOT WORKPLANS

The PILOT forward workplan facility is a mechanism by which purchasers can reveal their forward workplans, allowing suppliers to identify potential business opportunities within the industry. In 2012, the number of suppliers using the tool declined to 46 per cent from 59 per cent in 2011. However, the number of purchasers using the tool showed no change from 2011. Suppliers should therefore be encouraged to make greater use of this tool to uncover potential business opportunities and ultimately add value to their organisation. Purchasers should continue to use the forward workplan facility in order to engage with a wide range of suppliers and promote competition within the supply chain.

Use of the Pilot Workplan Facility



Publication of an Internal List of Contacts on FPAL



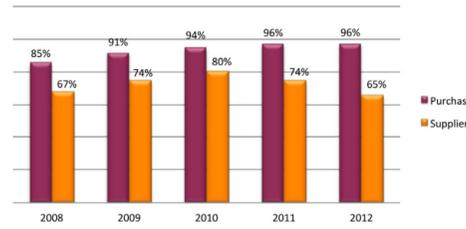
FPAL INTERNAL CONTACTS LIST

Maintaining up to date company contact information is vital in order to facilitate discussion within the industry. In 2012, all purchaser firms published an up to date contact list on FPAL, the first year that this has been achieved. This is an encouraging statistic, which confirms the importance of establishing clear lines of communication throughout the tendering process.

PILOT SHARE FAIR

The annual PILOT Share Fair provides an opportunity for all firms active on the UK Continental Shelf (UKCS) to network and discover new business opportunities. In 2012, a significant 96 per cent of the purchaser firms who are signatories of the SCCoP attended or participated in Share Fair; showing no change from 2011. However, the percentage of supplier signatories in attendance declined, with 65 per cent of these suppliers reported to have attended Share Fair in 2012.

PILOT Share Fair Attendance



It is worth noting, however, that the SCCoP was re-launched in January 2013, therefore, a number of the current signatories may not have been committed to the code at the time of Share Fair 2012 and so this could potentially explain the percentage decline in attendance among supplier signatories.

Overall delegate attendance at Share Fair 2012 was almost 1,500, representing a 30 per cent increase on 2011. At Share Fair, major purchasers outline their 18 month forward workplans, creating a number of potentially value adding opportunities; suppliers are therefore strongly encouraged to attend.

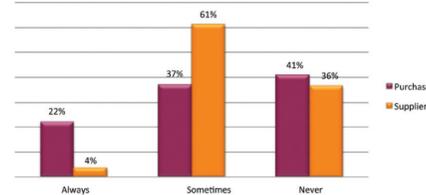
STAGE 2 – CONTRACT

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

ITTs

The percentage of purchasers who always use industry model invitations to tender (ITTs) was 22 per cent in 2012, representing a five per cent decrease on 2011. However, only four per cent of suppliers report that they always received model ITTs, showing a substantial disparity between what has been reported by purchasers and suppliers.

Use of Industry Model ITTs



The use of model ITTs is strongly encouraged under the SCCoP in order to standardise the tendering process and promote efficiency throughout the supply chain.

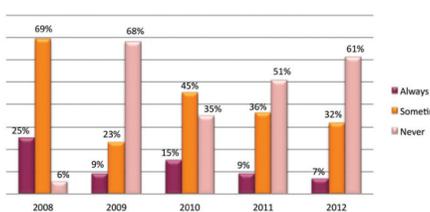
DUPLICATION

Sixty-one per cent of suppliers have responded as having never referred purchasers to FPAL upon receipt of a bespoke tender in 2012. Subsequently, the number of suppliers who always or sometimes refer bespoke tenders to FPAL has dropped to seven per cent and 32 per cent, respectively.

The survey has also found that 52 per cent of purchasers always use FPAL to reduce data duplication, a more encouraging statistic.

Suppliers are encouraged to increase the number of referrals to FPAL to help minimise data duplication and ultimately increase the efficiency of the tendering process.

Suppliers Referring Purchasers to FPAL

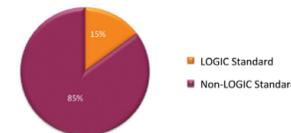


LOGIC STANDARD CONTRACTS

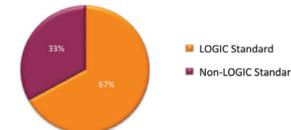
The use of LOGIC Standard contracts is a means to drive efficiency and best practice within the industry. Their use is a fundamental requirement for compliance with the SCCoP and therefore strongly encouraged.

Sixty-seven per cent of purchasers reported the use of LOGIC Standard contracts in 2012. This is an encouraging statistic and reflects an increase from 54 per cent in 2011. However, 85 per cent of suppliers report that Non-LOGIC Standard contracts are being received. This represents a significant difference between the contracts that purchasers report to have issued and those suppliers say they have received; this is an area requiring further investigation. Further improvements are required to increase the use of LOGIC Standard contracts.

Supplier Receipt of LOGIC Standard Contracts



Purchaser Use of LOGIC Standard Contracts

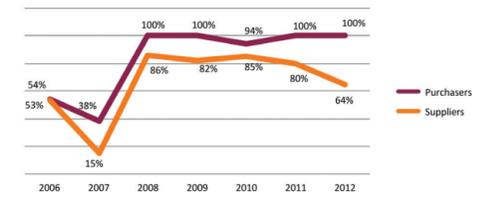


DEBRIEFING

In 2012, for the second consecutive year, 100 per cent of purchasers report that they debriefed on unsuccessful tenders for all, or at least some, of their significant contracts. However, only 64 per cent of suppliers report that they received such feedback. This is a second consecutive annual decline and represents a 16 per cent decrease in the levels of feedback reported in 2011.

This shows a substantial disparity between the responses of purchasers and suppliers and indicates that there may be an opportunity for improvement with regards to debriefing on unsuccessful bids.

Provision of Debriefing for Unsuccessful Bids



STAGE 3 – PERFORM & PAY

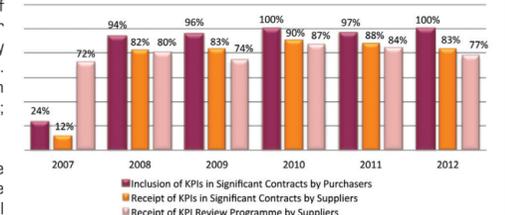
Increase feedback dialogue and shorten payment cycles to improve performance.

KEY PERFORMANCE INDICATORS

All purchasers report that they included Key Performance Indicators (KPIs) in significant contracts in 2012, a return to levels found in 2010. However, only 83 per cent of suppliers report receiving KPIs in at least some of their significant contracts, again demonstrating a disparity between the responses of purchasers and suppliers. There has also been a second consecutive decrease in KPI review programmes being received by suppliers; however, levels of KPI inclusion remain substantially high.

The inclusion of KPIs and review programmes are effective methods of driving and evaluating performance standards and should therefore be included in all significant contracts.

Key Performance Indicators

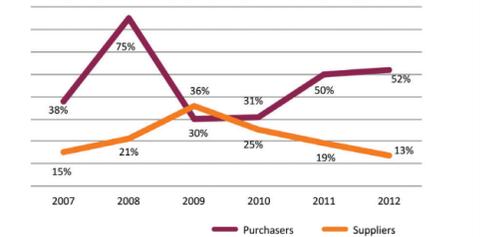


PROVISION OF FPAL FEEDBACK

Providing constructive feedback on performance is essential to drive improvements, therefore it is in the best interests of both purchasers and suppliers to participate in two-way feedback. Standard feedback forms are available to download from the FPAL website (www.fpall.com).

As was the case in 2011, the results of the 2012 survey indicate that purchasers are significantly more likely to provide feedback than suppliers. Fifty-two per cent of purchasers always participated in two-way feedback via FPAL, whereas only 13 per cent of suppliers were found to always participate. This indicates that purchasers may have a role to play in encouraging supplier participation.

Purchasers and Suppliers Who Reported to Have Always Provided FPAL Feedback



PAYMENT OF INVOICES

Under the SCCoP, all invoices should be settled within a period of 30 days. This encourages prompt payment, reduces the potential for any disputes to arise, ensures good working relationships between firms and improves overall business performance.

Fifty-nine per cent of purchasers who responded to the survey report that they settled their invoices in an average time of less than 30 days in 2012, with all purchasers issuing payment in less than 40 days. However, only 11 per cent of suppliers say that they received payments in less than 30 days, with 53 per cent reporting an average of over 40 days to receive payment.

These figures represent an improvement in the number of suppliers receiving payments in less than 40 days, at 47 per cent compared to 36 per cent in 2011. It can therefore be assumed that the industry is making progress towards meeting the 30 day payment target.

Payment of Invoices

