



# SUPPLY CHAIN CODE OF PRACTICE COMPLIANCE 2013 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 consecutive years of Gold) depending on 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.

## 2013 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 2013 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 92 responses were received for the 2013 SCCoP compliance survey; 26 purchasers and 66 suppliers representing 56 per cent of the current number of signatories to the code. The number of responses for 2013 represents a seven per cent increase from the 2012 survey which comprised 86 responses; 26 purchasers and 60 suppliers. There has also been an increase in the total number of signatories from 141 to 163 representing a 16 per cent increase since the 2012 survey.

## STAGE 1 – PLAN

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

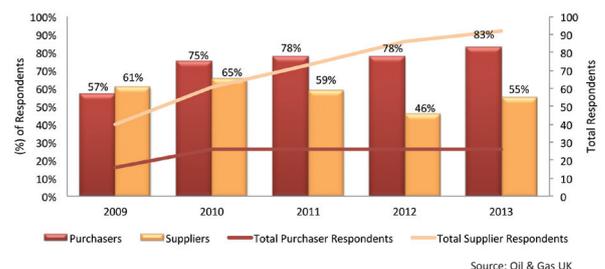
### PILOT WORKPLANS

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. There has been an increase in the number of purchaser workplans on FPAL. The proportion of purchasers that report using the PILOT workplan facility tool increased from 78 per cent in 2012 to 83 per cent in 2013, while the proportion of suppliers that report using the tool increased from 46 per cent in 2012 to 55 per cent in 2013.

Purchasers should continue to make use of the forward workplan facility in order to engage with a wide range of suppliers and promote competition within the supply chain. Suppliers should continue to make use of this tool to uncover potential business opportunities and ultimately add value to their organisations.

Purchasers are required to update their FPAL profiles with forward workplans to achieve the Gold Award at PILOT Share Fair.

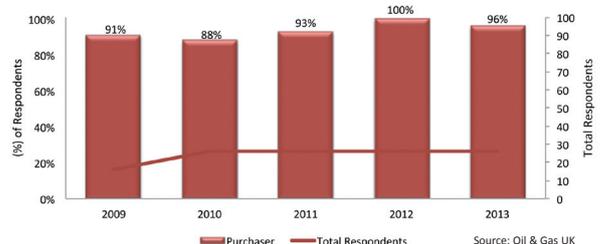
Use of the Pilot Workplan Facility



### FPAL INTERNAL CONTACTS LIST

Maintaining up-to-date company contact information on FPAL is vital in order to facilitate discussion within the industry. In 2013, 96 per cent of purchaser firms published an up-to-date contact list on FPAL. All purchasers are encouraged to do this as it helps to establish clear lines of communication throughout the tendering process.

Publication of an Internal List of Contacts on FPAL



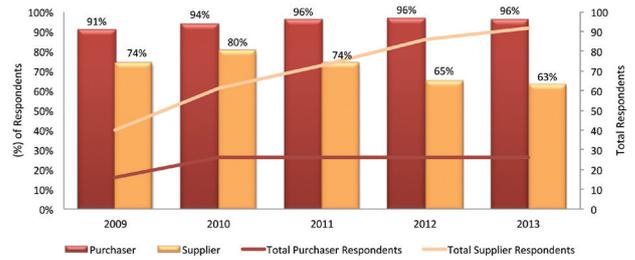
## PILOT SHARE FAIR

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. Ninety-six per cent of purchasers who are signatories to the SCCoP attended the 2013 PILOT Share Fair, which is the same as 2012. The survey response indicated that the proportion of suppliers who attended or participated in Share Fair declined from 65 per cent in 2012 to 63 per cent in 2013. This marginal decline in the proportion of supplier attendance is due to an upsurge in new supplier signatories to the code after the 2013 PILOT Share Fair event.

Overall delegate attendance at the 2013 PILOT Share Fair was approximately 1,250. Purchasers presented forward workplans and also had one-to-one meetings with suppliers in compliance with the code.

The SCCoP Award of Excellence was launched at the 2013 PILOT Share Fair. The Award was presented to purchasers who maintained the Gold Award for three consecutive years. A total of 13 purchasers achieved the Award of Excellence.

### PILOT Share Fair Attendance



Source: Oil & Gas UK

## STAGE 2 - CONTRACT

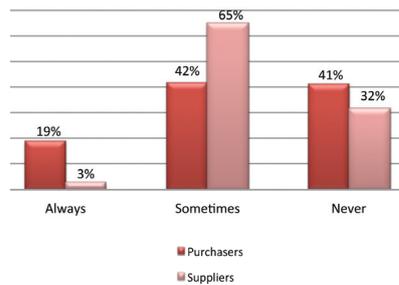
Streamline pre-qualification, tendering and negotiating processes to reduce bidding costs, eliminate waste, add value and increase competitiveness.

## ITTs

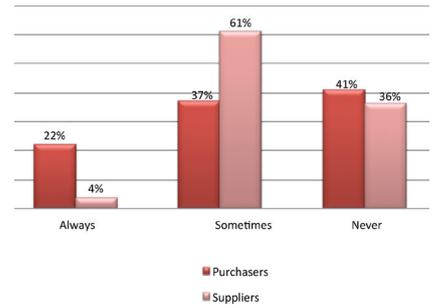
The percentage of purchasers who always use industry model invitations to tender (ITTs) was 19 per cent in 2013, which is a decline from 22 per cent in 2012. However, there was an increase in the percentage of purchasers who now sometimes use model ITTs from 37 per cent in 2012 to 42 per cent in 2013.

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.

### 2013 Use/Receipt of Industry Models ITTs



### 2012 Use/Receipt of Industry Model ITTs



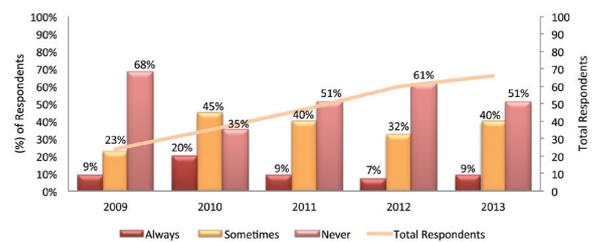
Source: Oil & Gas UK

## DUPLICATION

There was an increase in the percentage of suppliers who always or sometimes referred purchasers to FPAL from 39 per cent in 2012 to 49 per cent in 2013.

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



Source: Oil & Gas UK

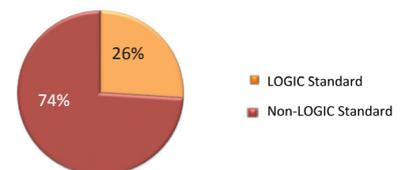
## LOGIC STANDARD CONTRACTS

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.

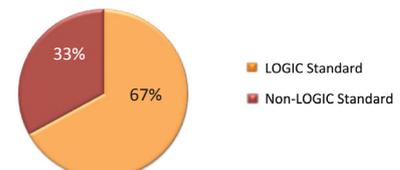
Sixty-seven per cent of purchasers reported the use of LOGIC standard contracts in 2013, which is the same as 2012. Twenty-six per cent of suppliers reported receipt of LOGIC standard contracts in 2013, which is an increase from 15 per cent in 2012.

An increase in the use of LOGIC standard contracts is required for a more cost and time efficient contract process.

### Supplier Receipt of LOGIC Standard Contracts



### Purchaser Use of LOGIC Standard Contracts



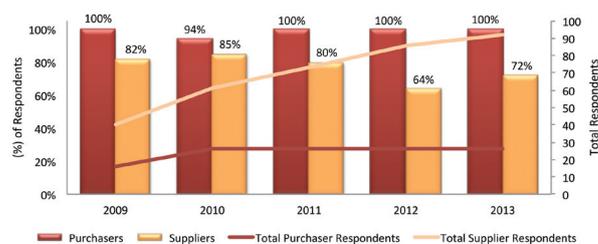
Source: Oil & Gas UK

## DEBRIEFING

In 2013, for the third consecutive year, 100 per cent of purchasers reported that they provided a debrief on unsuccessful tenders for all, or at least some, of their contracts. Meanwhile, 72 per cent of suppliers reported that they received such feedback in 2013. This is an increase from 64 per cent in 2012.

The increasing proportion of suppliers that participated in debriefing on unsuccessful bids tends to support the assertion by purchasers that this is a standard procedure within the contracting process.

### Provision of Debriefing for Unsuccessful Bids



Source: Oil & Gas UK

## STAGE 3 - PERFORM AND PAY

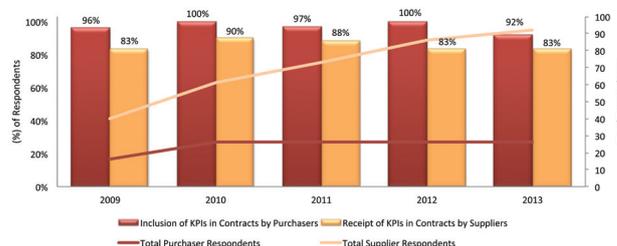
Increase feedback dialogue and shorten payment cycles to improve performance.

## KEY PERFORMANCE INDICATORS

Ninety-two per cent of purchasers reported that they included key performance indicators (KPIs) in significant contracts in 2013, a decline from 100 per cent reported in 2012. While, 83 per cent of suppliers reported receiving KPIs in at least some of their significant contracts in 2013; this is the same proportion as 2012.

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



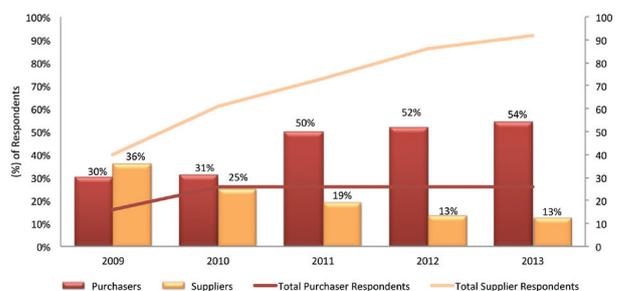
Source: Oil & Gas UK

## 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](http://www.fpall.com)).

As in 2012, the results of the 2013 survey indicate that purchasers are significantly more likely to provide feedback than suppliers. Fifty-four per cent of purchasers reported that they always participate in two-way feedback via FPAL in 2013 compared to 52 per cent in 2012, whereas only 13 per cent of suppliers reported participating in 2012 and 2013. This indicates that purchasers may have a role to play in encouraging supplier uptake.

### Purchasers and Suppliers Who Reported to Have Always Provided FPAL Feedback



Source: Oil & Gas UK

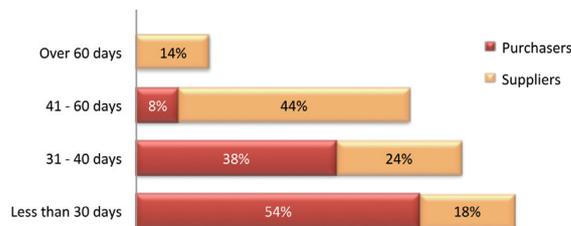
## PAYMENT OF INVOICES

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.

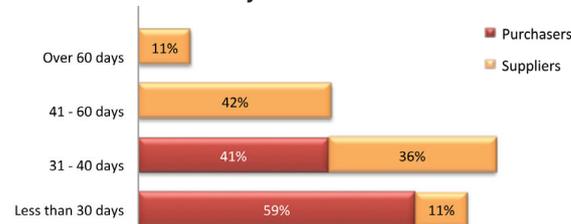
Fifty-four per cent of purchasers who responded to the survey reported that they settled their invoices in an average time of less than 30 days in 2013, while 38 per cent issued payment between 31 and 40 days and eight per cent paid invoices between 41 and 60 days. However, only 18 per cent of suppliers say that they received payments in less than 30 days, with 58 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 30 days, at 18 per cent in 2013 compared to 11 per cent in 2012. The statistic shows that the industry is making progress towards meeting the 30 day payment target.

### 2013 Payment of Invoices



### 2012 Payment of Invoices



Source: Oil & Gas UK

## Key Conclusions

- Purchaser and supplier use of the PILOT forward workplan facility showed a substantial increase, indicating enhanced supplier awareness of the value of this facility.
- Almost 100 per cent of purchaser firms maintained an up-to-date contact list on FPAL and reported a marginal increase in the occasional use of model ITTs.
- There was an increase in the percentage of suppliers who refer purchasers to FPAL.
- Supplier use of LOGIC standard contracts has increased significantly.
- The number of purchasers who provided feedback on unsuccessful tenders has remained at an encouraging 100 per cent while suppliers who received this feedback increased from 64 per cent to 72 per cent.
- Suppliers and purchasers should be encouraged to increase referrals to FPAL to further reduce data duplication.
- Suppliers and purchasers are encouraged to make use of the FPAL feedback process in compliance with the code of practice.
- Although progress is being made, further improvements are necessary in order to meet the 30 day payment commitment.

The results of the 2013 survey show that overall compliance with the SCCoP is increasing among suppliers, with high compliance levels maintained by purchasers.

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 on the UKCS will produce.

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