



SUPPLY CHAIN
code of practice

SUPPLY CHAIN CODE OF PRACTICE

Streamlining processes and increasing
value for the oil and gas industry

Oil & Gas UK 
the voice of the offshore industry

pilot
the right course for oil and gas success





About The Supply Chain Code of Practice

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

- improve performance
- eliminate unnecessary costs
- add value and boost competitiveness

The SCCoP was initially launched in 2002 under the PILOT 'progressing partnership' scheme. PILOT is the oil and gas taskforce which is a unique partnership between the UK oil and gas industry and Government working in cooperation 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.

Oil & Gas UK, the leading representative organisation for the UK offshore oil and gas industry, manages the Code and all signatory information. Please go to the Oil & Gas UK website for more information. (www.oilandgasuk.co.uk)

SCCoP signatories include major purchasers (UKCS operators and principal contractors) and suppliers (companies providing goods or services). All signatories should be registered on FPAL (First Point Assessment Limited) which is the oil and gas supply chain database that allows oil and gas purchasers to identify, select and manage current and potential suppliers.

The SCCoP is an aspirational code of conduct and its signatories agree to work towards full compliance with the Code, however it is accepted that this may not be achievable by all signatories. The code is 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.

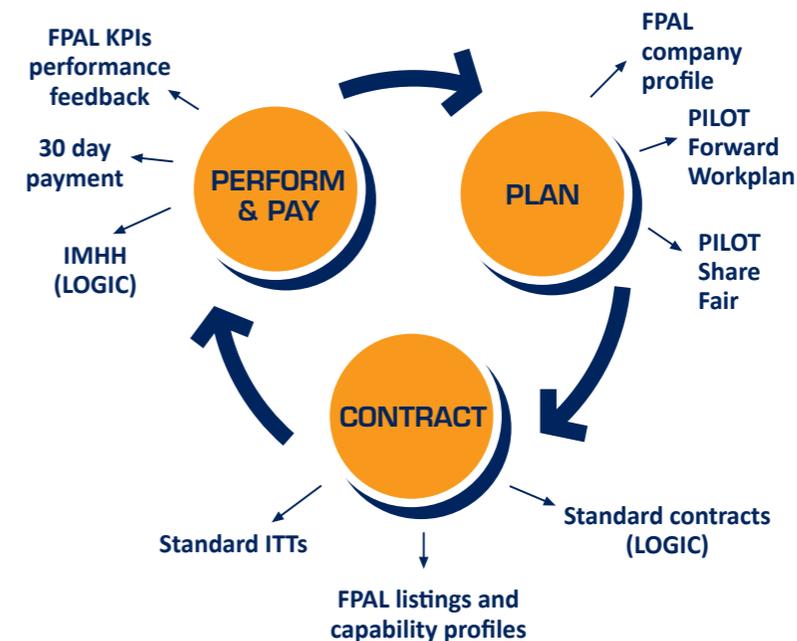
The Supply Chain Code of Practice (SCCoP) is endorsed by:
Oil & Gas UK, PILOT, DECC, EEEgr, EIC, FPAL, IMCA, NSIG, NOF Energy and OCA.



About the SCCoP (contd)

The Code tackles behaviour at three key stages in the commercial process, under the headlines of Plan, Contract, Perform & Pay. Oil & Gas UK will decide on the tiered ratings based on these three key stages and assessment will take place on an annual basis.

PLAN	Transparent planning of contracting activity by major purchasers to improve supply chain capability
CONTRACT	Streamline pre-qualification, tendering and negotiation processes to reduce bidding costs, eliminate waste, add value and increase competitiveness
PERFORM & PAY	Increase feedback dialogue and shorten payment cycles to improve performance



Tiered Compliance System – New for 2012

The Supply Chain Code of Practice tiered compliance system automatically applies to all new and existing purchaser signatories. It enables suppliers to rate their clients (operator and contractor purchasers) in terms of compliance with various aspects of the code. There have been some important changes made to the criteria:

- Purchaser signatories are now categorised into three levels according to their spend as defined by FPAL (shown in the table below)
- The number and score of Purchaser Performance Feedback reports completed by suppliers is now dependent upon purchaser level defined by FPAL
- Purchasers will also be rated on the number of Supplier Performance Feedback reports they issue to their suppliers, again dependent upon purchaser level defined by FPAL
- Commitment to PILOT Share Fair is now dependent upon Purchaser level defined by FPAL
- All Level 3 Purchasers have to log their annual Forward Workplans on FPAL

Purchaser level	Declared Spend	FPAL Purchaser Levels
1	<£30m	1
2	£30m to £100m	2
3	Above £100m	3-7

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	✓	✓	✓



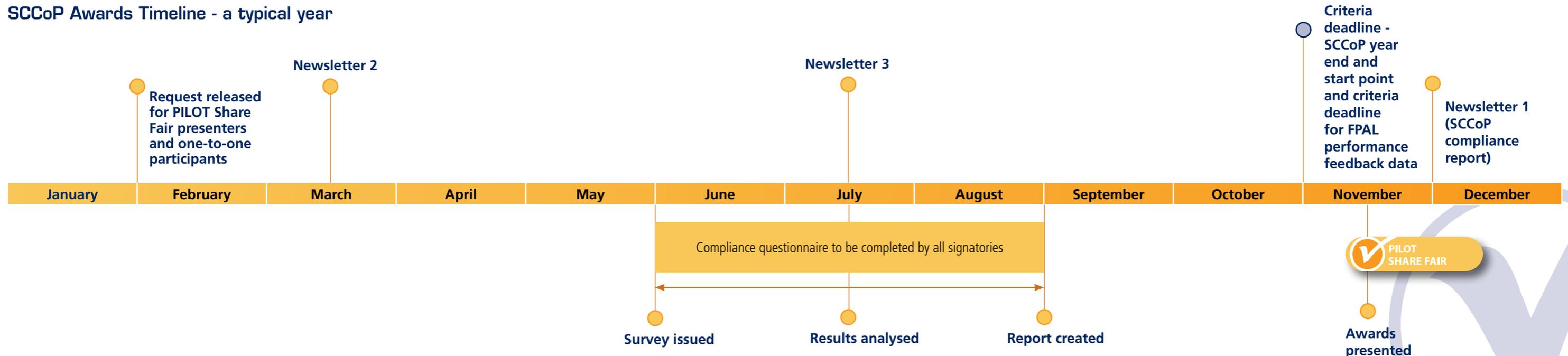
New for 2012 - Award of Excellence

An additional award level has been introduced to the Supply Chain Code of Practice Compliance scheme. The new Supply Chain Code of Practice Award of Excellence is reliant upon Purchasers retaining a Gold award status for 3 years or more.



The Award of Excellence will come into effect in November 2012 with the first awards being presented in November 2013.

SCCoP Awards Timeline - a typical year



SCCoP - What benefits are there for the industry?

- Applying industry best practice will drive positive behaviours throughout the whole supply chain
- Improving efficiency through use of LOGIC industry standard contracts and ITTs
- Easier access to supplier / purchaser information and contacts
- Reduced pre-qualification leads to a more efficient tendering process
- Use of formal KPI's and the issuing / receiving of meaningful feedback ensures all companies improve service and gain repeat business
- Sharing PILOT Forward Workplans ensures an organised approach to tendering and a greater choice of suppliers
- Payment of invoices within 30 days, prompt payment of the undisputed part of a disputed invoice and feedback on the quality of invoices all ensure better business performance and working relationships
- Encouraging two-way feedback on performance during duration of contracts will drive industry improvement
- Hear about the latest UK oil and gas business opportunities at the annual PILOT Share Fair where major oil and gas players unveil their 18 month plans for projects in the North Sea.



Logic Standard contracts

Background

LOGIC (Leading Oil and Gas Industry Competitiveness) was created in 1999 by the Government’s Oil and Gas Industry Task Force to improve competitiveness in the UKCS. LOGIC is a wholly-owned not-for-profit subsidiary of Oil & Gas UK and works towards identifying collaborative industry-wide solutions to the commercial challenges of the UKCS. LOGIC manages and administrates a number of key industry projects, most notably for the Supply Chain: the IMHH and Standard Contracts.

IMHH and Standard Contracts

IMHH was developed to respond to the uncertainties of risk allocation for contractors working on an installation together but who are not contractually linked. The IMHH scheme addresses the contractual gap by creating a mutual hold harmless arrangement between contractors, should there be no other contract in place between them. The IMHH Deed, for which LOGIC manages all enquiries, allows all offshore oil and gas industry contractors to sign up to the mutual hold harmless scheme.

Standard Contracts for the UK offshore oil and gas industry (formerly CRINE contracts) have been developed by the Standard Contract Committee with assistance from LOGIC. The suite of nine Standard Contracts are issued by LOGIC for use within the industry between oil companies and their contractors on the UKCS. The industry achieves impressive cost savings through the use of Standard Contracts and most major UKCS operators and contractors continue to use them.

The following contracts are available at www.logic-oil.com :

Design	Edition 2 (2003)
Construction	Edition 2 (2003)
Services (on & off-shore)	Edition 2 (2003)
Marine Construction	Edition 2 (2003)
Well Services	Edition 2 (2004)
Major Plant Equipment Items	Edition 2 (2001)
Purchase Order (short form)	Edition 2 (2005)
SME Services (+ sub-contract)	Edition 2 (2005)
Mobile Drilling Rigs	Edition 2 (2002)



First Point Assessment

FPAL (www.fpal.com) is the oil and gas supply chain database and is the key tool used by oil and gas purchasers to identify, select and manage current and potential suppliers when awarding contracts or purchase orders. To comply with the Supply Chain Code of Practice, both purchasers and suppliers must make use of the tools provided by FPAL:

- Supplier Registration allows contractors and suppliers to describe their products and services to potential FPAL purchasers.
- Performance Feedback can be carried out during or following the execution of a contract and is usually agreed between both parties. It is recorded in a report format, which is available to view by FPAL subscribers. [The tiered compliance scheme for the Supply Chain Code of Practice is based partly upon these performance feedback reports.]
- Model ITT (Invitation To Tender) templates are available for free download from www.fpal.com. The templates simplify the contracting process and provide a faster and easier way to produce, issue and respond to ITT/bid packages. Templates are available for drilling rigs, topside support, general services, marine construction and well services. [The model ITTs embody fair contracting principles, encourage participation in the Industry Mutual Hold Harmless scheme, invite bidders to demonstrate they can add value, define value-based award criteria, outline timeframes and avoid data duplication.]
- PILOT Forward Workplan is a facility, hosted by FPAL but promoted and funded by DECC, for purchasers to reveal their forward work plans to suppliers relating to potential business opportunities in the UKCS. Use of this facility helps operators and contractors comply with the Supply Chain Code of Practice.





Share Fair

Be the first to hear about the latest UK oil and gas business opportunities at the annual PILOT Share Fair where major oil and gas players unveil their 18 month forward plans for projects in the North Sea. The event's primary objectives are to provide:

- An insight into the future project development plans of operators and contractors
- An opportunity for networking, for example meeting prospective new clients and updating existing contacts
- An information sharing forum
- One to one sessions; meeting potential customers on an individual basis in a dedicated 15 minute appointment
- An opportunity to gather market intelligence
- Support for the industry's Supply Chain Code of Practice

All attendees must book a place through Oil & Gas UK Events. For more information please see www.oilandgasuk.co.uk/PILOTShareFair or email events@oilandgasuk.co.uk



The Code is endorsed by:



Oil and Gas UK is the leading representative organisation for the UK offshore oil and gas industry. Its members are companies licensed by the 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, SME's and Government working in cooperation 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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