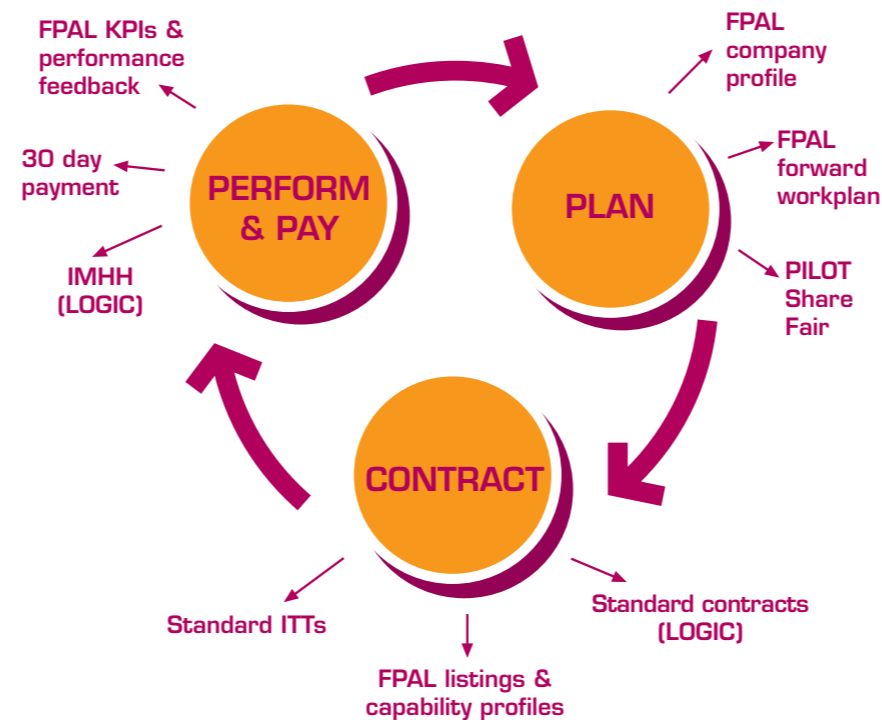


Ten steps to industry best practice contracting process and compliance with the Supply Chain Code of Practice

- 1 Use First Point Assessment Limited (www.fpal.com) to identify companies that provide the products and services required
- 2 View HSE, performance and benchmarking tools to further assess which companies fit with criteria
- 3 Issue industry standard Invitation To Tender (ITT) form to shortlisted companies (www.fpal.com) and ensure you receive standardised tenders
- 4 Evaluation of tenders and decision process
- 5 Award LOGIC industry standard contract (www.logic-oil.com) to chosen supplier with a minimum number of special clauses. Agree on Key Performance Indicators (KPIs)
- 6 Pay within 30 days (or pay the undisputed part of disputed invoice within 30 days. Promptly feed back on issues with invoice quality and resolves disputes in a timely fashion.
- 7 Hold regular reviews with contractor to evaluate performance against agreed KPIs
- 8 Meet with suppliers at end of contract to discuss performance and agree feedback
- 9 Submit supplier performance feedback to FPAL (www.fpal.com) (by fax, by post or online at www.fpal.com)
- 10 View own performance feedback on FPAL and identify areas for improvement

Summary of the Plan, Contract, Perform & Pay Cycle

PLAN, CONTRACT, PERFORM & PAY



Contacts & useful links

To discuss supply chain issues:
 Contact Norman McLennan
 Supply Chain Manager, Oil & Gas UK
nmclennan@oilandgasuk.co.uk
 01224 577250

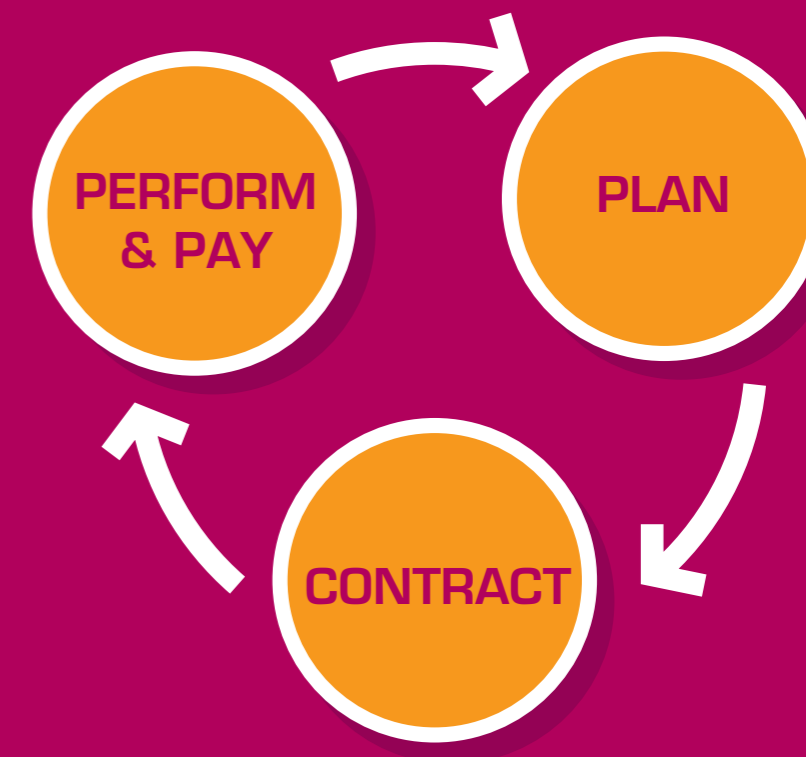
Oil & Gas UK: www.oilandgasuk.co.uk
 LOGIC: www.logic-oil.com
 DECC: www.decc.gov.uk
 PILOT: www.pilottaskforce.co.uk
 FPAL: www.fpal.com

For questions about The Code:
 Contact Rebecca Lennox
 PILOT Secretariat, DECC
Rebecca.lennox@decc.gsi.gov.uk
 01224 254057



A QUICK REFERENCE GUIDE

TO BEST PRACTICE CONTRACTING PROCESS IN THE UK OIL & GAS INDUSTRY



About FPAL



What is FPAL and what services does it provide?

First Point Assessment Limited (FPAL) is the oil and gas supply chain database for the UK and The Netherlands and is a division of Achilles Information Limited. FPAL is the key tool used by oil & gas purchasers to identify and select current and potential suppliers when awarding contracts or purchase orders. FPAL has an industry steering committee comprising operator and contractor groups and an Oil & Gas UK representative. The following tools are available at www.fpall.com.

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 are available to view by FPAL subscribers and form the basis of the benchmarking tool. The new tiered compliance scheme for the Supply Chain Code of Practice is based partly upon these performance feedback reports. This process is also in alignment with ISO 9000/2000 obligations.

Model ITT (Invitation To Tender) templates are available to download for free for the purpose of simplifying the Contracting Process and providing an easier and faster way to produce, issue and respond to ITT/bid packages. There are templates for:

- drilling rigs
- topside support
- general services (available 2009)
- marine construction
- 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 for purchasers to reveal their forward work plans to suppliers relating to potential business opportunities in the UKCS upstream sectors. It works as a live, online Share Fair (see PILOT Share Fair) and use of this facility helps operators and contractors to comply with the Supply Chain Code of Practice.

About LOGIC



What is LOGIC and what services does it provide?

LOGIC is a not-for-profit, wholly-owned subsidiary of Oil & Gas UK, that operates a number of cross-industry projects on behalf of the industry to stimulate supply chain collaboration and improve the competitiveness of the UK Continental Shelf.

The following standard contracts can be downloaded for free from www.logic-oil.com:

- Design
- Marine Construction
- Mobile Drilling Rigs
- General Onshore & Offshore Services
- Purchase Orders
- Construction
- Plant & Component
- Well Services
- SMEs

The IMHH deed allows all offshore oil and gas industry contractors to sign up to an industry-wide mutual hold harmless scheme (www.imhh.com) which was set up to allow clarity in allocation of liabilities and consequent avoidance of overlapping insurance of identical risks.

About The Supply Chain Code of Practice

The Supply Chain Code of Practice 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 Code was initially launched in 2002 under the PILOT 'progressing partnership' scheme. PILOT is a joint programme involving the Government and the UK oil & gas Industry - Operators, Contractors, Suppliers, Trade Unions and SME's - aiming to secure the long-term future of the Industry in the UK.

The Code applies to three key stages in the commercial process:

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

What does compliance with the Code mean for Purchasers?

| PLAN | CONTRACT | PERFORM & PAY |
|--|---|---|
| Sharing forward work plans with industry (type of activity, expected contract value and timing). | Where pre-qualification data is required, purchasers should only invite bids from suppliers registered with FPAL holding up-to-date capability assessments. | Include key performance indicators in all significant contracts with an appropriate review programme. |
| Support PILOT Share Fair (presenting and attending). | Eliminate supplier data duplication by utilising FPAL throughout the tender process. | Undertake two-way FPAL performance feedback at appropriate stages of the contract. |
| Publish a list of internal contacts and maintain up-to-date FPAL Purchaser Profile. | Use industry standard ITT models where appropriate. | Pay all valid invoices (or the undisputed portion of a disputed invoice) within 30 days. |
| | Provide appropriate de-briefing for all bids. | |
| | Use LOGIC industry standard contracts where possible, minimising terms & conditions, amendments. | |
| | 30 day payment in all contracts. | |

What does compliance with the Code mean for Suppliers?

| PLAN | CONTRACT | PERFORM & PAY |
|---|---|---|
| Review Purchaser plans, FPAL Purchaser Profiles and attend PILOT Share Fair to understand future market and networking opportunities. | Keep FPAL records valid and up to date, with capability assessments where required by purchasers. Refer purchasers to FPAL if duplicate information is requested. | Track and discuss key contract performance indicators. Request and participate in FPAL performance feedback including assessment of Purchasers performance. |
| | Participate in the Industry Mutual Hold Harmless scheme as appropriate to company activity. | Submit complete and valid invoices with supporting documentation in a timely manner. |
| | Use LOGIC industry standard contracts where possible, minimising terms & conditions, amendments. | Adopt a prompt payment policy for own suppliers. |

Supporters of the Code



About PILOT 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.

- Delegates have the opportunity to learn how to do business with companies active in the UKCS
- Find out key points of contact
- Take part in one-to-one discussions with potential clients
- Network with hundreds of industry colleagues
- Learn more about the Supply Chain Code of Practice
- Information presented at Share Fair is available online at www.oilandgasuk.co.uk