



Welcome Pack

A practical guide to implementing the code's principles within your company

The Supply Chain Code of Practice is endorsed by PILOT, Oil & Gas UK and its Supply Chain Forum, DECC, EIC, FPAL, IMCA, OCA, NSIG, NOF Energy and EEEGR.



Contents

Your enthusiasm for embracing a co-operative attitude towards developing and maintaining a sustainable and efficient supply chain is fundamental to securing the long-term future of the UK oil and gas industry

This Welcome Pack contains provides information and materials to help your company get started in implementing and adopting the code's best practice principles. It includes...

- **A brief introduction to the code and its aims.....P3**
- **Checklists for purchasers and suppliers identify where specific improvements can be made easily to your working practices.**
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- **A guide to paying invoices within 30 days.....P10**
- **Access to a downloadable PowerPoint slide show to present to your team responsible for implementing the code's principles within your company.....P11**
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The Supply Chain Code of Practice section of the PILOT website also gives you access to...

- **Supply Chain updates, with the latest information from the UKCS Supply Chain, which are now available within Oil and Gas UK's 'Wireline' magazine**
- **An up-to-date list of companies who have signed up to the new code.**
- **Detailed benefits of signing up to the Code for both Purchasers and Suppliers.**

Stickers are also available to display the Supply Chain Code of Practice and/or PILOT Forward Workplan logo(s) on your company's exhibition materials to demonstrate your commitment of working towards compliance with the code.

Contact Natasha Leask, nleask@oilandgasuk.co.uk for details on any aspect of the code or to request related materials.

Introduction

The Supply Chain Code of Practice encourages purchasers and suppliers to work together to develop and maintain an effective supply chain, responsive to the oil and gas industry's evolving requirements.

The code is a set of best practice guidelines with a proven track record which encourages the supply chain operating on the UK continental shelf (UKCS) to work in a more streamlined and efficient fashion. When adopted and implemented by individual companies the aim is to drive an improvement in behaviours across the industry during commercial negotiations.

It is endorsed by almost all major UKCS operators and principal contractors and over 150 companies have committed to work in line with its guidelines. It encourages widespread participation in First Point Assessment (FPAL), the industry's supply chain management database and key tool for sourcing and selecting suppliers, as well as promoting 30-day payment terms, the use of standard contract and model ITTs, industry mutual hold harmless arrangements and also improving opportunities for business planning.

Overall, the code's approach to streamlining commercial processes helps individual companies to improve performance, eliminate unnecessary costs, add value and boost competitiveness, as well as strengthening the UK Upstream oil and gas sectors position as a centre of excellence in the wider global market place.

Specialist Input

PILOT's Progressing Partnership Workgroup which originally developed the code has now been superseded by Oil & Gas UK's Supply Chain Directorate. Specialist input and support is provided by the Supply Chain Forum, represented by the senior supply chain representatives of companies from across industry, as well as FPAL, DECC and key contractor and regional trade associations, and from which specialists were recruited to collaboratively draft the principles of the code.

Tiered Compliance

PILOT's Changing Gear Initiative set out to improve compliance levels to all industry codes of practice and has introduced a new tiered compliance system specific to the Supply Chain Code of Practice which was launched in 2009. This new system automatically applies to all new and existing purchaser signatories to the Code. It enables suppliers to rate their clients (operator and contractor purchasers) in terms of compliance with various aspects of the code.

Following extensive industry consultation, it is believed that a positive change amongst major purchasers in the supply chain will drive good behaviours and practices.

Plan, Contract, Perform & Pay

The Code tackles behaviour at three key stages in the commercial process, under the headlines of Plan, Contract, Perform and Pay.

PLAN aims to help companies plan ahead more effectively. Its cornerstone is the industry's annual PILOT Share Fair where key oil and gas players share their future activity plans for UKCS projects with small to medium sized enterprises (SMEs), offering up access to countless new business opportunities. These Share Fair events, held in Aberdeen, are a huge success at which major operator and contractor purchasing companies presented their forward plans, involving presentations and one to one sessions. Typically, in excess of 750 delegates attend this successful event. Following the annual PILOT Share Fair the PILOT Forward Workplan is a facility for purchasers to promote their forward workplans to suppliers relating to potential business opportunities in the UKCS upstream sector in 'real time'. It works as a live, online Share Fair and is designed to complement the annual PILOT Share Fair. Use of this facility helps operators and contractors to comply with the Supply Chain Code of Practice and thus demonstrates working towards the 'Gold' award of compliance.

CONTRACT works to assist major purchasers by providing centralised pre-qualification data and standard processes for tendering and negotiation. This includes the Model ITT (Invitation to Tender) Templates for:

- Drilling Rigs
- Marine construction.
- Topside Support
- Well Services
- General Services

Model ITTs provide a standard layout for suppliers to follow when structuring their response to buyers' request for services or equipment. Fair contracting principles and value-based contracting, which encourage buyers to make better purchasing decisions, are also incorporated.

The major benefits for those who follow the framework include reduced cost and time saved by eliminating duplicated information.

PERFORM & PAY encourages companies to feedback on a supplier's or buyer's performance, using FPAL as the intermediary. Participants in the code also undertake to make best efforts to guarantee payment for products and services within 30 days.

Success depends on adopting and implementing the updated guidelines

The long term future and sustainability of the UK oil and gas industry needs the kind of simplification and co-operation which the Supply Chain Code of Practice helps bring. Maximising supply chain effectiveness depends on companies engaging with the code and adopting and implementing the guidelines within their respective organisations and across their supply chains.

The challenge the industry faces in terms of cost pressures and what needs to be done to sustain the supply chain are part of the growing compelling story for the industry. There are changing dynamics within the UK upstream oil and gas sector with the emergence of many new players. This coupled with the need for existing players to constantly seek improvements in business efficiency make the Supply Chain Code of Practice very relevant.



Purchaser Checklist

PLAN

1	Support the annual Share Fair through (a) attendance as a presenter or (b) by publicising the event through your own supply chain and (c) as a follow on to the Share Fair commit to the PILOT Forward Workplan – updating regularly to work towards achieving ‘Gold’ status in tiered compliance.	
2	Provide information through your own corporate website or by using your FPAL “Purchaser Profile” on your plans for forward investment and fostering innovative technology.	
3	Satisfy legitimate information needs from suppliers and contractors by providing them with information on contracts being bid and pre-qualifications being planned ahead of time.	
4	Have a communications plan in place for dealing with these needs and for structuring communications in an efficient manner and make appropriate organisational contacts public.	
5	Use your FPAL “Purchaser Profile” as a communications tool and make sure that it is constantly updated and accurate.	
6	Place a “how to do business with us” guide on your corporate website or within your FPAL “Purchaser Profile”.	

CONTRACT

1	Set thresholds and guidelines for the mandatory use of FPAL registered suppliers and contractors on bid lists.	
2	Publicise your bidding policy on FPAL through your “Purchaser Profile”.	
3	Review your prequalification process and eliminate any requests for the duplication of data that is already available through FPAL.	
4	Review the Model ITTs available at http://www.fpal.com and apply them in your business to the maximum extent possible (individual Model ITT documents may be substituted by your own standards).	
5	Set thresholds and guidelines for the use of “Model ITTs” within your organisation.	
6	Publicise your Model ITT usage policy through your FPAL “Purchaser Profile”.	
7	Review the potential of Model ITTs with HSEQ, Technical and Operational colleagues – form a plan for implementation of Model ITTs and the adoption of the suite of standard documents that comprise it.	
8	For those Model ITT documents that cannot be immediately agreed have a plan in place for their adoption over time.	
9	Implement “value-based” contracting strategies and culture (including seeking for and applying innovative technologies) to secure further business advantage.	
10	Provide annual FPAL updates and training sessions (FPAL & Supply Chain Code of Practice) for your staff.	
11	Fully utilise the suite of standard contracts available at http://www.logic-oil.com/contracts.cfm	
12	Help to ensure FPAL supplier and contractor data integrity by providing online feedback.	
13	Develop guidelines for debriefing bidders within your organisation.	

Purchaser Checklist

CONTRACT

14	Publicise your debrief policy on FPAL through your “Purchaser Profile”.	
15	Award contracts based on 30 day payment terms.	
16	Understand your organisation’s ability to pay within 30 days and work towards acquiring that capability if not currently present.	
17	Familiarise yourself with the “30 Day Payment of Invoices: Key Principles & Supporting Process Changes.”	

PERFORM AND PAY

1	Work with your suppliers to jointly develop KPI type performance indicators in all significant contracts.	
2	Establish quarterly performance reviews (QPRs) with suppliers for all significant contracts.	
3	Develop guidelines for completing FPAL feedbacks within your organisation based on conducting an annual Type 1 feedback (Buyer to Seller) and an annual Type 3 feedback (Seller to Buyer) for all significant contracts (the completion of Type 1 and Type 3 feedbacks should be at the same time).	
4	Publicise your feedback policy on FPAL through your “Purchaser Profile”.	
5	Periodically check your organisation’s feedback profile on FPAL for benchmarking and as a process improvement tool.	
6	Develop a “no blame” approach to giving and receiving feedbacks.	
7	Pay all valid invoices within 30 days.	

DEMONSTRATING COMMITMENT

1	<p>Understand the initial obligations you are taking on by signing the code namely:</p> <ul style="list-style-type: none"> ○ Agreeing to your UK organisations supply chain function embracing the codes principles ○ A commitment to work towards compliance with the code ○ Taking ownership and reinforcing the code for use throughout the whole organisation ○ Senior management commitment to the code ○ Commitment to complete an annual compliance survey ○ Communication to all staff - cascading commitment to apply the code 	
2	Display your signed version of the SCCOP in your company’s reception area or another area where your clients and suppliers will be able to see it (such as your Procurement Department).	
3	Include SCCOP targets in your business plan and personal objectives for your key staff.	
4	Use the SCCOP logo on suitable documents and websites together with a supporting message.	
5	Circulate the SCCOP news to your team and suppliers.	
6	Encourage your in-house newsletter to feature information on the SCCOP.	

Purchaser Checklist

DEMONSTRATING COMMITMENT (CONT)		
7	Present the SCCOP introductory PowerPoint presentation at internal meetings within your organisation.	
8	Complete SCCOP surveys and use results to develop continuous improvement plans for your company.	
9	Place an SCCOP sticker on your exhibition stand at relevant events to demonstrate your participation.	
10	Host an SCCOP lunch session to help educate your suppliers on implementing and adopting the Code, present your forward plans and provide a networking opportunity.	
11	Support the PILOT Share Fair by attending, presenting and taking part in one-to-ones.	

ASSISTANCE		
	<p>Make use of the following help lines and websites to enable you to implement the Code:</p> <ul style="list-style-type: none"> • Plan – Contract – Perform and Pay: Contact Rebecca Barry initially on 01224 254057 or email at rebecca.barry@decc.gsi.gov.uk for further help. • Demonstrating Commitment: Contact Natasha Leask on 01224 577252 or email at nleask@oilandgas.co.uk for further help • OIL & GAS UK http://www.oilandgasuk.co.uk • PILOT http://www.pilottaskforce.co.uk • ITF http://www.oil-itf.com • FPAL http://www.fpall.com • LOGIC http://www.logic-oil.com/ • Share Fair http://www.oilandgasuk.co.uk/events/pilot_share_fair.cfm 	

Supplier Checklist

PLAN

1	Support the annual Share Fair through (a) attendance and (b) by assisting in publicising the event throughout your own supply chain.	
2	Where possible provide information on your shop loading/capacity through your own website, Trade Association, by direct contact Purchasers or by using your FPAL "Supplier Profile".	
3	Use investment intention information provided by Purchasers to understand needs and requirements and to appropriately respond to them by making investment decisions of your own.	
4	Provide information on your own forward investment plans to your own supply chain.	

CONTRACT

1	Refer Purchasers to FPAL in your bid responses if any data duplication features in ITTs.	
2	Participate in the Industry Mutual Hold Harmless (IMHH) scheme if not already involved.	
3	Encourage Purchasers to use the Model ITTs available at http://www.achilles.com/en/FPAL/ITT-Templates/ wherever possible.	
4	Understand the benefits of utilising Model ITTs by Purchasers and develop a sympathetic response to users and advocates of them.	
5	Use industry standard forms of contract wherever possible.	
6	Use your FPAL "Supplier Profile" as a communications tool and make sure that it is constantly updated and accurate.	
7	Understand the value to Purchasers of a quality, well managed FPAL "Supplier Profile" and endeavour to provide one.	
8	Help to ensure FPAL supplier and contractor data integrity by responding swiftly to online feedback provided by Purchasers.	

PERFORM AND PAY

1	Work with Purchasers to jointly develop KPI type performance indicators in all significant contracts.	
2	Establish quarterly performance reviews (QPRs) with Purchasers for all significant contracts.	
3	Develop guidelines for the completion of FPAL feedbacks within your organisation based on the conduct of an annual FPAL Type 1 feedback (Buyer to Seller) and an annual FPAL Type 3 feedback (Seller to Buyer) for all significant contracts.	
4	Request the simultaneous completion of Type 1 and Type 3 feedbacks with Purchaser.	
5	Periodically check your organisation's feedback profile on FPAL and use for benchmarking and as a process improvement tool.	
6	Develop a "no blame" approach to giving and receiving feedbacks.	
7	Submit your invoices promptly ensuring you meet Purchasers requirements for submission.	

Supplier Checklist

PERFORM AND PAY

8	Understand your organisation's ability to invoice accurately and acquire that capability if not currently present.	
9	Familiarise yourself with the "30 Day Payment of Invoices fact sheet: Key Principles and Supporting Process Changes".	
10	Adopt a prompt payment policy for your own supply chain.	

DEMONSTRATING COMMITMENT

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2	Display your signed version of the SCCOP in your company's reception area or if this isn't possible, then in another public area or an area where your visitors will be able to see it.	
3	Put SCCOP targets in your Business Plan and personal objectives for your key staff.	
4	Use the SCCOP logo on suitable documents and websites together with a message in support of the Code.	
5	Circulate the SCCOP news and e-bulletins to your team and suppliers.	
6	Encourage your in-house newsletter to feature information on the SCCOP.	
7	Place a SCCOP sticker on your exhibition stand at relevant events to demonstrate your participation.	
8	Support the PILOT Share Fair by attending and taking part in one-to-ones.	

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Guidelines for 30-Day Payments

Key Principles

These should be highly visible and communicated to everyone involved with the processes of raising, receipt, authorisation and payment of invoices	Responsibility
Ensure that a formal commitment (e.g. purchase order) is in place prior to work commencing and before an invoice is raised. A supplier may submit an invoice as soon as the work is completed.	Purchaser Supplier
The 30 day period starts when the invoice is received and logged at the address specified by the client and ends with payment and communication of this to the supplier.	Purchaser
In the case of a dispute, undisputed amounts should be paid in 30 days and a credit note issued. On resolution, the disputed amount should be paid as promptly as possible.	Purchaser Supplier
Establish a contractual requirement where interest is charged on valid invoices which are not paid in 30 days in line with Government legislation.	Purchaser Supplier
Treat ALL suppliers with the same prompt payment terms. For example, whether the transaction is for £1,000 or £1,000,000.	Purchaser
Appoint and publicise a “company champion” who is accountable for the entire procurement to payment process. An additional responsibility would be to monitor 30 day payment performance.	Purchaser

Supporting Process Changes

These should be highly visible and communicated to everyone involved with the processes of raising, receipt, authorisation and payment of invoices	Responsibility
Agree the appropriate payment process for each type of invoice; ensure a common understanding of the procedure (include required documentation) and introduce an invoice “checklist” to ensure the invoice is valid.	Purchaser Supplier
Prior to raising an invoice, remove any barriers which may slow the approval and payment process down.	Supplier
Establish and document a shared dispute resolution process which addresses timely notification (10 days from receipt), contact points, accountabilities and a mechanism for partial payment.	Purchaser
Commit to undertake a critical review of the entire procurement to payment process. Identify problem areas and develop solutions to eliminate or mitigate.	Purchaser (3 rd party payment organisation if appropriate)
Keep good records of supplier details including updated bank details.	Purchaser Supplier

PowerPoint Presentation

A PowerPoint presentation has been developed to help you to inform your supply chain management or purchasing team how to implement and adopt the code's best practice guidelines within your company.

The presentation can be found at the following link.

<http://www.pilottaskforce.co.uk/>



Logos

Demonstrate your company's commitment to the code by displaying the Supply Chain Code of Practice logo on your stationery and corporate literature. The logos below are in a range of formats. A new PILOT Forward Workplan logo is also available for those who have committed to this – please contact Carol Campbell for your copy at carol.campbell@decc.gsi.gov.uk or on 01224 254041.

JPEG



GIF



TIF



EPS

