

# Recommended practice for assignment of contract

# Background and purpose

Operator and Contractor can agree on assignment of one or more supplier subcontracts from Operator to Contractor.

Beyond the legal aspects of such assignment, it is important to facilitate a work process that involves all parties to ensure efficiency.

It is essential to invest sufficient time to prepare for assignment of subcontracts and by this to cultivate collaboration so that commercial- and technical targets are met.

As part of such preparation work a checklist has been prepared that addresses three phases during assignment of subcontracts; Pre-assignment, Contract Implementation and Post-activities. The main goal is to improve procurement practice across the supply chain.

Representatives from the member companies of Norwegian Industries and The Association Offshore Norway have collaborated to prepare this checklist.

It is recommended that the individual companies will implement the checklist into own management systems or similar.

# Definitions

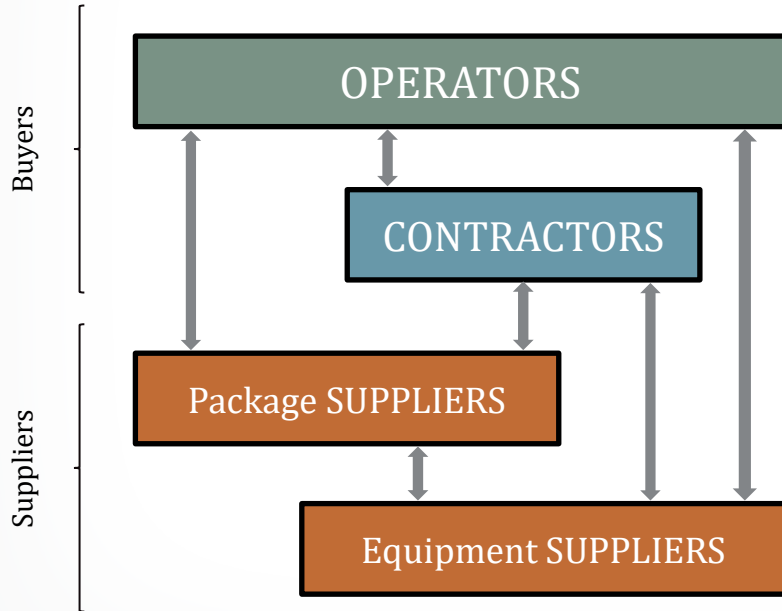
For the purpose of this document, *assignment of contract* is the contract to be assigned from Operator to Contractor in the form of a frame agreement call-off, or as a stand-alone subcontract.

Further, the checklist have been divided into three phases, with the following definitions:

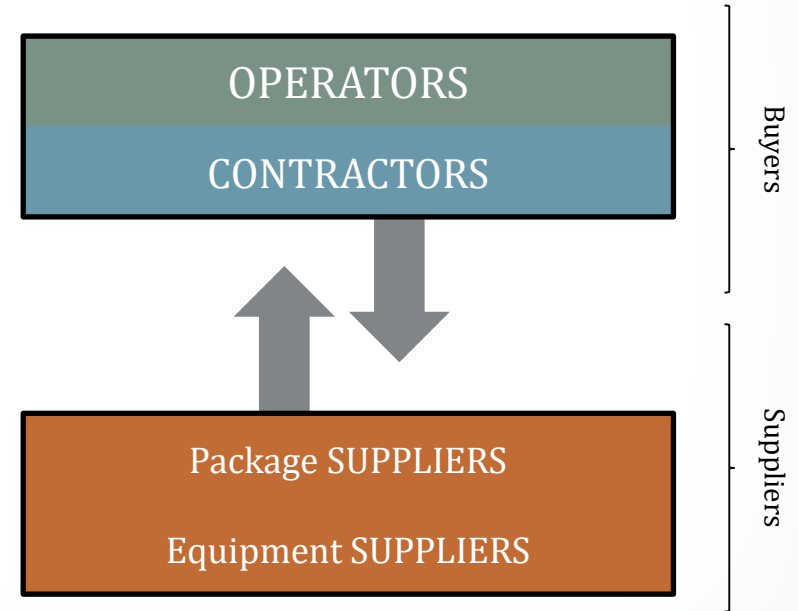
- Pre-assignment; this is the early strategy and/or positioning phase for a contract to be placed from Operator to Contractor
- Contract implementation; this is the stage when the assigned subcontract is to be agreed for a specific work scope under a main contract placed by Operator to Contractor
- Post activities; this is the stage when a project delivery has been performed and a subcontract is to be closed, including experience summary to be implemented

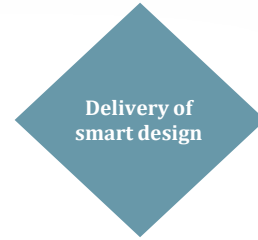
The project execution stage has not been addressed in this document.

## Current situation



## Desired situation





Involve suppliers



# Joint Industry Guideline

Best practice



Increase use of industry  
**STANDARD  
DELIVERY**



Better and earlier use of  
**SUPPLIER EXPERTISE**



**ALIGN DRIVERS**  
across the supply chain



Change operator and  
contractor **CULTURE**

## PROJECT MANAGEMENT

Establish early execution strategy based on recommended best practices

- Early involvement of key suppliers
- Enable efficient use of competency

## ENGINEERING

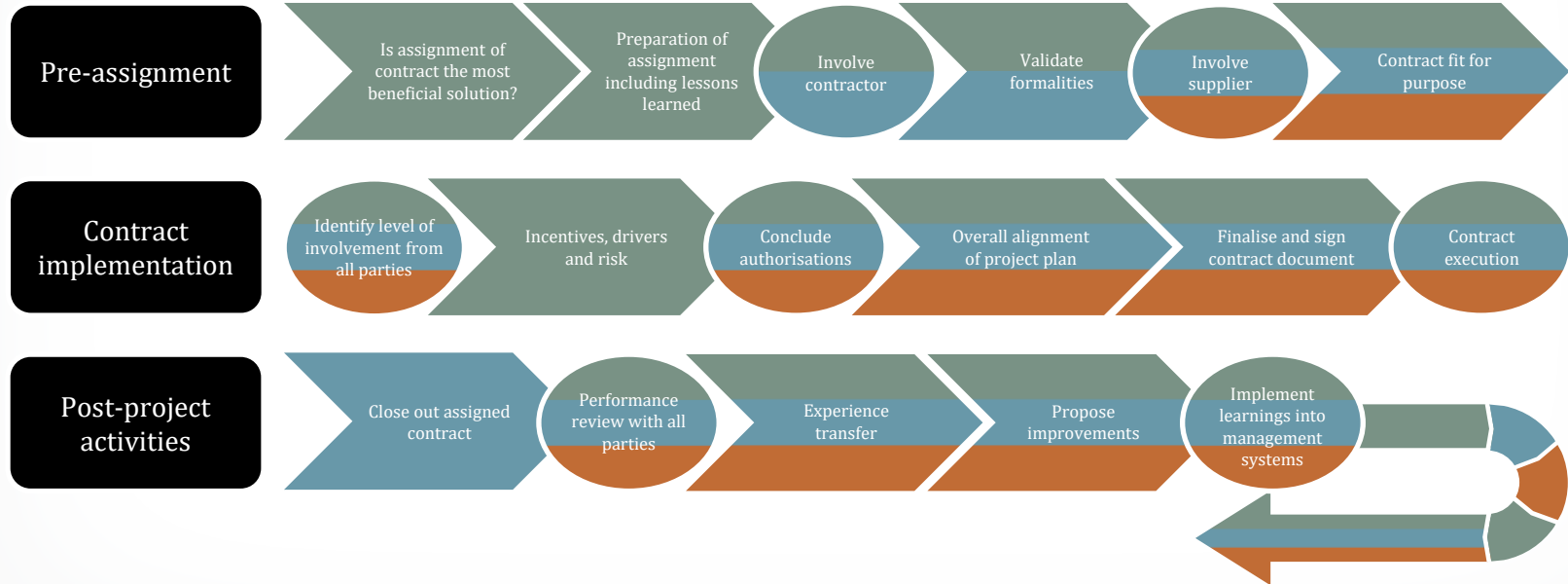
- Cost efficient functional requirements
- GAP analysis and cost/benefit for company specific customisations
- Risk based QA plan

## PROCUREMENT

- Contract solutions and contracts that stimulates to efficient collaboration

Party with main responsibility:

- Operator
- Contractor
- Supplier



# Operator

	Pre-assignment	Sign ok	Contract implementation	Sign ok	Post-activities	Sign ok
Internal process	<ul style="list-style-type: none"> <li><input type="checkbox"/> Is assignment of contract the most beneficial solution for all parties involved?</li> <li><input type="checkbox"/> Implement <a href="#">Joint Industry Guideline best practice</a> <ul style="list-style-type: none"> <li><input type="checkbox"/> Standard solutions should be the starting point and tailored solutions should be treated as a deviation</li> <li><input type="checkbox"/> Earlier and better use of suppliers expertise                             <ul style="list-style-type: none"> <li><input type="checkbox"/> The supplier is registered in <a href="#">Magnet IQS</a><sup>1</sup> and is a qualified supplier</li> </ul> </li> <li><input type="checkbox"/> Are the drivers aligned across the supply chain?                             <ul style="list-style-type: none"> <li><input type="checkbox"/> Compensation models &amp; incentives</li> <li><input type="checkbox"/> Equipment categories</li> </ul> </li> </ul> </li> <li><input type="checkbox"/> Assess Total Cost of Ownership<sup>2</sup></li> <li><input type="checkbox"/> Validate formalities                             <ul style="list-style-type: none"> <li><input type="checkbox"/> Validity</li> <li><input type="checkbox"/> Signatures</li> <li><input type="checkbox"/> Applicability to area of use</li> <li><input type="checkbox"/> Roles, rights and interfaces<sup>3</sup></li> </ul> </li> <li><input type="checkbox"/> Experience assessment                             <ul style="list-style-type: none"> <li><input type="checkbox"/> Lessons learned</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li><input type="checkbox"/> Define level of involvement and support with contractors and suppliers</li> <li><input type="checkbox"/> Ensure correct implementation of drivers</li> <li><input type="checkbox"/> Front load activities<sup>11</sup> as relevant</li> <li><input type="checkbox"/> Review incentives and drivers<sup>12</sup> where possible to benefit the co-operations in the value chain</li> <li><input type="checkbox"/> Decide/clarify potential application of technology<sup>13</sup>, digital solutions and sharing of data related to the contract</li> <li><input type="checkbox"/> Management of common interest in scope execution under the assigned contract (order of priority, resources, integrated/common planning)</li> <li><input type="checkbox"/> Company should provide Contract review<sup>14</sup> for Contractor and Supplier on the assigned contract</li> <li><input type="checkbox"/> Performance reviews<sup>15</sup> with all parties involved</li> </ul>		<ul style="list-style-type: none"> <li><input type="checkbox"/> Implement experience transfer from Contractor / Suppliers, including technical developments                             <ul style="list-style-type: none"> <li><input type="checkbox"/> Lessons learned</li> <li><input type="checkbox"/> Was the contract assignment beneficial for the project?</li> <li><input type="checkbox"/> Share relevant KPI metrics<sup>16</sup></li> <li><input type="checkbox"/> Adjust contract formats and framework</li> <li><input type="checkbox"/> Evaluate implementation of Joint Industry Guideline best practice</li> <li><input type="checkbox"/> Evaluate pre-activities</li> <li><input type="checkbox"/> Close out performance review meetings with all parties involved</li> <li><input type="checkbox"/> Review of relevant learnings into management systems<sup>17</sup></li> </ul> </li> </ul>	
Involve Contractor	<ul style="list-style-type: none"> <li><input type="checkbox"/> Evaluate requirement for assigned contracts                             <ul style="list-style-type: none"> <li><input type="checkbox"/> Alternative assignments</li> <li><input type="checkbox"/> Own Frame agreements</li> <li><input type="checkbox"/> RFQ assessments<sup>4</sup></li> </ul> </li> <li><input type="checkbox"/> Allow time for GAP analysis<sup>5</sup></li> </ul>					
Involve Contractor and Supplier	<ul style="list-style-type: none"> <li><input type="checkbox"/> Are the assigned contract fit for purpose?                             <ul style="list-style-type: none"> <li><input type="checkbox"/> Scope of Work</li> <li><input type="checkbox"/> Compensation</li> <li><input type="checkbox"/> Warranty risks</li> <li><input type="checkbox"/> Liquidated damages</li> <li><input type="checkbox"/> Security requirements (BG<sup>6</sup> and PCG<sup>7</sup>)</li> <li><input type="checkbox"/> Insurances</li> <li><input type="checkbox"/> Liability caps</li> <li><input type="checkbox"/> Documentation</li> <li><input type="checkbox"/> Technical requirements</li> <li><input type="checkbox"/> Permits</li> <li><input type="checkbox"/> Lead time</li> <li><input type="checkbox"/> IPR issues<sup>8</sup></li> </ul> </li> <li><input type="checkbox"/> Align appropriate sustainability metrics<sup>9</sup></li> <li><input type="checkbox"/> Get access to <a href="#">EqHub</a><sup>10</sup> and access benefits from use</li> <li><input type="checkbox"/> Confirmed assignment from all involved parties</li> </ul>					



# Contractor

	Pre-assignment	Sign ok	Contract implementation	Sign ok	Post-activities	Sign ok
Internal process (in dialogue with Operator)	<ul style="list-style-type: none"> <li><input type="checkbox"/> Validate formalities               <ul style="list-style-type: none"> <li><input type="checkbox"/> Validity</li> <li><input type="checkbox"/> Signatures</li> <li><input type="checkbox"/> Applicability</li> <li><input type="checkbox"/> Roles, rights and interfaces<sup>3</sup></li> </ul> </li> <li><input type="checkbox"/> Experience assessment               <ul style="list-style-type: none"> <li><input type="checkbox"/> Lessons learned</li> <li><input type="checkbox"/> Productivity</li> </ul> </li> <li><input type="checkbox"/> Evaluate/confirm requirement for assigned contracts               <ul style="list-style-type: none"> <li><input type="checkbox"/> Alternative assignments</li> <li><input type="checkbox"/> Own Frame agreements</li> <li><input type="checkbox"/> RFQ assessments<sup>4</sup></li> </ul> </li> <li><input type="checkbox"/> Give necessary input to Client on available alternatives – if possible</li> <li><input type="checkbox"/> Align appropriate sustainability metrics<sup>9</sup></li> <li><input type="checkbox"/> Assess total cost of ownership<sup>2</sup></li> <li><input type="checkbox"/> Allow time for GAP analysis<sup>5</sup></li> </ul>		<ul style="list-style-type: none"> <li><input type="checkbox"/> Define requirements of support from operator</li> <li><input type="checkbox"/> Team establishment (supplier and contractor)               <ul style="list-style-type: none"> <li><input type="checkbox"/> Execution of changes agreed upon in Pre-activities</li> </ul> </li> <li><input type="checkbox"/> Amendment/document with the contract changes</li> <li><input type="checkbox"/> Prepare the Call-off/Subcontract document</li> <li><input type="checkbox"/> Involve operator to clarify identified deviations</li> <li><input type="checkbox"/> Agree level of involvement</li> <li><input type="checkbox"/> Check progress and milestone schedule</li> <li><input type="checkbox"/> Check any criticality assessments<sup>18</sup></li> <li><input type="checkbox"/> Check any available client risk registers<sup>19</sup></li> <li><input type="checkbox"/> Check any available clarification logs<sup>20</sup></li> <li><input type="checkbox"/> Check any available audits performed by client</li> </ul>		<ul style="list-style-type: none"> <li><input type="checkbox"/> Arrange meeting to close out assigned contracts</li> <li><input type="checkbox"/> Experience transfer involving all parties</li> <li><input type="checkbox"/> Close out assigned contracts               <ul style="list-style-type: none"> <li><input type="checkbox"/> Invoices complete</li> <li><input type="checkbox"/> Documentation, manuals</li> <li><input type="checkbox"/> Change orders closed</li> <li><input type="checkbox"/> Spare parts</li> <li><input type="checkbox"/> Surplus materials sorted out</li> <li><input type="checkbox"/> Delivery protocol signed</li> <li><input type="checkbox"/> Warranty period agreed</li> </ul> </li> <li><input type="checkbox"/> Close out performance review meetings with all parties involved</li> <li><input type="checkbox"/> Review of relevant learnings into management systems<sup>17</sup></li> </ul>	
Involve Supplier	<ul style="list-style-type: none"> <li><input type="checkbox"/> Are the assigned agreements/contracts fit for purpose?               <ul style="list-style-type: none"> <li><input type="checkbox"/> Scope of work</li> <li><input type="checkbox"/> Compensation</li> <li><input type="checkbox"/> Warranty risks</li> <li><input type="checkbox"/> Liquidated damages</li> <li><input type="checkbox"/> Security requirements (BG<sup>6</sup> and PCG<sup>7</sup>)</li> <li><input type="checkbox"/> Insurances</li> <li><input type="checkbox"/> Liability caps</li> <li><input type="checkbox"/> Documentation</li> <li><input type="checkbox"/> Technical requirements</li> <li><input type="checkbox"/> Permits</li> <li><input type="checkbox"/> Progress plan</li> <li><input type="checkbox"/> Back to back regulations with main contract</li> <li><input type="checkbox"/> Contradictions between main contract and assigned contract</li> <li><input type="checkbox"/> Flow-down issues</li> <li><input type="checkbox"/> Cost compensation</li> <li><input type="checkbox"/> Lead time</li> </ul> </li> <li><input type="checkbox"/> Agree level of involvement</li> <li><input type="checkbox"/> Align drivers across all stakeholders               <ul style="list-style-type: none"> <li><input type="checkbox"/> Compensation</li> <li><input type="checkbox"/> Bonus</li> <li><input type="checkbox"/> Incentives</li> <li><input type="checkbox"/> Schedule</li> <li><input type="checkbox"/> Resource requirement</li> </ul> </li> </ul>					

# Supplier

	Pre-assignment	Sign ok	Contract implementation	Sign ok	Post-activities	Sign ok
In dialogue with Operator and Contractor	<ul style="list-style-type: none"> <li><input type="checkbox"/> Ensure that the supplier company is registered in <a href="#">Magnet JQS</a><sup>1</sup></li> <li><input type="checkbox"/> Get access to <a href="#">EqHub</a><sup>10</sup> and access benefits from use</li> <li><input type="checkbox"/> Confirm assignment of contract</li> <li><input type="checkbox"/> Confirm accept of solidity of new contractor party</li> <li><input type="checkbox"/> Confirm compliance adherence of new contracting party</li> <li><input type="checkbox"/> Are the assigned contract fit for purpose?               <ul style="list-style-type: none"> <li><input type="checkbox"/> Scope of Work</li> <li><input type="checkbox"/> Standard solution</li> <li><input type="checkbox"/> Compensation</li> <li><input type="checkbox"/> Warranty risks</li> <li><input type="checkbox"/> Security requirements (BG<sup>6</sup> and PCG<sup>7</sup>)</li> <li><input type="checkbox"/> Liquidated damages</li> <li><input type="checkbox"/> Insurances</li> <li><input type="checkbox"/> Liability caps</li> <li><input type="checkbox"/> Documentation</li> <li><input type="checkbox"/> Permits etc</li> <li><input type="checkbox"/> Notification deadlines</li> <li><input type="checkbox"/> Evaluate contract interfaces</li> </ul> </li> <li><input type="checkbox"/> Assess quality of delivery including any total cost of ownership<sup>2</sup> aspects</li> <li><input type="checkbox"/> Suggest standard solutions where possible</li> <li><input type="checkbox"/> Map resource demand and duration</li> <li><input type="checkbox"/> Assess incentives</li> </ul>		<ul style="list-style-type: none"> <li><input type="checkbox"/> Team establishment               <ul style="list-style-type: none"> <li><input type="checkbox"/> Update project drivers</li> <li><input type="checkbox"/> Update changes agreed in Pre-activities</li> </ul> </li> <li><input type="checkbox"/> Amend contract document with the changes for the project (sign and implement)</li> <li><input type="checkbox"/> Agree level of involvement, including communication, disputes, variation orders and reporting               <ul style="list-style-type: none"> <li><input type="checkbox"/> Operator</li> <li><input type="checkbox"/> Contractor</li> <li><input type="checkbox"/> Supplier</li> </ul> </li> <li><input type="checkbox"/> Adopt applicable project KPI's<sup>16</sup></li> </ul>		<ul style="list-style-type: none"> <li><input type="checkbox"/> Experience transfer involving all parties</li> <li><input type="checkbox"/> Lessons learned</li> <li><input type="checkbox"/> Close out performance review meetings with all parties involved</li> <li><input type="checkbox"/> Review of relevant learnings into management systems<sup>17</sup></li> </ul>	

# Definitions

- <sup>1</sup> [Magnet JQS](#) (Joint Qualification System) is used within the energy sector to source, screen, qualify and monitor both existing and potential suppliers in accordance with their respective qualification and procurement requirements
- <sup>2</sup> Total cost of ownership (TCO) is the total direct and indirect cost's associated with a product and associated services over a defined lifecycle
- <sup>3</sup> Roles, rights and interfaces – maps out stakeholders involved with their contribution's, commitments, communication and collaboration
- <sup>4</sup> RFQ stands for Request for quote and is a process where a company solicits select suppliers and contractors to submit price quotes and bids for the chance to fulfil certain scope, tasks in execution of projects
- <sup>5</sup> GAP analysis is used to compare current status of TCO vs desired improvement and goals
- <sup>6</sup> BG stands for Bank guarantee and is a type of financial backstop offered by a lending institution
- <sup>7</sup> PCG stands for Parent company guarantee and is a guarantee given by one contracting party's ultimate or intermediate holding company in favour of the other contracting party to secure the performance of that party's obligations under the contract
- <sup>8</sup> IPR issues is addressing the ownership of technologies and solution across the stakeholders at the start of the scope and also addresses the right to innovations developed during the project and consequential ownership post execution
- <sup>9</sup> Sustainability metrics identifies the current environmental footprint and measures the effect of implemented actions
- <sup>10</sup> [EqHub](#) is a collaborative service for collecting and sharing equipment information and documentation
- <sup>11</sup> Front Load activities; put emphasis on better planning understanding of TCO engagement of all stakeholders early to get access to industrial best practises with a greater proportion at the beginning of the project to enable a more streamlined execution and improved result
- <sup>12</sup> Incentives and drivers such as TCO, risk, defined scope, contractual deliverables to enable profit sharing and improved performance for all stakeholders
- <sup>13</sup> Application of technology to address benefits, Cost and life cycle consequences in delivering an improved Total Cost of ownership
- <sup>14</sup> Contract review; identify and analyse the key provisions within the agreement to ensure understanding of the assigned contract by all relevant parties
- <sup>15</sup> Performance review is a formal assessment of the performance, identifies strengths and weaknesses, offers feedback, and sets goals for future performance
- <sup>16</sup> KPI metrics stands for key performance indicator, which is a quantifiable measure of performance over time for a specific objective
- <sup>17</sup> Management system is how an organization manages the interrelated parts of its business in order to achieve its objectives
- <sup>18</sup> Criticality assessments is a systematic approach of assigning a criticality rating to assets based on their potential risks; e.g., hazid/hazop
- <sup>19</sup> Client risk registers is a risk register of clients, used to track and monitor any risks that might impact their projects
- <sup>20</sup> Clarification logs is a tabled log of all clarification questions