



# Socio-legal challenges in the extractive industries

## Africa and the Middle East

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SLAUGHTER AND MAY

# The impact of extractive industries on local communities

- **Economic:** job creation, growth, immigration, taxation, bribery/corruption
- **Environmental:** pollution, health and safety, waste, natural resource depletion
- **Social:** forced displacement, change in community character



# The fallout with local communities

## Legal risks

- Property law disputes
- Breaches of human rights law
- Breaches of environmental law
- Breaches of mandatory CSR requirements e.g. South Africa

## Commercial risks

- Project viability
- Increases in legal, insurance and security costs
- Delays
- Reputational damage
- Regulator and investor distrust

# Preventative measures

- Community consultation
  - Free Prior and Informed Consent
  - UN Guiding Principles on Business and Human Rights
- Measuring socio economic impact
  - Global Reporting Initiative Sustainability Reporting Guidelines
  - International Council on Mining & Metals Sustainable Development Framework
  - Oil and gas industry guidance on voluntary sustainability reporting
- Voluntary social investment
  - Tullow Group Scholarship scheme
  - Shell LiveWIRE programme

**SOCIAL PERFORMANCE**

Many of our operations are located close to communities. We work with them to understand their priorities and concerns. Managing our impact on people is essential to being a responsible company.

**HIGHLIGHTS IN 2016**

- Shell co-funded pilot projects in China with the Global Alliance for Clean Cookstoves to give 250,000 households access to clean cooking fuels. (See also Investing in communities)
- Entrepreneurs behind a Shell LiveWIRE-funded UK startup, which gives communities in Africa access to safe drinking water using profits from the sale of bottles, pitched their idea to the US President. (See also Investing in communities)
- Shell successfully completed the resettlement of around 1,850 people close to operations in Kazakhstan after consulting with local communities. (See also Investing in communities)

Our projects and operations can impact our neighbours. Our social performance team, working with environmental specialists, assesses and manages the impact of Shell's business to ensure that work is carried out in a responsible way. The team also contributes to building skills in the communities where we operate by supporting education and training programmes, and by encouraging the development of local businesses.

We apply both local laws and the principles of international law in our work. Shell's Control Framework uses international standards as a benchmark, such as those set out by the International Finance Corporation.

**ASSESSING OUR IMPACT**

Shell conducts an environmental, social and health impact assessment for all major projects to understand the positive and negative effects that the project is likely to have on the surrounding environment and the local communities. Shell's internal specialists as well as consultants and scientific advisors help project teams understand the impact on land, livelihood and culture, to respect human rights, and to interpret and apply local and international standards.

**LISTENING AND RESPONDING**

Shell Sustainability Report 2016

# Local content



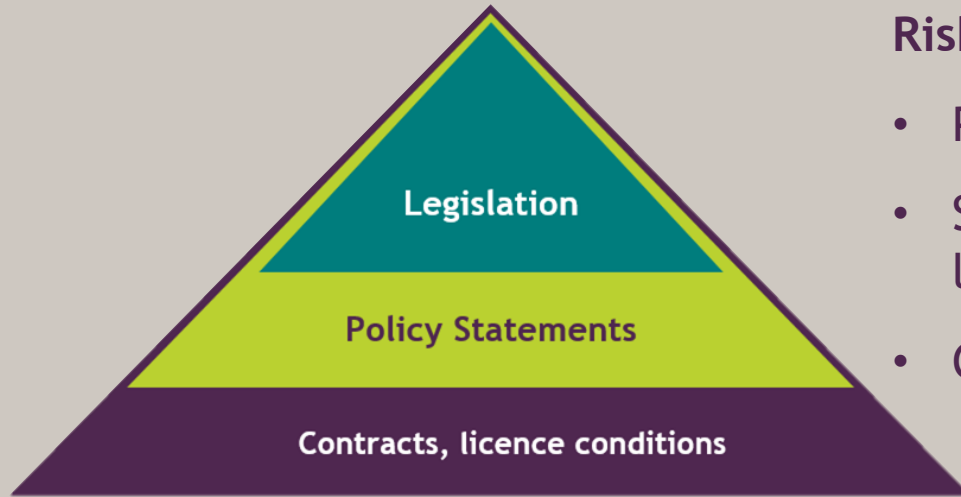
# The “curse of oil”

## The development of local content



# What type of intervention?

## The “regulatory” approach



### Risks of non-compliance

- Penalties
- Suspension or cancellation of licences
- Criminal offences

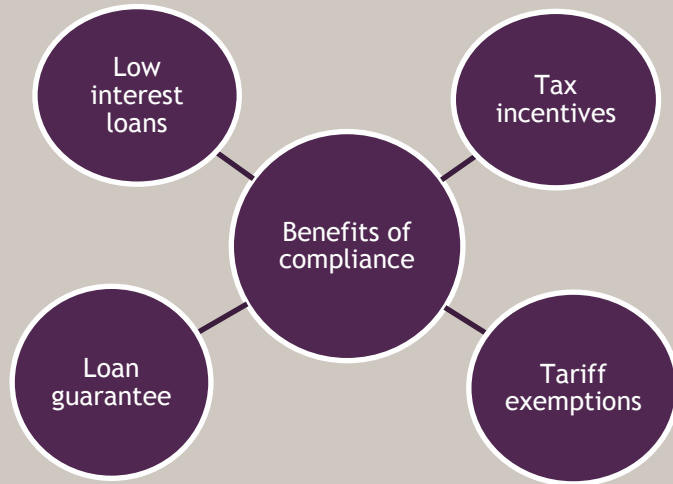
# Local content in Africa

Supply	South African Mining Charter: 40% on local procurement for capital goods, 50% for consumables and 70% for services
	Mozambican Mining Law 2014: preference must be given to goods and services purchased or obtained from Mozambican individuals or entities. Large purchases must be tendered through local newspapers
Employment and Training	Nigerian Local Content Act 2010: minimum target of 100% for Nigerian nationals in junior and intermediate positions
	Ghanaian 2010 Policy Framework for Local Content: at least 50% of management staff are Ghanaians from the start of petroleum activities and the percentage must increase to 80%
	South African Mining Charter: compulsory requirement to employ at least 40% local labour at all levels.
Equity Participation	South African Liquid Fuels Charter: black South-Africans should attain at least 25% ownership and control
	Ghanaian Petroleum (Local Content and Local Participation) Regulations 2013: at least 5% equity participation of an indigenous Ghanaian company in all petroleum licenses



# What type of intervention?

## The “incentive-based” approach

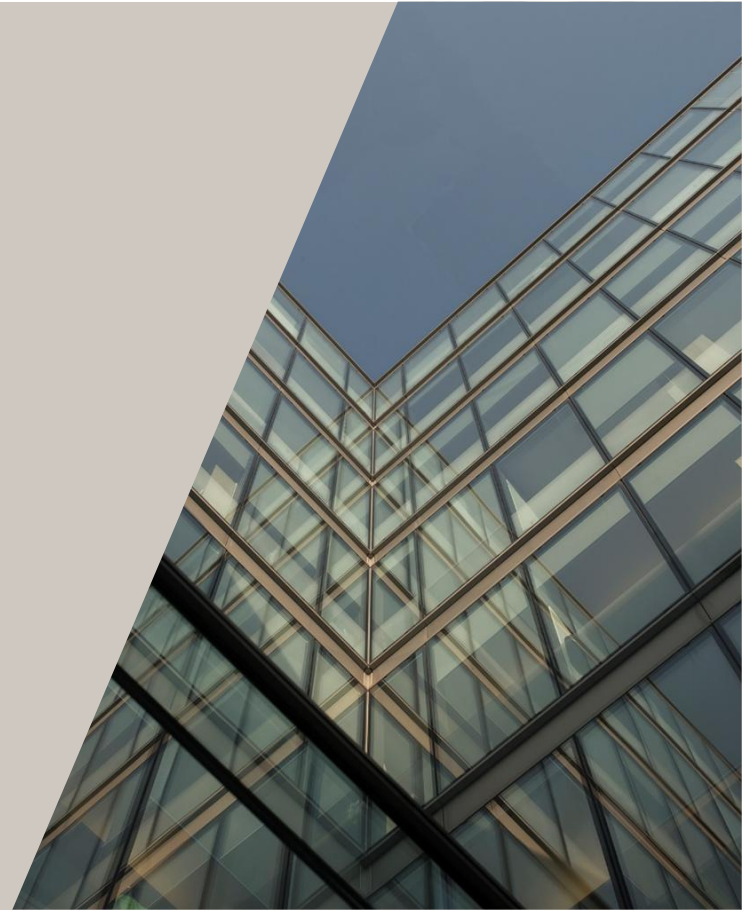


A better approach?

- Fewer enforcement issues
- Flexibility
- More appropriate for younger economies

# The way forward?

- Are local content policies working?
- Where does responsibility lie?
  - Government
  - Industry
- Collaboration?



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