

APPENDIX No. 5

TO

SCOPE OF WORK

AkerBP MATERIALS MANAGEMENT

1. SCOPE

This Appendix contains requirements for Material Management of COMPANY owned equipment being in the custody of CONTRACTOR. The procedure includes, but is not limited to:

- Storage
- Reporting
- Preservation
- Management

CONTRACTOR shall follow COMPANY's requirements herein for storage, preservation, management and reporting of COMPANY owned equipment (EQUIPMENT) as described herein. COMPANY and CONTRACTOR may agree on using CONTRACTOR's existing procedure, if approved by COMPANY's equipment/material owning discipline.

2. STORAGE FACILITIES

Storage facilities must be efficiently laid out in a manner which optimises the storing of all types of materials, while providing space for work processes and the safe efficient flow of materials, equipment and personnel.

Indoor storage facilities should be secure, protected from weather, clean and laid out in a manner which optimises space by use of racking, bins, floors space as appropriate.

Outdoor storage yards must be secure, level and stable in an area free of standing water. No material should be in direct contact with the ground, thus utilisation of dunnage/pallets is critical.

Classification of storage types (as defined below) should be determined from Manufacturer recommendations and must be included in CONTRACTOR's procedures.

2.1 Types of Storage

Unless otherwise approved by COMPANY, equipment and materials shall be stored in accordance to the classifications denoted per Table 1 below including notes 1-3.

Table 1

Type 1	Indoors/Controlled Atmosphere: Appropriate for equipment which must be humidity/temperature-controlled in a largely dust-free environment. Electrical power will be required for operating HVAC, energizing space heaters in motors, control panels, or for other preservation-related purposes.
Type 2	Indoors: Appropriate for all other equipment which requires internal storage.

Type 3	<p>Outdoors/Yard:</p> <p>Appropriate for equipment and bulk materials which do not require indoor storage according to Manufacturer's guidelines and/or CONTRACTOR's documented process.</p> <p>Storage procedures shall be followed such that no degradation occurs which may impact the serviceability of equipment. Therefore protective coverings should be utilized as and when required to protect against this.</p>
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Note1: Storage Facilities shall be fully accessible to COMPANY for observing and monitoring preservation activities, to investigate damage claims, and other purposes as required to assure the condition and maintenance of condition.

Note 2: The use of temporary buildings and enclosures for COMPANY owned equipment shall be approved by COMPANY prior to use. Use of such temporary buildings shall not deprive CONTRACTORS responsibility for the quality and integrity of the storage facilities.

Note 3: All COMPANY inventory shall be properly marked with a minimum of COMPANY logo, COMPANY Material number, CONTRACTOR partnumber and short material description.

Note 4: If any storage cost is agreed in contract, this shall be calculated based on square metres utilization. COMPANY expect CONTRACTOR to utilize available storage areas in the most cost effective manner.

Example:

Storage description	Area	Rate	Period (day/mnth/year)
Indoor heated	M ²		
Indoor cold	M ²		
Outside	M ²		
Monthly storage fee (incl outdoor and indoor) if applicable			

Note 5: Note1: Storage Facilities shall be fully accessible to COMPANY for observing, monitoring or conduct inventory counts.

3. MATERIALS MANAGEMENT

3.1 Inventory Materials

a) Issue Requests

Operation requirements for material and equipment shall be issued from COMPANY owned inventory upon COMPANY's representative approval.

b) New Purchases

As a result of issues, write offs or simply due to an increased demand trend, COMPANY may require CONTRACTOR to 'replenish' or purchase new COMPANY stock at CONTRACTOR premises. Such purchases will be subject of a formal purchase order to CONTRACTOR to supply.

c) Returns

From time to time COMPANY installations will backload inventory to CONTRACTOR for return to COMPANY stock. In all cases, items should be stored in the appropriate bin/racking location with the accompanying paperwork.

d) Stock Checking / Cycle Counts

COMPANY requires CONTRACTORS to conduct cyclical checks of volume of COMPANY owned inventory so that all items are checked at least once per annum.

Should COMPANY wish to participate in, or conduct a separate stock count, this shall be scheduled and agreed by both parties.

On completion of stock counts, CONTRACTOR shall report results back to COMPANY, including all deviations on quantity and inventory condition. Reported findings will be reviewed by COMPANY. CONTRACTOR shall provide sufficient documentation and proof of traceability to account for the deviation findings.

Note : COMPANY Materials Management Team will undertake periodic 'spot checks' or initiate a complete cycle count scheme at CONTRACTOR premises to assure themselves that activity is being undertaken.

3.2 Customs Control

CONTRACTOR shall be responsible for and shall take all necessary actions towards governmental authorities (Customs, etc.) to ensure compliance with all laws and regulations, including without limitation Norwegian customs laws, applicable for CONTRACTOR's storage of COMPANY material(s) at CONTRACTOR's warehouse.

4. Preservation

4.1 CONTRACTOR Responsibility

- a) In lack of COMPANY preservation requirements, CONTRACTOR shall be responsible for developing preservation procedures, in accordance with Manufacturer's guidelines where existing, to be implemented at CONTRACTOR premises for protection and preservation of COMPANY owned equipment and systems from damage and deterioration.
- b) The procedures shall document the requirements for initial preparation as well as subsequent activities required to protect equipment and systems, and shall be approved by COMPANY prior to implementation. Any conflicts between COMPANY and CONTRACTOR requirements shall be brought to the COMPANY's attention for resolution prior to issuance.
- c) CONTRACTOR shall prepare and execute a Storage and Preservation Plan which is subject to COMPANY written approval. This plan shall incorporate the equipment storage and preservation recommendations and requirements, as well as any required site or activity-specific requirements.
- d) CONTRACTOR shall, upon receipt of COMPANY-provided items, inspect and attest to its condition and delivery in the correct state of preservation.
- e) CONTRACTOR shall immediately notify COMPANY in writing of any defective, damaged, non-conforming items.
- f) CONTRACTOR shall at all times ensure that all property, which is owned by COMPANY and stored by CONTRACTOR pursuant to this CONTRACT, is stored to the standards, and in the manner, required by this CONTRACT and that such property, while it is being stored by CONTRACTOR, is not stolen, damaged, lost or allowed to deteriorate (except, in the case of deterioration only, to the extent that such deterioration is caused by CONTRACTOR complying with the instructions of COMPANY and / or COMPANY failing to respond to a request for instructions from CONTRACTOR). Notwithstanding any provision in this CONTRACT to the contrary, if CONTRACTOR is in breach of its obligations under this clause 4.1(f), CONTRACTOR shall at CONTRACTOR's own cost remedy or replace (as reasonably required by COMPANY) such property.
- g) CONTRACTOR shall, upon material receipt, affix required tags and/or placards to equipment to indicate the, identification (2.1-note 3), required preservation activities and provide a visual record of execution (6.2 a,b).
- h) Shall maintain documented auditable records of preservation activities in accordance with the developed procedure.

5. APPLICATION OF PRESERVATION AND PROTECTION

5.1 General Requirements

- a) Threaded connections shall be appropriately protected (e.g. composite plastic breathable type for premium connections, steel type for API type connections etc.).
- b) Chrome based materials shall be stored and protected in accordance with CONTRACTOR's procedures. These materials shall be stored inside and away from corrosive environments, including chloride and handled using non-metallic lifting appliances.
- c) Elastomers, including packers and seal elements, shall be stored inside in an environmentally controlled atmosphere in closed lightproof packets (complete with cure date and expiry date details) and protected against mechanical damage.
- d) Electro Static Discharge (ESD) :
All open circuit boards or any components with open circuits must follow the guidelines for ESD handling.
In areas where ESD material is handled without ESD protection, handling personnel must be connected with grounding wrist, approved shoes and floor protection.
All storage of ESD components shall be stored in ESD protective bags (black /NOT pink) and marked with ESD sealing label in dedicated warehouse areas.
Storage shelf's shall be protected with black rubber.
- e) The CONTRACTOR shall ensure that all sealing surfaces are protected against corrosion, impact and abrasion damage.
- f) All temporary corrosion protection fluids and greases shall be of a low sulphur type.

5.2 Damage Protection

- a) The internals of equipment as well as external exposed materials shall be protected.
- b) CONTRACTOR shall protect COMPANY equipment from possible damage due to the effects of the following:
 - Environmental conditions such as rain, snow, freezing, high humidity, fresh and salt water splashing, immersion, salt air, sunlight, and mildew.
 - Admission of construction debris (i.e. slag, dirt, trash, flushing water, shot blast, grit blasting, and paint overspray, etc.).
 - Rough handling, jolting, and impact, shall be prevented.

6. PRESERVATION DOCUMENTATION

6.1 Preservation Procedures

- a) Shall describe the preservation requirements from the time the equipment is in the control of the CONTRACTOR.
- b) Shall be prepared for all equipment, electrical and instrument items, piping, bulks, commodities, spare parts, etc.
- c) Shall specify the types of preservatives and other materials to be used.
- d) Shall ensure that where more than one CONTRACTOR is involved with a certain type of equipment, the preservation procedures adopted for this equipment are consistent for CONTRACTOR GROUP.

6.2 Preservation Records

a) Tags/Placards

- Shall be affixed to each item or pack upon completion of preservation routine.
- Shall list all preservation requirements and periodicities.
- Shall be durable and indelible in inclement weather and exposure to the elements.
- Shall be used by the preservation technicians to provide a visual record of the most recent date of preservation activity.
- Shall indicate materials/lubricant or other compounds used to preserve or lubricate.
- Shall be in a visible location.
- All items that have been internally preserved shall be tagged or marked. Tagging shall indicate the type of preservative used (for example, silica gel bags, oil filled, etc.).

b) Documentation/Database

- Shall be prepared and maintained from date of receipt of equipment until date of transfer of custody or shipment.
- Shall reflect all preservation requirements and periodicities.
- Shall be updated weekly or in accordance to the periodicities for specific, non-weekly activities.
- Shall be in a COMPANY approved electronic spreadsheet, database and/or paper format.
- Shall be made accessible to COMPANY as required for monitoring or review.
- Shall be provided as a record to COMPANY at time of transfer of custody or shipment.

c) Verification and Auditability of CONTRACTORS Preservation Activities and Documentation

- COMPANY is entitled to visit CONTRACTOR to review Preservation activities to ensure the preservation documentation matches with the condition of equipment.

7. REPORTING

CONTRACTOR shall provide COMPANY Material Management (e-mail : 3PInventory@akerbp.com) with a monthly report containing:

- a) COMPANY inventory at start and end of month, including movements performed in the same period. All movements of COMPANY inventory shall include details of CONTRACTOR partnumber, COMPANY partnumber, asset/well and quantities.
- b) Details of Storage & Preservation costs (as defined in Remuneration Section) for the preceding month, together with summary of all preservations activities undertaken in that month.

Section 1: Process for Issuing COMPANY Inventory

At the point where material is physically issued by CONTRACTOR (this may be full issue, part issue or inability to issue due to insufficient stock), the CONTRACTOR must notify 3PInventory@akerbp.com accordingly. COMPANY will update stock records in COMPANY'S ERP System as appropriate. CONTRACTOR personnel will report stock issues by providing sufficient information , including, but not limited to :

- a) CONTRACTORS part number
- b) COMPANY part number
- c) Material description
- d) Quantity issued
- e) Purpose of stock issue
- f) Company's representative requiring stock issue

Reporting/Information must be sent to 3PInventory@akerbp.com.

In cases where CONTRACTOR is unable to issue material due to insufficient stock, this will suggest a "discrepancy" between COMPANY'S Workmate records and CONTRACTOR's physical stock holding which will be investigated by COMPANY and subsequent actions taken to rectify records.

It is recognised, given the nature of COMPANY business, there may be instances where requirements are urgent (e.g. emergency situation or over a weekend period). **Only in these circumstances** can material be issued by the CONTRACTOR without immediate reporting of the transaction. The reporting must under these circumstances be complied during next working day by CONTRACTOR to 3PInventory@akerbp.com .

New Purchases

Upon goods delivery (goods receipt) of COMPANY ordered materials, CONTRACTOR is required to send a copy of CONTRACTORS/vendor's delivery Note to 3PInventory@akerbp.com who will process a 'goods receipt' on CONTRACTORS behalf which will update the stock level in COMPANY ERP system as well as facilitate timely payment of CONTRACTORS invoice. Reporting from CONTRACTOR shall include the following information, but not limited to:

- a) COMPANY Purchase Order number
- b) CONTRACTORS part number
- c) COMPANY part number
- d) Material description
- e) Quantity ordered
- f) Quantity received
- g) If goods are received to COMPANY stock or sent to final destination.

Reporting/Information must be sent to 3PInventory@akerbp.com.

If 3rd party vendor is responsible to perform a quality inspection, send documented proof on performed quality inspection to 3PInventory@akerbp.com. In cases where the material is intended for direct transfer to an operational requirement offshore, the shipment shall be forwarded to COMPANY Supply Base for PO Goods receipt in COMPANY ERP system.

Returns

The formal process for advising COMPANY of returns is to scan delivery/consignment notes, including, but not limited to the following information:

- a) CONTRACTORS part number
- b) COMPANY part number
- c) Material description
- d) Quantity received in return
- e) Background for stock return
- f) Companies representative requiring stock return

Reporting/Information must be sent to 3PInventory@akerbp.com

Items returned which are not on CONTRACTOR inventory listing should be quarantined in a separate area of CONTRACTOR warehouse and accompanying paperwork scanned and emailed to 3PInventory@akerbp.com. COMPANY will then investigate and make the decision whether to inventorise or not.