

SUPPLY CHAIN NEWSLETTER

Tullow Ghana Quarterly Newsletter | 5th Edition | January 2024

Message from Atul Sahay, Chief Procurement Officer



2023 was a successful year for our supply chain function with notable achievements in various areas.

In terms of local content, our commitment to supporting local businesses was evident through a substantial 96% expenditure in Ghana, encompassing both local entities and Joint-Venture (JV) companies.

Specifically, 32% (\$202m) of the total value of contracts (\$619m) awarded in 2023 was with indigenous entities, reflecting a 4% increase from 2022. Additionally, \$317m worth of contracts were awarded to JV companies.

Building stakeholder relationships involved collaboration with the Petroleum Commission (PC), aligning with their local content program. We delivered six training workshops through the PC/Tullow Business Academy Partnership initiative, playing a pivotal role in strengthening our ties with the Commission. Our commitment to transparency and collaboration was further demonstrated through the distribution of quarterly newsletters, the successful organisation of four Supplier Market Day events, and the completion of five supplier training programs.

Our proactive approach to Supplier Relationship Management featured the implementation of a structured program, allowing us to manage strategic and core suppliers through regular performance reviews. Additionally, our bilateral 360-Degree Review approach had suppliers assessing Tullow's performance on the same parameters we use to evaluate them, fostering collaborative continuous improvement discussions.

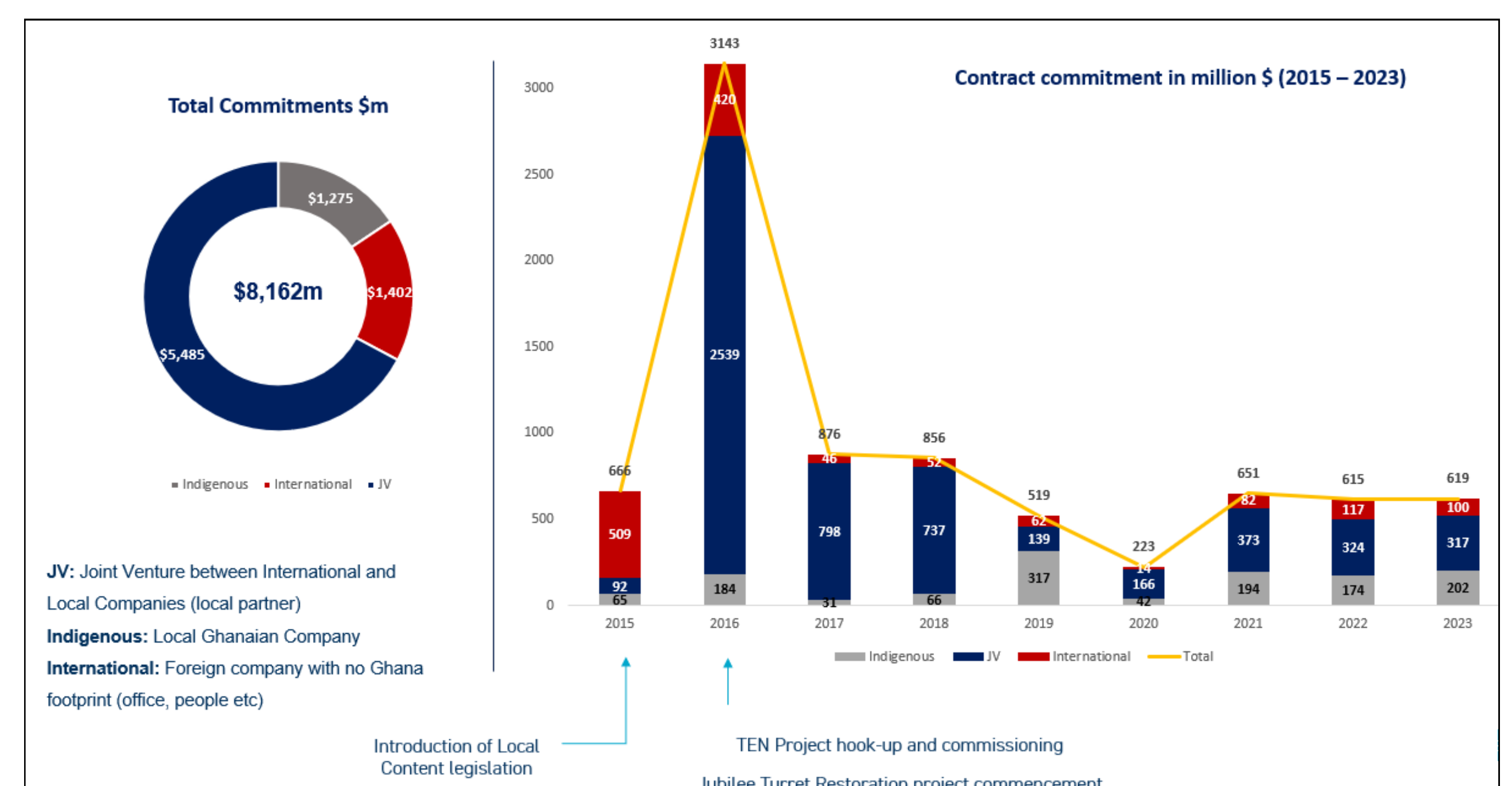
In the realm of digital advancements, we initiated the design of an end-to-end digital solution, a comprehensive system aimed at streamlining sourcing, contract management, and post-award contract management processes, ensuring the standardisation and optimisation of our supply chain.

A significant milestone in our commitment to ethical practices was reached through the training of over 140 suppliers in November 2023 on the importance of safeguarding human rights within our supply chain.

Collectively, these achievements highlight Tullow's holistic and responsible approach to supply chain management. Going beyond local economic development, we emphasize stakeholder engagement, supplier relationship/performance management, digital transformation, and a commitment to human rights. These accomplishments lay a solid foundation for continued success in the years to come.

Sincerely,
Atul Sahay

Contract Commitments by Value (2015 – 2023)



Event: Supplier Market Day

Tullow Ghana wrapped up its Supplier Market Day events for 2023 on a high note at the Fiesta Royale Hotel in Accra, last November. Supplier Market Days play a pivotal role in strengthening connections with our extensive network of local suppliers and vendors, aligning with our strategy to develop local human resources and capacity for long term sustainability in the sector.

Over 140 suppliers took part in the event, which was on the theme "Human and Labour Rights in the Oil and Gas Sector." During her keynote address, Cynthia Lumor, Tullow Ghana's Deputy Managing Director, emphasised the myriad benefits of sound labour practices. In her words, "The benefits of good labour practices are many – compliance with laws and regulations, doing the right thing, employee good health and productivity. It is a shared responsibility that we must take seriously so that together, we can ensure a future where human and labour rights are not just a goal but a reality in our industry."

Facilitated by twentyfifty management consultancy, a dedicated session provided participants with first-hand insights into Tullow's expectations from suppliers, the due diligence measures in place, and actionable steps that suppliers could implement within their organisations. A notable highlight of the event was the introduction of a Self-Assessment Form, offering suppliers a structured tool to self-evaluate and provide feedback on their commitment to upholding human rights in their businesses.



TULLOW

Event: 2023 Local Content Conference and Exhibition

Tullow and its Joint-Venture partners took part in the 2023 Local Content Conference and Exhibition organised by the Petroleum Commission in Takoradi last November.

The conference brought together key players in Ghana's oil and gas industry, including operators, service companies, state-owned enterprises, banks, and players in the technology sector.

Tullow Ghana's Managing Director, Wissam Al-Monthiry, delivered a keynote address to tout the achievements made to empower local content in the industry, highlighting the good work done by Tullow over the past two decades.



Wissam said, "Tullow Ghana and partners have so far delivered close to \$7bn in revenues to the Ghana government and invested close to \$20bn in the oil and gas sector since inception. Our commitment to local content reflects the way we do business in Ghana."

Tullow believes that supporting local companies and stakeholders in the industry is critical to the full-scale development of the oil and gas sector. Over the last ten years, Tullow has awarded contracts worth \$10.7 billion to businesses with significant local participation in the sector. It is also aiming to increase its Ghanaian workforce from a current 72% to 90% in the next three to five years.

Local Content Manager, Dr. Jennifer Bruce-Konuah also joined a panel discussion to highlight successes and future strategies for local content delivery in Ghana. Tullow was later recognised, at the end of the conference, for its pioneering role in Ghana's upstream petroleum sector.



Tullow Supply Chain Academy Programme Launch

Tullow Ghana successfully initiated Phase 2 of the 'Tullow Supplier Mentorship and Training Programme' in November 2023, onboarding 170 indigenous Ghanaian companies.

This flagship programme, a key element of Tullow's local content commitment to address business development gaps within its supplier database, was originally launched in collaboration with Accenture in March 2022.

The programme entails two distinct interventions:

Intervention 1: The Tullow Supply Chain Academy provides beneficiary companies with a 10-month access to training courses in finance, procurement, digitalization, cyber security, and power skills via a cloud-based/online learning platform. Participating companies that successfully complete 50 hours of training and assessment tests receive certificates of completion at the programme's conclusion.

Intervention 2: The Tullow Supplier Mentorship Programme offers tailored one-on-one and group mentorship sessions, virtual engagements with experienced business leaders/professionals, and access to online training courses/assessments over a four-month period. Participants completing the prescribed mentorship sessions and assessment tests receive certificates of completion.

In her opening address, Dr. Jennifer Bruce-Konuah, Local Content Manager, emphasised Tullow's dedication to local supplier development in the oil and gas industry through various programmes. She said, "One of the primary goals of our local content strategy is to build local capacity and develop successful suppliers that can deliver a wide range of goods, services, and skills to international standards. Supplier development has therefore been an effective means by which we have consistently increased Indigenous participation in our operations." Dr. Bruce-Konuah encouraged beneficiary companies to invest time and effort to successfully complete the programme within the allocated timelines.

Beneficiary companies and participants from the Petroleum Commission, Ghana Chartered Institute of Supply Chain (CISCM), and PK Amoabeng Leadership Foundation expressed gratitude for Tullow's consistent commitment to enhancing their knowledge base, ensuring their international competitiveness across industries.

Tullow remains committed to growing and partnering with its stakeholders to develop local capacity in the oil and gas sector through tailored training programmes and engagements.

2024 Procurement Outlook

We publish supply chain opportunities on our website, where we have detailed upcoming procurement plans. To access this information, please follow these steps:

1. Click on: <https://www.tulloil.com/suppliers/supply-chain-opportunities/>
2. Click on the Supply Chain Management tab in the menu bar, next to Media.
3. There will be a drop-down menu, locate and click on Supply Chain Opportunities.
4. Once on the Supply Chain Opportunities page, scroll down to locate 2024 Procurement Forecast / Outlook.

Supplier Success Story: Amaja Tubular Services Ltd (ATSL)



Amaja Tubular Services Ltd (ATSL) is a joint venture between Amaja Oilfield and Tenaris Ghana, both Ghanaian companies, solidifying its status as a wholly local entity.

Established in 2013 and headquartered in Accra, ATSL has become a prominent supplier of Oil Country Tubular Goods (OCTG) in Ghana. Through competitive bidding, the company has provided Tullow with casing, tubing, premium connections and a wide range of mechanical and structural steel pipes for diverse applications on the Tweneboa-Enyenra-Ntomme (TEN) field.

Under the TEN contract, ATSL supplies steel pipe products with various specifications, meeting strict quality standards and ISO 9001 requirements. The company invested over \$10 million in a modern service center in Takoradi, featuring a purpose-built 24,500 m² yard for pipe storage, located about 20 kilometers from the port. At full capacity, it accommodates up to 10,000 tonnes of pipes and includes a 2,000 m² covered warehouse for comprehensive pipe management services, including goods reception, offshore inspections preparation, and rig-return inspections.

ATSL's Takoradi facility, the Oilfield Machine Shop, supports Tullow's Ghana operations, providing threading, repair services, and manufacturing OCTG materials for Tenaris premium and API connections. Aligned with a commitment to local content development, ATSL aims to manufacture 15% of the estimated contract volume in its Shop, leveraging knowledge and technology transfer from its JV partners and Tullow over the past decade.

As well as the supply of OCTG materials, ATSL collaborates with local sub-contractors. These partners provide consumables, PPEs, inspection items, and fuel to aid ATSL's operations. Services like pipe handling, custom clearance, haulage, cleaning, threading, and repairs are outsourced to local entities. Under the TEN contract, ATSL will disburse over \$877,000 to indigenous suppliers for these goods and services during the contract execution.



The ATSL workforce is entirely Ghanaian, comprising nine core staff, four service personnel, and 20 third-party personnel. All employees undergo structured training, including classroom, online, and on-the-job training for both entry-level and mid-career recruits. ATSL invests over \$30,000 annually in personnel training, totalling 800 hours of various training regimes.

Collaborating with Tullow has enabled ATSL to uphold the highest quality management system standards, expand its portfolio beyond Ghana, and undertake multiple social intervention projects in the communities where it operates. The continuous commitment to local content through the partnership with Tullow has notably made Amaja Tubular Services Ltd's threading ambitions a reality.

Educational Feature: Commonly Negotiated Contract Terms

In business, contracts serve as the foundation of agreements, specifying terms that govern relationships. Negotiating these terms is vital, ensuring alignment and protecting each party's interests. Drawing insights from 'Most Negotiated Terms of 2022' by World Commerce & Contracting (accessible at www.worldccc.com), Tullow shares informative content on its approach in diverse model contracts.

Outlined below are three of our frequently negotiated contract terms:

Liabilities & Indemnities

A mechanism to determine how risks should be allocated between parties. A critical aspect of any contract, it decides the extent to which a party can be held responsible for damages or losses. Tullow often adopts a knock-for-knock contracting regime, where each party covers its losses and liabilities, regardless of fault. This simplifies the claims process, reduces disputes, and promotes quicker resolution of issues.

Liquidated Damages

Often shortened to LDs, they are pre-determined estimates of losses if a party fails to perform or breaches the contract. Negotiations may involve adjusting these amounts to accurately reflect potential damages. LDs are commonly used for achieving delivery dates or milestones in projects, such as completing construction or supplying critical goods. It is important to strike the right balance to ensure the clause acts as a deterrent or motivator without being unduly punitive.

Termination & Suspension

In the dynamic landscape of contractual relationships, challenges may emerge unexpectedly. Promptly addressing these challenges is essential for finding mutually agreeable solutions. Contracts are designed to outline specific conditions under which termination or temporary suspension is permissible. These provisions serve to clarify the rights and responsibilities of involved parties in the face of breaches or unforeseen circumstances. Here is an overview of termination and suspension clauses often found in our contracts:

Termination: This involves the permanent cessation of all or part of the work. Termination may occur for cause, such as a non-curable breach, or without cause, generally to suit Tullow's convenience. Tullow contracts typically spell out the reasons for termination and detail post-termination actions and remedies. The primary goal of termination is to restore the non-breaching party to their original position before the breach. It is considered a last resort in many cases.

Suspension: Here, there is a temporary cessation of all or part of the work. Suspension may be implemented in response to contractor default, safety concerns, or to ensure the proper execution of work. It can also occur for Tullow's convenience. During a suspension, payment may be temporarily withheld pending issue resolution, such as default, or normal payments may continue, particularly in cases of convenience. There are obligations in place to address and resolve issues during suspension.

Successful contract negotiations require a thorough understanding of the nuances surrounding these key terms. As businesses strive to establish fair and transparent agreements, careful consideration and negotiation of these terms lay the foundation for mutually beneficial and enduring partnerships. By addressing potential points of contention, parties can minimise risks and foster a more robust and secure business environment.

Disclaimer: The information provided in this article does not, and is not intended to, constitute legal advice and you should not place any reliance upon it. You are strongly advised to seek specific advice with respect to any legal matter.

Ethics and Compliance (E&C) Corner

Bullying and Breach of Tullow's Code of Ethical Conduct

A **real example** from the E&C team's investigation files, which was reported via one of Tullow's many 'Speak Up' channels!



WHAT HAPPENED:

The E&C team received a potential concern reported via Tullow's independent external reporting channel ('Safecall'). The reported concern stated that:

- The concern was about a person employed as a manager by a sub-contractor performing services for one of Tullow's main offshore contractors.
- Recently, the manager had apparently sacked three long-standing members of the sub-contractor's staff within their team, after several months of **verbal threats and frequent incidents of (what the reporter deemed to be) bullying and discrimination** that they had witnessed. Some of this disrespectful behaviour seemed to have been targeted at these individuals due to them being of a different nationality and racial origin to the manager.
- The reporter also stated that they understood that the matter had been raised internally by some of the sub-contractor's staff to their company's management, but that no visible action appeared to have been taken.

WHAT ACTION WAS TAKEN:

- **Investigation Outcomes:** The investigation conducted by the E&C team,, in conjunction with the sub-contractor's E&C team, substantiated that:
 - 1) The manager had been behaving disrespectfully in the form of bullying, discrimination and unfair dismissal of several team members). During the early part of the investigation, once various key facts had been substantiated, the manager continued to perform their job role under supervision, but was not permitted to conduct any organisational changes – such as the hiring or removal of other staff members. Following the conclusion of the investigation, the manager was subjected to the sub-contractor's disciplinary process, which led to their dismissal.
 - 2) The three individuals who had been found to have been unfairly dismissed by the manager were subsequently re-hired by the sub-contractor. Any issues raised within our third parties and reported to Tullow, are taken seriously and will be followed up with the supplier. Supplier agreements can be terminated where required, when appropriate investigation or action is not taken.
- **Control Improvements:** All third parties (such as suppliers and contractors) working with Tullow have to contractually commit to abide by equivalent standards as those within our *Code of Ethical Conduct*, as part of our due diligence (DD) processes. Additionally, some are also now asked to sign our *Business Partner Standards & Supplier Declaration*.

WHAT IS THE KEY LESSON(S) TO LEARN:

Tullow has a zero tolerance for all forms of disrespectful behaviour against anyone – including our employees and anyone working for third parties involved with Tullow. It is important to recognise and report any behaviour which you deem to be inappropriate. All reports will be thoroughly investigated and where appropriate, disciplinary action taken.

2024 Upcoming Events and Plans

Our upcoming events and plans for this year include:

- Quarterly Procurement Plans
- Pre-Tender Seminars
- Supply Chain Academy
- Quarterly Newsletter
- Supplier Mentorship Program
- Quarterly Market Day
- Closing the Gap Seminars

Supplier Feedback and Contact Details

We welcome your feedback and input on new topics you would like see covered in subsequent editions. Please contact us via:

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Confidential Reporting:
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