

LOCAL CONTENT POLICY

In line with the Federal Government of Nigeria's policy on local content development strategy, CAVALLINI CONSTRUCTION Limited here states as follows:

- That in pursuant of this noble policy of the Government, CAVALLINI CONSTRUCTION Limited will as much as possible, source all locally made materials needed for our operations through local vendors and sub contractors
- Employment and engagement of host community staff in carrying out jobs, thereby empowering and transferring technology. This is aimed at making a considerable investment in the manpower development of the host community
- Adequate empowerment of Nigerian staff, whereby Nigerian management staff are involved in high level decision making in the running of different departments of the company
- Nigerians play pivotal roles in various aspects of the business from inception of project to commissioning. This is to enhance commitment to transfer of technology, employment generation and competence development
- Develop local expertise through improved training, supervision and delegation of duties to ensure effective participation
- The above will be achieved without compromising total quality delivery.

The Company states a commitment to achieving this policy statement.

Managing Director

1 FEDERAL GOVERNMENT OF NIGERIA DIRECTIVES ON THE NATIONAL/LOCAL CONTENT

The overall directive of the federal Government is that by the end of 2006, 45% National Content and end of 2010, 75% National Content must be achieved. By this, the Federal Government insists that:

- FEED (Front End Engineering Design) and detailed engineering for all projects are to be domiciled in Nigeria by end 2005
- All fixed (offshore & onshore) parts system to be fabricated in-country to maximize utilization of Local fabrication yards henceforth
- Fabrication of all piles, anchors, buoys, jackets, flare booms and similar structures are to be done in Nigeria
- All FPSO contract packages are to be bided on the basis of carrying out integration within the country from mid 2006
- Domestication of all reservoir management studies effective end of 2005
- Clauses that create impediments for/exclude participation of local/indigenous companies should not be included in a bid.
- Harmonise and apply International Codes and Standards to support utilization and locally manufactured products such as paints, cables etc to improve capacity utilization in local industries by 2nd Quarter, 2005

The Nigerian Government has set a minimum local content target of 30% in all works and contracts to be undertaken in or on behalf of all companies operating within the industry in Nigeria. This target is fully supported by the companies operating in the country. To meet this target, a number of processes are now in place, including contract evaluation and award criteria, which favors bids that meet or exceed the minimum local content target.

CAVALLINI CONSTRUCTION Limited is of the opinion that maximizing local content is not only politically reasonable, but makes good business sense as lower composite rates can be realized by increasing Nigerian Labour and Material Resources, especially where these items are readily available and the prices are commercially attractive. Nigerian labour rates are very competitive when compared with many other countries.

The objectives of local content within the Nigerian context are to:

- Increase value-added content, thereby contributing to National Economic Development as well as that of stakeholders, partners, clients, companies, employees and contractors
- Transfer technology and develop know-how

In CAVALLINI CONSTRUCTION Limited, we focus on delivering International Quality service levels, without compromising Health and Safety of our workers, while using environment friendly engineering methods to conserve the environment at the same time, maintain standards using process and procedure in line with International Standards.

MECHANISM FOR NIGERIAN CONTENT ENHANCEMENT

- Specific project local content plan
- Employing competent and qualified Nigerian staff to provide Technical and non-Technical services and support
- Investing in the Development and Training of Nigerians to participate in higher level activities of our firm in and outside the country
- Investing in offices, logistics, accommodation, computing systems and other business support infrastructure, goods and services all of which are purchased locally to augment other equipment procured internationally

NIGERIAN CONTENT DEVELOPMENT STRATEGY

CAVALLINI CONSTRUCTION Limited understands Nigerian Content to mean service, activity or good that is substantially or wholly of Nigerian origin, is capable of meaningful development, and whose procurement for incorporation into capital projects will have an eventual multiplier effect on the economy.

CAVALLINI CONSTRUCTION Limited's Objectives are as follows:

1. Encourage and ensure the use of made in Nigeria goods and services in our projects

- 1.1 Procure and use made in Nigeria materials & goods while ensuring that the desired quality specification is met
- 1.2 All PPE and allied equipment shall as much as possible, be made in Nigeria
- 1.3 All other consumables shall be made in Nigeria. Only lack availability or quality non-conformance shall necessitate the use or employment of foreign goods

2. Encourage and ensure value addition/fabrication/assembly of project components to be done in Nigeria.

- 2.1 Actual construction shall be carried out in Nigeria
- 2.2 All fabrication and pre-cast must be done in Nigeria with Nigerian staff
- 2.3 All reinforcement materials must be sourced locally and procured from Nigerian vendors
- 2.4 All maintenance staff for the project shall be Nigerians

3. Required sub-contractors, who do not provide made in Nigeria goods, fabrication, installation and/or services, to provide a knowledge/technology transfer plan.

- 3.1 All our nominated subcontractors and or Technical Partners that are international in operation shall be mandated to provide Knowledge/Technology Transfer Plan
- 3.2 All our foreign subcontractor shall be encouraged to have a physical presence in Nigeria if any

4. Search for experienced Nigerians and fully engage them in our projects. Also, encourage subcontractors to engage them in project execution positions

- 4.1 Experienced Nigerians shall be employed as Contract Managers, Project Manager, HSE Managers and Project Engineers
- 4.2 Subcontractors shall be encouraged to source and employ Nigerians into Management Teams

5. Increase the number of Nigerians in each project discipline/skill-pool through training, exposure and certification, thus making them available for other major projects. Such certification shall be COREN, CORBON, NIM, ICAN etc

6. Involve Nigerian Banks, Insurance firms and other Financial Institutions in the Contract's Financial transactions e.g. Sourcing of Venture Capital locally.

2 NIGERIAN CONTENT DEVELOPMENT PLAN

A Acceptance to Fully Comply with Nigerian Local Content Development Directives

- CAVALLINI CONSTRUCTION Limited accepts and shall fully comply with the directives of the Nigerian Government on Nigerian Content Development. CAVALLINI CONSTRUCTION Limited is committed to the provision of opportunities to Nigerian resource utilization for capacity development in the execution of our Projects.

B Plans to Domicile Engineering Activities

- CAVALLINI CONSTRUCTION Limited's engineering activities shall be 100% domiciled in Nigeria
- CAVALLINI CONSTRUCTION Limited has and where necessary for particular projects shall procure in house engineering capability, manned by well-qualified, trained and experienced Nigerian engineers.
- Our Technical Partners, both foreign and local, shall complement our efforts.

C Location of Project Team

- Project Management team shall be located in Nigeria, with our Head Office in Abuja, and other relevant offices, depending on the location of the project,
- Nigerian Engineers and other professionals shall occupy high positions in the project management team
- Nigerians in the project management team shall be up to 80% at all times, our aim is to achieve 100% depending on the complexity of the particular project.

D Location of Procurement Centre

- Procurement centres shall be located in Abuja and Lagos, Nigeria and shall carry out procurement related activities of the project. However, when inevitable, a foreign firm may be partnered to help in international procurements.

E Activity Levels (in fiscal terms) for Local Content Development

| Activity | Percentage Overall | Local Content Level |
|--------------|--------------------|---------------------|
| Engineering | 10% | 10% |
| Procurement | 30% | 30% |
| Recruitment | 40% | 35% |
| Construction | 20% | 20% |
| Total | 100% | 95% |

F Overall Activity Manning levels

| S/No | Personnel Category | Nigerians | Expatriate | % Nigerians |
|------|----------------------|-----------|------------|-------------|
| 1 | Directors | 4 | 0 | 100% |
| 2 | Top Management Cadre | 6 | 4 | 60% |
| 3 | Engineers | 14 | 6 | 70% |
| 4 | Supervisors | 22 | Nil | 100% |
| 5 | Operators | 16 | 4 | 80% |
| 6 | Technicians | 15 | Nil | 100% |
| 7 | Clerical | 12 | 0 | 100% |

G Training Plan for Nigerians to be deployed for Projects

- This will be tailored to the need of the projects

H In-Country Procurement

- Our nominated Nigerian Vendors will handle all in-country procurement

I Proof of In-Country Fabrication

- CAVALLINI CONSTRUCTION Limited has Technical Partnership with several up-to-date specialists indigenous outsourcing companies spread all over the country.
- All fabrications for the projects shall be done in workshops.

J Target Nigerian Content Value

Total estimated Nigerian Content value for our projects shall be 95% minimum

TRAINING PROGRAMME FOR NIGERIAN STAFF FOR 2012

| S/No | Course | Date Schedule | Current Level | Target Level | Trainer | Participants |
|------|---|---------------|---------------|--------------|-------------------------------|----------------------------------|
| 1 | First Aid Training | April | 40% | 65% | Mosunmola Clinic, Lekki | TBA |
| 2 | Fire Fighting | April | 32% | 50% | Elkins Training Inst | TBA |
| 3 | Defensive Driving Code/Unsafe Acts Auditing | May | 40% | 60% | Nigerian Safety Inst | All company drivers/supervisors |
| 4 | Hazard Analysis rigging | June | 70% | 90% | Halden Limited | All Project Managers/Supervisors |
| 5 | Personal Survival Swimming | June | 45% | 65% | Elkins Training Inst | All water borne staff |
| 6 | `Drug & Alcohol Awareness | June | 70% | 90% | In House | All staff |
| 7 | Environmental Awareness | July | 60% | 80% | G Platinum Ltd | All Supervisory Staff |
| 8 | Aids Awareness | July | 50% | 100% | Alexdiag Services | All Staff |
| 9 | Working in Confined Space | August | 30% | 50% | Nigerian Inst of Safety Warri | Supervisors |
| 10 | Journey Management | October | 50% | 100% | G platinum | All Drivers |
| 11 | Med Evac, Drill & Meeting | October | 70% | 100% | Nig Safety Inst | All Staff |
| 12 | Security Orientation | November | 70% | 100% | Technocrime Securities | All security personnel |
| 13 | Quality assurance/QC basics | November | 65% | 85% | UNIBEN Consult | All Project managers |

STAFF SAFETY TRAINING PROGRAM

| Training | Staff Category | Syllabus | Frequency |
|---|---|--|---------------------------------------|
| Permit to Work System | Project Managers Engineers Supervisors Technicians/Foremen | <ol style="list-style-type: none"> 1. Safe Work Permit 2. Hot Work Permit 3. Electrical Work Permit | Once in two years |
| Job Hazard Analysis | Project Managers/Engineers | <ul style="list-style-type: none"> ○ Identification of hazards ○ How to conduct JHA ○ Application of JHA ○ JHA/PTW Process ○ Hazards & effects mgt technique | Once a year |
| HSE Induction & Refresher Course | All Employees | <ul style="list-style-type: none"> ○ Community Affairs ○ Community Relations ○ Safety ○ Health ○ Environment ○ Security | On employment & Once in a year |
| Fire Safety/ Fire Fighting | All employees Specific fire team | <ul style="list-style-type: none"> ○ Classification of fires ○ Fire fighting/control | Once in two years |
| On the Job Training Program | All employees | <ul style="list-style-type: none"> ○ Job classification ○ Safety in the job ○ Methods/Tech Benefits | Once per specific job aspect |
| First Aid/CPR/Accident/Incident Reporting | First Aid Personnel safety officers all employees | <ul style="list-style-type: none"> ○ General first aid/CPR ○ Accident classification/Investigation ○ Incident reporting | Once at recruitment/ every 3 years |
| Basic Safety | All Employees | <ul style="list-style-type: none"> ○ Safety in the job ○ Fire safety/fire fighting ○ Helicopter Safety ○ Survival at Sea ○ Marine Safety ○ Emergency Procedures ○ PPE's ○ Waste Management 7 control ○ H2O Safety | Once in 3 years |