

SUPPLY CHAIN NEWSLETTER

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Message from Chief Procurement Officer



Upholding Human Rights in the Oil & Gas Supply Chain: A Vital Imperative

In Ghana, the oil and gas industry serve as a dynamic catalyst for economic growth and development. However, this advancement should never overshadow the fundamental

importance of safeguarding human rights. The imperative to respect and uphold human rights across every facet of the oil and gas supply chain, from exploration and extraction to transportation and distribution, cannot be overstated.

Tullow has committed to mitigate the impact on human rights, arising from our activities, on communities and workers – including in our supply chains. As such, Tullow's Supply Chain team has committed to sustainable procurement and vigilant supplier management. Our approach is part of several strategies adopted by Tullow, including:

- **Upholding Labour Rights:** The O&G sector engages a substantial workforce, both directly and indirectly. Ensuring equitable wages and safe working conditions are essential tenets in averting exploitation.
- **Community Engagement:** Effective consultation with local communities to address concerns ranging from land utilization to environmental impacts and cultural heritage, and empowering communities to influence decisions that directly affect their well-being is paramount.
- **Environmental Protection:** The risk of oil spills triggering environmental degradation, underscores the importance of safeguarding ecosystems and water sources, thereby preserving the right to a healthy environment.

This year, we are developing supplier training programs aimed at those at the forefront of the O&G industry. Concurrently, ensuring that we continue to safeguard the rights of local communities which remains a priority. A sustainable trajectory for the oil and gas industry in Ghana mandates an unwavering dedication to fair labour practices, community engagement, and responsible operations. It is Tullow's fervent aspiration that our partners within the supply chain will share in our quest to prioritise human rights and collaborate to address any gaps. Doing business responsibly is going to be one of the key differentiators for suppliers to do business not just with Tullow but other companies globally. Tullow looks forward to your support as we partner to implement this imperative initiative.

Sincerely,
Atul Sahay

Event: Supplier Market Day

Tullow Ghana Limited organised the third session of its Supplier Market Day event at the Fiesta Royale hotel in September. It brought 165 suppliers together as part of Tullow's strategy to deepen engagements and cement relationships.

The event is a critical part of the company's strategy to heighten awareness about procurement activities and operations. It also aligns with Tullow's strong emphasis on developing local human resource and capacity for long term sustainability.

Deputy Managing Director, Cynthia Lumor was the keynote speaker and she emphasised Tullow's commitment to empower and develop local content participation in the oil and gas industry. "We have always been at the forefront of promoting local participation because it is fundamental to the growth, development, and prosperity of the country. We shall continue to find opportunities to collaborate and partner with our suppliers as we seek long term sustainability of the sector."

Tullow Chief Procurement Officer, Atul Sahay was present and highlighted the company's commitment to forge closer collaboration and partnership with local suppliers in the oil and gas sector.

A delegation from the Petroleum Commission, led by Director of Local Content, Kwaku Boateng, was present to share key insights on strategic alliances, progressive partnerships, local content fund and other permitting requirements. Last year alone, Tullow spent a total of \$169m with local suppliers in Ghana, representing 14% of local procurement spend.



Educational Feature: Labour Rights

Tullow’s Human Rights Policy includes commitments to respect internationally recognized human rights and to implement the U.N. Guiding Principles on Business and Human Rights (UNGPs). The introduction of the UK Modern Slavery Act in 2015 also requires Tullow to address risks of modern slavery, and lodge annual statements which explain what it is doing to assess and address risks of modern slavery in its direct operations. Respect for human rights is therefore an important measure for Tullow in the selection of suppliers (alongside technical capability, EHS, Cost and Local Content). Everyone who works for, or on behalf of Tullow, is responsible for ensuring that these policies are implemented. We expect suppliers to act in a manner that is consistent with our commitments to human rights and fair labour conditions.

Locally, Ghana’s Draft National Action Plan (NAP) on Business and human rights has been developed and public consultation is ongoing. The NAP lists a series of measures related to business and human rights to be implemented by the Government. It also sets out the need for business enterprises to promote human rights due diligence in their business activities. When Ghana’s NAP is concluded and adopted, the Commission on Human Rights and Administrative Justice, will monitor the level of compliance in general throughout the country to ensure adherence to the UNGPs

Tullow addresses Supply Chain labour risks by working with suppliers in the following ways:

- Supporting the identification of Human rights (including labour rights) risks;
- Collaborating to address identified risks;
- Improving transparency across shared supply chains;
- Monitoring compliance within the Supply chains;
- Supporting ongoing improvement in the management of labour rights risks and
- Identifying areas for further human rights due diligence.

So, what is in the plan for Supply Chain labour rights? Following the launch of the Supply Chain labour rights programme at the Supplier Market Day on 14 June 2023, a small group of suppliers have completed self-assessment forms (SAF). The SAF aims to assist suppliers to identify types of human rights related risk, collaborate with customers to address these risks, improve transparency across shared supply chains and identify areas for further due diligence.

TGL is reviewing the identified gaps and planning how best to collaborate with suppliers in closing the gaps. Roll out a face-to-face training to suppliers in sectors with high potential for labour rights risks. Suppliers will also be required to complete IPIECA’s online labour rights training material.

Finally, as part of Tullow’s Annual Modern Slavery statement assurance for 2023, suppliers will be required to complete self-assessment forms.

Event: Supply Chain Academy Graduation

Tullow Ghana Limited hosted a graduation and awards ceremony in July 2023 to recognise and celebrate participants of the Tullow Supply Chain Academy Programme. The programme achieved a record 94% completion rate. The Tullow Supply Chain Academy was launched in April 2022 to provide a 12-month customised training programme for 90 indigenous companies. Beneficiary companies and individuals attained the required 50 course hours to graduate, with support from the industry network, academic experts, and Accenture as the implementing partner.

The successful participants underwent training in five curriculum pillars comprising finance, supply chain, digitalization, cyber, and power skills. 74 companies and 11 individuals from the Petroleum Commission were awarded Certificates of Achievement upon successfully completing the 50-hour target mark for graduation. Outstanding awards went to Arthro Senergeio, Petroleum Commission-Ghana, Africa World Airlines Limited, Sea Serve Ghana Limited, Owusu-Ankomah, Arvoh Mensah and Dzigba & Associates, for completing all course modules in record time.

Cynthia Lumor, Deputy Managing Director of Tullow Ghana, emphasised a commitment to ensuring local supplier development in the industry through various development 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.”



Success Story: Jubilee South-East Project

The Jubilee South-East (JSE) project was sanctioned by Tullow Ghana and partners two years ago as an expansion to the Greater Jubilee Field production area.

It formed part of the strategic targets in the plan by Tullow and partners to maximise recovery of resources from its Ghana assets through the delivery of the Ghana Value Maximisation Plan (GVMP). This plan entails an investment of over \$5 billion for the period 2021–2030.

The project has led to increased oil production beyond 100,000 barrels per day from the Jubilee field, a significant achievement that has elevated Ghana's status as a strategic oil-producing country in West Africa.

What is more significant about the project was the demonstration of world-class local technical competence contracted by Tullow in the delivery of the JSE project. The level of local contracting for this project reflects Tullow's

commitment to developing local capacity and participation. Effective partnership with local suppliers was on great display during the project, including the delivery of some of the complex subsea infrastructure fabricated right here in Ghana by Orsam at their facility in Takoradi.

As is typical for a huge expansion project like this, sourcing and execution centres for this project included centres across Europe, America and Africa. However, all the primary subsea fabrication structures were undertaken at Orsam's facility in Takoradi, with over 1,000 metric tonnes of steel being fabricated for the project. Additionally, close to 90% of the JSE project's human resource were Ghanaians – a true local content success story in action.

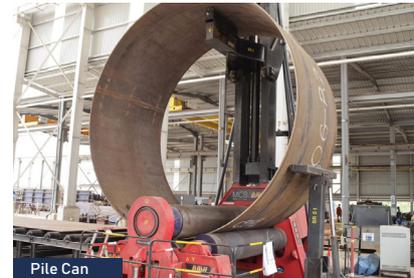
Below are some of the key subsea infrastructure fabricated in Ghana for the first time.



P6 Manifold



Water Injection Pile



Pile Can

Supplier Success Story: Wayoe Engineering and Construction

Wayoe Engineering and Construction Limited (WEC) was founded in 2000 to provide significant project support for the mining sector. Later, the company ventured into the oil and gas sector, taking on key onshore fabrication projects.

A significant milestone was reached in 2019 when WEC secured an offshore and onshore maintenance contract with MODEC and Tullow. The company is the first Indigenous company to provide support on the MV21 project undertaken by MODEC for Tullow. WEC's partnership with Tullow has led to several unique employment opportunities for several Ghanaians.

Currently, WEC employs more than 50 employees, with 7 graduates, 3 Engineers and 4 Workshop Assistants working specifically on Tullow-related activities.

The partnership with Tullow has also enhanced the quality of work Wayoe provides – it recently acquired a state-of-the-art CNC machine valued at \$15m – to transform its operations.

WEC also plays a critical role in Tullow's new quality assurance system deployment; an experience that underscores the value of partnerships.

WEC considers its association with Tullow as pivotal to its expansion and growth. The partnership has also created numerous opportunities with reputable EPC oil and gas contractors in the sub-region, including TechnipFMC, Subsea 7, Trendsetter, Saipem and Sapura.



Ethics & Compliance (E&C) Corner

The focus of an Ethics & Compliance (“E&C”) function can vary from company to company. At a minimum, E&C professionals are responsible for (i) the development of a company code of conduct and related internal controls, (ii) conduct assessments of actual or potential E&C risks that are relevant to the company, (iii) implement systems, controls and related training to protect the company from such E&C risks, and (iv) perform assurance checks, monitoring and/or audits to determine if the controls are working and where improvement may be required.

At Tullow, the E&C function examines the risk of a variety of financial crimes that can be present in the industry or where it operates, including compliance with: (i) anti-bribery and corruption laws, (ii) sanctions and economic restrictions (such as those imposed by the UK, US, EU and UN), (iii) anti-modern slavery laws (such as those addressing human rights and labour conditions due diligence requirements in our supply chain), (iv) anti-tax evasion laws (e.g. requiring that we do not fail to prevent the facilitation of tax evasion from our suppliers

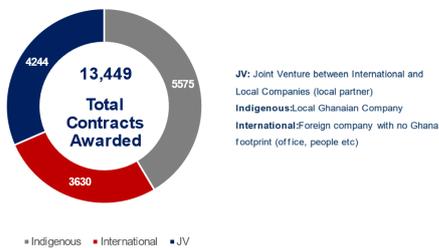
acting on our behalf), and (v) anti-money laundering and other financial crimes.

One new development in the E&C space is a forthcoming UK law that will require Tullow to ensure that the company does not fail to prevent fraud, brought under the UK Economic Crime and Corporate Transparency Bill. This will improve fraud prevention and protect victims. Whilst there are some existing powers to fine and prosecute organisations and their employees for fraud, the new offence will strengthen these, closing loopholes that have allowed organisations to avoid prosecution in the past. Under the new offence a company will be liable where a specified fraud offence is committed by an employee or agent, if it is established that the company had no fraud prevention procedures in place. It does not need to be demonstrated that company bosses ordered or knew about the fraud.” (gov.uk).

Tullow has been revisiting and strengthening its internal controls in preparation for this new law (expected to be implemented next year).

Contract Awards by Supplier Classification (2015 – June 2023)

Total contracts awarded



Monitoring local content performance for Tier 1 suppliers (Half Year 2022)

- 45 companies reported on 48 contracts. 100% reporting compliance rate recorded.
- 74% (\$69.6m) of total spend (93.3m) with indigenous companies.
- 14% (\$12.6m) of total spend (\$93.3m) with JVs
- 83% (892) of total number of employees (1,073) are Ghanaian nationals.
- \$532k spent on training Ghanaian nationals.
- 32k hours expended on training Ghanaian nationals.
- \$2.05m spent on legal, insurance and banking services in-country.
- \$3.22m spent on physical assets, facilities and machinery.
- \$0.27m spent on education, enterprise development, health.

Note:
Tier 1 suppliers have contracts of value above \$5m. This report captures local spend by 45 Tier 1 suppliers. 80% of TGL spend is with our top 20 Tier 1 suppliers.

Upcoming Events & Plans 2023

- Quarterly procurement plans
- Supply chain academy
- Mentorship programs
- Pre-tender seminars
- Business round table discussions
- Quarterly newsletters
- Quarterly market day
- Closing the gap seminars

We welcome your feedback and inputs on new topics you would like to see covered in subsequent editions.

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