

Appendix I

Canada-Newfoundland and Labrador Benefits Guidelines

1.0 INTRODUCTION

- 1.1 Husky strongly supports providing opportunities to Canada and in particular Newfoundland and Labrador. It is our desire to bring the maximum benefit to the region. We feel it makes economic sense to perform work close to the field location.
- 1.2 The *Atlantic Accord*¹ (Accord) provides the legislative framework for the development of the Eastern Canadian offshore resources mandating that development benefits Canada as a whole and, in particular, the Province of Newfoundland and Labrador. Husky's Canada-Newfoundland and Labrador Benefits Guidelines reflect the regulatory requirements outlined in the Accord and associated Accord Acts.
- 1.3 Husky concludes that by taking a proactive approach, significant work and employment can be provided to Canadians, including Newfoundland and Labrador residents, in a cost effective and efficient manner.

2.0 PHILOSOPHY

The development of Husky's Canada-Newfoundland and Labrador opportunities philosophy for its operating area programs is based on our beliefs and guiding principles.

2.1 Beliefs

Husky beliefs applicable to Canada-Newfoundland and Labrador opportunities:

- a) **Significant skill base** - The studies conducted for other developments and the research done by Husky indicate there is a substantial skill base in Newfoundland and Labrador, other parts of Eastern Canada and the remainder of Canada. The combined resources of the engineering community and labour resources in Newfoundland and Labrador in particular, and in the remainder of Canada, can provide the majority of skills necessary to carry out the scope of work that is required on a value added basis in Canada.

Significant industrial base - Husky has extensive knowledge of Newfoundland and Labrador facilities and the larger fabrication facilities in Canada. Based on our knowledge, we believe the capabilities and resources exist to carry out the majority of the work required for offshore development in Newfoundland and Labrador and other facilities in Canada.

Training and transfer of technology - The training of local personnel and the transfer of technology to local and more broadly based Canadian companies reduce long term operating costs and provide cost effective support services for current programs and future

¹ Memorandum of Agreement between the Government of Canada and the Government of Newfoundland and Labrador on offshore oil and gas resource management and revenue sharing, dated February 11, 1985, and includes any amendment thereto.

projects. The earlier these activities are conducted with maximum opportunity for participation by Canadian companies, the greater the long term return for all stakeholders.

Rights of government and people - We recognise the right of Newfoundland and Labrador to be the principal beneficiary of the oil and gas resources off its shores, consistent with the requirement of a strong and united Canada.

Husky understanding - We believe Husky understands the objectives and commitments necessary to achieve cost effective Canadian-Newfoundland and Labrador content.

2.2 Guiding Principles

To enhance these beliefs Husky has documented principles to guide our approach to identify and provide opportunities for Canada-Newfoundland and Labrador participation. These guiding principles are as follows:

- a) **Full and fair opportunity** - Full and fair opportunity will be provided for Canadian-Newfoundland and Labrador personnel and companies to participate in the supply of goods and services. This can best be defined by the way we do business as characterized by the following:
 - development of approved vendors files
 - investigation of labour and fabrication capabilities
 - sizing of packages to fit the capabilities of Canadian companies
 - early dissemination of information on the scope of work
 - open communication with all personnel and companies requesting information
 - on-site presence of engineering, procurement and project management in Newfoundland and Labrador and Canada
 - open communication with government and industry associations to identify potential suppliers
 - development and implementation of transfer of technology and training programs for long term cost effectiveness
- b) **First consideration to Newfoundland and Labrador and Canada** - Husky supports the principle that first consideration be given to personnel, support and other services that can be provided by Newfoundland and Labrador and to goods manufactured in Newfoundland and Labrador, where such goods and services are competitive in terms of fair market price, quality and delivery. We also support the principle of ensuring that individuals resident in Newfoundland and Labrador are given first consideration for training and employment opportunities. This principle also applies next to Canadian companies and personnel relative to international competition. This principle of first consideration will result in

opportunities to the Newfoundland and Labrador and Canadian community provided the impact of value added and life cycle costs are satisfactory.

- c) **Proactive** - Husky is aggressive in our approach to Canada-Newfoundland and Labrador opportunities. Proactive means the innovative, co-operative, supportive and open pursuit of involvement of Canadian, and in particular, Newfoundland and Labrador companies and residents to achieve “best value” for the project. We are challenging the mentality that says, “it can’t be done!”
- d) **“Value adding” is an imperative** - Husky, in the evaluation of opportunities, will emphasize “best value” for the project. Opportunities must be cost effective in the long term and bring value to project stakeholders.

3.0 APPROACH

3.1 Issues

Husky has identified key issues that arise for the successful completion of Grand Banks projects in alignment with the aim and objectives of all stakeholders. This section details these issues and outlines the actions Husky has taken to ensure the successful completion of the project on a “best value” basis while addressing the needs of the stakeholders.

- a) **Development in accordance with the Accord** - The Accord requires that offshore oil and gas project’s policies and procedures embody the commitment to carry out the program in the spirit of the Accord Acts. This translates into:
 - Full and fair opportunity for Canadian and Newfoundland and Labrador firms to participate in the supply of goods and services.
 - Goods manufactured in and services provided from Newfoundland and Labrador are given first consideration where they are competitive in terms of fair market price, quality, and delivery.
 - Residents of Newfoundland and Labrador are given first consideration for employment opportunities and training.
- b) **Key functions will be performed in Newfoundland and Labrador** - Husky has committed to managing activities associated with or resulting from the White Rose Project from St. John’s. Project decision-making authority, consistent with normal corporate business practices, will reside in the St. John’s, Newfoundland and Labrador office. This rationale is based on the premise that the presence of appropriate levels of management decision making and the performance of key functions from a local office will assist in focusing on local and regional benefits issues, increase understanding of local capabilities and increase sensitivity to local concerns.
- c) **Goods and services on “Best Value Basis”** - For the Company’s offshore programs, goods and services must be acquired on a “best value” basis. Local industry must be encouraged to strive to provide goods and services that will compete effectively in a global

marketplace. Our evaluation criteria for determining best value are consistent with those for assessing the relative competitiveness of goods and services outlined in the Accord Acts. The evaluation criteria making up best value are fair market price, quality and delivery.

- d) **Canada-Newfoundland and Labrador benefits will be a factor in procurement** - International competitive bidding processes must be used to acquire goods and services in order to ensure the commercial viability of the program.

Husky will establish procurement policies and procedures consistent with the requirements of the Accord Acts and the CNLOPB. These policies and procedures, without limiting the scope of the Accord Acts or the discretion of the CNLOPB, will include provisions to ensure that:

- The requirements for goods and services are communicated, in a timely fashion, to Canadian and, in particular, to Newfoundland and Labrador firms.
- The bid packaging, technical specifications, bidding procedures, and bid follow-up provide Newfoundland and Labrador firms and individuals with a full and fair opportunity to provide goods and services.
- Where bids are essentially equal on a best value basis, first choice will be given to goods and services provided from Newfoundland and Labrador. In all bidding processes the level and quality of Newfoundland and Labrador benefits, as well as technical and commercial considerations, shall be one of the key selection factors in awarding development contracts.
- Supplier identification - Husky will provide early identification of opportunities for the supply of goods and services required for the program, work with governments and industry organizations to jointly identify potential Newfoundland and Labrador suppliers of such required goods and services and, on request, provide feedback to unsuccessful suppliers, as appropriate.
- Supplier development - Husky will work with governments and industry organizations to improve Newfoundland and Labrador supply capability by providing information about the program requirements and specifications in a timely manner and encourage the establishment of new suppliers in Newfoundland and Labrador and the formation of appropriate alliances involving Newfoundland and Labrador firms, where such alliances enhance the ability to compete for the work.
- Identification in bids of Newfoundland and Labrador participation - Husky will require bidders to fully disclose information relevant to Newfoundland and Labrador benefits content, including:
 - The nature of the arrangements among the participants in the bid, including the respective shares of equity in the consortium.
 - The share and nature of the work to be carried out by each of the participants in the bid.

- The nature of arrangements for the transfer of technology.
- e) **Newfoundland and Labrador and Canadian infrastructure use to be encouraged** – Husky will ensure qualified Newfoundland and Labrador fabrication and construction yards are provided a full and fair opportunity to bid on work.
- f) **Contractors and Subcontractors will adhere to philosophy and guiding principles** - Contractors play a large role in the procurement of goods and services.
- To ensure the benefits objectives and commitments are achieved in all areas, Husky requires all Contractors and Subcontractors to comply with the benefits principles, objectives and commitments.
 - To ensure that the concept of full and fair opportunity is extended to all potential suppliers, Husky requires its Contractors and Subcontractors to also comply with the commitments and provide full and fair opportunity to Canadians including Newfoundland and Labrador manufacturers, consultants, contractors and service companies to participate on a competitive basis in the supply of goods and services to the development.
- g) **Engineering to be done in Newfoundland and Labrador** - Husky will use best efforts within the competitive bidding process to cause the project management and engineering work for the program to take place in Newfoundland and Labrador.
- h) **Technology Transfer, Research and Development** - Technology transfer and research and development are important components of a Canada-Newfoundland and Labrador Benefits Plan. Husky supports and encourages initiatives in these areas.