

# BEST PRACTICES FOR ALIGNED INCENTIVES AND CONTRACTUAL DRIVERS

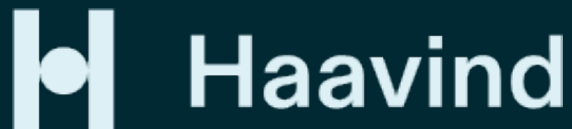
## INTRODUCTION TO ONGOING WORK



OFFSHORE NORGE



**Norsk Industri**



**Haavind**

ONTOGENY

STANDARDISED SUPPLY CHAIN BEHAVIOUR

# THE JOINT INDUSTRY GUIDELINE FOR STANDARDISED SUPPLY CHAIN BEHAVIOUR WAS LAUNCHED IN 2019

## JOINTLY DEVELOPED BY THE INDUSTRY



## HIGHLIGHTING FOUR MAIN RECOMMENDATIONS



Increase use of industry  
**STANDARD DELIVERY**



Better and earlier use of  
**SUPPLIER EXPERTISE**



**ALIGN DRIVERS**  
across the supply chain



Change operator and contractor  
**CULTURE**

# THE JOINT INDUSTRY IMPROVEMENT ARENA HAS INITIATED A WORK GROUP TO DEVELOP BEST PRACTICES FOR INCENTIVES AND CONTRACTUAL DRIVERS

	<u>Name</u>	<u>Title</u>
	Arne Klette	<i>SVP Corporate Development</i>
	Egil Nybakk	<i>VP Projects</i>
	Øystein Danielsen	<i>VP   Head of Global Supply Chain</i>
	Pål Storm-Johannessen	<i>VP Supply Chain Management</i>
	Linda Kåda Høiland	<i>VP Supply Chain - Operations</i>
	Vidar Haugland	<i>CEO – IKM Testing</i>
	Sigve Aabø	<i>VP Business Development O&amp;G</i>
	Line Budsberg	<i>Senior Project Manager</i>
	Eva Fagernes	<i>VP Supply Chain Management</i>
	Terje Hvaal	<i>Engineering Manager</i>
	Tormod Tønnesen	<i>Manager Supply Chain and Logistics</i>
	Knut Erik Steen	<i>Fagsjef</i>
	Runar Rugtvedt	<i>Bransjesjef Norsk Industri Offshore</i>

*Administration*

*Owner of the guideline and working to identify and initiate industry improvements within standardisation and collaboration*




WORK GROUP PARTICIPANTS




**WE HAVE GATHERED AN EXPERIENCED AND KNOWLEDGABLE WORK GROUP**

**OPERATOR**

**CONTRACTOR**

**SUPPLIER**




-  Rune Norseng
-  Henning Schütz
-  Karen Skretting Beneventi

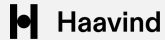

-  Vidar Abelsen
-  Roald Evjen
-  Ane Helene Bryne Berg

-  Sigve Aabø
-  Gunnar Lie

**Administration**

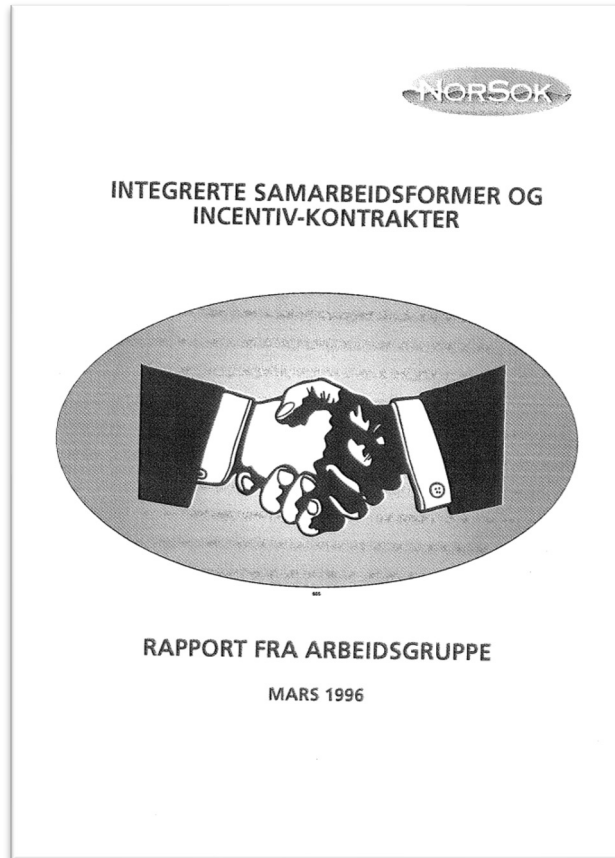
**Facilitators**

-  Tormod Tønnesen
-  Runar Rugtvedt
-  Knut Erik Steen

-  Christopher Sveen
-  Øyvind Eikeland

PREVIOUS WORK IN THE INDUSTRY







# THE WORK GROUP WILL ENSURE TO BRING FORWARD PREVIOUS WORK



# WORKGROUP MANDATE

## WE WILL ESTABLISH BEST PRACTICES FOR ALL TYPES OF NCS PROJECTS

### WORK GROUP MANDATE: ALIGNED INCENTIVES AND CONTRACTUAL DRIVERS

<p><b>BACKGROUND AND PURPOSE</b></p>  <ul style="list-style-type: none"> <li>Integrated effort and aligned players in the supply chain is needed to improve competitiveness on NCS</li> <li>Aligned incentives and contractual drivers is highlighted as one of four main recommendations in Joint Industry Guideline for Standardised Supply Chain Behaviour - recent reports shows that the topic is still seen as a major challenge</li> <li>Most contractors and suppliers are not experiencing incentives to work faster and smarter (incentives highly focusing on hours and weight)</li> <li>Workshop with this topic 11/5 resulted in agreement to suggest this work group mandate for support in Joint Industry Improvement arena</li> <li>Work group deliverables should aim to enable integrated collaboration across players to increase efficiency, use of supplier competency, and deliver better projects</li> </ul>	<p><b>SCOPE AND DELIVERABLES</b></p>  <ul style="list-style-type: none"> <li>Main focus, not limited to, supply chain for <i>brownfield, greenfield and subsea</i> projects (from scope definition to operations) on NCS, including operators, contractors and suppliers.             <ul style="list-style-type: none"> <li>the deliverable(s) will be applicable for independent projects, as well as projects executed as a part of an alliance or frame agreement</li> </ul> </li> <li>The work group will deliver:             <ul style="list-style-type: none"> <li>Guideline with best practice recommendations to align incentives and contractual drivers, including transparent placement of positive and negative risk. The guideline will describe different potential incentive models. In addition, the work group will define check lists and to-do list where relevant</li> <li>Feedback to, Standardkontraktstyret, NTK/NF review with focus on enabling integrated project collaboration</li> </ul> </li> </ul>
<p><b>APPROACH</b></p>  <ul style="list-style-type: none"> <li>The work group should build on the following             <ul style="list-style-type: none"> <li>Joint Industry Guideline for Standardised Supply Chain behaviour</li> <li>Current status in the industry from annual report 2022</li> <li>Output from workshop 11/5</li> <li>Learning from experiences in the industry (positive and negative)</li> <li>Learning from other industries, e.g. construction (positive and negative)</li> </ul> </li> <li>Approach based on 2-4 workshops with representatives from operators, contractors and suppliers in the period Q3 23 – Q2 24.</li> <li>Documentation and content creating between and after workshops</li> <li>Annual survey for SSCB 2023 may be utilized to gather additional information as necessary</li> </ul>	<p><b>TIMELINE AND MILESTONES</b></p>  <ul style="list-style-type: none"> <li>Work group established within 2023</li> <li>First workshop within 2023</li> <li>Feedback to, Standardkontraktstyret NTK/NF review, to be provided within Q2 2024</li> <li>Approval of guideline update in Joint Industry Improvement arena with purpose of updating Joint Industry guideline for Standardised Supply Chain Behaviour (SSCB) (tent. Q2 2024)</li> </ul>
<p><b>RESOURCE NEED</b></p>  <ul style="list-style-type: none"> <li>For workshop participation and documentation review/feedback             <ul style="list-style-type: none"> <li>2 operator representatives</li> <li>2 contractor representatives</li> <li>2 supplier representatives</li> <li>1 work group lead</li> </ul> </li> <li>Participants (combined) should preferably have competencies within commercial, project, engineering, operations and legal</li> <li>1-2 facilitators with documentation responsibilities (2-400 hours combined)</li> </ul>	<p><b>SUCCESS CRITERIA</b></p>  <ul style="list-style-type: none"> <li>Support from Joint Industry Improvement arena</li> <li>Support from Juridisk forum (Norsk Industri), Forum for supply chain and logistics (Offshore Norge)</li> <li>Information to Operations committee (Offshore Norge)</li> <li>Work group participation from larger operator, contractor and supplier companies</li> <li>Willingness to share success stories</li> <li>Willingness to operationalize best practice recommendations in operator and contractor companies</li> </ul>

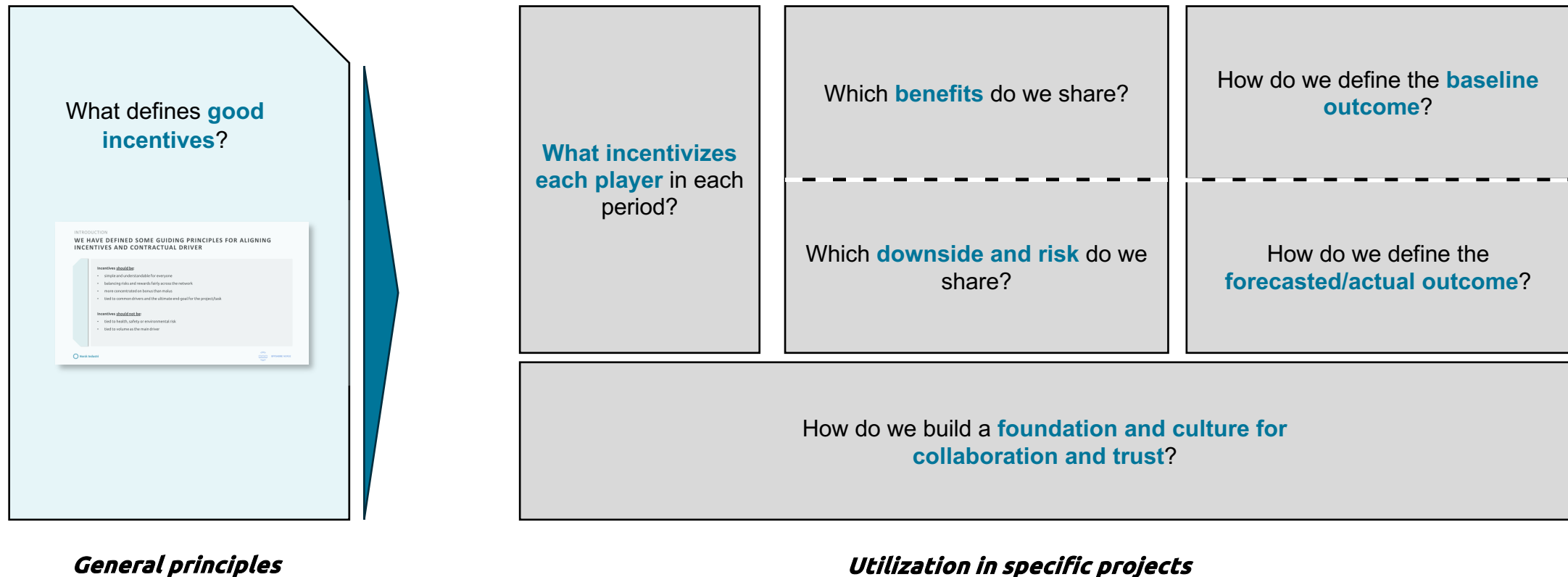
*“The work group will deliver: **Guideline with best practice recommendations to align incentives and contractual drivers, including transparent placement of positive and negative risk**”*

*“Main focus, not limited to, **supply chain for brownfield, greenfield and subsea projects (from scope definition to operations) on NCS, including operators, contractors and suppliers**”*

*“the deliverable(s) will be **applicable for independent projects, as well as projects executed as a part of an alliance or frame agreement**”*

## OVERALL STRUCTURE

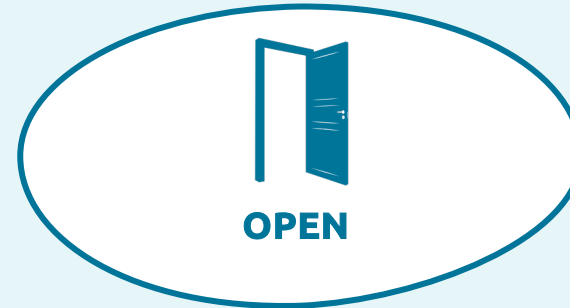
# WE WILL AIM TO ANSWER THE FOLLOWING QUESTIONS DURING OUR WORK



FOUNDATION AND CULTURE FOR COLLABORATION AND TRUST | INFORMAL PRINCIPLES

## THE INDUSTRY SHOULD AIM TO BUILD A SHARED CULTURE IN OUR PROJECTS

We should build a shared culture that is...



... and achieve this through

### 1 Spending time to build the culture

- Accept that it takes time getting acquainted and building culture

### 3 Have transparent dialogue about opportunities and risk

- Share information as early possible – from project start

### 5 Avoid unnecessary controls

- Limit duplicate reporting, verification and overruling

### 2 “Walk the talk”

- Prove your intentions through action

### 4 Accept that risk is shared

- And place residual risk where it is best managed and carried

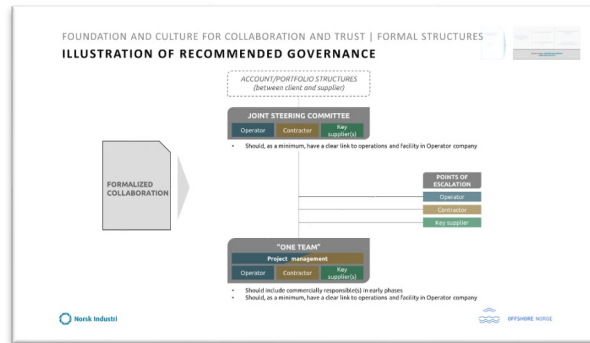


# FORMAL STRUCTURES CAN ENABLE A CULTURE FOR COLLABORATION AND TRUST

## PROCESS



## GOVERNANCE



CONTINUITY IN PERSONNEL

JOINT STEERING COMMITTEE

"ONE TEAM"

POINTS OF ESCALATION

WHICH BENEFITS AND DOWNSIDES SHOULD WE SHARE? | LONG LIST

## WE HAVE DEVELOPED A DRAFT LONG-LIST MEANT AS A BASIS FOR SELECTION AND PRIORITIZATION

	Applicable for benefit sharing	Applicable for downside sharing
› CAPEX	YES	YES
› Time	YES	YES
› Total cost of ownership (TCO)	YES	-
› Quality	YES	-
› Early involvement of suppliers	YES	-
› Share of standard deliveries	YES	-
› Weight (when relevant)	YES	-
› Circularity	YES	-
› CO2 footprint	YES	-

When selecting incentives for a project the following overall steps should be taken



**Prioritize project goals**



**Select relevant incentives**



**Assess interconnectivity**

WHICH BENEFITS AND DOWNSIDES SHOULD WE SHARE? | OTHER ADJUSTMENTS

**OTHER ADJUSTMENTS FROM TRADITIONAL PRACTICE COULD ALSO SIMPLIFY GOVERNANCE AND ALIGN WITH “ONE TEAM” MINDSET**

**Remove elements  
of potential disagreement**



**Avoid  
duplicate contingencies**



**Avoid  
contradicting incentives**



**WE APPRECIATE ANY INPUT WE CAN GET TO OUR  
CONTINUED WORK - THANK YOU!**

Løsninger finnes!

