

SHELL IN NIGERIA **NIGERIAN CONTENT DEVELOPMENT**

Shell Companies in Nigeria continue to support local content, develop the country's resources and strengthen Nigerian contracting capacity. This is achieved through sustainable partnerships, which further the socio-economic development of the Niger Delta and Nigeria as a whole.

94%

Shell Companies in Nigeria contracts awarded to Nigerian companies in 2017.

**~\$1.5
BILLION**

(N472.88 billion²⁶) in loans has been awarded to more than 290 small and medium Nigerian enterprises under the renamed Shell Contractor Support Fund since 2011

**\$0.76
BILLION**

(N230.30 billion²⁵) Shell Companies in Nigeria spent on contracts awarded to Nigerian companies in 2017.

95%

employees of Shell Companies in Nigeria are Nigerian citizens at the end of 2017.



OUR APPROACH TO LOCAL CONTENT

Nigerian local content development is not a discretionary consideration. The 2010 Nigerian Oil and Gas Industry Content Development Act sets rules and regulations governing local content requirements and sets targets for the level of Nigerian content that must be achieved in various categories. Even though local content is now mandated in legislation, Shell Companies in Nigeria have for many years taken actions that demonstrate a strong commitment to local content.

Local content is aligned with our business strategy and in fact, serves as a critical business enabler. We believe that we best serve our customers and maximise our competitiveness when we help to develop local capacity. We strive to harmonise this with our need for competition, quality and delivery.

THE COMMITMENT OF SHELL COMPANIES IN NIGERIA TO DEVELOPING LOCAL CONTENT IS FIRST AND FOREMOST A BUSINESS STRATEGY

DEVELOPING CAPACITY OF PEOPLE

Developing the local skills, talent and contracting capacity on which the Nigerian oil and gas industry depends, starts with the people working at Shell Companies in Nigeria. At the end of December 2017, nearly 3,300 people were employed by Shell Companies in Nigeria, 95% of whom are Nigerians. This is also reflected throughout the local value chain, with the use by Shell Companies in Nigeria of locally manufactured goods and Nigerian service companies which create jobs within the communities in which they operate. In 2017, 94% of the total number of contracts was awarded to Nigerian companies, at a total value amounting to \$0.76 billion (N230.30 billion²⁷).

Shell Companies in Nigeria have also contributed to more indigenous participation in the oil and gas sector. Former employees of the Shell

Petroleum and Development Company of Nigeria (SPDC) and the Shell Nigeria Exploration and Production Company (SNEPCo) now serve as captains of the Nigerian oil and gas industry.

Shell Companies in Nigeria's commitment to strengthening local content was also demonstrated outside the country at the fourth annual 'Global Nigerian Forum' (GNF) held in Aberdeen, Scotland in September 2017. Sponsored by SNEPCo for the fourth consecutive year, this gathering of public and private sector players in the Nigeria oil and gas industry continues to provide a platform for Nigerian professionals in the UK to connect with Nigerian companies and to consider participation in offshore exploration activities in Nigeria. After spearheading this initiative for four years, Shell has handed over the running of the GNF to the Nigeria Content Development and Monitoring Board to ensure a pan-industry approach and participation.

ASSET OWNERSHIP AND ACCESS TO FUNDING

Nigerian ownership of key assets such as rigs, helicopters and marine vessels is a focus for many of our successful local content initiatives. Shell Companies in Nigeria have provided technical and financial support to companies across a range of sectors including transportation, manufacturing and research and development. Between 2010 and 2017 SNEPCo has provided financing and built capacity in training and safety standards to enable Caverton Helicopters, an indigenous company, to become one of the biggest aviation logistics providers in sub-Saharan Africa.

Lack of access to capital hinders many Nigerian companies from the ability to compete and execute contracts effectively. In order to support local contractors, the Shell Contractor Support Fund was expanded with seven participating banks committing about \$2.2 billion (N693.55 billion²⁸) to fund contract execution by Nigerian companies working for Shell Companies in Nigeria. In December 2016, the programme was among the few initiatives recognised and approved by the Organisation for Economic Cooperation and Development plenary session on "Shared Value creation and local content" included in the compendium of global best practices.

25, 27, 28, – Based on 2017 exchange rate.

26 – Based on average exchange rate between 2011-2017.

Since the renamed programme's creation in 2011, loans worth approximately \$1.5 billion (N472.88 billion²⁹) have been awarded to 290 small and medium-sized Nigerian enterprises with no recorded defaults on the loans. The programme was also recognised by the IPIECA Local Content Guideline released in 2016 among the best practices of the industry. IPIECA is a global oil and gas industry association for environmental and social issues. To help promote the funding scheme among the contractor community, the SPDC JV held an information road-show event in Port Harcourt in March 2017 attended by about 450 SPDC JV vendors and the participating banks.

SUPPLIER DEVELOPMENT

SNEPCo has also helped to strengthen the capacity of indigenous vendors in the oil and gas industry by hosting, in partnership with the Petroleum Technology Association of Nigeria (PETAN), a strategic sourcing development forum in Shanghai, China in November 2017. The event brought together more than 20 Nigerian and 60 Chinese suppliers to engage on operational and supply chain efficiency and the transfer of technology.

Another initiative launched by Shell Companies in Nigeria to develop capacity of Nigerian businesses is the Supplier Relationship Management programme which brings together Shell executives and their counterparts in contractor companies. The engagements facilitate sharing of best practices, building mutual trust and collaborating in areas such as business strategy and risk management.

SHELL COMPANIES IN NIGERIA FOCUS ON BUILDING LOCAL CAPACITY IN KEY TECHNICAL SKILLS THROUGH TRAINING AND EDUCATIONAL SUPPORT

TRAINING AND EDUCATION

Among the key challenges in meeting local content targets is a scarcity of world class research and development institutions in Nigeria and limited access to technology. Shell Companies in Nigeria have therefore focused on building local capacity in key technical skills through training and educational support. For example, SPDC JV donated

and commissioned an ultra-modern subsurface research centre at the University of Ibadan in March 2016.

Shell Companies in Nigeria also run training programmes which include the award of post graduate scholarships in engineering and related fields. Since its inception in 2010, 60 Niger Delta indigenes have benefited from the Shell Niger Delta Post Graduate scholarship programme, ten of whom have subsequently been employed by Shell. The programme was established to grow the Nigerian talent pipeline for the oil and gas industry through overseas scholarships at three UK Universities (Imperial College London, University College London and University of Leeds) under a joint funding arrangement between the SPDC JV and the universities. For the academic year commencing September 2017, SPDC in partnership with these three UK universities awarded ten scholarships for one year post-graduate M.Sc. studies. Imperial College London scholars undertake Petroleum Geosciences and Petroleum Engineering research projects as interns on SPDC or SNEPCo projects as part of the requirements for the award of M.Sc. degrees.

Through Shell Companies in Nigeria internship programmes, in collaboration with PETAN, a total of 110 graduates have been equipped with experience for employment in the industry since 2014. Another batch of 30 graduates are currently undergoing the one-year internship programme.

SHELL COMPANIES IN NIGERIA BELIEVE THAT INCREASED NIGERIAN CONTENT WOULD HELP ENSURE STEADY AND INCREASED INCOMES AND IMPROVED STANDARD OF LIVING FOR NIGERIANS

IN COUNTRY MANUFACTURING

Shell Companies in Nigeria continue to support qualification and utilisation of "Made-in-Nigeria" products in their operations including the deployment of locally manufactured products/materials for offshore application. Some of these were discovered at the annual Nigerian Content Development supplier exhibition organised to identify available

local capacity. Nigeria Machine Tools Limited (NMT) attended the Nigerian Content Exhibition having successfully introduced some of its products, such as stud bolts and nuts, for use in offshore oil and gas exploration and production, after SNEPCo supported the company with testing and certification. Today NMT produces and sells tools and flanges, some of which were successfully deployed for the turnaround maintenance of SNEPCo's Bonga FPSO vessel in 2017.

DEEP WATER

SNEPCo helped to create the first generation of Nigerian deep-water oil and gas engineers and service providers when it commenced production at Bonga field in 2005, Nigeria's first oil and gas project in more than 1,000 metres depth of water. Today, 96% of Bonga's core offshore staff are Nigerians. SNEPCo has also led the way in providing financial empowerment and facilitating the transfer of knowledge and competencies from global offshore service providers to local firms in exploration and production activities.

Bonga also stimulated the growth of support industries vital to deep water projects. SNEPCo awarded the major engineering and construction contracts for the Bonga North West project to companies that were either indigenous, have local staff, or possess domestic capabilities in the country. These companies were involved in the installation of a number of new production manifolds, subsea umbilical systems, oil production and water injection flowlines and subsea tree systems on the seabed around 1,000 metres below the surface.

In March and April 2017, Bonga undertook a major turnaround maintenance exercise in which all fabrications and sourcing of key equipment were done in Nigeria. Moreover, the services of more than 35 Nigerian contractor and subcontractor companies were effectively utilised during the maintenance of SNEPCo's Floating Production Storage and Offloading (FPSO) vessel. The turnaround stimulated growth of support industries vital to deep-water asset management and provided a wider benefit to the Nigerian economy by boosting demand for a range of local goods and services including offshore vessels and platforms, materials, floating hotel and helicopters. It is also noteworthy that a higher number of Shell Nigeria female staff were involved in every stage

of this year's Bonga turnaround than three earlier exercises. Female staff who worked both onshore and offshore played critical roles that ensured a successful turnaround exercise as well as contributing to the growing pool of Nigerian deep-water professionals.

OUR COMMITMENT

Our approach to developing local skills and capacity has evolved over the years as the challenges facing the industry and our businesses have changed. Recent acquisitions of onshore blocks by indigenous Nigerian operating companies and the development of world-class deep water and liquefied natural gas industries where previously there was no local skills base is testament to what can be achieved through a long-term commitment to building local capacity.

Shell Companies in Nigeria continue to be recognised as key contributors to Nigerian Content Development by PETAN. For example;

- In 2013 and 2015: Local Content Operator of the Year awarded to Shell Companies in Nigeria;
- In 2016: Distinguished Achievements Award (Corporate) was given to SPDC and a Professional Award was given to Bayo Ojulari, Managing Director of SNEPCo, for his notable contributions to the development of Nigerian content in the oil and gas sector;
- In 2017: Aret Adams Award for Excellence was bestowed upon Shell Companies in Nigeria in recognition of their "outstanding contributions to the development of local content in the Nigerian oil and gas sector".

Also, Shell Companies in Nigeria were awarded the Best Performing International Company in Technology and Innovation at the first Nigeria International Petroleum Summit, Abuja in early 2018, which included recognition of their pioneering role in local capacity development and Nigerian content.

SHELL COMPANIES IN NIGERIA HAVE RECEIVED SEVERAL AWARDS FROM THE PETROLEUM TECHNOLOGY ASSOCIATION OF NIGERIA IN RECOGNITION OF THEIR CONTRIBUTION TO NIGERIAN CONTENT DEVELOPMENT
