

## INVESTMENT PROPOSAL

### SUMMARY INFORMATION

Business unit and company	Shell Nigeria Exploration and Production Company Limited (SNEPCo)
Group Interest	100% in SNEPCo. Bonga field is a concession of NNPC under a PSC agreement. SNEPCo Operates the field by a funding arrangement under a venture with 55% interest.
Other shareholders/partners	Esso Exploration & Production Nigeria Limited (an affiliate of ExxonMobil): 20%; TotalFinaElf 12.5%; and Nigeria Agip Oil Company (NAOC) 12.5%.
Business or Function	Social Performance
Amount	NGN 3,518,490,000.00 (FUSD \$23,460,000) - inclusive of 1% NCDMB Fund. Spend is spread over a 4-year period 2012-2015.
Project	Construction of 45 units of fit out Information and Communication Technology (ICT) Centres in 45 locations across the country geo-political regions and over a three year period.
Main commitments	None
Source and form of financing	Project will be financed at first by Co-venture partners. Annual spend will be fully recovered under PSC agreement with NNPC.
Summary cash flow	<ul style="list-style-type: none"> <li>Shell Share for Project construction shall be F\$12.90mln for the 45 projects. F\$2.43mln in Yr1, \$6.28mln in Yr2, F\$3.84mln in Yr3, and F\$0.35mln in Yr4. Yr4 provision is to complete the work started in Yr3. Exchange rate used is N150/1US\$.</li> <li>Shell Share will be borne using the vehicle of OML 118 (over 95%), OML 135 and OPL 322.</li> <li>Project is purely social investment and the cost for each year is treated as OPEX in line with social performance spend for operations.</li> </ul>
Summary economics	<p>The project has been evaluated as pure Social Performance project, using current cost basis. Income generated from facility will be applied for sustenance of project.</p> <p>Project has two elements – (a) Civil works, which will spread from 2012-2014, and (b) IT supplies and installations, which will span 2013-2015.</p>

### DETAILED INFORMATION INCLUDING MANAGEMENT SUMMARY

#### SECTION 1: THE PROPOSAL

This proposal seeks support for the total investment of F\$12.90 million (Shell share) for the construction of fit-out Information and Communication Technology (ICT) facilities in forty five (45) locations across the six geo-political regions of the country. The projects are in three categories:

1. ICT center for tertiary institutions – this is tagged “e-learning” centre, and will contain 100 computer units. Centre will be sited in 18 universities.
2. ICT centre for state governments – this is tagged “e-library”, and will contain 100 computer units. Project will be sited in nine (9) selected state capitals.
3. ICT centre for secondary schools – tagged “e-development” centre. Project has 20 computer units, and will be sited in 18 secondary schools.

Advancement of computer literacy has been an integral part of national development strategies in many global societies because of its impact on productivity and economic development. Therefore knowledge of ICT has become a platform for broad-based development and poverty reduction. Due to the importance of computer literacy to the national development and its relevance to achieving the Millennium Development Goals (MDGs), the federal government, through the ministry of communication technology, developed a blueprint for the penetration of e-knowledge across the country. SNEPCo, through its ICT empowerment program, has made some modest contributions towards enhancing e-literacy in the country, especially amongst students in secondary and tertiary institutions.

SNEPCo commenced its ICT program in 2007 and have delivered the project at 18 secondary schools, and 10 universities at total cost of F\$2.83mln (Shell share) as at December 2011. These projects were executed using minor contracts within SNEPCo approval threshold. On completion of the proposed 45 centres SNEPCo's footprints will be 73 locations throughout the country, and total investment on ICT program of F\$15.73mln (Shell share).

	No	Total		Shell Share	
		Nmln	F\$mnl	Nmln	F\$mnl
Delivered	28	721.31	5.15	396.72	2.83
Proposed	45	3,518.49	23.46	1,935.17	12.90
<b>Total</b>	<b>73</b>	<b>4,239.80</b>	<b>28.60</b>	<b>2,331.89</b>	<b>15.73</b>

This proposal is to deliver 45 ICT projects over a 4-year period, using a high value competitive tendering process, in order to achieve a more effective contract and project management, optimal HSE performance, commerciality, and image enhancement for SHELL. We commenced the contracting process in Q4, 2010 and have involved both NAPIMS and NCDMB at every stage of the process. Evaluation of bids and selection of contractors is currently concluded, while award will be made as soon as all necessary approvals are obtained. Contract duration approved in the contract plan/strategy is four years, including one year extension option to allow for the completion of any outstanding works by the contractors at no incremental financial exposure to SNEPCo.

In order to address the future sustainability of the project, SNEPCo recently engaged the Hon. Minister for Communication Technology, Mrs. Omobola Johnson. Thereafter we initiated collaborative discussions with the ministry agencies to develop models for sustainability of ICT centers. Currently SNEPCo is a member of the committee set up by the honorable minister to develop a policy for the deployment and management of ICT centers across the country. Furthermore, discussions are ongoing with local computer assemblers and internet service providers, with a view to enhance the local content of the program.

This proposal is seeking the vice president's approval to spend F\$12.90mln (Shell Share) for construction of 45 fit out ICT centers over a period of 4 years.

### ***Scope of Project***

A 100-computer ICT centre will consist of:

- A storey building (with provisions for the physically challenged users), fully furnished for 100 computer units, offices, toilet facilities, and borehole.
- A generator house and 200KVA soundproof Perkins engine generator.
- Supply and Installation of 100 branded PCs with stabilisers and UPS systems.
- Supply and Installation of one branded Server, one colour multifunctional printer and one black & white printer
- Internet connectivity via VSAT
- Provision of 24hrs x 7 days 1M/512Kbps internet connectivity with 3 years subscription

A 20-computer ICT centre will consist of:

- A bungalow (with provisions for the physically challenged users), fully furnished for 20 computer units.
- A generator house and 27KVA soundproof Perkins engine generator.
- Supply and Installation of 20 branded PCs with stabilisers and UPS systems.
- Supply and Installation of one branded Server, one colour multifunctional printer and one black & white printer
- Internet connectivity via VSAT
- Provision of 24hrs x 7 days 512k/256Kbps internet connectivity with 3 years subscription

Appropriate educational interactive software will be provided for the units. Also each centre will be supported with 12 months maintenance of system and basic IT training will be given to 10 people selected by the institution/state government. Responsibility for management of the centre is fully transferred to each beneficiary entity after 12 months of commissioning, at which time the warranty on the systems and from building contractor would expire. Before then, the institutions will be appropriately guided based on their respective sustainability plan for the project, which SNEPCo will seek to review before a project location for the institution is confirmed.

### ***Project Location***

Selection of location for university e-learning centre is based on the review of an earlier report on assessment of computer availability and capability in the Nigerian tertiary institutions. The assessment was carried out in 2009 prior to scope expansion of SNEPCo's ICT empowerment program. For secondary schools, we look at the strength of the alumni and ability to maintain the facility. Project location is limited to public institutions only. Security and accessibility to good road, and public power supply are imperative for project location. The locations are approved by SNEPCo's Social Performance Board (SPB) and NAPIMS. Below is the proposed location for the new 45 centres.

<b>SHELL NIGERIA EXPLORATION AND PRODUCTION LIMITED PROPOSED LOCATIONS FOR COMMUNITY DEVELOPMENT ICT PROJECT S</b>			
<b>Project</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>E-Learning Centre for Universities</b>	1. Rivers State University of Science & Tech 2. University of Benin 3. Petroleum Training Institute Warri 4. Ebonyin State University 5. Kogi State University 6. Benue State University 7. Obafemi Awolowo University 8. Lagos state University 9. Abia State University	1. Ladoko Akintola University 2. Katsina State University 3. Nnamdi Azikiwe University 4. University of Ibadan 5. University of Ilorin 6. Gombe State University 7. Ado Bayero University 8. Usman Dan Fodio University 9. Abubakar Tafawa Balewa	
<b>E-Library for State Government</b>	1. Port Harcourt, Rivers State 2. Awka, Anambra State 3. Yenagoa, Bayelsa State 4. Umuahia, Abia State 5. Abeokuta, Ogun State	1. Calabar, Cross Rivers State 2. Benin, Edo State 3. Ondo, Ondo State 4. Abuja FCT	
<b>ICT Centre for Secondary Schools</b>	1. Port Harcourt River State 2. Enugu, Enugu State 3. Onitsha, Anambra State 4. Umuahia, Abia State 5. Akure, Ondo State	1. Calabar, Cross Rivers State 2. Uyo, Akwa Ibom 3. Osogbo, Osun State 4. Abeokuta, Ogun State 5. Abuja FCT 6. Minna, Niger State 7. Lafia, Nasarawa State	1. Kaduna, Kaduna State 2. Jalingo, Taraba State 3. Dutse, Jigawa State 4. Damaturu, Yobe State 5. Yola, Adamawa State 6. Katsina, Katsina State

## **SECTION 2: VALUE PROPOSITION AND STRATEGIC AND FINANCIAL CONTEXT**

The completion of the ICT projects will add significant value to SNEPCO's Social Performance delivery, contribute to IT skills development of students, and subsequently result in job creations and poverty alleviation. The projects will be a major contribution to delivery of the government's MDG and

ICT transformation agenda and will enhance Shell image in an unquantifiable dimension. Furthermore the wide spread of projects means endearing the PECTEN in the hearts and minds of future leaders. The projects are planned to increase the company's local content rating by their being 100% local content in terms of delivery. Under an arrangement with respective state governments, the e-libraries could be a platform to train manpower for NCD delivery.

### *Summary of costs*

The total value of F\$23.46mln has been derived from ECV for IT services of F\$1.90mln and Actual Contract Value (ACV) for civil works of F\$21.56mln. ACV for civil works is derived from award prices that we have agreed with the nineteen (19) successful bidders. The amount required in 2012 is \$2.43mln (Shell Share) and is within the LE provision. All expenditure has been approved as OPEX by NAPIMS and the Co-venture partners in SNEPCo SCD 5-year program as shown below. Please note that the 2012 budget has been revised to LE of F\$5.93mln and incorporating F\$4.42 expected spend for this project.

	2012		2013		2014		2015		2016	
FIELDS	NM	FSM	NM	FSM	NM	FSM	NM	FSM	NM	FSM
OML 118	1,924.67	12.58	2,194.44	14.34	1,983.70	12.97	2,010.00	13.14	1,540.00	10.07
OML 135	260.35	1.70	25.00	0.16	25.00	0.16	25.00	0.16	25.00	0.16
OPL 322	160.50	1.05	30.00	0.20	30.00	0.20	30.00	0.20	30.00	0.20
OML 135 (BOLIO-CHOTA)	57.94	0.38	55.00	0.36	20.00	0.13	20.00	0.13	20.00	0.13
OML 135 (Nnwa-Doro)	57.82	0.38	55.00	0.36	60.00	0.39	40.00	0.26	40.00	0.26
BSW/A	115.50	0.76	225.00	1.47	250.00	1.63	140.00	0.92	130.00	0.85
	2,576.78	16.84	2,584.44	16.89	2,368.70	15.48	2,265.00	14.80	1,785.00	11.67

The table below shows the analysis of project costs:

	2012	2013	2014	2015	
100 Computers ICT Centre	YR1	YR2	YR3		TOTAL
No of projects to commence in year X	14	13	0		27
ACV of projects to commence in year X (NGN'M)	1,513.27	1,420.27	0.00		2,933.54
ACV of projects to commence in year X (F\$'M)	10.09	9.47	0.00		19.56
Likely achievable milestone spread for 14 Yr.1 projects	40%	60%			100%
Likely achievable milestone spread for 13 Yr.2 projects		40%	60%		100%
Annual ACV Required for project execution (NGN'M)	605.31	1,476.07	852.16		2,933.54
Annual ACV Required for project execution (F\$'M)	4.04	9.84	5.68		19.56
20 Computers ICT Centre	YR1	YR2	YR3		TOTAL
No of projects to commence in year X	5	7	6		18
ACV of projects to commence in year X (NGN'M)	82.27	117.69	99.99		299.95
ACV of projects to commence in year X (F\$'M)	0.55	0.78	0.67		2.00
Likely achievable milestone spread for Yr.1 projects	70%	30%			100%
Likely achievable milestone spread for Yr.2 projects		100%			100%
Likely achievable milestone spread for Yr.2 projects			100%		100%
Annual ACV Required for project execution (NGN'M)	57.59	142.37	99.99		299.95
Annual ACV Required for project execution (F\$'M)	0.38	0.95	0.67		2.00
Annual Budget Required to execute Civil Works(NGN'M)	662.90	1,618.44	952.15	-	3,233.49
Annual Budget Required to execute civil works (F\$'M)	4.42	10.79	6.35	-	21.56
SHELL SHARE of 55% (NGN'M)	364.59	890.14	523.68	-	1,778.42
SHELL SHARE of 55% (F\$'M)	2.43	5.93	3.49	-	11.86
IT Services (NGN'M)		95.00	95.00	95.00	285.00
IT Services (F\$'M)		0.63	0.63	0.63	1.90
SHELL SHARE of 55% (NGN'M)	-	52.25	52.25	52.25	156.75
SHELL SHARE of 55% (F\$'M)	-	0.35	0.35	0.35	1.05
Annual Budget Required to execute all projects (NGN'M)	662.90	1,713.44	1,047.15	95.00	3,518.49
Annual Budget Required to execute all projects (F\$'M)	4.42	11.42	6.98	0.63	23.46
SHELL SHARE of 55% (NGN'M)	364.59	942.39	575.93	52.25	1,935.17
SHELL SHARE of 55% (F\$'M)	2.43	6.28	3.84	0.35	12.90

### SECTION 3: RISKS, OPPORTUNITIES AND ALTERNATIVES

HSE Risk: Medium & Mode 3; Contract Risk: Medium

The principal risks associated with this proposal and key mitigation measures are tabulated below:

S/N	Risks Category	Risk Description	Mitigation/Remedial Effort
1	Commercial	<ul style="list-style-type: none"> <li>Contractor failure and poor performance.</li> <li>Project delay due to inadequate budget.</li> </ul>	<ul style="list-style-type: none"> <li>SNEPCo MD to have a pre mobilization engagement with the entire contractor to encourage their performing to standard.</li> <li>Provision of experienced personnel for the project and rigorous supervision of contractor using available project management methods and tools.</li> <li>Only one project will be awarded to a vendor at a time. Additional project will be awarded to any vendor who delivers the earlier awarded one to time and quality.</li> <li>Lock in the project cost for the 3 years with contractors. Obtain approved budget</li> </ul>

			from the CoVs and NAPIMS.
2	Technical	<ul style="list-style-type: none"> <li>• SNEPCo lacks adequate expertise to supervise the projects due to their number and spread.</li> </ul>	<ul style="list-style-type: none"> <li>• Use of specialist Project Management Services to supervise all aspects of projects.</li> <li>• Certify the PMS operating model and staff before their deployment.</li> <li>• Certified verification of materials and equipment before being used.</li> <li>• Periodic site visits by SNEPCo mgt staff.</li> </ul>
3	HSE Risk	<ul style="list-style-type: none"> <li>• HSE hazards and Interface problems with existing habitation.</li> <li>• Management of the environment.</li> <li>• Motor Accidents</li> <li>• Security risks in the communities - Kidnapping of a worker; theft of materials or equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Rigorous use of HEMP and other tools to identify, assess risks and control hazards to ALARP.</li> <li>• Approved HSE plan for the management of construction worksite hazards</li> <li>• Work Instructions/toolbox meeting; Use of Qualified Personnel; Pre-mob Equipment; Use recommended spec., CSR to inspect materials before use; Appropriate PPE; Ensure contractor has Workmen's Compensation insurance and General Third Party Liability insurance</li> <li>• Roll out of Life-Saving Rules to contractor during kick-off meeting; Ensure contractor has third-party &amp; passenger liability insurance; CH to obtain contractor's Journey Management plan and ensure compliance; Ensure no night-driving policy</li> <li>• Approved site security plan owned by the contractor.</li> <li>• Security briefs as part of kickoff procedure and obtain contractors consent to comply; CH to mandate contractor to evacuate site where insecurity is perceived; Contractor to be responsible for security of materials and tools.</li> </ul>
4	Community Relations	Reputational risk due to delay in contract award	<p>Regular engagement and communication with internal and external stakeholders to facilitate prompt approval</p> <ul style="list-style-type: none"> <li>• Ensure early commencement of due diligence check</li> </ul>

#### **SECTION 4: CORPORATE STRUCTURE, AND GOVERNANCE**

This project fits within the existing SNEPCo corporate structure and governance.

#### **SECTION 5: FUNCTIONAL SUPPORT AND CONSISTENCY WITH GROUP AND BUSINESS STANDARDS**

Support for this IP has been provided by SNEPCo MTB and DRB for SNEPCo CD projects, led by SNEPCo MD.



**SECTION 6: PROJECT MANAGEMENT, MONITORING AND REVIEW**

The project will be managed by SNEPCo SP Lead. Supervision will be done through the vehicle of Project Management Services (PMS). PMS plan for project supervision will be reviewed and approved before deployment.

**SECTION 7: BUDGET PROVISION**

NAPIMS has approved the implementation of the 45 projects for a 3-year period as well the budget for the current year. Going by the persistent call to SNEPCo by partners and NAPIMS to do more on CD projects, we do not envisage budget refusal for project execution in subsequent years. Also the cost implications for next 3 years will be included in the revised 5 year program/budget for NAPIMS and partners.

**SECTION 8: GROUP FINANCIAL REPORTING IMPACT**

There is no incremental impact of project revision on SNEPCo’s Financials for current and subsequent years. Cost is fully recovered under PSC agreement with NNPC.

**SECTION 9: DISCLOSURE**

Material disclosures, if any, will be done in line with the Group and SNEPCo Disclosure policies and guidelines.

**SECTION 10: FINANCING**

Project will be funded by the CoV partners and fully recoverable under PSC agreement with NNPC after execution

**SECTION 11: TAXATION**

Taxation is in line with general SNEPCo taxation of Opex.

**SECTION 12: KEY PARAMETERS**

The key parameters of the proposal for which considered sound support is sought are:  
Construction of 45 fit out E-Learning Centres in 45 locations, requiring Shell share of F\$12.90m over 3 years, out which a provision of F\$2.43 is made for current year.

**This proposal is submitted for consent to undertake the project.**

**Initiated by:** Dejo Oluwaniyi, UIG/S/RS

**Approved by:**

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**Bernard Bos**  
**Vice President Finance, Africa**

**Date** ...../...../.....

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**Ian Craig**  
**Executive Vice President**  
**Sub Saharan Africa**

**Date:** ...../...../.....