

Policy For Promoting Local Content And National Integration

GENERAL DECLARATION OF LOCAL CONTENT AND NATIONAL INTEGRATION POLICY

SONATRACH, as the driver of the national economy, is fully in line with the government's guidance focusing on economic recovery, by implementing a policy promoting local content and national integration in order to boost the industrial network, develop Algerian skills, and join efforts to integrate new technologies, innovation, and knowledge.

In this perspective, **SONATRACH** undertakes to create growth and development opportunities for the benefit of Algerian companies that create wealth for its value chain. As a result, **SONATRACH** contributes to increase national capacities for the production of goods and services and to the modernization of the local supply chain to meet effectively and efficiently its medium and long-term needs.

SONATRACH has set the goal of maximizing the integration rate in its activities, by committing to implement the following actions:

- **Integrate** into its contract award procedure terms requiring from **SONATRACH's** operational and functional structures to use prioritarily local content , when it is able to meet the need.
- **Adapt** the contractual strategy to promote the use, prioritarily, of the national production tools
- **Urge** foreign contractors to opt for local subcontracting to the extent of its availability and quality.
- **Support** Algerian companies in the manufacture of goods and/or the implementation of projects likely to constitute an alternative to imports, including in terms of international certification and standards.

- **Support** companies incorporated under Algerian law, under the State's guidance, in order to facilitate the implementation of actions relating to the promotion of local content and national integration.
- **Communicate** regularly, particularly with SMEs, VSEs, Start-ups and Universities, through communication campaigns, on the needs and business opportunities offered in SONATRACH's procurement plans.
- **Involve** SONATRACH's affiliated companies in actions to develop and promote local content and national integration.
- **Contribute** to the development of national capacities in terms of technological mastery in SONATRACH's businesses, by collaborating with national and foreign partners, universities, research & development centers, start-ups and professional training

organizations in order to create opportunities for the development of local content and national integration.

- **Encourage** partnerships between Algerian public and private companies established within an organized framework, in order to boost competitiveness and combine their implementation capacities.

SONATRACH takes all necessary measures to ensure that the commitments set out above are reflected in the conduct of its activities and those of its subsidiaries.

A monitoring and evaluation system for the implementation of this policy has been established within SONATRACH.

Promoting the local content and national integration is the responsibility of everyone and all the managers of SONATRACH and its subsidiaries.

POLICY FOR PROMOTING LOCAL CONTENT AND NATIONAL INTEGRATION

I. Introduction

This policy is part of the implementation of the guidelines of the Public Authorities concerning the promotion of the national production tools (public and private), the improvement of the competitiveness of the national economy and the reduction of imports.

Indeed, SONATRACH is implementing its promotion policy of local content and national integration in order to expand and accelerate the use of national production tools, to undertake and develop its activities, within the framework of the overhaul of the national economy focused on enhancing the national resources and human potential.

In this regard, SONATRACH is pledged to implementing a plan promoting local content and national integration, aimed at achieving assessable and achievable strategic and operational objectives in this area.

II. Purpose

This policy sets out SONATRACH's commitments to developing national production capacities by mobilizing Algerian skills and using the local content for the acquisition of goods, the execution of works, the provision of services, studies and counselling.

III. SONATRACH's strategy for promoting local content and national integration

The main objective of SONATRACH's strategy for promoting local content and national integration is to minimize imports of goods and services used in its activities, mainly those related to the Oil & Gas sector, in order to contribute to accelerating the development of Algerian companies and the growth of the national economy.

This strategy is based on the deployment of a clear, attractive and specific policy, supported by a specific development program and underpinned by an adequate organization at all levels of the Company and its subsidiaries.

This strategic objective is part of :

SONATRACH's corporate social responsibility (CSR) framework and reflects its role as a major player in the country's sustainable development.

The development of the local content and national integration must constitute an integral part of SONATRACH and its subsidiaries's business model.

IV. Principles of the policy for promoting local content and national integration

This policy is based on the following five (05) fundamental principles:

- **Prioritize** local content when it is able to meet the need, without distinction between public and private entities.

- **Inform** national economic operators of **SONATRACH's** needs, in order to be included in a comprehensive approach to improve their competitiveness, by adapting and developing their areas of activity.
- **Cooperate** with national economic operators to enable them to submit their projects and/or activities and support them, where appropriate, in developing their internal technical skills and capabilities.
- **Challenge** the performance and know-how of the Algerian companies by allowing them to take part in the implementation of **SONATRACH's** structuring projects.
- **Develop** national capacities in terms of technological mastery, through collaboration with

national and foreign partners, institutions, universities, research and development centers, start-ups, and professional training organizations.

V. Vision

SONATRACH, through this inclusive policy, aims to contribute to the implementation of a national ecosystem of competitiveness, performance and innovation for a sustainable contribution of the national production tool, development of local technological and human skills and mastery of new technologies.

VI. Objectives

SONATRACH has set the following main objectives:

- Maximize the participation of the national production tool in its value chain.

- Control expenditures related to the import of goods and services.
- Encourage the emergence of new Algerian companies based on innovation, competition, quality and knowledge.
- Achieve a significant level of technological mastery in its different activities relevant to the hydrocarbon chain.

VII. Commitments

SONATRACH undertakes to implement the following actions:

- **Integrate** into its contract award procedure terms requiring from **SONATRACH's** operational and functional structures to opt for local content prioritarily, when it is able to meet the need.
- **Adapt** the contractual strategy to promote the use, as a priority, of national production tools.
- **Urge** foreign contractors to use local subcontracting to the extent of its availability and quality.
- **Support** Algerian companies in the manufacture of goods and/or the implementation of projects likely to constitute an alternative to imports, including in terms of international certification and standardization.
- **Support** companies incorporated under Algerian law, with state institutions, in order to facilitate the implementation of actions relating to the promotion of local content and national integration.

- **Communicate** regularly, particularly with SMEs, VSEs, Start-ups and Universities, through communication campaigns, on the needs and business opportunities offered in SONATRACH's procurement plans.
- **Involve** SONATRACH's affiliated companies in actions to develop and promote local content and national integration.
- **Contribute** to the development of national capacities in terms of technological mastery in SONATRACH's businesses, through collaboration with national and foreign partners, universities, research & development centers, start-ups and professional training organizations in order to create opportunities for the development of local content and national integration.

- **Encourage** partnerships between Algerian public and private organizations set up within an organized framework, in order to enhance competitiveness and unite their implementation capacities.

VIII. Deployment of the policy

In line with its vision, SONATRACH is broadening its position towards the exploration of new sources of revenue, which consists of refocusing on its core businesses, investing across the entire hydrocarbon chain (from exploration-production to refining and petrochemicals) and expanding its areas of activity towards new energies, with a firm commitment to maximizing the use of the national production tool in the operation and maintenance of its facilities as well as the implementation of its development plans.

The implementation of SONATRACH's policy for the promotion of local content and national integration relies on various levers such as regulatory and procedural provisions, support and assistance mechanisms for Algerian companies that create value for SONATRACH and its subsidiaries, namely, training, communication, innovation, technological mastery and the strengthening of the national industrial capacities.

The realization of SONATRACH's commitments is part of a progressive approach, mainly and primarily affecting the following areas:

1- Establishment of local content plans

All SONATRACH's economic operators (co-contractors, co-contractors and subcontractors), structures and

subsidiaries involved in each project, operation, activity or transaction launched by SONATRACH, must consider local content as an important and crucial element in the development of their projects and their management (procurement being one of the key areas of project management). Each project, operation, activity or transaction must have an annual and multi-year local content plan.

This plan must include all aspects governing the promotion of local content and must be evaluated and revised periodically. The implementation of the local content policy must guarantee a measurable and continuous growth in the participation of Algerian companies in all aspects related to operations carried out in the value chain of SONATRACH.

2- Prioritization of Algerian companies

When developing their contractual strategies, **SONATRACH** and its subsidiaries urge their partners, suppliers and subcontractors to give priority to Algerian companies when they are able to meet the need. These partners, suppliers and subcontractors are called upon to consider the development of the capacities of Algerian SMEs, VSEs and start-ups, during the execution of the contracts through the updating of their assessments.

Complex projects must be studied and sized in such a way as to facilitate access for Algerian companies as subcontractors, awardees of lots or co-contractors.

Markets for the supply of goods and services must be attractive for Algerian companies, particularly

SMEs and VSEs. Allocation should be prioritized as much as possible to enable the participation of Algerian companies.

In this context, **SONATRACH** and its subsidiaries must implement a procurement plan to regularly inform Algerian economic operators about contracts that will be launched in the medium and long term, to give them visibility on equity or partnership investment opportunities.

3- Local supply of goods and services

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upon to consider the development of the capacities of Algerian SMEs, VSEs and start-ups, during the execution of the contracts through the updating of their assessments.

Complex projects must be studied and sized in such a way as to facilitate access for Algerian companies as subcontractors, awardees of contracts lots or co-contractors. Markets for the supply of goods and services must be attractive for Algerian companies, particularly SMEs and VSEs. Contract lotting should be prioritized as much as possible to enable the participation of Algerian companies.

In this context, **SONATRACH** and its subsidiaries must implement a procurement plan to regularly inform Algerian economic operators about contracts that will be launched in the medium and long term, to give them visibility on equity or partnership investment opportunities.

4- Creation of local jobs and training

SONATRACH and its subsidiaries must ensure that all opportunities are given by its partners for the recruitment of Algerian employees having the qualifications and expertise and a recruitment plan and a training program intended for Algerian employees upon signing the association agreement or the partnership agreement.

Each partner must also have a plan for replacing foreign employees with Algerian employees.

5- Command of Technology

Each partner must prepare and implement a plan for the command of technology for the benefit of Algerian employees and set up the technical interfaces required for the needs of this mastery.

SONATRACH and its subsidiaries are dedicated to supporting innovative SMEs, VSEs and Start-Ups to develop technological innovation projects required for the areas of expertise of their operational structures.

Start-ups operating in the field of new energies, technological innovation and the production of equipment and components used in the fields that **SONATRACH** wishes to develop, in particular carbon capture and sequestration (CCS), the production and transport of hydrogen (blue/green), solar energy, etc., will receive special support from **SONATRACH**.

6- Development of the local industrial network

In the framework of the improvement of Algerian companies' competitiveness in the various areas

of the hydrocarbon value chain, **SONATRACH** and its subsidiaries are committed to organizing seminars and workshops for the benefit of these companies to contribute to upgrade the latter to the international standards required by oil & gas sector.

SONATRACH and its subsidiaries are also committed to supporting Algerian companies in carrying out their modernization and innovation projects related to its activities.

Economic operators, particularly SMEs, which produce equipments that enhance energy efficiency, aiming at rationalizing energy consumption, will have a specific support from **SONATRACH**.

PROMOTION OF THE NATIONAL TOOL OF PRODUCTION AND LOCAL CONTENT DEVELOPMENT

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