

Effective Management of the Supply Chain

How CIPS can support people and process development.

Phil Broughton
Corporate Relationships – Energy and Oil & Gas sectors
Tel: +44 (0)1780 761 475
Mob: +44 (0)7557 263 991
Email: phil.broughton@cips.org

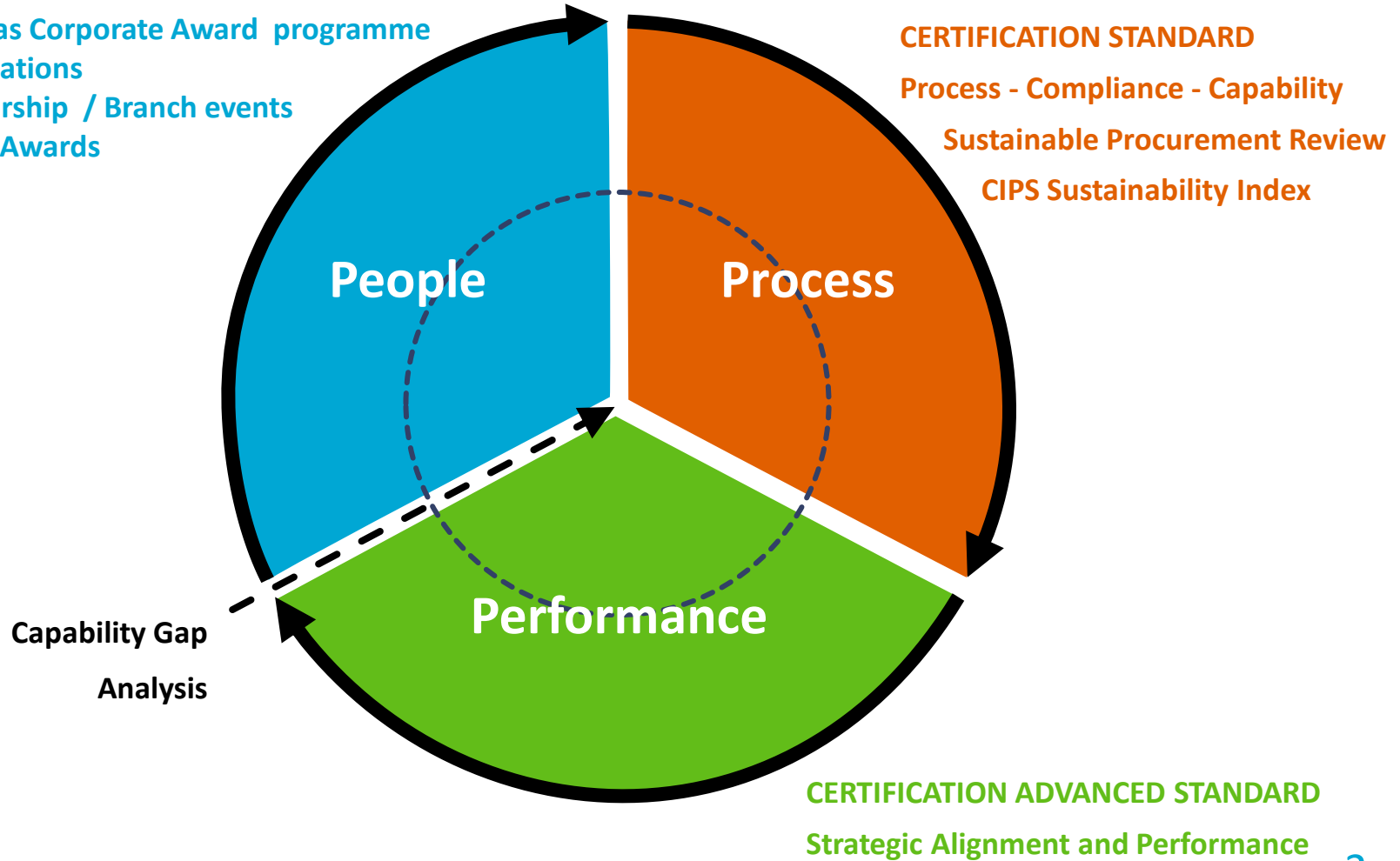
Sajid Ghani
Managing Director Analytics
Tel: +44 (0)1245 468 868
Mob: +44 (0)7747 442 760
Email: sajid.ghani@prgx.com

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CIPS: Supporting SC Management in Aberdeen



- Oil & Gas Corporate Award programme
- Qualifications
- Membership / Branch events
- Master Awards



CIPS' Oil & Gas Corporate Award programme



Success, success, success...

CIPS
Chartered Institute of Purchasing & Supply

CIPS Oil and Gas Corporate Award Programme 2012

Congratulations to the first cohort to achieve MCIPS

Apache *KCA DEUTAG* *Marathon Oil Corporation* *Prosafe* *TOTAL* *WOODS GROUP MENA*

So far : over 35 companies ; over 90 individuals...

Performance



CIPS Sustainability Index



Sustainable development is ...



- development that meets the needs of the *present*,
- without compromising the ability of *future* generations to meet their needs

Source: Report of the World Commission on Environment and Development: Our Common Future/Brundtland Commission Report

... and usually very beneficial

- **2012 – Harvard Business School & LSE, over 18 years and 180 corporations:**
 - High performance in sustainability outperforms by **15-30%** average both in financial and stock performance
- **2011 – PwC & INSEAD study**
 - Adverse impact of **12%** share value per major shock. Adverse direct costs of **0.7%**. Payback on investments = **x 85**

Procurement is uniquely positioned to influence sustainability

- Implementing relatively simple procurement strategies can **drive positive behaviours** within the supplier base
- Internal business leadership



- Drive “triple bottom line”:
 - **Save money**
 - **Reduce operating risk**
 - **Protect reputation**

Step 1: We researched the lay of the land (over 3 years)

Supported by the University of West England, we assessed 200+ papers & organisations. We found basic inefficiencies:

A **diverse understanding** of what is meant by sustainability

Suppliers spend **considerable effort** responding to the **same** questions from **multiple** buyers

Buyers **struggle to evaluate** responses and to obtain meaningful **risk coverage**

Step 2 - We took a collaborative approach



Step 3: We defined scope to address key risks

*Sustainable Procurement =
Better Supplier Risk Management*

Economic Risk

Are my suppliers financially viable and well governed?

Environmental Risk

How responsible and efficient are my suppliers?

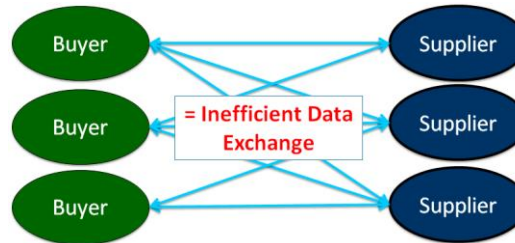
Social & Ethical Risk

Will my brand be harmed from my suppliers' actions?

Step 4: We wanted to address market in-efficiencies, x-sector

Current

- Maintain Questionnaires
- Effort to evaluate responses
- Lack of expertise & time



- Multiple questionnaires
- Variations on the same theme
- Lack of consistency in scoring

Envisaged

= time and cost savings + true benchmark data



Outcomes

CIPS Sustainability Index

Launched UK & Ireland, 2013



Measurement - Economic, Environmental and Social pillars / clusters



Economic



Corporate Governance



Financial Robustness



Innovation Capacity



Business Integrity & Ethics



Environmental



Environmental Management



Greenhouse Gas Emissions



Energy Consumption



Waste Management



Water Management



Sustainable Sourcing



Materials & Resource Use



Social



Employment Practice Indicators



Corporate Citizenship & Philanthropy



People Management & Development

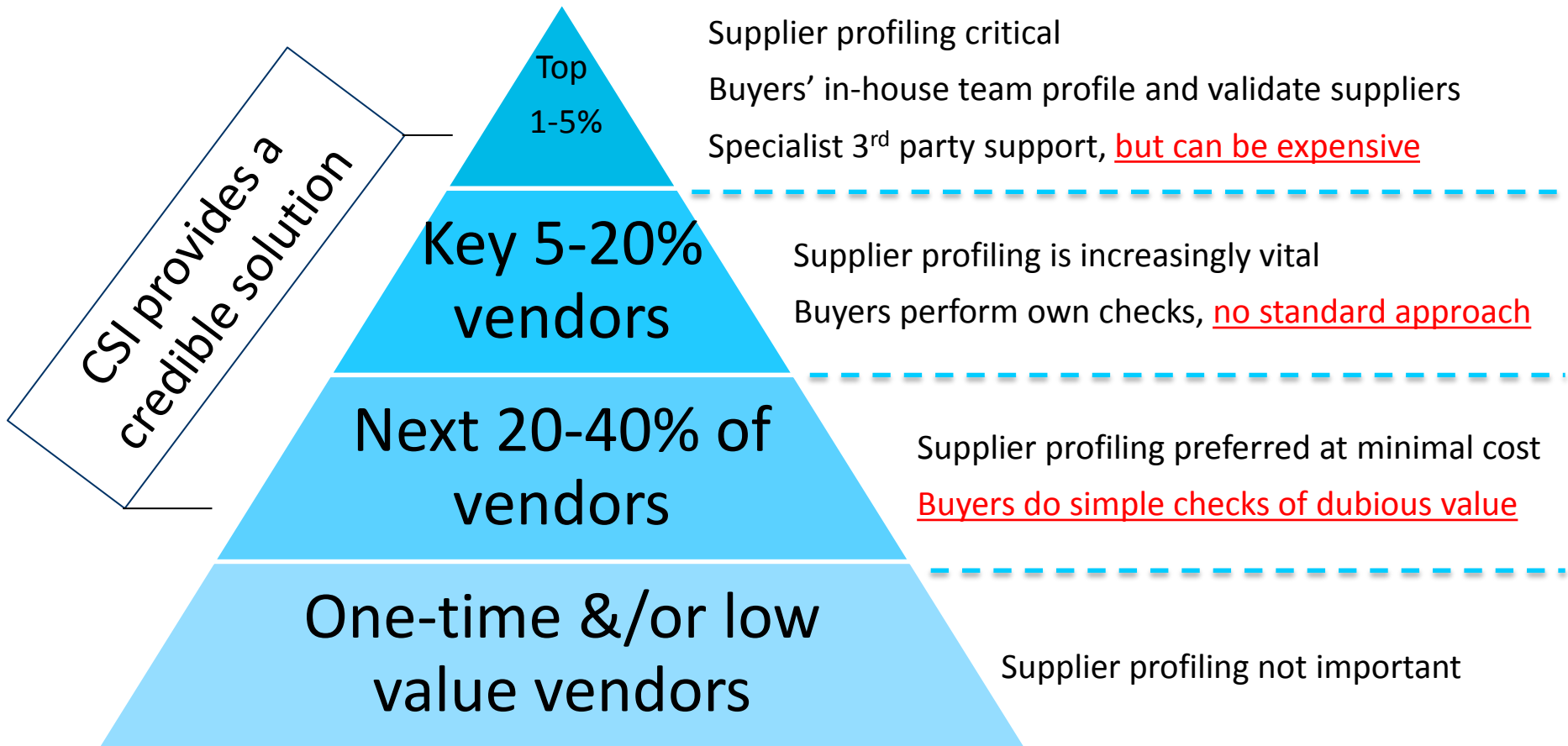


Human Rights Compliance



Supply Chain

Designed to address common data gaps, x-sectors



Commercial approach

Commercial proposition for Supplier

- Low cost and tiered fee structure, established through on-line profiling
- SME proposition developed
- Renew every 6 or 12 months
- Fee provides: rating, accreditation, customised report, peer group benchmarks, document repository and community

Commercial proposition for Buyers

- Zero/minimal fee approach
- Additional service to assist supplier on-boarding
- Provides: supplier ratings, peer group benchmarks, supplier search, document repository and community

Australasia launch



- CSI team visited Melbourne in October
- We are planning launch in summer, 2014
- Market indication is positive, with potential mentors already being planned
- Initial wave of interest from over 35 organisations

The future: more connectedness



- Manage risk, more efficiently
- Connect suppliers throughout the chain
- Provide global coverage
- North America launch Q2 2014
- More collaboration

CIPS – committed to the continued support of the Aberdeen Oil & Gas industry



**A fast-growing Oil & Gas
Corporate Award programme in Aberdeen**

**Launch of the Oil & Gas
Corporate Award programme in Norway**

**Corporate Certification - maximise the
performance of the PSCM function**

**Senior level Master Classes – Complex Capital
Projects / Risk and Resilience in the Supply Chain**

**Specialist Skills support
new for 2014 - Legal / Fraud**

**Less complex and sustainable supply chains
- CIPS Sustainability Index**

**Thank you,
and any questions ?**



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