



LOCAL CONTENT DEVELOPMENT PLAN

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EXECUTIVE SUMMARY

Many oil and gas producing states are introducing requirements for 'local content' into their regulatory frameworks. These requirements aim to create jobs, promote enterprise development and accelerate the transfer of skills and technologies. Local content has therefore become a strategic issue for the oil and gas industry—presenting both challenges and opportunities.

For this reason SGS as part of operations in Ghana will seek to add value through:

- Workforce Development
- Employment of local workforce
- Training of local workforce
- Investment in supplier development
- Developing supplies and services locally
- Procuring supplies and services locally.

We acknowledge that for some of the services it is not yet practical for execution to be completed in Ghana due to the fairly young oil and gas industry in-country; however, this is expected to develop very fast due to the initiative of local content to which SGS is committed.

PREAMBLE

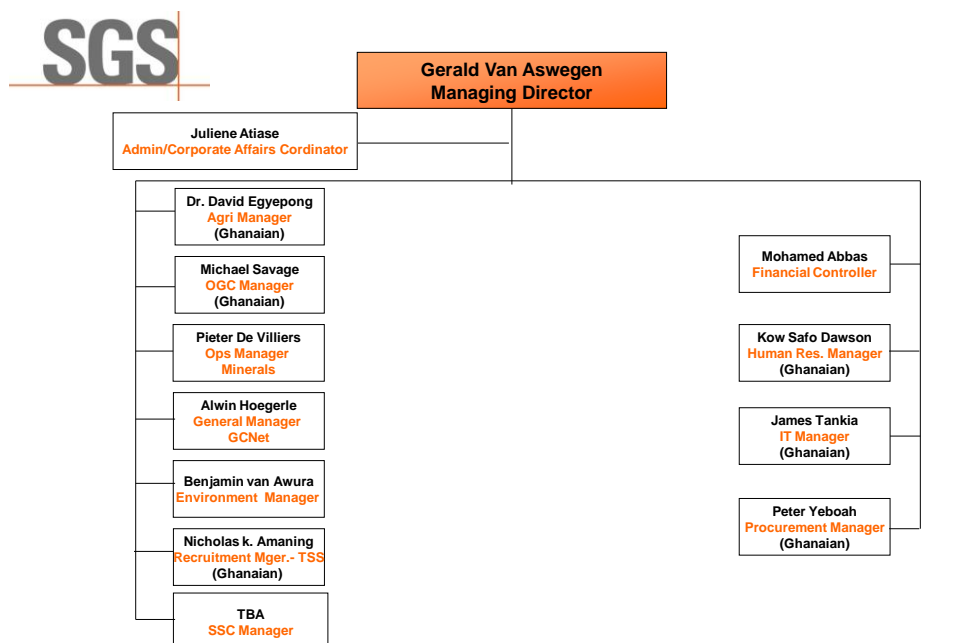
The adoption of local content has long been established within the SGS Group supply chain system in general and Ghana in particular. Local firm's participation in the supply chain, with strengthened capacity to compete is crucial.

In this plan, we will mention both what we have done in the past and what we plan to do in order to enhance the local content in our operations and this contract in particular.

1. COMPANY INFORMATION

SGS has been in Ghana since 1960 and SGS Inspection and Testing Services Limited (ITS) being one of its affiliates has been operational since 2006. With this particular project, the affiliate ITS, will be involved in project management and liaison with other group affiliates. The organogram below indicates key Ghanaian personnel who will be involved in this project.

Local Content Organogram



2. MARKET INTELLIGENCE

As we already do in other divisions of our company, we scan the markets to identify local suppliers that can meet our needs. Companies such as Afrique Atlantic, Golvic Ventures, Joe's Kitchen, When logistics and Juscarl Enterprise are evidence that our business thrives on the support of local suppliers, whose supplies are also re-shipped to neighbouring affiliates to support their operations. For example with regards to hospitality services, the following hotels and catering providers are utilised:

- Best Western Premier Hotel
- Hotel de Hilda in Tarkwa
- Relax Court
- Atlantic View hotel in Takoradi

For airline and ticketing services, our preferred service provider over the years, has been Stellar Travel & Tours, while a number of local services providers are utilised. We subcontract draft survey works to Ben Marine Services in Takoradi and for Civil and Construction works use Pakons Construction.

All the local services providers we are utilising will be maintained, unless that service is not being currently utilised, then a new local supplier will be sourced based on tender.

3. FACILITIES AND CAPITAL INVESTMENT

Currently the facilities and assets listed below will provide the needed infrastructure to support the execution of this contract:

4. A head office in Accra
 - Operations office and a yard in Tema
 - A commercial lab in Tarkwa and an office in Takoradi
 - Fuel marking office in all the OMCs in Ghana
 - Operate Geochem laboratories for Goldfields in Damang, Anglogold in Obuasi and Newmont at both Akyem and Kenyasi
 - ISO 17025 certified Environmental laboratory in Tema
 - Forensic Oil laboratory in Tema for the national Fuel marking Project
 - An integrated IT infrastructure with a WAN connecting the head office and all other offices and laboratories
 - Various capital assets to support this operations
 - Our Environmental Services division currently provides services (noise survey, routine potable water samples, stack emission and reporting on 3 above) on FPSO Kwame Nkrumah.
 - Electronic Cargo trucking facilities for Total Ghana's loading bays within Ghana.

The preceding notwithstanding, any additional specific asset and equipment/infrastructure that may be needed for effective execution of this contract will be evaluated and procured accordingly. Capital investment will be made in Ghana to purchase NDT equipment where needed, office equipment such as computers, printers, digital cameras etc will be sourced locally.

5. EMPLOYMENT AND PROGRESSION OF NATIONALS

The first three purpose as stated in L.I. 2204 states among others the following;

promote the maximisation of value-addition and job creation through the use of local expertise, goods and services, businesses and financing in the petroleum industry value chain and their retention in the country;

develop local capacities in the petroleum industry value chain through education, skills transfer and expertise development, transfer of technology and know-how and active research and development programmes;

achieve the minimum local employment level and in-country spend for the provision of the goods and services in the petroleum industry value chain as specified in the First Schedule;

In pursuant of the above SGS operations in Ghana and adopted and implementing the following policies and programs to ensure full compliance with the above stated regulations and our Corporate Policies.

6. Recruitment

The above policy goal is in line with the employment policy of the SGS Group; priority is always given to locally qualified personnel.

This employment policy has been implemented to the delight of our clients. An example with one of our clients where 100% of technicians required for their Ahafo, Damang, fuel marking and Akyem projects are Ghanaians and are from the respective local communities.

The Petroleum (local content and local participation) regulation of 2013 (L.I. 2204) stipulate that the following are the local content levels that are to be attained

Item	Start	5 years	10 years
Management	30%	50% - 60%	70% - 80%
Technical	20%	50% - 60%	70% - 80%
Other Staff	80%	90%	100%

For us in SGS before the advent of National discussions on the need for local content, we had started our own module to ensure the achievement of the purpose and focus of local content intentions. This has resulted in the figures below as the constitution of our staff numbers as at end of December 2014;

Employee Category	Expatriate	Locals
Management Team	40%	60%
Staff	0.89%	99.11%
Total Employees	2.83%	97.17%

It is our plan to follow its quest of consistently out performing this requirement by L.I. 2204. To this effect SGS operations will seek to engage qualified Ghanaian with the required trainee, experience and attitude and to train such employee to become the best in class.

7. Career Path

Career path programs are in place for all staff trained and developed under our TMP and Academy programs for the development of all such staff as it is our Corporate policy and practise. Among the nine top management team as indicated on the organogram above, only four (including the MD) are expatriate whiles the remaining five are local who have been developed through the organization. We have in the past shown evidence of giving opportunities to Ghanaians to rise up in the management ladder in Ghana and in other countries. Currently, we have three Ghanaians working in Kenya, Tanzania and Liberia as financial controllers and three other Ghanaians working as country managers for Congo, Tanzania and Zambia. There are several Ghanaians who have been given opportunity to be part of the Management teams for our operations in West Africa and Africa as a whole. This group initiative of giving opportunity to employees based on their knowledge, skill and performance will be adopted for this project.

8. Performance Review Program

We will adopt the Group Performance Management scheme and annual appraisal system of evaluating the employee performance and behaviour. There are definite criteria and selected behaviours defined by the Group that are used for the annual performance appraisal for which the above personnel (to mention but a few) underwent to be positioned/promoted to those portfolios. We are currently going through the process of implementing a e-performance evaluation program for all our employees.

9. DEVELOPMENT & TRAINING

We have managed an in-house Academy training program with a dedicated Local Manager who is a facilitator for the program. The Academy was developed basically to address the shortfall in local expertise for our laboratories within Ghana and other West African countries.

The Academy achieves knowledge and skills development using the following:

- On the job training
- Off the job training
- Computer-based training

All learning material is based on international standards and reviewed by Ron Graham, an ISO member.

The Academy program arranges with Ghanaian educational institutions (e.g. GIMPA) as and when their expertise is needed.

The scope of our Academy will be adopted in the development of the required knowledge and skills for this project.

We plan to use a similar model to achieve the development and training needs of the human capital for this project. This is particularly key to us based on the fact that the oil industry in Ghana is at its developing stage.

Our recently acquired company – TMP Ghana Limited – already has an on job training program in place at its workshop for artisans and fabricators. We have formalised the on job training in conjunction with facilitator of the Academy to support the training and development needs of this project.

Where the required competencies are not available locally, we will source expert competency mentorship from any of our affiliates worldwide to train and develop the local staff.

10. OTHER SERVICES PROVIDED

Our staff have been trained and retrained to provided reliabale services to our Client through the provision of the following services.

- Environmental Studies for FPSO Kwame Nkrumah for Tullow Ghana
- Logistics and Immigration support to team for HESS
- Fuel Marking for the National Petroleum Authority
- Electronic Cargo tracking for Total Ghana Limited
- Ship to ship cargo discharge for various client in Ghana.
- This we will leverage upon to achieve the responsibilities that will be assigned to us under the contract.



1 LOCAL SOURCING

SGS corporate policy on supplier development can greatly enhance the effectiveness of local procurement initiatives. This will be done by providing a mandate and guidance to the personnel responsible for procurement at the operational levels.

Our policy will continue to promote local content and would entail the modification of SGS's existing corporate procurement policy as tabled on pages



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STAGES OF THE PROCUREMENT CYCLE	POLICY
Specifications	<p>SGS will enhance the scope of the contract to be identified through:</p> <ul style="list-style-type: none">• Unbundling: Work packages may be split into smaller packages to be more in line with local capabilities and to encourage greater local competition.• Reservation: Identification of packages of work that are within the capabilities of local enterprises (potentially as a result of unbundling larger contracts).
Tendering	<ul style="list-style-type: none">• Longer Lead Time: SGS will ensure that tender opportunities will be communicated in advance to potential tenderers to allow local suppliers to target pieces of work for which they have existing capability and to invest in building the capability to deliver future work.• Announcements: SGS will announce tender opportunities in a way that ensure that local enterprises will be aware of the opportunity (e.g. use local language wherever possible).• Tender workshops: In addition we will educate prospective bidders about the process, company's requirements and performance standards.
Bid evaluation	<ul style="list-style-type: none">• General Preferencing: A local bidder may be selected when it is relatively close to other competitors on quality and price.• Price Preferencing: Local bidders will have the preference figure discounted from their tender price. (In evaluation of tenders if a local firm's bid is 10% higher than a foreign bid, the local firms tender will be selected). This will provide a price advantage against outside competitors.• SGS will also give Feedback to unsuccessful bidders: This will enable local firms to improve and also can lessen potential grievances on the part of unsuccessful bidders.
Contract	<ul style="list-style-type: none">• Simplified contracts: SGS will include basic components that are simpler, with fewer options, and written in plain language.• Longer contract periods that allow firms to spread capital or fixed costs over a longer period.• Payment terms: SGS will introduce a more frequent payment milestones, shorter durations and, in some instances, upfront assistance to help with purchases of materials.

**2 SUPPORT TO GHANAIAAN SUPPLIERS AND SUBCONTRACTORS**

STAGES OF THE PROCUREMENT CYCLE	POLICY
SUPPORT TO GHANAIAAN SUPPLIERS & SUBCONTRACTORS	<p>Training And Competency Development</p> <p>SGS will institute strategies for ensuring training and competency developments of local enterprises by:</p> <ul style="list-style-type: none">• Mandatory Requirements: Obligatory employment of local enterprises or workers.• Incentives: Incorporating advantages for local content within tender evaluation criteria. This may also include leveraging the knowledge and capabilities of large contractors to develop effective local content delivery strategies.• Joint Ventures and Alliances: Local firms shall receive significant capacity development benefits through working as a partner or subcontractor with an international firm.• Coordination and information sharing: Facilitating relationships between large contractors and local firms through communications and special events.
Approach	<p>SGS will institute measures that shall promote the use of local workers and subcontractors. These activities will be conducted through a detailed analysis of the proposed scope of work and the potential for local capabilities to deliver elements within the scope by:</p> <ul style="list-style-type: none">• Local workforce or procurement policies tied to delivery of contracts• Local worker roles and responsibilities shall be specified for local employment• Incentives for joint ventures with local firms will be captured.• Unbundling/Reservation• Use of Dedicated Local Procurement Systems shall be mandated in situations where the contractor needs to conduct its own procurement activities• Training and Skills Development for local workers or subcontractors will be specified as well as Local Content KPIs.
Tendering	<ul style="list-style-type: none">• Local Supplier Databases can be shared between clients and tendering organizations to help develop realistic local content strategies and to begin establishing relationships.• 'Matching' Events and Trade Fairs can establish contacts between primary contractors and local firms.• Ring-fencing of budgets for local content related activities (e.g. subcontractor training), where appropriate.



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STAGES OF THE PROCUREMENT CYCLE	POLICY
Bid Evaluation	<ul style="list-style-type: none">• Evaluation Criterion: The tender may explicitly identify performance against local content requirements as an important criterion in tender evaluation (similar to this particular tender we are responding to).
Contract	<ul style="list-style-type: none">• Client Modification Flexibility helps to broaden the contract scope and so can achieve greater local content— particularly in the longer term.• A Favourable Subcontracting Environment results from regulating the type of contract which a lead contractor is permitted to use in the engagement of a targeted local enterprise and by providing for secured payment.
Performance Monitoring	<ul style="list-style-type: none">• KPIs: Performance on local content requirements should be included as primary contract KPIs.• Budget Security: Budget lines for local content activities should be ring-fenced.



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SECTOR	SUPPLY OPPORTUNITIES
General Services	<ul style="list-style-type: none"> Accommodation e.g. <i>Bestwestern Premier</i> Basic professional services (e.g. legal and accounting) e.g. <i>Sylvia Cudjoe & Associates & AAK Consulting</i> Catering e.g. <i>Joe's Kitchen</i> Cleaning and laundry services e.g. <i>RDM Services</i> Landscaping and gardening e.g. <i>RDM Services</i> Logistics and warehousing e.g. <i>Verhad Logistics, Imago Logistics</i> Mailing and courier services e.g. <i>Ghana Post</i> Personnel agencies e.g. <i>L'aine Recruitment Services</i> Pest control e.g. <i>Jem Intercontinental Services</i> Printing and photography e.g. <i>Tudon Ventures</i> Translation services e.g. <i>School of Translators Ghana</i> Transportation services e.g. <i>When Logistics, Pega Transport</i>
Construction and Trades	<ul style="list-style-type: none"> Air-conditioning maintenance e.g. <i>Juscarl Aircon. Serv.</i> Carpeting and floor coverings e.g. <i>Pakons Const</i> Simple mechanical maintenance e.g. <i>Solar Engineering</i> Fencing and paving e.g. <i>Pakons Const.</i> Telecommunications and data systems e.g. <i>IPMC, Comsys Gh. Ltd.</i> Waste recycling and management e.g. <i>Zoom lion</i> Road marking and signage e.g. <i>Pakons Const.</i> Roofing and waterproofing e.g. <i>Pakons Const.</i> Sewerage and drainage e.g. <i>Major Baah Plumbing Works</i> Painting and corrosion protection e.g. <i>Pakons Const</i> Small vehicle maintenance e.g. <i>Lasquat Services</i>
Goods (wholesale, distribution, manufacture)	<ul style="list-style-type: none"> Appliances and electrical goods e.g. <i>Transvision</i> Automotive parts e.g. <i>Solar Eng.</i> Cleaning supplies e.g. <i>RDM Services</i> Construction supplies and hardware e.g. <i>Pakons Const.</i> Food supplies e.g. <i>Joe's Kitchen</i> Furniture and fixtures e.g. <i>Agorwu Furniture, Furnart Company Ltd.</i> Fuels, lubes and greases <i>Total Petroluem Ghana</i> Machined tools and spare parts e.g. <i>Kemper Engineering Ent</i> Office equipment and stationery e.g. <i>Kingdom Books & Stationery</i> Small motor vehicles e.g. <i>Japan Motors, Ghamot</i> Uniforms e.g. <i>Lindsey Clothing</i>

