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1. INTRODUCTION

1.1. PURPOSE

The purpose of this document is to make potential Sakhalin Energy Investment Company Ltd. contractors and suppliers aware of the Sakhalin-2 Production Sharing Agreement Russian Content requirements and to steer them towards provision of the Russian Content and effective execution of contracts when it comes to Russian Content provision within forthcoming tenders.

1.2. SCOPE

This document is based upon the Sakhalin-2 Production Sharing Agreement and the Contracting and Procurement Procedure. It clarifies the PSA Russian Content definitions, outlines special requirements for preparation of tender proposals and submission of reports under contract execution, which might be supplemented considering specific works/ services provided by a contractor.

1.3. DEFINITIONS AND ABBREVIATIONS

The Company, Sakhalin Energy	Sakhalin Energy Investment Company Ltd.
RC	Russian Content
PSA	Production Sharing Agreement
Project	Sakhalin-2 Project
RC Plan, RC Development Plan	The Russian Content Plan, in particular: <ul style="list-style-type: none">• Tender RC Plan• or Contract RC Plan
RC Report	Russian Content Report
RC Audit	Audit of contractor's fulfilment of Russian Content commitments, including review of supporting documents for RC Reports



2. GENERAL PROVISIONS

Sakhalin Energy is committed to meeting the Russian Content requirements of the Production Sharing Agreement with the RF Government and the Sakhalin Oblast.

The PSA states that the Company shall use its best efforts to maximise the RC in each year of operation and to achieve a level of RC (including labour, materials, and equipment) of seventy percent (70%) over the life of the entire Sakhalin-2 Project, subject to Russian enterprises meeting the price, quality, and timing of delivery requirements.

When awarding contracts and purchase orders, preference shall be given to duly qualified Russian enterprises over any foreign enterprises if the Russian enterprise satisfies the Project requirements as to the price, quality and timing of delivery.

Therefore, the Company requires its contractors and suppliers to make real and meaningful efforts to maximise the utilisation of Russian industrial and human resources in any ensuing contract. In order to direct and control such efforts, tender proposals and, later, contracts shall be accompanied with RC Plans. The assessment of the Tenderer's RC Plan is an important criterion of the proposal evaluation process and determination of the successful bidder.

These recommendations do not provide any new requirements but summarise all RC requirements previously stated in the following major documents:

- Sakhalin-2 Project Production Sharing Agreement;
- the Company's RC Development Policy;
- Contracting and Procurement Procedure;
- RC Reporting Procedure.



3. RUSSIAN CONTENT

3.1. RUSSIAN CONTENT DEVELOPMENT PLAN

The RC Plan is a document to be prepared by a current or potential Contractor (hereinafter referred to as the “Contractor”), and defining the following:

- the Contractor’s company structure (for example, for a contractor being a Russian legal entity: PAO, AO, OOO, or sole proprietorship) and documentary evidence of whether the Contractor is a Russian enterprise;
- RC Targets to be achieved by the Contractor during the performance of the scope of work under the Contract;
- resources, methods, and procedures to be used by the Contractor to achieve those targets; and
- description of measures aimed at development of Russian labour (including the plans concerning hiring, training, and certification of Russian nationals) and Russian industry (including investment programmes, utilisation of Russian subcontractors, and creation of joint ventures).

The submission of the RC Plan can be a mandatory requirement for participation in the tender and can be a mandatory requirement for contract award, depending on the scope of work, duration, and value of the contract, availability of RC and RC development opportunities. The obligation to provide RC proposals (RC Plan) within a specific tender is stipulated in the requirements for a tender proposal submitting.

Unless the Invitation to Tender demands otherwise, the Company may set principal requirements for the content of the RC Plan by referring hereto. If the Invitation to Tender includes a requirement for mandatory provision of the RC Plan, each tenderer shall develop the Plan and submit it to the Company as a part of the technical proposal. Evaluation of tenderers’ RC proposals is an integral part of an overall tender evaluation process.

There is a difference between the **Tender RC Plan** developed by the potential Contractor during the tender and the **Contract RC Plan**.

The Tender RC Plan (RC Proposal) provided as a part of the Tender Proposal is not subject to change and provides a basis for evaluation of the proposal under RC provision criterion (or criteria).

Upon award of the contract, the Tenderer, on the basis of its RC proposals made during the tender (Tender RC Plan), shall develop and submit for approval by the Company the **Contract RC Plan**, to become an integral part of the contract and contractual commitments of the Contractor. The RC Plan Template is presented in **Appendix F** to this document.

RC targets in the Contract RC Plan shall be not less than in Tender RC Plan.

Generally, the Contract RC Plan shall be provided to the Contract Holder or the Contract Engineer within two weeks from the contract award, unless stated otherwise.

The Contract RC Plan is not an invariable document. The Plan is subject to review (if required) and change (if agreed with the Company) during the contract execution. Changes in the RC Plan may be



caused by alterations in contract terms, the scope of work or other contractual obligations, as well as by changes in market situations and emergence of new opportunities to increase the RC. The RC Plan may be updated and revised. Any changes in the RC Plan are possible only upon agreement with the Company.

During contract execution, the Company will monitor the Contractor's performance against its RC commitments along with other contractual obligations.

The development of the RC Plan is a mandatory requirement for all tenderers regardless of whether they are Russian or foreign enterprises.

3.2. COMPONENTS OF STANDARD RUSSIAN CONTENT PLAN

The components of the RC Plan and their content may vary subject to the contract terms and type of work performed. A standard RC Plan contains the following sections:

1. The Contractor's company structure.
2. Russian expenditure.
3. Recruitment of citizens of the Russian Federation.
4. Russian Materials and Equipment.
5. Subcontracting of Services/ Works.

In each Section of the Plan, the Contractor shall specify clear, achievable, and measurable targets related to the Russian Content. If the contract is a long-term one, RC targets can be lower for the initial stage of the contract with a further progressive increase up to a maximum value during contract implementation of the scope of work. Thereby, it is very important to demonstrate the capability to achieve such targets. Proofs of such capability may include:

- demonstration of capabilities and resources available to the enterprise to achieve the RC targets (e.g. availability of qualified Russian specialists, advanced training, etc.), and demonstration of RC achievements under previous projects, experience of work in Russia and with Russian partners;
- availability of clear methods, practices, and procedures that will enable achievement of declared RC targets. Import replacement programme, personnel training and development plan, plan of replacement of foreign personnel by qualified Russian employees, local supply chain development plan, employment policy—all that can serve as examples of availability of efficient management system and procedures in Russian Content control and provision.

3.3. CONTRACTOR'S COMPANY STRUCTURE

This section describes the Contractor's company structure (for Russian legal entities: PAO, AO, OOO or sole proprietorship) and confirms whether the contractor is a Russian enterprise.

A **Tenderer** is considered a Russian enterprise if:



1. at least fifty percent (50%) of its equity is held directly or indirectly by Russian natural or juridical persons or by any governmental authority¹, and
2. this enterprise is registered in the Russian Federation as a Russian legal entity.

It should be noted that:

- Registration of a foreign company and/or its representative office as a non-resident in Russia does not, in its own right, qualify the Contractor as a Russian enterprise in terms of the PSA.
- Employment of one hundred percent (100%) of Russian personnel by a foreign company does not, in its own right, qualify the Contractor as a Russian enterprise.
- Foreign legal entities/joint ventures where the share of the Russian capital is fifty percent (50%) or more shall be deemed foreign.

Specifying the Tenderer's company structure, i.e. whether it is a PAO, AO, OOO, sole proprietorship, or Joint Venture, and confirming whether the Tenderer is a Russian enterprise, the Contractor shall submit documentary evidence that it meets the criteria to be deemed as a Russian enterprise, including:

1. Certificate or other official document of a legal entity registration, license to conduct certain types of activities/certificate of sole conduct of activities; and
2. Information on the full chain of ownership of the Tenderer (from shareholders to final beneficiaries, which include any individuals who receive income or other advantages, or benefits from participation in the equity of a legal entity, with an indication of the ownership share, nationality or country of establishment, registration numbers or the Russian passport number if the beneficiary is a private person) with attachment of documents confirming the specified information. The information shall be presented using the template provided in the Invitation to Tender.

3.4. RUSSIAN EXPENDITURE

The Russian expenditure is the Contractor's expenditures for Russian labour resources, subcontractors, materials, equipment and services, as well as payments into the budget of the Russian Federation or its constituent entities in monetary terms (presented in the currency of the contract).

In the RC Plan, the Contractor shall include yearly Russian labour resources, subcontractors, materials, equipment and services as well as payments into the budget of the Russian Federation or its constituent entities in monetary terms according to Table 1 below:

¹ A "legal entity" is not a person. This term is defined by Article 48 of the RF Civil Code and includes both commercial and non-commercial organisations established pursuant to the RF law, i.e. a Russian legal entity. Article 5 of the Law No. 62-ФЗ On Citizenship of the Russian Federation, dated 31 May 2002 contains definitions of the term "citizens" [natural persons] of the RF as 1) "persons having citizenship in the RF prior to this law coming into effect"; and 2) "persons having acquired citizenship in the RF in accordance with this law."



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Table 1

Year	Total target contract value, contract currency	Target Russian expenditure under the contract, contract currency	The target share of Russian expenditure in the total target contract value, %	Target foreign expenditure under the contract, contract currency	The target share of foreign expenditure in the target planned contract value, %
1	2	3	4 = (3) / (2)	5	6 = (5) / (2)
Year 1					
Year 2					
Year 3					
Year x					
Year x					

This section shall contain only the expenditures related solely to execution of a contract concluded with the Company; the section shall not include general expenses of the Contractor (unless the Contractor works solely for Sakhalin Energy).

Expenditures may include the following types of payments (please see below examples):

- **Rental Payments.** Rental payments and other similar charges for the use of real property, equipment, or other movable or immovable property.
- **Purchases of Real Property.** Payments made to purchase real property.
- **Materials and Equipment.** Payments and charges for materials, equipment, and supplies purchased for use under this Contract’s Scope of Work, including, but not limited to, the costs of transporting, expediting, crating, dock charges, inland, ocean and air-freight, and unloading at destination.
- **Payments to Subcontractors.** Payments made to Subcontractors for services rendered under this Contract.
- **Personnel.** Without limitation, actual salaries, overseas premiums, normal bonuses, overtime pay, sick pay, vacation pay, public holiday pay, disability benefits, social insurance charges, life insurance costs, pension benefits, post-retirement benefits other than pensions, medical and dental insurances, severance benefits, moving expenditures and allowance, cost-of-living adjustments, housing allowance and other benefits generally granted to personnel and their dependants in accordance with ordinary and customary personnel policies in relation to the personnel concerned.
- **Travel and Communications Expenses.** Travel and business expenses of full-time or part-time personnel incurred while away from home for purposes directly related to this Contract, in each case including reasonable communications expenses (including telecommunications and courier service) incurred communicating with, or transmitting documents or other materials to and from, locations where Work is conducted, and bona fide emergency medical and dental care, including any necessary hospitalisation and any special transportation arrangements needed for repatriation, for such personnel whilst away from home to perform Work.
- **Insurance.** Payments for insurance coverage from the third parties or captive insurance companies (not to exceed market rates); provided, however, that such premiums may not be prepaid more than one quarter in advance of the terms stipulated in the contracts.



- **Legal Expenses.** Costs and expenses of litigation, arbitration, or legal services undertaken (including fees and expenses of outside legal counsel), and all judgements paid, or settlement payments made in connection with any such litigation or arbitration.
- **Advisers and Consultants.** Fees and expenses of advisers and consultants (including accountants and auditors) retained to provide professional services.
- **Taxes.** Taxes, duties, imposts, levies, assessments, charges, user fees, and other similar charges (including value added tax collected from or paid to the third parties) actually paid in accordance with the laws and regulations of any jurisdiction with authority to impose such taxes, duties, imposts, levies, assessments, charges, user fees, and other charges.
- **Land and Other Property.** Expenditures attributable to the acquisition, extension, or relinquishment of land rights (including right-of-ways) and other property rights.
- **Damages and Loss of Property.** Expenditures necessary for the repair or replacement of property resulting from damage or loss caused by fire, flood, storm, ice, theft, accident, or any other.
- **Office, Camps, and Facilities.** Expenditures of establishing, staffing, maintaining and operating any offices, camps, warehouses, housing, communication systems, and other facilities serving Operations.
- **Currency Exchange.** Any loss resulting from the exchange of currency required for the conduct of Operations. Any gain resulting from the exchange of currency required for the conduct of Operations shall be deducted from Expenditures.
- **Training.** Expenditures made to provide training for personnel directly assigned to this Contract.
- **Administrative Overhead.** A Contract-related portion of administrative overhead in respect of the indirect services and costs related to all personnel and offices of Contractor.
- Other Expenditures incurred by Contractor in accordance with this Contract's Scope of Work.

3.5. RECRUITMENT OF CITIZENS OF THE RUSSIAN FEDERATION

Definition: Russian Labour means employment of Russian Federation citizens.

Targets: the absolute (man-hours) and relative (percentage) quantity of the Russian and foreign labour resources to be utilised for performing works under the contract (including personnel of subcontractors directly involved in the performance of works under the contract).

This section of the RC Plan shall contain yearly Russian labour targets as per Table 2 below, as well as number of Russian personnel targets as per Table 3.

Table 2

Year	The total target number of man-hours under the contract	Target number of Russian man-hours under the contract	The target percentage of Russian labour utilisation	Target number of foreign man-hours under the contract	The target percentage of foreign labour utilisation, %
1	2	3	$4 = (3) / (2)$	5	$6 = (5) / (2)$
Year 1					
Year 2					
Year 3					



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Year x					
Year x					

Table 3

Year	Total target number of personnel utilised for work under the contract, staffing positions (persons)	Target number of Russian personnel utilised for work under the contract, staffing positions (persons)	Share of Russian personnel, %	Target number of foreign personnel utilised for work under the contract, staffing positions (persons)	Share of foreign personnel, %
1	2	3	$4 = (3) / (2)$	5	$6 = (5) / (2)$
Year 1					
Year 2					
Year 3					
Year x					
Year x					

As evidence of capability, one should provide the list of resources and procedures that enable to achieve the values declared, as well as all other procedures related to personnel training and development as applicable.

- Recommended split of Russian vs. foreign employees based on the following:
 - Office and management personnel;
 - HSE;
 - Engineering and technical personnel;
 - other staff.
- Plan of replacement of foreign personnel by qualified Russian staff as related to the personnel training and development plan.
- Employment policy (or a reference thereto), access to local and mainland Russia competent labour resources.
- Personnel training and development plan (including the list of planning activities, schedule, number of personnel, training resources to be used, description of personnel competence assessment system).

3.6. RUSSIAN MATERIALS AND EQUIPMENT

Definition: materials and equipment shall be deemed Russian if they were produced in the Russian Federation. When two or more countries are involved in the production of goods, such goods shall be deemed Russian if the last operations of processing or production take place in Russia (e.g. fabrication, welding, assembling, coating, component mechanical or heat treatment, production monitoring tests). At



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the same time, operations aimed at ensuring goods' safety, their preparation to shipment (lotting, sorting, pre-packing, packing) shall not be deemed processing.

Targets: absolute (kilograms) and relative (percentage) target volumes of Russian materials and equipment to be utilised.

This section of the RC Plan should contain yearly Russian materials and equipment targets as per Table 4 below:

Table 4

Year	Total target weight of materials and equipment under the contract, kg	Weight of goods, materials, and equipment of Russian origin, kg	The target percentage volume of Russian materials and equipment, %	Weight of goods, materials, and equipment of foreign origin, kg	Share of foreign materials and equipment, %
1	2	3	$4 = (3) / (2)$	5	$6 = (5) / (2)$
Year 1					
Year 2					
Year 3					
Year x					
Year x					

Proof of capability: provide the list of resources, practices and procedures that enable to achieve the values declared.

- list of production facilities of the Tenderer located on the Russian territory and planned to be employed for supplying the Company as per contract;
- List of materials and equipment including the proposed source of materials (Russian or non-Russian)
- List of potential Russian suppliers.
- Import replacement Programme.
- Local supply chain development/vendor development — a plan of domestic production of the required equipment, accessories, spare parts, standard components, assembly, etc.

3.7. SUBCONTRACTING OF SERVICES/ WORKS

Definition: services and works provided by subcontractors shall be considered Russian if they are performed/provided with the use of Russian resources. Calculation of such Russian resources shall be carried as per principles that apply to the Contractor.

Targets: specify monetary (in contract currency) and/or relative (percentage of total contract value) Russian Content targets in planned direct subcontracts.

If participation of subcontractors is direct (required for execution of the contract scope), the Russian labour and volume of materials to be submitted by subcontractors should be included in the labour and material targets in sections 3.5. and 3.6 above.



Specialised services required for construction activities, for example NDT, can be the examples of direct subcontracts; and the examples of indirect subcontracts are general civil services subcontracts (telecommunications, public transportation, cleaning of the offices, etc.).

Proof of capability: provide the list of the following resources, actions and procedures that enable to achieve the targets:

- the list of works to be subcontracted indicating the list of potential subcontractors for each type of such works; and
- the policy and the procedures of subcontract awarding and subcontractors selection principles.

3.8. CONFIRMATION OF PREVIOUS EXPERIENCE

This section shall be included only in the **Tender RC Plan**.

This information may be either presented as a separate section of the RC Plan (Previous Experience) or included into the other sections mentioned above as a reference.

Confirmation of the Previous Experience is the information on the results of activities aimed to deliver and develop the national content in the finished or current projects:

- the list of projects with National Content;
- the list of in-Russia projects;
- the list of projects implemented as joint ventures with a Russian or national partner;
- the list of Russian suppliers and subcontractors, with whom the Company worked or continues to work at the present moment;
- the results of activities aimed at Russian personnel development and training in the recent several years: the number of courses, trainings provided, the number of the personnel trained; and
- examples of participation in local community development, implemented social initiatives, sponsorship.



4. RUSSIAN CONTENT REPORTING REQUIREMENTS

4.1. GENERAL PRINCIPLES

Under the PSA provisions, the Russian Content is measured on an overall quantity basis, i.e. volume of materials and equipment (expressed in weight), man-hours of services and works, as well as in monetary terms.

In an attachment (“RC Report”) to each invoice for the Company, each contractor or supplier shall provide actual RC performance information in the template given in [Appendix B](#) hereto. RC Report is required even if the actual RC is nil. This is required in order to allow for calculation of RC as a percentage of the total man-hours and weight of equipment and materials utilised in the Sakhalin-2 Project. If the contractor or supplier forms RC reports automatically, using information systems, slight deviations from the template are allowed, though the following shall be maintained:

- Report header: name, reference number, and date of the invoice, the Contractor’s name;
- structure of indicators, their sequence, and signs. The names can be in one language only (Russian or English); and
- contact information of the person responsible for the report.

The RC Report shall be signed by the responsible person.

The contractor shall submit the RC Report as an attachment to every invoice for a work conducted for the Company. Failure to provide such an attachment, its improper execution, or provision of incorrect data in the RC Report may serve as a reason for refusal to pay the invoice until the errors are corrected. If any inaccuracies in the provided data are discovered, the attachment should be resubmitted, or further calculations should be corrected in order to obtain accurate consolidated RC figures per the contract.

The Company’s contractors shall include suitable equivalent RC Reporting clauses in subcontracts in order to ensure provision of RC data from the subcontractors of all levels. If any subcontractor does not provide RC Reports, contractor should prepare estimation for RC numbers for this subcontractor with maximum possible data accuracy and include this estimation in its overall RC Report submitted to the Company. If estimates are used to form the RC Report, the Contractor shall be obliged to inform the Company about it and about the methods used to calculate and check such estimates.

Sakhalin Energy shall have the right to audit the correctness of the Contractor’s generation of RC Reports. During an RC audit, the Company shall request the Contractor to provide it with the procedure used to create the RC reports (local regulations or process description) and supporting primary documents for the RC Reports that have been submitted to the Company in order to compare the provided data with the actual ones. The Contractor to be audited shall be informed about the audit in advance not later than two weeks prior to the audit date. Following the results of the RC audit, the Company shall check the quality of the submitted data and, if any problems are discovered, jointly with the Contractor develop a plan to eliminate them.

In some cases concerning the biggest and most significant (in terms of RC development) contracts, the Contractor shall, following the Company’s request, submit quarterly reports on utilised personnel during project implementation, using the template given in [Appendix D](#).



In addition to the report on utilised personnel during project implementation, the Contractor, at the request of the Company, shall provide forecast data on the number of personnel until the end of the contract term, using the template given in [Appendix E](#).

Where any additional RC reporting requirements have been included in the contract in line with the relevant RC Strategy (training program, etc.), the Contractor has to provide additional information in accordance with these requirements.

4.2. CONTRACTOR'S STATUS

The Contractor's status (Russian or Foreign) shall be determined according to Clause 3.3. The Contractor shall immediately inform the Company about any changes of the Contractor's shareholders (founding members) and beneficiaries occurred during contract execution.

4.3. RC CALCULATION PROCEDURE

Each RC Report shall contain 6 indicators calculated according to the below requirements.

4.3.1. Total Invoice Value (excl. VAT)

This value shall coincide with the value of the issued invoice (excluding VAT) the attachment to which is the RC Report. This value shall be presented in the currency of the invoice. The symbol or the short name of the currency is mandatorily specified. This indicator is used to control the correctness of RC Report execution.

4.3.2. Russian Expenditure Included in the Invoice (EXCL. VAT)

A portion of the Contractor's expenditure related to works and supplies per the invoice is qualified as the Russian Expenditure.

For a Russian contractor, this indicator equals to the invoice value excluding foreign expenditure (expenditure for foreign capital, foreign materials and equipment, foreign expenditure of subcontractors, etc.). For a foreign contractor, this indicator equals to the Russian expenditure (payments to Russian personnel, expenses for purchasing Russian materials and equipment, Russian expenditure of subcontractors, and payments into the budget of the Russian Federation). Details on the classification are given in [Appendix C](#). The value is given in the currency of the invoice, excluding VAT. The symbol or the short name of the currency is mandatorily specified. The value may not exceed the amount of total expenditure.

4.3.3. Total Man-Hours in the Invoice

This indicator includes the number of man-hours achieved per this invoice, including subcontractors of all levels. The indicator shall include only the man-hours per this invoice and not all the man-hours of the contractor during the period (unless the whole contractor organisation worked solely on one contract).



4.3.4. Russian Man-Hours in the Invoice

This indicator includes the number of man-hours worked by Russian citizens per this invoice, including subcontractors of all levels. The value may not exceed the total man-hours.

4.3.5. Total Gross Weight of Goods, Materials, and Equipment per the Invoice

This indicator includes the gross weight of all materials and equipment supplied per this invoice. This indicator is different from zero only for the invoices for materials and equipment supplied to the Company, or for materials the cost of which is compensated for by the Company according to the terms of the contract.

In order to avoid incorrect interpretation of the indicator:

- the weight of the equipment rented out to the Company is not included;
- the weight of goods, materials, and equipment transported according to the freight forward agreements is not included;
- the weight of products produced by the Contractor using the Company-supplied materials is not included;
- the weight of the soil removed during earthworks, excluding the sale of such soil to the Company, is not included; and
- The weight of consumables used during provision of services/execution of work is not included

The unit of measurement is the kilogramme. Changing the unit to another one (for example, tonnes) is not allowed.

4.3.6. Gross Weight of Goods, Materials, and Equipment of Russian Origin per the Invoice

The weight of the part of materials and equipment mentioned in Clause 3.5 which were produced in Russia according to the definition of the Russian origin given in Clause 3.6. The value may not exceed the total weight of materials and equipment.

4.3.7. Additional Notes

In exceptional cases (for instance, when the works performed for Sakhalin Energy form an insignificant part of the total amount of the Contractor's operations), the Contractor's data on the RC may be given as estimates rather than actual amounts. (For example, labour utilisation for a specific kind of works may be estimated by multiplying the total number of producers' employees by the share of this kind of work in the turnover of the Contractor). If this is the case, the principle and procedure for the estimation shall be documented and approved by the Company.

In case of any questions, the Contractor may contact the Company's RC Development Department to clarify its status or the procedure of calculation of an RC indicator by writing to seic-vendor-reporting@sakhalinenergy.ru



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APPENDIX A. REVISION DETAILS

Rev.	Location of Change	Brief Description of Change
1	The document was created on the basis of General Guidelines for Contractors № 0000-S-90-01-P-0042-00-R	The structure of the Russian Content Development Plan, Russian Content reporting requirements, and criteria for recognising a contractor to be a Russian one were specified. Change of classification and document number
2	3.4 3.5 3.6 Item 3.7 4.1 Item 4.3.2 Appendix B Appendix C Appendix D	Updated the list of personnel types Added clarification to the definition of Russian/ non-Russian materials and equipment Extended definition of Russian/non-Russian services from subcontractors Updated information for the specification of services payments, e.g. rental payments into Russian and Foreign Defined term of notification about upcoming audit Updated information for the specification of services payments, e.g. rental payments into Russian and Foreign Updated hyperlinks and contact information in Notes Updated table "Guidelines for calculation of RC" Updated Russian personnel employment report template



3	<p>3.1</p> <p>3.2</p> <p>3.3</p> <p>3.4–3.6</p> <p>3.6</p> <p>3.7</p> <p>4.1</p> <p>Item 4.2.3.</p> <p>Item 4.3.5–4.3.6.</p> <p>4.3.7</p> <p>Appendix B</p> <p>Appendix C</p> <p>Appendix D</p> <p>Appendix E</p> <p>Appendix F</p>	<p>Added RC Plan Template reference</p> <p>Added requirement for RC targets in the Contract RC Plan being not less than in the Tender RC Plan</p> <p>List of sections of the RC Plan has been changed to comply with the RC Plan Template structure.</p> <p>Added list of documents, required for provision by the Tenderer to confirm a Russian enterprise status.</p> <p>The forms of the tables with targets in the RC Plan specified, information on the specification of rental payments, e.g. rental payments into Russian and Foreign deleted</p> <p>Specified definition of Russian materials/ equipment</p> <p>Status definition (Russian or foreign) for services and works performed by subcontractors changed</p> <p>The name of the Report on the Number of Engaged Personnel changed to become the Report on Utilised Personnel during Project Implementation.</p> <p>Statement for providing forecast data on the number of contractor personnel added</p> <p>Printing requirement in the RC Report deleted</p> <p>Deleted Information for the specification of services payments, e.g. rental payments into Russian and Foreign expenses</p> <p>Specified requirements to the definition of Russian/non-Russian materials and equipment</p> <p>Updated hyperlinks and contact information</p> <p>Updated hyperlinks and contact information in Notes</p> <p>Updated table “Guidelines for calculation of RC”</p> <p>Updated template for the Contractor Report on employment in connection to the project</p> <p>Added template for providing forecast data on the number of contractor personnel</p> <p>RC Development Plan Template added</p>
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**SAKHALIN-II PSA. RUSSIAN CONTENT. GENERAL GUIDELINE FOR CONTRACTORS****REV. 03****APPENDIX B CONTRACTOR RUSSIAN CONTENT REPORT FORM****RUSSIAN CONTENT REPORT
ОТЧЕТ ПО РОССИЙСКОМУ УЧАСТИЮ****Attachment to Invoice # / Приложение к Счету № _____ dated / от _____****Contract № (or PO №) / Договор № (или Заказ №): _____****Company Name / Название компании: _____****Table 1: Monetary value****Таблица 1: Стоимость**

	Description / Наименование	Value / Значение
1	The total value of this invoice IN INVOICE CURRENCY (EXCLUDING VAT) Общая сумма счета В ВАЛЮТЕ СЧЕТА (ИСКЛЮЧАЯ НДС)	
2	The Russian expenditure related to this invoice IN INVOICE CURRENCY (EXCLUDING VAT) Российские расходы, отраженные в данном счете В ВАЛЮТЕ СЧЕТА (ИСКЛЮЧАЯ НДС)	

Table 2: Labour**Таблица 2: Трудозатраты**

	Description / Наименование	Value / Значение
1	The total labour related to this invoice IN MAN-HOURS Общие трудозатраты по данному счету В ЧЕЛОВЕКО-ЧАСАХ	
2	The Russian citizens labour related to this invoice IN MAN-HOURS Трудозатраты граждан России по данному счету В ЧЕЛОВЕКО-ЧАСАХ	

Table 3: Goods, materials and equipment**Таблица 3: Товары, материалы и оборудование**

	Description / Наименование	Value / Значение
1	The total weight of goods, materials and equipment related to this invoice IN KILOGRAMS Общий вес товаров, материалов и оборудования по данному счету В КИЛОГРАММАХ	
2	The weight of Russian goods, materials and equipment, related to this invoice IN KILOGRAMS Вес товаров, материалов и оборудования российского происхождения по данному счёту В КИЛОГРАММАХ	

Person responsible for this report**Ответственный за данный отчет**

Name / ФИО

Contact details (tel, email)

Контактная информация (тел, электр. адрес)

Notes / Примечания:

1/ Monetary and physical values shall be shown in the second column. Currency shall be shown together with monetary values. Стоимостные и физические показатели указываются во второй колонке. Вместе со стоимостными показателями необходимо приводить символ либо краткое наименование валюты.

2/ For defining of what is related to "Russian expenditure", "The Russian citizens labour", "The weight of Russian goods, materials and equipment", please refer to "[Sakhalin-II PSA. Russian Content. General Guideline for Contractors](#)" (№ 1000-S-90-01-M-0051-00-E).

Для определения показателей «Российские расходы», «Трудозатраты граждан России», «Вес товаров, материалов и



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оборудования российского происхождения», пожалуйста, обращайтесь к документу [«СРП по проекту «Сахалин-2». Российское участие. Рекомендации для подрядчиков» \(№ 1000-S-90-01-M-0051-00-R\)](#).

3/ If services rendered during the period the invoice is made out for do not contain Russian man-hours, goods, materials or equipment; Russian Content Report shall nevertheless be filled out with an indication of the total value of invoice.

Если по услугам, предоставленным в течение периода, за который выставлен счет, Российского участия не было, отчет по российскому участию, тем не менее, должен быть заполнен с указанием суммы счета и приложен к счету.

4/ Should you have any questions related to this report, or should you need an electronic version of Russian Content report template, please contact Russian Content Reporting Specialist by e-mail: seic-vendor-reporting@sakhalinenergy.ru

В случае возникновения вопросов в отношении составления отчета по российскому участию или необходимости получить электронную версию формы Отчета по российскому участию, просим обращаться к специалисту по подготовке отчетности о российском участии по e-mail: seic-vendor-reporting@sakhalinenergy.ru



APPENDIX C GUIDELINES FOR CALCULATION OF RC FOR RUSSIAN CONTENT REPORT

The figures inserted within the Russian Content Report (i.e. monetary value, man-hours and kilograms) shall be calculated in accordance with the following specification.

No	Calculation indicators	RC Indicators		
		Expenditure, currency	Labour, man-hours	Weight of goods and equipment, kg
1	Management fee	Russian Russian origin management fee (including costs of Russian management personnel)	Russian Man-hours worked by contractor/subcontractor Russian personnel*	n/a
		Foreign Foreign origin management fee (including costs of foreign management personnel)	Foreign Man-hours worked by contractor/subcontractor foreign personnel	n/a
2	Mobilisation/demobilisation	Russian Amount of mobilisation/demobilisation expenses incurred on the territory of the Russian Federation	n/a	n/a
		Foreign Amount of mobilisation/demobilisation expenses incurred outside of the Russian Federation	n/a	n/a
3	Provision of personnel	Russian Man-hours of contractor/subcontractor Russian personnel* x Hourly rate	Russian Man-hours worked by contractor/subcontractor Russian personnel*	n/a
		Foreign Man-hours of contractor/subcontractor foreign personnel x Hourly rate	Foreign Man-hours worked by contractor/subcontractor foreign personnel	n/a



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4	Supply of materials and equipment	<p>Russian Materials and equipment in natural units of measurement (kg/m³) x Price per unit</p>	n/a	<p>Russian Gross weight of the part of materials and equipment (in kg) which were produced on the territory of the Russian Federation according to the definition of the Russian origin**</p>
		<p>Foreign Materials and equipment in natural units of measurement (kg/m³) x Price per unit</p>	n/a	<p>Foreign Gross weight of materials and equipment (in kg) which were produced outside of the Russian Federation</p>
5	Consumables used during provision of services/execution of work	<p>Russian Cost of consumables of the Russian origin**</p>	n/a	n/a
		<p>Foreign Cost of consumables of foreign origin</p>	n/a	n/a
6	Rent of premises	<p>Russian Expenditures of a contractor/ subcontractor with a Russian enterprise status***</p>	n/a	n/a
		<p>Foreign Expenditures of a contractor/ subcontractor without a Russian enterprise status***</p>		
7	Vessel hire (charter) ****	<p>Russian Expenses for vessel hire in accordance with a status of ultimate owner of a vessel (if the ultimate owner of the vessel has a Russian enterprise status***) + Russian personnel expenses</p>	<p>Russian Man-hours of contractor/subcontractor Russian personnel*</p>	n/a
		<p>foreign Expenses for vessel hire in accordance with a status of ultimate owner of a vessel (if the ultimate owner of the vessel does not have a Russian enterprise status***) + Foreign personnel expenses</p>	<p>Foreign Man-hours of contractor/subcontractor foreign personnel</p>	



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8	Rent of equipment	Russian Share of Russian expenses in rent of equipment payment structure	n/a	n/a
		Foreign Share of foreign expenses in rent of equipment payment structure		
9	Transportation company services	Russian Russian origin transportation services fee (including costs of Russian personnel)	Russian Man-hours worked by contractor/subcontractor Russian personnel*	n/a
		Foreign Foreign origin transportation services fee (including costs of foreign management personnel)	Foreign Man-hours worked by contractor/subcontractor foreign personnel	n/a
10	Bonus for KPI achievement/extra charge	Russian Expenditures of a contractor/ subcontractor with a Russian enterprise status***	n/a	n/a
		Foreign Expenditures of a contractor/ subcontractor without a Russian enterprise status***	n/a	n/a

* Russian Labour means employment of Russian Federation citizens.

** Materials and equipment shall be deemed Russian if they were produced in the Russian Federation. When two or more countries are involved in the production of goods, such goods shall be deemed Russian if the last operations of processing or production take place in Russia (e.g. fabrication, welding, assembling, coating, component mechanical or heat treatment, production monitoring tests). At the same time, operations aimed at ensuring goods' safety, their preparation to shipment (lotting, sorting, pre-packing, packing) shall not be deemed processing.

*** Contractor/Subcontractor qualifies as a Russian enterprise if:

- at least fifty percent (50%) of its equity is held directly or indirectly by Russian natural or juridical persons or by any Governmental Authority, and
- this enterprise is registered in the Russian Federation as a Russian legal entity.

**** If there are more than one ultimate owners of the vessel and some of them have a status of Russian enterprise, others - foreign, then rent of vessel shall be split into Russian and foreign in accordance with the aggregate holdings of such owners.



APPENDIX D TEMPLATE FOR THE CONTRACTOR REPORT ON THE EMPLOYMENT IN CONNECTION TO THE PROJECT

The Report shall be submitted by the Contractor to the Company in Excel format, only the grey fields shall be filled in.

Report on the employment in connection to the project/ Отчет об использовании граждан в работах по проекту

Contract #/ Контракт №

Contractor's Name/ Наименование
подрядной организации:

Period/
Период QX 20XX/ X квартал 20XX г.

Personnel involved in Sakhalin 2 project works/ Персонал, участвующий в работах по проекту «Сахалин-2»	Citizenship / Гражданство			Total/ Всего	Current % of Russian Citizens/ Текущий % доли российского персонала
	Russian citizens (Sakhalin Oblast only)/ граждане РФ (Сахалинская область)	Russian citizens (other Regions of RF)/ граждане РФ (другие регионы РФ)	Foreign citizens/ Иностраные граждане		
Total/ Всего	-	-	-	-	
Personnel of Contractor/ Персонал подрядчика					
Office & Management personnel/ Административно-управленческий персонал				-	
ОТОСБ				-	
Engineering & Technical personnel/ Инженерно-технический персонал				-	
Other staff/ Прочие специальности				-	
Personnel of Subcontractors/ Персонал субподрядчика					
All subcontractors / Всех субподрядчиков				-	
Names of Russian subcontractors/ Наименования российских субподрядных организаций					



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APPENDIX E TEMPLATE FOR PROVIDING FORECAST DATA ON THE NUMBER OF CONTRACTOR PERSONNEL

Company Name/Название Компании:

Forecasted staff numbers contractors/subcontractors / Прогнозируемое количество персонала подрядчика/субподрядчиков		Contract # / Номер контракта	2017		2018		... (depending on contract validity dates)/... (в зависимости от срока действия контракта)	
			Foreign/ Иностранн.	Russian/ Российск.	Foreign/ Иностранн.	Russian/ Российск.	Foreign/ Иностранн.	Russian/ Российск.
Contract #1 / Первый контракт	Contractor personnel / Персонал Подрядчика							
	Subcontractors' personnel (if applicable) / Персонал субподрядчика (если							
Contract #2 / Второй контракт	Contractor personnel / Персонал Подрядчика							
	Subcontractors' personnel (if applicable) / Персонал субподрядчика (если применимо)							
Contract #3 / Третий контракт	Contractor personnel / Персонал Подрядчика							
	Subcontractors' personnel (if applicable) / Персонал субподрядчика (если							
Consolidated Report for manpower / Консолидированн ые данные по контрактам	Contractor personnel / Персонал Подрядчика							
	Subcontractors' personnel (if applicable) / Персонал субподрядчика (если применимо)							

Brief instruction /Краткие инструкции по заполнению:

- 1) Please indicate forecasted numbers of Foreign and Russian staff until the end date of existing contracts with SEIC as of the end of each year/ Пожалуйста, укажите прогнозируемое количество иностранного и российского персонала до конца срока действия текущего контракта (контрактов) с компанией "Сахалин Энерджи" по состоянию на конец каждого года.
- 2) Please indicate only those staff who will be engaged in works under the existing contract/contracts with SEIC / Просьба указать лишь тот персонал, который будет задействован в работах по действующему контракту (контрактам) с "Сахалин Энерджи".
- 3) In case of more than one existing contract with SEIC please do not sum up the same positions across the contracts, but specify the actual number of people under each contract and total numbers under all contracts without duplications / В случае наличия нескольких действующих контрактов с "Сахалин Энерджи", пожалуйста, не суммируйте позиции по контрактам, а укажите фактическое количество задействованных людей по каждому контракту, а также общее количество по всем контрактам без дублирования персонала.
- 4) For the longer perspectives an educated guess will suffice / На долгосрочную перспективу будет достаточно дать приблизительную оценку.



APPENDIX F RC DEVELOPMENT PLAN TEMPLATE

RC Development Plan template is available at Company web-site <http://www.sakhalinenergy.ru> (Section "Contracting with us" – "Russian Content" – "Russian Content Development plan template").