

SUPPLY CHAIN NEWSLETTER

Tullow Ghana Quarterly Newsletter | 2nd Edition | March, 2023

Message from Head of Procurement



2022 was a year of transformation for the supply chain function. We started off by rationalizing the organization to make our supply chain more structured, lean and agile by consolidating our wells and projects procurement activities into a single robust capital

procurement category. We also supported the successful transition of multiple contracts as part of the KNK transformation initiative, which in itself was a big task.

As part of the KNK transformation, we implemented a standard operating procedure to govern our interaction with our stakeholders (internal and external) and listened to the feedback from our stakeholders including the Petroleum Commission and the supplier community to drive continuous improvement in our processes. We also updated our Group Contracting and Procurement Procedures (GCPP) to align with global best practices.

In 2022, we achieved greater transparency by awarding more contracts to local and JV companies, introducing the supplier mentorship program through which we trained 97 indigenous companies and onboarded an additional 90 companies onto our Supply Chain Academy Programme, and identified two additional business sectors (fabrication scopes and blending & testing of wells) to be considered for indigenization over the next two years. In the process, we won two local content awards of the year for our contribution to local content development in Ghana.

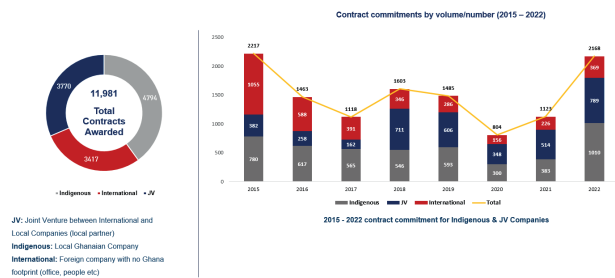
The chart in the next column shows our progress on contract commitment from 2015 to date for indigenous and JV companies.

2023 is a year of implementation and stability. We started the transformation journey in 2022. We will now implement and embed the identified initiatives into the DNA of our supply chain function.

Our objectives for this year include digitizing our processes to enhance collaboration and efficiency, implementing the Supplier Management Framework for effective supplier management, simplifying our operations procurement activities while focusing on cost and efficiency and implementing initiatives to support Tullow's Net Zero plans.

Sincerely,
Atul Sahay

Contract commitments by volume/number (2015 – 2022)



Event: Pre-tender workshop Crane & Forklift Services and Well Drilling Tools



Tullow Ghana held its first in a series of webinar workshops for 2023 on Crane & Forklift Services and Well Drilling Tools on 14th March 2023, in collaboration with the Petroleum Commission (PC) under the Tullow Ghana / PC Business Academy Partnership.

Director for Local Content at the PC, Mr. Kweku Boateng commended Tullow Ghana for its partnership and urged the over 85 participants to leverage on the session to understand all requirements needed for participation in the bidding for Crane, Forklift and Well Drilling service bids.

Tullow Oil's Head of Procurement, Atul Sahay emphasized that the development of local capacity remains an important component of Tullow's strategy and has been an instructive means for Tullow to consistently increase and sustain indigenous participation in its operations. He deemed the workshop exceptional based on the cross-functional approach used in its delivery and wished the participants and presenters good deliberation.

Educational Feature: TGL Operations



Tullow Ghana is operator for the Jubilee and TEN fields in Ghana, with two producing Floating Production Storage and Offloading (FPSO) Vessels: FPSO Kwame Nkrumah and FPSO John Evans Atta Mills. FPSOs are comparable to a chemical processing plant with tanker storage capabilities to process and store extracted hydrocarbons.

Production Operations is a key function of Tullow Ghana's Business and a big contributor to Tullow Oil's revenue stream. We therefore rely on the best-in-class specialists and non-specialists to supply goods and services for the operation of the Jubilee and TEN Fields.

We partner with local businesses to achieve operational excellence in services ranging from technical expertise in support of the FPSO facilities to delivering supplies.

Our objective is to meet operational excellence through:

- Safe and sustainable production operations;
- Adherence to international standards (safety, ethics, contracts);
- Continued cost optimization and rationalization;
- Ghana Oil & Gas industry capacity building.

Our engagements with local businesses to build capability and meet international standards have led to the widening of indigenous contractor pool and skillsets needed for the oil and gas industry. In the last year, our move to take over the operations and maintenance of the FPSO Kwame Nkrumah in the Jubilee field yielded the following key successes:

1. Doubling in spend on local vendors across 65 core contracts (operations, logistics, EHS);
2. 20% cost savings from contract negotiations and direct buying; and
3. Cross category rationalization to avoid overlapping contracts.

We have also achieved huge success with the ongoing Benthic Survey in the first quarter of 2023, which has 90% indigenous service and joint venture companies' participation, providing essential support for the survey.

We continue to invite our local suppliers and contractors to work with us to advance delivery of safe and prosperous operations in Ghana.

There is a place for everyone. Visit our website www.tullowoil.com or attend scheduled supplier development sessions this year to learn more.

Event: Supplier Market Day 2023

Tullow Ghana Limited held the first of its 2023 quarterly "Tullow Supplier Market Day" on 22nd February 2023 at the Fiesta Royale Hotel in Dzorwulu.

Opening the event, Managing Director for Tullow Ghana, Wissam Al-Monthiry said suppliers play a very important part in Tullow Ghana's business success. He said, "at Tullow, we view our suppliers as partners to the success of our business and our collective combined existence." He further noted that it is Tullow's goal to help develop the supplier community in Ghana and ensure that as many suppliers as possible get contracts with Tullow and other companies in the oil and gas industry in Ghana.

To this end, Tullow will ensure that it maintains and enhances its relationship with the supplier community through innovative engagements such as the supplier market day. He assured participants that Tullow will continue to create the right channels for feedback in order to improve its support to the supplier community.

A total of 160 suppliers attended the event and witnessed in real time, the contract awarding process as demonstrated by the Tullow role play. The supply chain team acted out various scenarios from a typical contract awarding process to give participants a good view of how contract evaluations and decisions are made. The role play covered all the stages of the contracting process including planning, sourcing, evaluation contract award recommendation.

One of the critical lessons emphasised by the Tullow Supply Chain team was that low prices do not guarantee winning a bid. In their role play, the winner of the bid was one who had a high price as compared to other bidders, but with the requisite capacity and disposition to deliver on the contract. The quarterly Supplier Market Day aims at strengthening Tullow's relationship with the supplier community and boosting the participation of indigenous Ghanaian and Joint Venture suppliers in the procurement processes.



Supplier Success Story: Expro Oilfield Services

Expro Oilfield Services Ghana Ltd (Expro) was legally registered as a joint venture company under the petroleum regulation for oil and gas companies in Ghana in 2015. The company is jointly owned by Expro Gulf Limited, the foreign partner and S.A.&M. Ghana Limited the indigenous partner and replaced Expro Gulf Ghana limited which had been a long-standing partner to Tullow Ghana Limited (TGL) in the exploration and development of the Jubilee field.

Through continuous commitment to improve service delivery, Expro has modified its Takoradi facility to ensure sustained high quality and safe service delivery standards as required for deep-water operations. This has further opened Expro's capacity and capabilities to engage and accommodate other business opportunity to grow the business while delivering superior service to TGL. Following the company's success with its ground-breaking contract with TGL in 2008 to provide Electro-Hydraulic Controlled Subsea Landing string service, Expro has remained committed to supporting the development of Ghana's petroleum industry by providing high quality services and infrastructure that meets the demands of the Ghanaian Deepwater Oil Industry.

With support from TGL and a high interest in local content development, Expro's investment decisions have and continue to improve local technical capacity through structured training and increased utilisation of local suppliers and materials. At the end of 2022, Expro expended over \$40,000 in training personnel and suppliers and more than \$1.5m on local goods and services - exemplary of its commitment to local content development. Expro's staff strength continues to grow in the right trajectory with an overall local headcount of 79%, 57% at management level, and 67% at field technical personnel level.

In pursuit of quality service delivery to TGL, Expro has achieved API Q2 certification for quality management systems and superior execution of services to minimize the likelihood of nonconformity. This was initially a compliance requirement, but Expro went above and beyond to demonstrate its commitment to TGL's service expectation by attaining this certification.



Supplier Success Story: ENSOL



The idea for setting up Ensol Energy Ghana was originally conceived in 2014, however, the company was eventually incorporated in 2018 as a wholly Ghanaian owned company licensed by the Petroleum Commission of Ghana to provide integrated engineering services including drilling and production services, integrity testing and inspection services for the oil and gas industry in Ghana.

As a late entrant in the industry, Ensol recognized the important factors crucial for its survival and eventual growth such as understanding the industry and its dynamics, developing a niche market, leveraging resources and networks of affiliate companies and focusing on building technical capacity (track record) in the short to medium term.

To address these gaps, management of Ensol, embarked on a market study to better appreciate the opportunities that existed especially in areas that were least explored by local companies. They further went on to participate in most vendor/supplier engagement events organised by Tullow Ghana in collaboration with Petroleum Commission, Invest In Africa or any other training organisation with the view of obtaining first-hand information and understanding the requirements for opportunities. These learnings have been very instrumental in Ensol's growth.

The game changer for Ensol was the Covid 19 pandemic. It severely impacted Ensol's businesses and brought hardships, with the fall of oil prices. Nonetheless, it was during this period that management saw an opportunity to build local capability in core technical areas to service the oil and gas industry in Ghana, which hitherto was serviced by international companies whose operations were affected by border closures. At this point, local content and local capacity development was no longer a moral or business case, it became a matter of survival of the oil and gas industry in Ghana.

Consequently, in 2020 and 2021 Ensol Energy made some strategic investment decisions in order to reposition the business for the emerging opportunities by incorporating other units to provide bespoke engineering solutions and acquiring Southey Contracting Ltd (SCL) to provide asset integrity management and corrosion protection service industry.

While Ensol faced challenges with eligibility to compete for Specialty Chemical Management contracts, their biggest comfort came with the decision by the Petroleum Commission and two major Operators (Tullow Ghana Ltd and Eni E&P) to reserve the commodity chemical supply for indigenous Ghanaian Companies (IGCs). Ensols current contract with Tullow Ghana is its first directly with TGL, and the first time a fully indigenous Ghanaian company would be executing the commodity chemical contract for Tullow Ghana. The stakes are very high. The scope requires diligence, adherence to high HSEQ standards and continuous investment in human resources and technical competence. Ensol has enjoyed tremendous support TGL till date offering the needed support to help settle into the role.

In the Spot Light: Operations Procurement with Cosmos Afagachie



Ghana FPSO operations are a 24/7 endeavour, whether that be crewing the FPSOs with the necessary skilled workforce or the regular supply of equipment, materials, consumables and even food. Operational Procurement has a significant part to play

in the operational success by ensuring fit for purpose contracts are in place to support FPSO operations.

Following the contracting of all KNK O&M services, we now hold ~70 core contracts covering FPSO operations, maintenance, inspections, marine, aviation, onshore logistics, leases, and some EHS contracts. A small team of skilled Contracts Advisors and Procurement Specialist oversee the effective management and administration of these agreements primarily from the Accra office in Ghana.

Over the course of 2023, a number of contracts will need

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

- 47 companies reported on 53 contracts. 100% reporting compliance rate recorded.
- 71% (\$77.7m) of total spend (109m) with indigenous companies.
- 12% (\$13.1m) of total spend (\$109m) with JVs
- 80% (736) of total number of employees (924) are Ghanaian nationals.
- \$1.1m spent on training Ghanaian nationals.
- 62k hours expended on training Ghanaian nationals.
- \$5.6m spent on legal, insurance and banking services in-country.
- \$7.2m spent on physical assets, facilities and machinery.
- \$1.7m spent on education, enterprise devt, health.

1. Tier 1 suppliers have contracts of value above \$5m. This report captures local spend by 47 Tier 1 suppliers.
2. 80% of TGL spend is with our top 20 Tier 1 suppliers.

some degree of intervention as contracts come to their natural end. Some of these contracts are already well advanced, for instance in the aviation sector and in the marine sector. Other contracts will be addressed later in the year including onshore logistics support.

In keeping with our desire to ensure full transparency, we will engage the supply market to obtain potential bidders in advance of commencing any competitive tender process. We do this through several routes: Tullow's own market knowledge and our own database, inputs from the Joint Venture Partners, a detailed list from the Petroleum Commission, and expressions of interest from Invest in Africa. If you are interested in becoming a supplier to Tullow you can register your interest under the dedicated suppliers page of Tullow website: www.tulloil.com/suppliers/

We have also published 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 2023 Procurement Forecast / Outlook

Upcoming Events & Plans for 2023

- Quarterly Procurement Plans
- Supply Chain Academy
- Mentorship Programs
- Pre-Tender Seminars
- 2023 Procurement Plan
- Biz to Biz Round Table Discussions
- Quarterly Market Day
- Closing the Gap Seminars

<https://www.tulloil.com/suppliers/supply-chain-opportunities/>

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