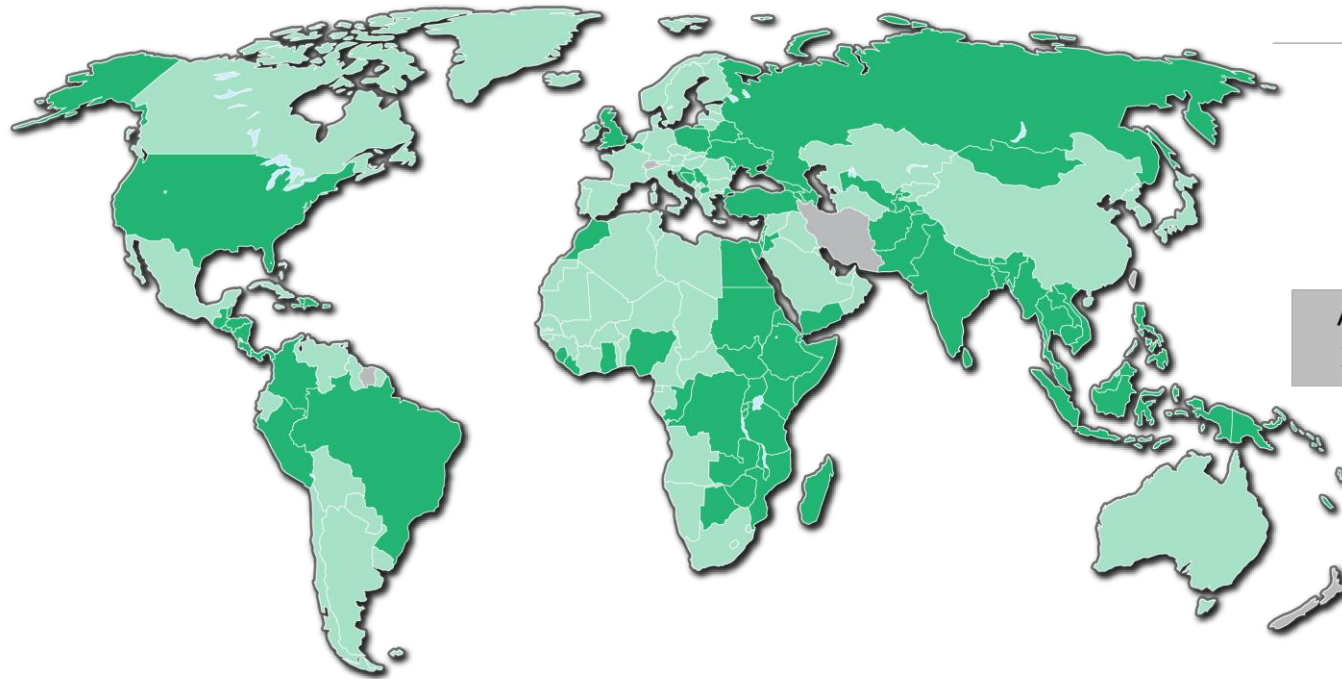




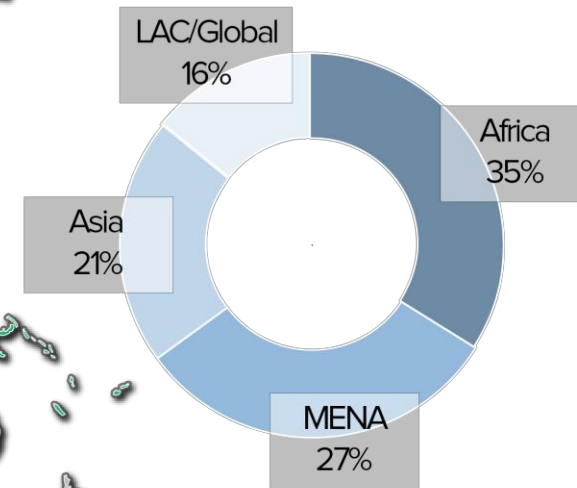
USING THE LOCAL CONTENT OPTIMIZATION MODEL: SBG'S APPROACH TO MEASURING LOCAL PROCUREMENT IN THE OIL & GAS INDUSTRY

DAI Today

■ Current DAI Projects ■ DAI Projects Since 1970



REVENUE BY REGION



180

Active
Projects

90

Countries

\$468 M

2016 Revenue

\$3 B

Under Contract

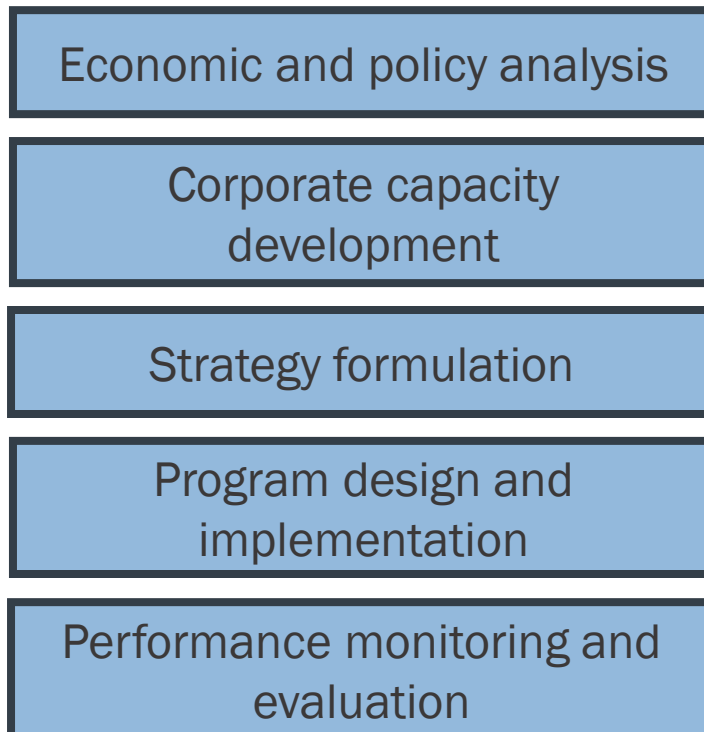
3,000+

Employees

DAI Sustainable Business Group

The Sustainable Business Group (SBG) is a specialized business unit that supports companies to be smarter corporate citizens in their local business operations and assist public authorities to develop policy, regulation, and incentives that grow sustainable industries.

We help companies with:



...so they can



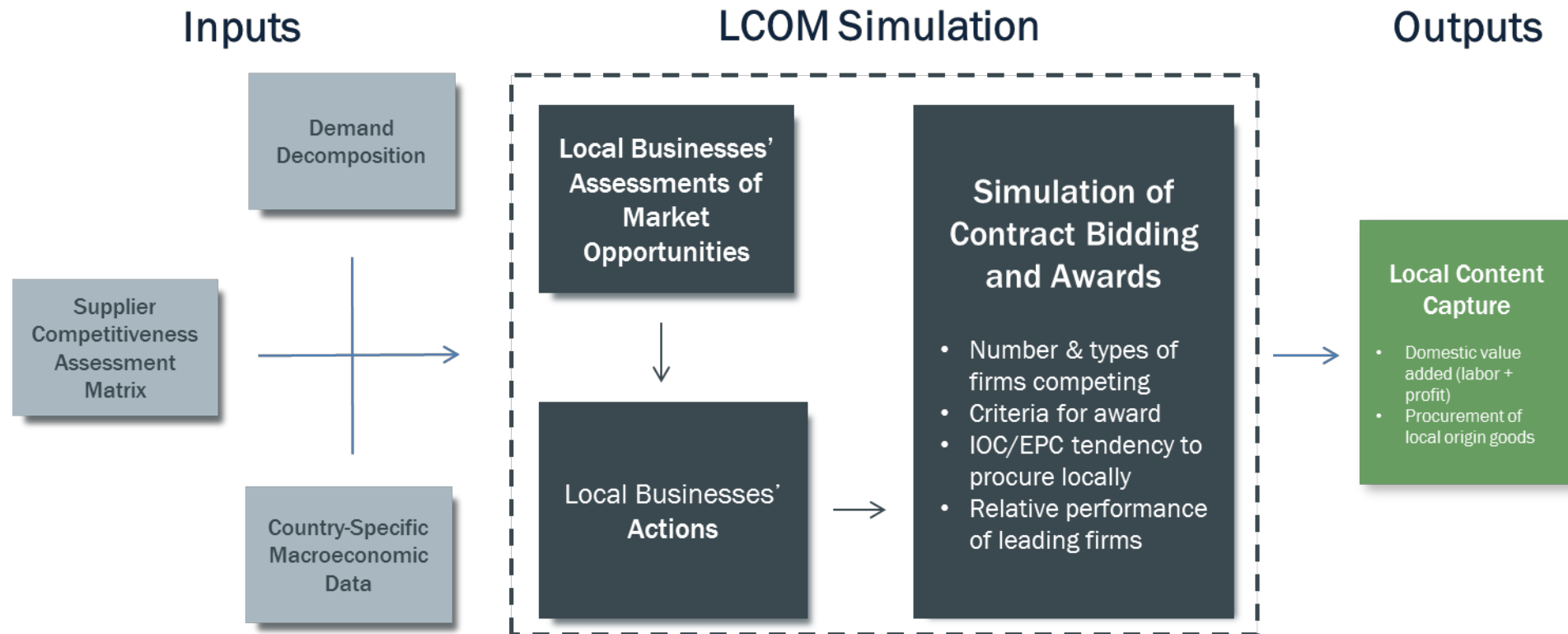
What is LCOM?

- DAI SBG's Local Content Optimization Model (LCOM) is a custom tool that supports data-driven decision making around local content procurement strategy.
- Using LCOM, we analyze the supply and demand for local goods, services, and labor and build strategies to tap into them.
- LCOM seamlessly integrates with SBG's Suite of Services to provide comprehensive and fully functional solutions for our clients in the countries where they work.



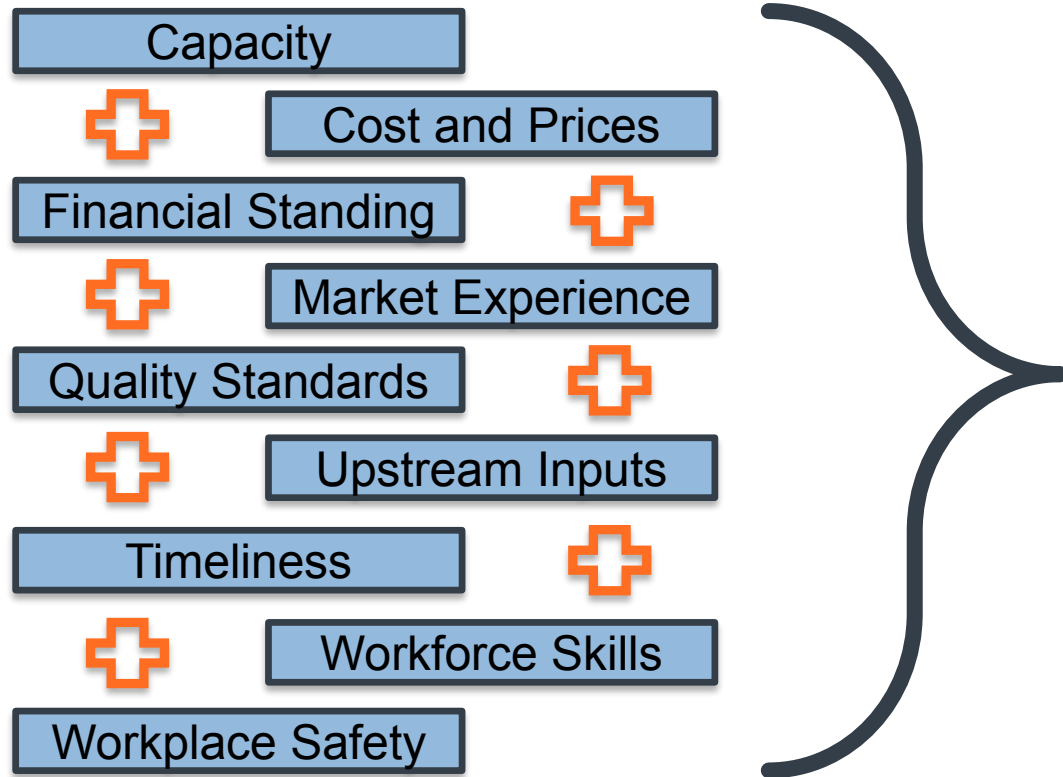
Local Content Forecasting

The forecasting of local content is performed using DAI's **LCOM software**. LCOM simulates the procurements that typically occur over the life of a specific capital project based on inputs on spend and local capacity to provide a range of likely local content forecasts.



Supplier Readiness Determination

Key to LCOM's forecasts are data on each local supply chain's ability to compete for and participate in work from our clients' investments. This data is rigorously gathered by SBG specialists through firm-level and expert interviews, as well as extensive desk research.



- 1 **Extremely Poor** | Criterion does not appear to be treated seriously by any firms in the sector; problems are serious enough to threaten sector's viability.
- 2 **Very Poor** | Almost all firms in the sector have significant deficiencies in multiple aspects; client express deep dissatisfaction and may seek alternatives to the local supply chain.
- 3 **Poor** | The average firm in the sector is significantly deficient in this criterion. Despite the poor ability of the average firm in this sector, there are a small number of firms that, individually, do have a strong ability vis-à-vis the criterion.
- 4 **Average** | Firms have notable deficiencies but meet domestic clients' basic expectations. Most aspects of the criterion are addressed in an informal manner rather than through standardized systems and/or processes.
- 5 **Good** | On average, firms are aware of and address the criterion in good faith. Some gaps remain, however, and are addressed in an *ad hoc* manner without formal systems, controls, or certifications.
- 6 **Very Good** | Nearly equivalent to international competitors but is deficient in one or two minor aspects. The average company uses clear systems and procedures in all aspects of the criterion, yet is lacking in int'l certifications or other QA/QC approval.
- 7 **Excellent** | Equal to or better than international companies or alternatives.

LCOM Benefits



Pinpoint priority supplier categories based on reliable empirical data



Forecast potential growth outcomes for workforce and enterprise development programs



Set realistic expectations with host government and communities during market entry



Reduce operational costs through efficient allocation of resources

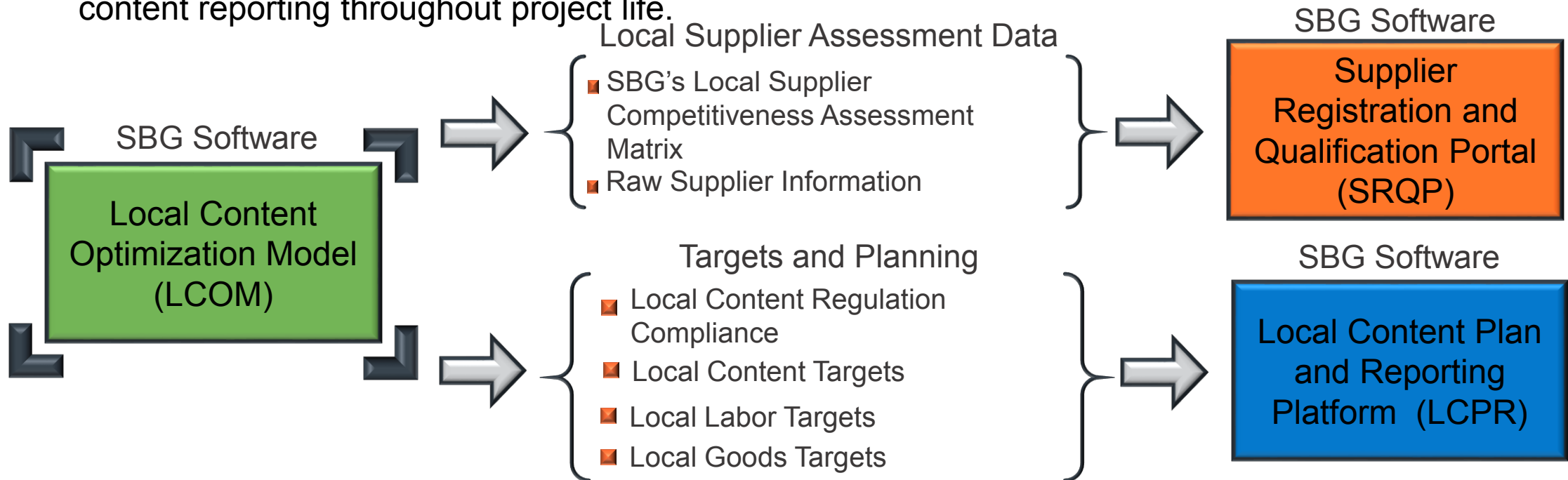


Increase supply chain resilience and minimize disruptions

LCOM Within SBG Suite of Services

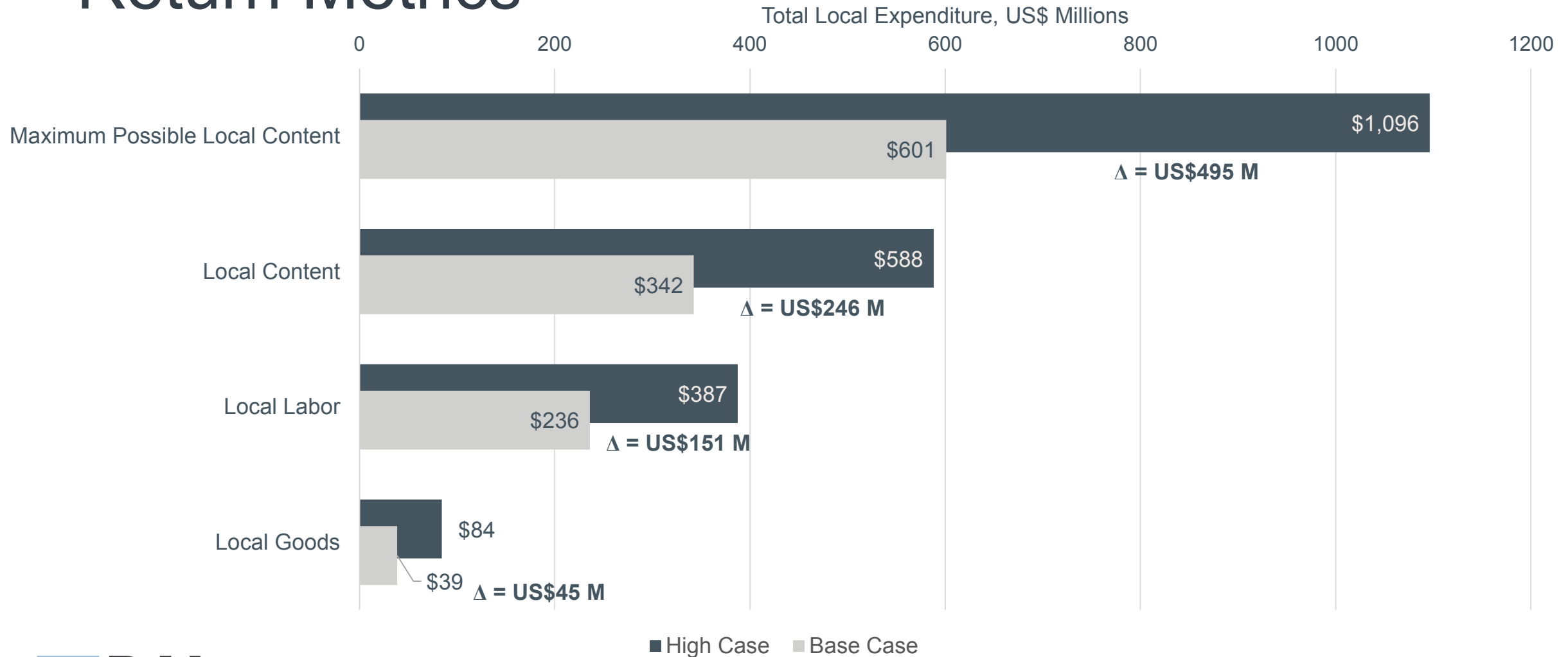
LCOM's forecasts synch directly to SBG's SRQP and LCPR platforms.

- LCOM's data assessing local supplier readiness populates the SRQP.
- LCOM's local content forecasts provide LCPR with the data to set realistic and achievable local content targets and to better manage supplier performance against existing compliance requirements.
- These data can be updated regularly to ensure accurate supplier information, tracking, and local content reporting throughout project life.

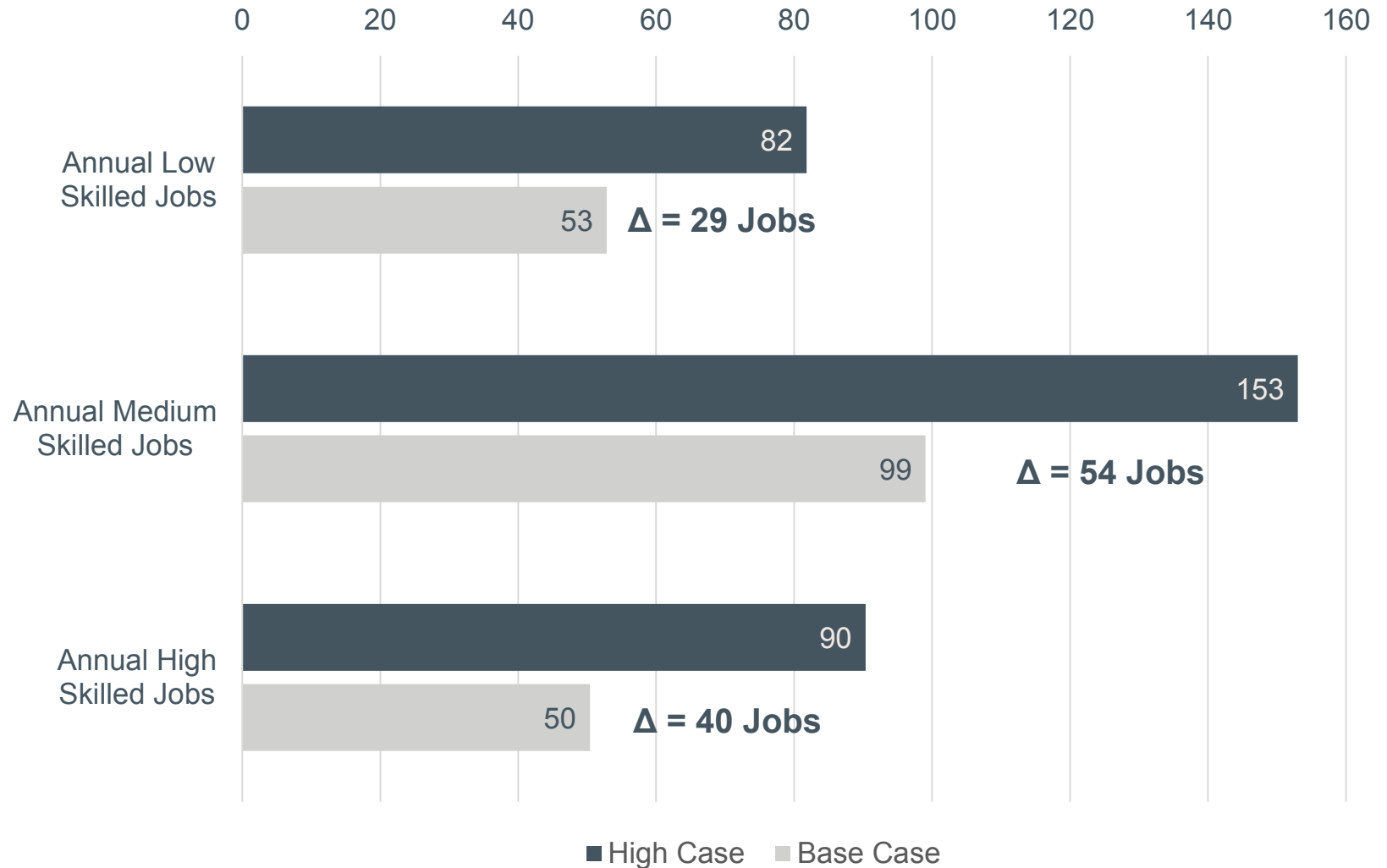
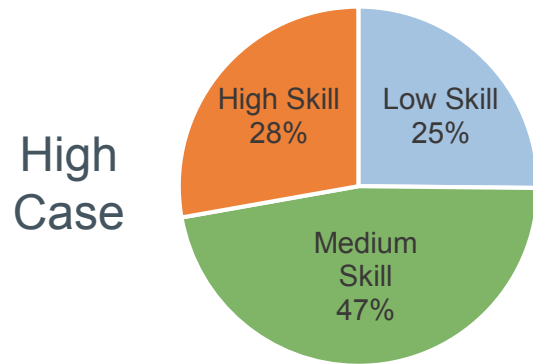
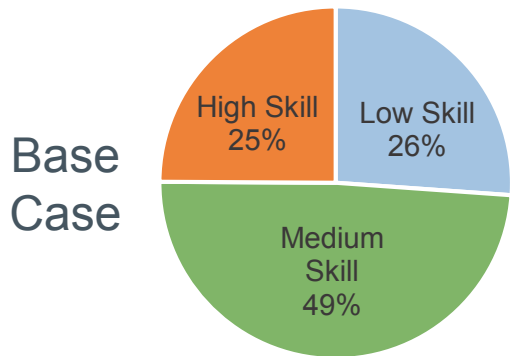


SAMPLE LCOM OUTPUTS

Base Case vs. High Case: Overall Economic Return Metrics



Base Case vs. High Case: Total Number of Jobs*



*aggregate number of jobs over life of project, not individual (i.e. new) jobs

CATEGORY DASHBOARD: MECHANICAL EQUIPMENT INSTALLATION

Supplier Readiness Scores

| | |
|-------------------|------------|
| Number of Firms | 30 |
| Total Score | 3.7 |
| Capacity | 3.7 |
| Cost & Prices | 4.4 |
| Finance | 2.9 |
| Market Experience | 3.7 |
| Quality Standards | 4.1 |
| Supply Chain | 4.0 |
| Timeliness | 3.5 |
| Workforce Skills | 3.7 |
| Workplace Safety | 3.0 |

Total Local Content Capture

| | |
|--|---------------|
| Total Spend for Category (US\$ Millions) | 562.44 |
| Baseline Local Content as % of Total | 7.28% |
| High Local Content as % of Total | 16.17% |

Local Economic Return (US\$ Millions)

| | Local Content | | Domestic Value Add | | Local Goods |
|----------|---------------|---|--------------------|---|-------------|
| Baseline | 40.93 | = | 40.89 | + | 0.04 |
| High | 90.93 | | 90.84 | | 0.09 |

Direct Employment (FTE)

| | Low Skill Jobs | Medium Skill Jobs | High Skill Jobs |
|----------|----------------|-------------------|-----------------|
| Baseline | 11 | 11 | 14 |
| High | 21 | 21 | 29 |

Key associated services include:

- On-site installation of equipment;
- Site acceptance testing;
- Startup/commissioning;
- Testing

Employment occupations include:

- Low skill: Mechanical Helpers
- Medium skill: Riggers/Foremen
- High skill: Welders/Millwrights/Equipment Operators



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