

## SUPPLY CHAIN CODE OF PRACTICE 2015 COMPLIANCE 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 that 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 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.

Oil & Gas UK's Industry Behaviours Charter was launched in December 2015. The Charter, signed

by members of Oil & Gas UK and supported by the Oil and Gas Authority, is a collective commitment to work effectively, efficiently and co-operatively. Around half of the signatories to the Charter are also signed up to the SCCoP.

There will be a full refresh of the SCCoP in 2017 to ensure that it remains fit for purpose and is aligned with the Charter. The latter will further strengthen the values of the SCCoP by guiding cultural and behavioural aspects of doing business. Read more about the Charter at [oilandgasuk.co.uk/charter](http://oilandgasuk.co.uk/charter).

## 2015 SCCoP Compliance Survey

Oil & Gas UK is responsible for monitoring levels of compliance with the SCCoP by conducting an annual survey. This report highlights the main findings of the 2015 survey. Participation is a prerequisite to be considered for an industry award for compliance; signatories are therefore strongly encouraged to participate in the survey. There has been a 5 per cent increase in the total number of SCCoP signatories from 214 in 2014 to 225 in 2015.

The compliance report represents the response of a portion of SCCoP signatories. A total of 44 responses were received for the 2015 SCCoP compliance survey; 10 purchasers and 34 suppliers, representing the view of 20 per cent of the current number of signatories to the code. This is a significant reduction from 97 respondents (27 purchasers and 67 suppliers) in 2014.

## STAGE 1 - PLAN

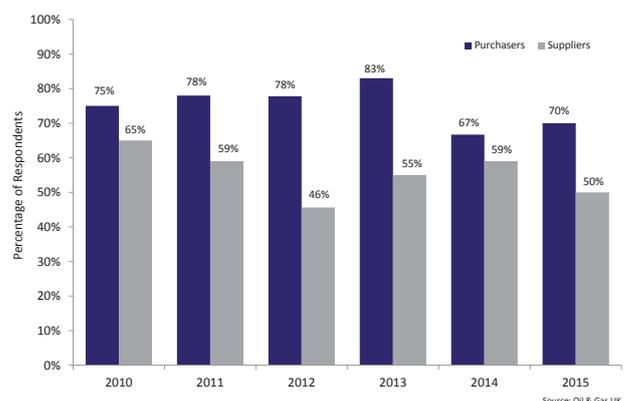
Transparent planning of contracting activity by major purchasers to improve supply chain capability.

### WORK PLANS

The online FPAL forward work plan facility allows purchasers to reveal their forward work plans, which enables suppliers to identify potential business opportunities within the industry. Seventy per cent of purchasers reported use of work plans on FPAL, up from 67 per cent of last years respondents. Meanwhile, the proportion of suppliers that report using the tool decreased from 59 per cent in 2014 to 50 per cent in 2015.

Purchasers can improve their use of the forward work plan facility 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.

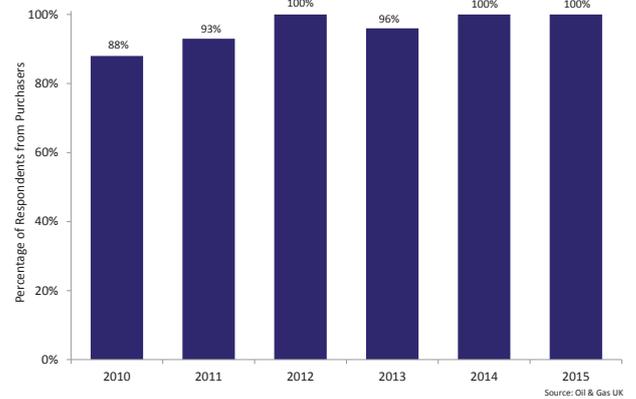
Figure 1: Use of Work Plan Facility



# FPAL INTERNAL CONTACTS LIST

Maintaining up-to-date company contact information on FPAL is vital to facilitate discussions within the industry. In 2015, all ten purchaser firms published an up-to-date contact list on FPAL. Purchasers are encouraged to maintain this performance as it helps to establish clear lines of communication throughout the tendering process.

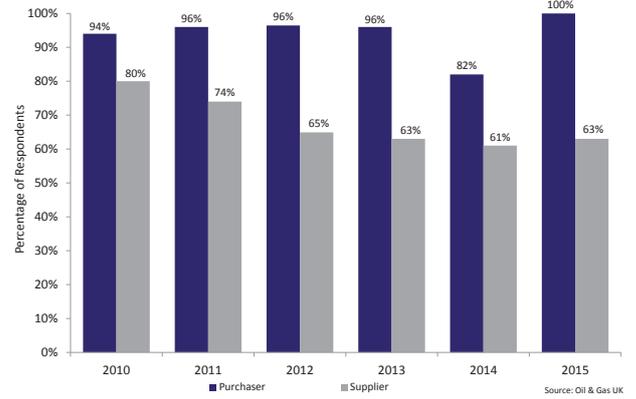
Figure 2: Publication of Contacts on FPAL



# SHARE FAIR

The annual Oil & Gas UK Share Fair provides an opportunity for all firms active on the UK Continental Shelf (UKCS) to network and discover new business prospects. One hundred per cent of purchasers who are signatories to the SCCoP attended the 2015 event, which is an increase from 82 per cent in 2014. The proportion of suppliers who attended or participated in Share Fair increased from 61 per cent in 2014 to 63 per cent in 2015.

Figure 3: Share Fair Attendance



Presenting companies at the 2015 event, which was attended by 900 delegates, were encouraged to identify and share current efficiency challenges facing their businesses, allowing attendees to identify and raise awareness of any potential solutions or mechanisms that could help unlock the full potential of the UKCS. Purchasers also presented forward work plans and had one-to-one meetings with suppliers in compliance with the code.

A total of 13 purchasers achieved the SCCoP Award of Excellence at the 2015 Share Fair. The Award was presented to purchasers who maintained the Gold Award for three or more consecutive years.

## STAGE 2 - CONTRACT

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

The percentage of purchasers who always use industry model invitations to tender (ITT) was 40 per cent in 2015, which is an increase from 32 per cent in 2014. There was a large increase in those who never use model ITT from 8 per cent in 2014 to 30 per cent in 2015. Although, given the reduced sample size captured in 2015, that only represents one additional company.

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

Figure 4a: 2015 Use/Receipt of Model ITT

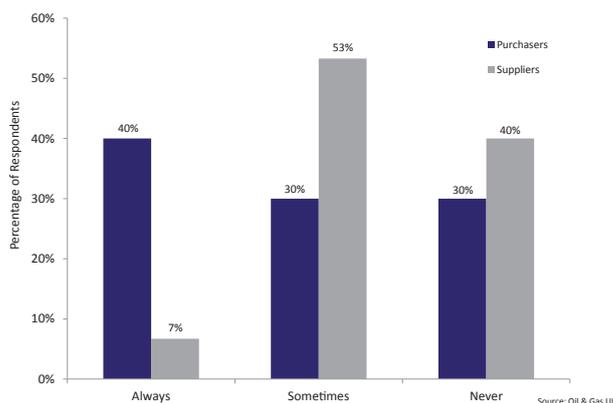
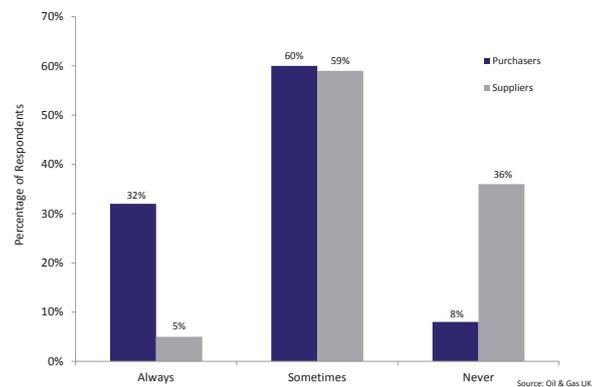


Figure 4b: 2014 Use/Receipt of Model ITT



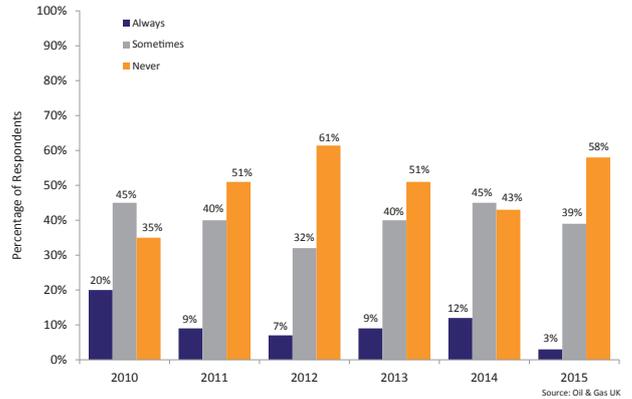
# ITT

# DUPLICATION

There was a decrease in the percentage of suppliers who always or sometimes referred purchasers to FPAL from 57 per cent in 2014 to 42 per cent in 2015.

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.

Figure 5: Suppliers Referring Purchasers



# LOGIC STANDARD CONTRACTS

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

Within the sample, 70 per cent of purchasers reported the use of LOGIC standard contracts in 2015, which is a decrease from 74 per cent in 2014. Twenty-four per cent of suppliers reported receipt of LOGIC standard contracts in 2015, which is an increase from 22 per cent in 2014.

An increase in the use of LOGIC standard contracts is required to reduce cost and improve efficiency.

Figure 6: Purchaser Use of LOGIC Standard Contracts

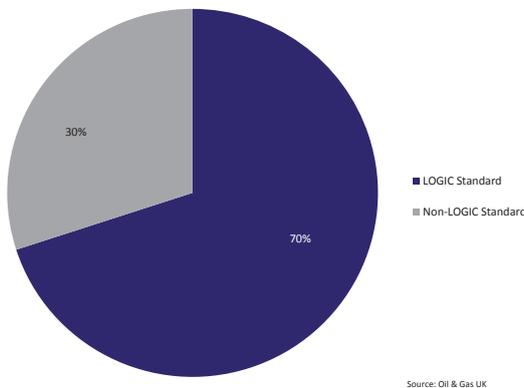
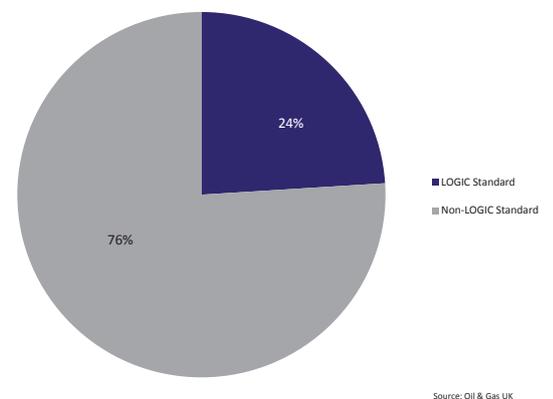


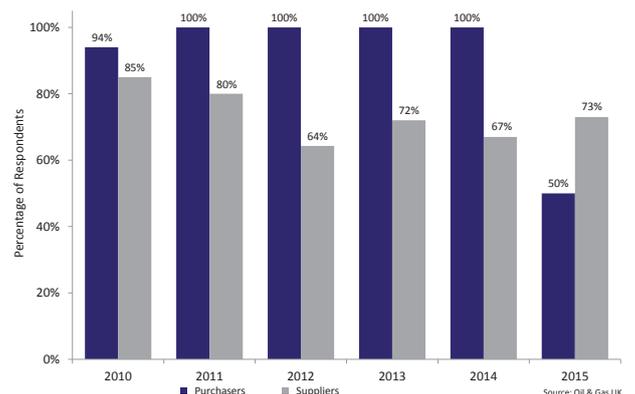
Figure 7: Supplier Receipt of LOGIC Standard Contracts



# DEBRIEFING

In 2015, 50 per cent of purchasers reported that they provided a debrief on unsuccessful tenders for all, or at least some, of their contracts. This is a decrease after four consecutive years of 100 per cent. Meanwhile, 73 per cent of suppliers reported that they received such feedback in 2015, which is an increase from 67 per cent in 2014.

Figure 8: Debriefing for Unsuccessful Tenders



# STAGE 3 - PERFORM AND PAY

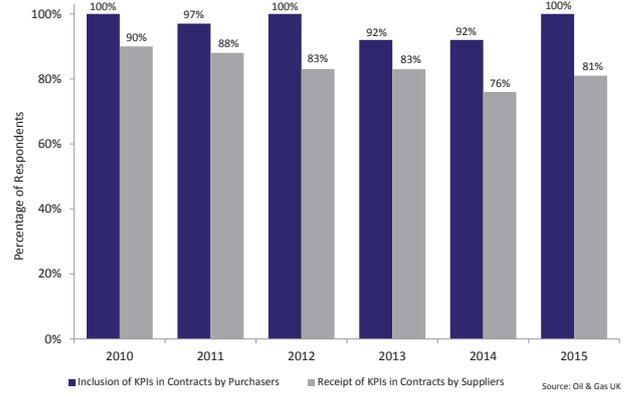
Increase feedback dialogue and shorten payment cycles to improve performance.

## KEY PERFORMANCE INDICATORS

All ten purchasers report that they included key performance indicators (KPIs) in significant contracts in 2015, which is an increase from 92 per cent in 2014. While, 81 per cent of suppliers report receiving KPIs in at least some of their significant contracts in 2015, which is an increase from 76 per cent in 2014.

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.

Figure 9: Use of KPIs

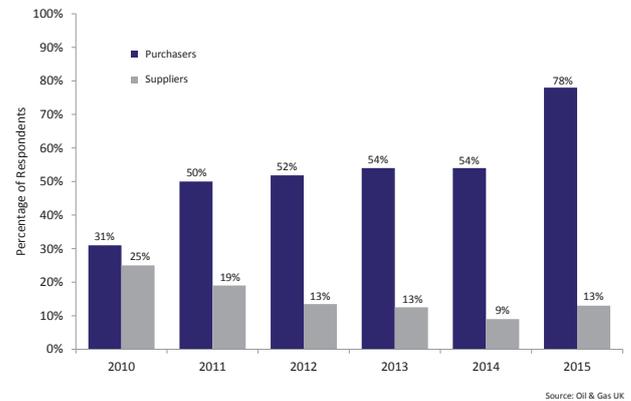


## PROVISION OF FPAL FEEDBACK

Providing constructive feedback on performance is essential to drive improvements. Therefore, it is in the best interest of both purchasers and suppliers to participate in two-way feedback. Standard feedback forms are available to download from the FPAL website ([www.fpal.com](http://www.fpal.com)).

Seventy-eight per cent of purchasers reported that they always participate in two-way feedback via FPAL, which is an increase from the four previous years at around 50 per cent. Thirteen per cent of suppliers reported participating in 2015, which is an increase from 9 per cent in 2014. This indicates that purchasers may have a role to play in encouraging supplier uptake.

Figure 10: Use of FPAL Feedback Tool



## 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.

Sixty-seven 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 2015 (up from 65 per cent in 2014), while 33 per cent issued payment between 31 and 40 days.

Sixteen per cent of suppliers report receiving payments in less than 30 days in 2015, which is an increase from 12 per cent in 2014, and 32 per cent report payment between 31 to 40 days in 2015, which is an increase from 27 per cent in 2014. Forty-five per cent of suppliers reported payment between 41 to 60 days in 2015, which is a decrease from 48 per cent in 2014. The respondents for the 2015 survey have indicated an improvement in adhering to 30-day payment, which is the view of a sample of the signatories.

Figure 11a: 2015 Payment of Invoices

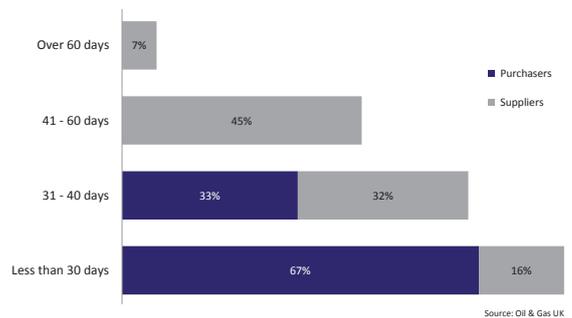


Figure 11b: 2014 Payment of Invoices



## KEY CONCLUSIONS

- All ten purchasers that responded to the 2015 SCCoP compliance survey maintained an up-to-date contact list on FPAL and improved their use of the forward work plan facility.
- There was a small increase in the number of suppliers receiving LOGIC standard contracts in 2015, although there was a slight decrease in the proportion of purchasers using them.
- All purchasers reported that they included key performance indicators in significant contracts in 2015.

- There was an increase in the percentage of purchasers and suppliers who reported that they always participate in FPAL feedback, which is a key aspect of the SCCoP.
- On average, two-thirds of purchasers reported that their invoices were settled within 30 days. However, over half of the suppliers reported that payment was received after 40 days or more.

Both purchasers and suppliers are strongly encouraged to continue to improve compliance with the SCCoP to create new business opportunities, drive efficiency, realise savings and promote enhanced competition throughout the UKCS supply chain.

## CRITERIA



### Minimum number of FPAL supplier performance feedback reports (suppliers rated by purchasers)

	BRONZE	SILVER	GOLD
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 Share Fair

	BRONZE	SILVER	GOLD
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 work plans on FPAL

	BRONZE	SILVER	GOLD
Level 3 Purchaser	✓	✓	✓

## ENDORSED BY



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