



WHITE ROSE DEVELOPMENT PROJECT

Canada-Newfoundland Benefits

Reporting and Procedure Manual

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1.0 Introduction

Section 45 of the Canada-Newfoundland Atlantic Accord Implementation Acts requires that the White Rose Project Owners, their contractors, subcontractors and suppliers provide a Full and Fair Opportunity to Newfoundland and other Canadian manufacturers, contractors, consultants and service companies to participate, on a competitive basis, in the supply of goods and services to the White Rose Oilfield Development.

The legislation further requires that within this context of full and fair opportunity, First Consideration be given to goods manufactured in, and services provided from within, the Province of Newfoundland where those goods and services are competitive (in terms of best value).

Husky Energy Inc (Husky) recognizes the importance of the White Rose Oilfield Development in social and economic terms to Canada and particularly Newfoundland and Labrador. The Company seeks to enhance opportunities for Canadian and Newfoundland and Labrador companies and individuals through provisions of the Acts, such as Full and Fair Opportunity, First Consideration and corporate commitments made through the Benefits Plan.

The purpose of this manual is to outline Husky's policies and procedures pertaining to Canada-Newfoundland Benefits for the White Rose Oilfield Development. Compliance by Husky and its contractors and subcontractors with the procedures outlined in this manual is essential to meeting:

- Legislative requirements of the Canada-Newfoundland Atlantic Accord Implementation Acts,
- Commitments of the White Rose Project Owners, as stated in the White Rose Canada-Newfoundland Benefits Plan
- Requirements of the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) as set out in White Rose Development Application Decision 2001.01 (refer Appendix I).

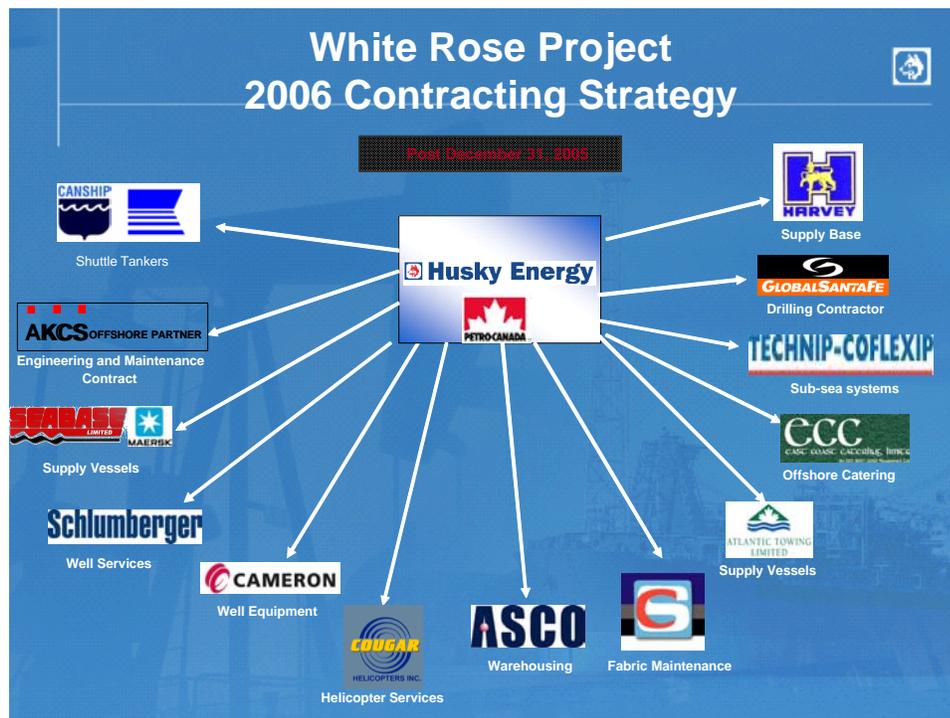
In order for Husky, its contractors and subcontractors to ensure that Canada-Newfoundland Benefits commitments are achieved, the principles of Full and Fair Opportunity, First Consideration as outlined in the legislation must be endorsed and adhered to in the contracting, procurement and employment processes. In support of this effort, Canada-Newfoundland Benefits requirements are an integral part of the contract and procurement process. In addition, Husky has undertaken a series of initiatives in order to encourage Newfoundland and Canadian participation. These initiatives include:

- Open communication with lead contractors and the business community
- Where possible and appropriate, bid sizing and design to meet Canada and Newfoundland and Labrador companies' capabilities
- Creation and utilization of a White Rose vendor database
- Identification of Newfoundland and Canadian labour and fabrication capabilities
- Provision of long lead times for information concerning good and services requirements
- Provision for the calculation of Canada-Newfoundland content estimates from bidders in bid packages and the requirement for successful bidders to steward to those estimates

- Benefits monitoring and public reporting to assess White Rose achievements on a quarterly basis

The Operational structure for White Rose links Husky, as the Operator, to the major contractors who will in turn co-ordinate and complete the subcontracting process for their respective areas of responsibility. The relationships are represented in the model below.

Figure 1.1: White Rose Contracting Strategy



2.0 Canada Benefits Application Strategy

Condition 8 of Decision 2001.01 states:

“Upon Project Sanction, the Proponent establish systems and procedures, to the satisfaction of the Board and with particular attention to the calculation of Newfoundland & Labrador and Canadian content, to ensure the bid evaluation and reporting framework matches that which is described in the Benefits Plan. Further, the Proponent must establish, for approval by the Board, a methodology and a verification process for all Newfoundland & Labrador and Canadian content calculations by it and by its contractors and subcontractors.”

This Manual has been developed to satisfy this Condition. Husky will require all White Rose contractors and subcontractors to comply with the requirements outlined herein. The overall objectives of benefits information submitted to the C-NLOPB by Husky, as Operator of the White Rose Project, are:

- Report in a manner that is consistent with established principles and guidelines
- Compliance with accepted interpretations
- Amounts reported are accurate, based upon accounts and records

Consistent application of these established principles, guidelines and interpretations serve as the agreed upon terms of reference for the conduct of any monitoring or compliance reviews by the Operator and/or audit engagements by Consulting and Audit Canada (CAC), on behalf of the C-NLOPB.

It is Husky's responsibility to ensure:

- Canada Benefits principles and guidelines are applied consistently to White Rose Project business
- Accurate reporting of Canadian and Newfoundland Content to the C-NLOPB.

Husky wants to ensure that this responsibility for accurate reporting is passed down the contracting chain to its major contractors and their subcontractors, to adequately monitor their reported achievements. Consistent application of the principles and procedures outlined in this manual is fundamental to the fulfilment of that responsibility.

Application of Canada Benefits principles and guidelines form an integral part of the business cycle as it pertains to the White Rose Project. All contractors are required to incorporate these principles and guidelines in their daily business and decision processes. More specifically, application of Canada Benefits guidelines will be incorporated in the following areas:

- Procurement and Contracting
 - Contract/P.O. Forecasting
 - Vendor List Development and Pre-qualification
 - Request for Proposals (RFP) and Bid Evaluation
 - Contract/P.O. Award and Administration
 - Contractor Performance Monitoring
- Employment, Education and Training
- Research and Development
- Canada Benefits Content Reporting
- Compliance Review Process

Detailed guidelines and procedures dealing with each of these topics follows, with additional supporting information, where warranted, contained in the attached Appendices.

3.0 Procurement and Contracting

Sound policies and procedures for procurement are required to ensure Canada-Newfoundland Benefits are maximized within the competitive framework of "Best Value" – providing the best blend of total cost, quality, technical suitability, delivery and continuity of supply and service. Knowledgeable Bid Evaluation Teams, responsible for determining contract awards through the procurement process, will consistently apply the principles of Full and Fair Opportunity, First Consideration in selecting successful bidders.

Canada Benefits guidelines and principles are an integral part of the Procurement and Contracting function as it relates the White Rose Project. These guidelines are intended to provide a framework for the C-NLOPB's review of designated contracts, subcontracts and purchase orders associated with the White Rose Development Project, including contracting and procurement by all contractors and subcontractors. The framework comprises three main elements:

- Quarterly Procurement Forecast
- Review Procedures
- Quarterly Procurement Report

It is C-NLOPB's expectation that the number of contracts, subcontracts and purchase orders designated for review by C-NLOPB will not exceed 20% of all contracts, subcontracts and purchase orders \geq \$250,000 Cdn. Any contracts, subcontracts or purchase orders $<$ \$250,000 Cdn. which in Husky's or the C-NLOPB's opinion may be sensitive, will also be subject to these guidelines.

3.1 Contract/P.O. Forecasting

Condition 6 of the C-NLOPB Decision 2001.01 states:

“During the construction and operation of the White Rose Project, the Proponent provide, 30 days prior to the commencement of each quarter, quarterly forecasts of Project requirements, at a satisfactory level of detail, to C-NLOPB and to the public.”

In order to fulfill this Condition, forty-five (45) days prior to the commencement of the reporting period, Husky will require a listing of all contracts, subcontracts and purchase orders, \geq \$250,000 Cdn., which will commence (or are forecast to commence) the contracting process in the upcoming quarter. Additionally, any contracts, subcontracts or purchase orders $<$ \$250,000 Cdn. which may be sensitive in nature, should also be identified in this listing.

For each contract, subcontract and purchase order this listing should be structured within the following forecast ranges:

<u>Category</u>	<u>Range (\$M)</u>	<u>Category</u>	<u>Range (\$M)</u>
A	251 - 500	I	10,001 - 15,000
B	500 - 1,000	J	15,001 - 20,000
C	1,001 - 1,500	K	20,001 - 30,000
D	1,501 – 2,000	L	30,001 - 50,000
E	2,001 - 3,000	M	50,001 - 75,000
F	3,001 - 5,000	N	75,001 - 100,000
G	5,001 – 7,500	O	Over 100,000
H	7,001 – 10,000		

and contain the following information as it pertains to each contract/P.O.:

- A description of the service(s) or item(s) to be contracted/purchased;

- Anticipated Request For Proposal (RFP) or Request for Quotation (RFQ) issuance date, closure date and contract/P.O. award date.

This information should be compiled by all contractors and subcontractors using Microsoft Excel (template provided with Manual) and presented in the format found in Appendix VII “Quarterly Procurement Report – Forecast & Actual”. This Report should be transmitted electronically to Husky by the 45 days prior to the Quarter to which the report pertains. Husky will compile the information provided in a comprehensive forecast and submit it to the C-NLOPB thirty (30) days prior to the commencement of the upcoming quarter.

The C-NLOPB will advise Husky, by the first day of each quarter, which contracts, subcontracts and purchase orders have been designated by them for review. The C-NLOPB shall also be informed of all additions and changes to the forecast and shall advise Husky of its contract review requirements accordingly.

Any contracts which arise during any given quarter which were not included in the quarterly forecast or any significant changes to forecast contracts or purchase orders that may affect C-NLOPB designated items must be immediately reported to Husky.

3.2 Approved Vendor Lists

Where Husky, its main contractors or subcontractors use Approved Vendor Lists (AVL), such lists shall be provided to the C-NLOPB by Husky, as soon as they become available. AVL should be organized by product/service category or by project component to facilitate C-NLOPB review.

Within thirty days of receiving the proposed AVL, C-NLOPB will advise Husky of any suggested additions. They will also advise Husky, on an ongoing basis, of any new vendors for consideration; and, conversely, Husky will advise C-NLOPB, of any additions or deletions which Husky, its contractors or subcontractors may make to the AVL. The C-NLOPB shall be consulted before any Newfoundland or other Canadian companies are deleted from the AVL.

Where Husky, its main contractors or subcontractors maintain a general registry of potential suppliers and vendors, a copy shall be provided for the C-NLOPB's information. Updates of the Vendor Registration Lists (VRL) shall be provided to the C-NLOPB.

3.3 Prequalification

Where designated by the C-NLOPB, at the prequalification stage and prior to issuing a prequalification questionnaire to prospective bidders, the C-NLOPB will require the following:

- Description of the scope of work
- Copy of the prequalification questionnaire (if these documents differ from the standard prequalification questionnaires previously reviewed by the C-NLOPB)
- List of companies who will be receiving the questionnaire, indicating location of head office(s),

- Anticipated dates for closure of prequalification and issuance of an RFP or RFQ.

The notification format, "Vendor Evaluation Report", is provided in Appendix VI.

3.4 Bidder List

Where designated by the C-NLOPB, at the bidder list stage, and prior to issuing a RFP or RFQ, the C-NLOPB requires the following:

- List of bidders;
- A copy of the RFP/RFQ; (C-NLOPB will advise Husky of its requirements in this regard on a case by case basis);
- A description of corporate ownership (main shareholders by percentage) of bidders
- Location(s) of any Canadian based offices/plants/facilities;
- Anticipated dates for closure of bids and award of contract/purchase order.

The notification format, "Vendor Evaluation Report", is provided in Appendix VI.

3.5 Request For Proposal and Bid Evaluation

In developing RFP/RFQ's for all White Rose business, an integral component of that RFP/RFQ will be the Canada - Newfoundland and Labrador Benefits Guidelines. This document, attached as Appendix II, defines Husky's requirements with respect to generating and documenting benefits for Newfoundland & Labrador and Canada from activities associated with the White Rose Project. The Canada - Newfoundland and Labrador Benefits Guidelines:

- Informs bidders of Husky's Canada-Newfoundland Benefits commitments
- Requests information from bidders regarding their ability to support these commitments
- Requests estimates of the Canada-Newfoundland content of the bid
- Ultimately, is incorporated as an attachment to the contracts/P.O.'s of successful bidders outlining their contractual requirements pertaining to Canada –Newfoundland Benefits

The completed questionnaires are used as the basis for the Canada-Newfoundland Benefits portion of the bid evaluation. Attached as Appendix IV is a Canada-Newfoundland Benefits Sample Bid Evaluation procedure which provides a detailed description of the Canada Benefits evaluation process using the information submitted by the bidders in their bid documents.

All contractors and suppliers are required to include these, or similar documents as approved by Husky, in their bid packages for work related to the White Rose Project and incorporate similar Canada Benefits evaluation processes in their bid evaluations.

3.6 Contract/P.O. Award and Administration

Where designated by the C-NLOPB, at the award stage, and prior to the award of contract/P.O. to the selected bidder, C-NLOPB requires the following:

- The name of the selected contractor/vendor;
- A listing of designated sub-contractors/sub-vendors;
- Where applicable, a listing of proposed sub-contractors, sub-vendors and sub-suppliers;
- For construction/service contracts; the estimated Canadian and Newfoundland employment (in person-hours);
- Contract/purchase order commencement and completion dates;
- Award rationale (evaluation of bids):
 - % difference in price between selected bidder and each bid,
 - primary location(s) of work associated with each bidder,
 - estimates of Canadian and Newfoundland content associated with each bidder calculated in accordance with the Canadian General Standards Board (CSGB) definition of Canadian Content found in CAN2-147.3-82, attached hereto as Appendix III. (Note: The definition of “Newfoundland Content” shall be the same definition as “Canadian Content” except that “imported costs” refer to costs incurred in all areas outside the Province of Newfoundland and Labrador.)
 - other information relevant to the evaluation of bidders including where applicable, a summary of the technical, commercial and Canada-Newfoundland benefits aspects of the bid evaluations;
- The C-NLOPB Award Notification signed by a Husky officer (Refer “Vendor Evaluation Report” in Appendix VI).

The C-NLOPB will conduct its reviews within the following time frames:

Prequalification	5 business days
Bidders’ list	3 business days
Award	2 business days

3.7 Quarterly Procurement Report

C-NLOPB requires Husky to submit, within thirty (30) days of the end of each quarter, a listing of all contracts, subcontracts and purchase orders, ≥ \$250,000 Cdn., awarded in the previous quarter. For each contract, subcontract and purchase order this listing should be categorized in the following ranges:

<u>Category</u>	<u>Range (\$M)</u>	<u>Category</u>	<u>Range (\$M)</u>
A	251 - 500	I	10,001 - 15,000
B	500 - 1,000	J	15,001 - 20,000
C	1,001 - 1,500	K	20,001 - 30,000
D	1,501 - 2,000	L	30,001 - 50,000
E	2,001 - 3,000	M	50,001 - 75,000
F	3,001 - 5,000	N	75,001 - 100,000
G	5,001 - 7,500	O	Over 100,000
H	7,001 - 10,000		

and contain the following information as it pertains to each contract/P.O.:

- Name of successful contractor/vendor
- Item/service
- Primary location of work
- Estimates of Newfoundland and Canadian content
- Commencement and completion date

This information should be compiled by all contractors and subcontractors using Microsoft Excel (template provided with Manual) and presented in the format found in Appendix VII “Quarterly Procurement Report – Forecast & Actual”. This Report should be transmitted electronically to Husky by the 10th business day following the Quarter end to which the report pertains.

4.0 Canada Benefits Content Reporting

The C-NLOPB has placed additional requirements on the monitoring and reporting of Benefits activities. Condition 10 of the C-NLOPB Decision Report 2001.01 states:

“The Proponent report on a quarterly basis, in a format satisfactory to C-NLOPB, expenditure and employment information, including Canadian and Newfoundland & Labrador content. Each quarterly report should also include an assessment of progress toward the achievement of Canada-Newfoundland Benefits commitments, as referenced in Condition 7. Such reports will be shared with the public. The Proponent should provide the results of internal audits completed with respect to Benefits reporting and an assessment of performance against identified contract goals to C-NLOPB and the public when complete.”

Condition 11 of the C-NLOPB Decision Report 2001.01 outlines monitoring and reporting requirements on a quarterly basis for the life of the project. Also noted is the requirement to detail reasons for any deviations between estimated results and actual performance. It states:

“It is a condition of this Benefits Plan approval that the Proponent submit on a quarterly basis during the construction and operations phases of the Development a report describing its actual performance against the estimates provided in its correspondence contained in Appendix D of this Report. Any deviation between the benchmarks of estimates, plans and objectives and actual performance should be accompanied by explanatory notes in sufficient detail to allow assessment of the reasons for the deviation.”

To comply with this condition Husky requires all of its contractors to compile and supply information in the form outlined. Additionally, upon completion of a contract, actual cost and employment content is required to be reconciled, reported and certified by all contractors/suppliers with contracts/P.O.'s having a value greater than \$250,000.

4.1 Employment Reporting

For purposes of the reporting of employment generated by the White Rose Project, the C-NLOPB requires Husky to report all full time employment of all major contractors and subcontractors. Employment statistics must be reported in both the number of persons and person-hours. In reporting employment, the categorization is based on the residence of the individual at the time of

joining the White Rose Project. The following guideline outlines how to define Newfoundland, Canadian and Foreign residents, for purposes of employment reporting:

- i. **Newfoundland Resident** – a Canadian citizen (or landed immigrant) who meets the residency requirements of the Newfoundland Election Act. (e.g., a person who has presided in the province for the immediately preceding six-month period).
- ii. **Other Canadian Resident** – a Canadian citizen (or landed immigrant) who has maintained a permanent, primary residence in a province of Canada, other than Newfoundland and Labrador prior to being employed on the Project.
- iii. **Foreign** – All persons who are not Newfoundland residents or Other Canadian residents

For Employment Reporting of person hours, categorization is based on the following matrix:

Resident Status	Work Performed in:		
	Newfoundland	Canada	Foreign Location
Newfoundland	Newfoundland	Other Canadian	Foreign
Canadian	Newfoundland	Other Canadian	Foreign
Foreign	Newfoundland	Other Canadian	Foreign

This information should be compiled by all contractors and subcontractors using Microsoft Excel (template provided with Manual) and presented in the format found in Appendix VII“ Employment Statistics Report”. This Report should be transmitted electronically to Husky by the 5th business day following the Quarter end to which the report pertains.

4.2 Expenditure Reporting

Fundamental to effective and accurate reporting is an adequate financial system utilized to generate and substantiate the Project benefits achievement, in terms of expenditures. The amounts of expenditure reported to the C-NLOPB must be reconcilable through to various disbursement reports generated from the financial system used to maintain the financial accounting for the Project. Husky has implemented a custom designed financial system for the White Rose Project, which is structured to capture and report expenditure in the Canada benefits categories.

Canada Benefits estimates, provided by all contractors and subcontractors, were included in the contract/P.O. upon award. These estimates are the benchmarks used to measure contractor performance relative to Canada Benefits content.

To facilitate this monitoring and the capture of Canada Benefits data in Husky’s financial system, all contractors and subcontractors are required to submit Canada Benefits breakdown of all amounts invoiced. Each invoice must reflect the actual Canada benefit content associated with the amounts invoiced. The determination of this categorization must be calculated in accordance with the Canadian General Standards Board (CSGB) definition of Canadian Content found in CAN2-147.3-82, attached hereto as Appendix VI. (Note: The definition of “Newfoundland Content” shall be the same definition as “Canadian Content” except that “imported costs” refer to costs incurred in all areas outside the Province of Newfoundland and Labrador.)

To meet those timelines, this information should be compiled by all contractors and subcontractors using Microsoft Excel (template provided with Manual) and presented in the format found in Appendix VII“ Quarterly Expenditure Report”. This Report should be transmitted

electronically to Husky by the 5th business day following the Quarter end to which the report pertains.

5.0 Education & Training and Research & Development

Section 45.3 (C) establishes a statutory requirement ensure that a provision is made through the project for Research & Development (R&D) and Education & Training (E&T) expenditures to occur in Newfoundland and Labrador. Condition 3 of Decision 2001.01 states:

“Within 60 days of Project Sanction, the Proponent submits a plan to address the obligation in the Legislation that expenditures shall be made for research & development to be carried out in the Province and for education & training to be provided in the Province. The Board will review the Proponent’s submission and establish an appropriate expenditure target. The Proponent shall report to the Board annually on the progress with respect to achievement of the established targets. the Board anticipates that for this Project, the target will not be less than \$12 million during the pre-production stage.”

Husky met the \$12 million target and has committed to report annually at the end of the first quarter with respect to E&T and R&D during the operations phase. To meet those timelines, this information should be compiled by all contractors and subcontractors using Microsoft Excel (template provided with Manual) and presented in the format found in Appendix VII“ Education & Training and Research & Development Report”. This Report should be transmitted electronically to Husky by March 1, to enable review, consolidation and submission to the C-NLOPB.

6.0 Human Resources Plan

Husky has committed that full and fair opportunity will be provided to Canadians and first consideration to Newfoundland and Labrador residents for employment and training. Condition 2 of Decision 2001.01 states:

“The Proponent submits to C-NLOPB, for approval, a comprehensive Human Resource Plan for the construction phase of the Project within 60 days of Project Sanction; and for the operations phase, within one year of Project Sanction. These plans shall, among other items, include:

- (i) hiring and training needs;*
- (ii) the time frame associated with employment opportunities for each phase; and*
- (iii) estimates of expenditures associated with training requirements.*

The Proponent shall report to the C-NLOPB on the progress with respect to these plans on a regular basis as agreed with the C-NLOPB. In both cases, the Proponent should provide reasonable and ample advanced notice to the C-NLOPB of any anticipated requirements for foreign workers.”

7.0 Compliance Reviews

In order to ensure the accuracy and completeness of information provided to the C-NLOPB over the life of the Project, Husky has committed to conducting compliance reviews of its own benefits

numbers and those of its contractors and subcontractors. The frequency of these reviews shall not exceed once every 12 months. The primary objective will be to determine whether Canada-Newfoundland Benefits for individual contractors and subcontractors, as well as for the Project as a whole are being achieved and if not, what reasons exist for the shortfall. The second major objective in conducting the compliance reviews will be to develop strategies for continuous improvement in the level of Canada-Newfoundland Benefits for White Rose, future projects, and the industry as a whole.

Compliance reviews will be conducted by an independent 3rd party, contracted by Husky for this specific purpose. These reviews will focus on the following:

- Expenditure Reporting
- Employment Statistics (persons and person-hours)
- Technology Transfer
- Education and Training
- Research and Development initiatives

Comparative analysis will be undertaken of benefits commitments outlined in the contractors and subcontractors contracts and reported benefits performance by those contractors and subcontractors. Results of these reviews will be submitted to the Canada-Newfoundland Benefits Manager for review and approval. This information will also be shared with the C-NLOPB for their information and to enable an efficient alignment with any audit work they may wish to perform.

Appendix I
Decision 2001.01
Application For Approval
White Rose Canada-Newfoundland Benefits Plan

(To be provided separately)

Appendix II

Canada – Newfoundland and Labrador Benefits Schedule

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INTRODUCTION

This document defines Husky Oil Operations Limited's (Husky, 'Company') Guidelines and requirements with respect to generating and documenting benefits for Newfoundland & Labrador and Canada from activities associated with the White Rose Development.

LEGISLATIVE REQUIREMENTS:

Section 45 of the Canada-Newfoundland Atlantic Accord Implementation Acts (the legislation) requires that Husky (Company) and their contractors, Subcontractors and suppliers (Contractor) provide a Full and Fair Opportunity to Newfoundland and Labrador and other Canadian manufacturers, contractors, consultants and service companies to participate, on a competitive basis, in the supply of goods and services for the White Rose Development Program. The legislation further requires that within this context of full and fair opportunity, First Consideration be given to goods manufactured in, and services provided from within, the Province of Newfoundland and Labrador where those goods and services are competitive.

CANADA - NEWFOUNDLAND AND LABRADOR BENEFITS GUIDELINES

The Company's Canada - Newfoundland and Labrador Benefits Guidelines are contained in Attachment 1. As outlined in Section 3.1(f) of the Company's Guidelines all Contractors and Subcontractors are required to comply with the benefits principles and objectives. As well, for the White Rose Project, the Canada Newfoundland Offshore Petroleum Board has approved Husky's Canada Newfoundland Benefits Plan. Compliance with the White Rose Benefits Plan is a Condition of Project approval, and therefore applies to all Contractors and Sub-contractors. The Company therefore intends to work with the Contractor in order to maximize the incorporation of the Company's Canada -Newfoundland and Labrador Benefits Guidelines.

Contractor Obligations:

CONTRACT MANAGEMENT

The Contractor agrees to manage the contract from Newfoundland and Labrador.

BENEFITS COMPLIANCE

The Contractor agrees to comply with requirements of the Company or any Governmental authority with respect to benefits; to comply with all applicable guidelines of the Company and to comply with all benefits commitments made in the contract.

ROLE OF BENEFITS GUIDELINES IN AWARD OF SUBCONTRACTS

Subcontracts will be subject to the approval by the Company. As part of the approval process the Contractor shall demonstrate that its subcontractors also meet the requirements of the Company's benefits guidelines and that the levels of benefits to be gained from the subcontract meets the level identified by the Contractor. Prior to the award of any subcontract, the Contractor shall require the subcontractor to complete the Canada Newfoundland and Labrador Benefits Monitoring Program, provided in Attachment 2. The Contractor shall be responsible for ensuring its subcontractors' ongoing compliance with these benefits guidelines.

SUPPLIER DEVELOPMENT AND PROCUREMENT

The contractor agrees:

- To work co-operatively with governments and industry associations that promote local offshore products such as, the Newfoundland Ocean Industries Association (NOIA) and the Offshore/Onshore Technologies Association of Nova Scotia to assess and identify potential Newfoundland and Labrador and Canadian suppliers and subcontracts.

- To consult industry and supplier information sources such as www.success.nfld.net. and “STRATEGIS” (<http://strategis.ic.gc.ca>)
- To demonstrate that all equipment specifications have been developed with appropriate references to Standards and Specifications used by Canadian industry.
- To include debriefing procedures as part of the procurement activities to inform, upon request, Canadian, Newfoundland and Labrador manufacturers and suppliers of specific shortfalls when they are unsuccessful with bids.

RESEARCH AND DEVELOPMENT

Contractor shall consider the use of facilities and institutions in Newfoundland & Labrador and Canada for any R&D work deemed necessary for completion of its scope of work.

TRAINING

Contractor and its subcontractors are required to provide training and learning opportunities relevant to their scope of work. The extent of this training will be assessed and agreed upon by the Company prior to the approval of any subcontracts. The quality and performance of this training will be subject to audits by Company during the contract term. (Contact details of local training organizations for the offshore industry are included in Attachment 3.)

SUBMISSIONS REQUIRED FROM CONTRACTOR

The Contractor and its subcontractors agree to actively manage the procurement of goods and services to ensure the benefits objectives and commitments listed in these guidelines are achieved. The Company will monitor the Contractor’s and Subcontractors’ performance via audits.

REPORTING REQUIREMENTS

The Contractor shall provide the Company with detailed reports, as outlined in the “White Rose Development Project - Canada Benefits Reporting and Procedures Manual”. The Contractor reports on expenditure and Canadian/Newfoundland content shall correspond to invoices. Receipt of monthly reports is a prerequisite to invoice processing.

**ATTACHMENT 1 - 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 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. The Accord and associated Acts are sympathetic to Husky's Canada-Newfoundland and Labrador Benefits Guidelines.
- 1.3 Husky concludes that by taking a proactive approach, significant work and employment can be provided to Canadians, including Newfoundlanders and Labradorians, in a cost effective and efficient manner.

2.0 PHILOSOPHY

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

2.1 *Beliefs*

Husky beliefs applicable to Canada-Newfoundland and Labrador opportunities:

- i) **Significant skill base** - The studies conducted for other developments and the research done by Husky indicate that 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.
- ii) **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.
- iii) **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 projects. The earlier these activities are conducted with maximum opportunity for participation by Canadian companies, the greater the long term return for all stakeholders.
- iv) **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.
- v) **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 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 characterised 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
- a) **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 that the impact of value added and life cycle costs are satisfactory.
- b) **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!”
- c) **“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 Atlantic Accord** - The Atlantic 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 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
 - 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 the program from St. John’s. Program decision making authority consistent with normal corporate business practices will reside in this 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 Atlantic Accord Act. 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 Acts and the C-NLOPB. These policies and procedures, without limiting the scope of the Acts or the discretion of the C-NLOPB, 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 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 - the Proponents 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 & Labrador and Canadian infrastructure use to be encouraged** Husky will ensure qualified Newfoundland and Labrador offshore 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 their 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 (R&D) are important components of the Canada-Newfoundland and Labrador Benefits Plan. Husky supports and encourages initiatives in these areas.

**ATTACHMENT 2 - CANADA - NEWFOUNDLAND AND LABRADOR BENEFITS
MONITORING AND REPORTING PROGRAMME**

(To be completed at Bid Phase and implemented upon award of the contract.)

Introduction to Benefits Monitoring and Reporting Program

Husky's Benefits Monitoring and Reporting Program is used in three stages of the procurement process:

1. **Bid Phase:** the completed Benefits submissions, in the format set out herein, are used in the formal bid evaluation process.
2. **Contract Award Phase:** the Benefits submissions (including content and employment estimates) are included in the legal contracts between the Company and the Contractor. The estimates are the baseline for evaluating the Contractor's benefits performance during the Contract Monitoring Phase.
3. **Contract Monitoring Phase:** Monthly reports, in the format outlined herein, are used to monitor and report on overall benefits performance.

Failure to provide the information requested will result in the assumption that the Contractor's commitment to Canada-Newfoundland and Labrador Benefits in that area is zero.

The content, degree, frequency and format of reporting requirements is subject to change as determined by the Company and the Canada-Newfoundland Offshore Petroleum Board (C-NLOPB). As a minimum, however, the Contractor shall complete and return information regarding the following sections on a monthly basis.

Canadian - Newfoundland and Labrador Content

The calculation of Canadian - Newfoundland and Labrador content is based upon a value added concept and is simply a representation of the value of the various components of Contractor's tender expressed as a percentage of Contractor's total cost. A detailed explanation of how to calculate Canadian and Newfoundland & Labrador content is provided in Attachment 2A.

CONTENT TABLE

The Contractor must complete the following table. If a figure is not provided it will be assumed that the Canadian - Newfoundland and Labrador content for that item is 0%. Accurate information, consistent with generally accepted accounting principles, is important as the Company may request verification of figures. For bidding purposes, please provide estimates based on the total scope of the contract.

The Contractor is required to complete the following Content Table indicating the estimated percentages for each category where applicable (For example, when tender takes the form of a purchase order, then content percentages for Labour would not be applicable and should be entered as zero%). NOTE: RIGHT COLUMN / BOTTOM ROW SHOULD SUM TO 100%.

Total Cost: \$ For period: To: July 2003	CONTENT AS A % OF TOTAL COST											
	This Month				Year to Date				Total to Date (Scope of Work)			
	NF & Labrador	Other Canadian	Non-Canadian	Total	NF & Labrador	Other Canadian	Non-Canadian	Total	NF & Labrador	Other Canadian	Non-Canadian	Total
Labour (Management/Staff/Labour)				0.00%				0.00%				0.00%
Materials				0.00%				0.00%				0.00%
Equipment				0.00%				0.00%				0.00%
Services				0.00%				0.00%				0.00%
Transportation (within Canada)				0.00%				0.00%				0.00%
Other (taxes, overhead & profits)				0.00%				0.00%				0.00%
Total Content	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Completed By: _____												
Title/Position: _____				Contact #: _____				Date: _____				

Note: See Attachment 2A of this monitoring program for the definition of Canadian - Newfoundland and Labrador Content and examples of how to calculate these percentages.

SUBCONTRACTORS (AND/OR SUPPLIERS) TABLE

The Contractor shall provide, where applicable, a list of its major subcontractors/ suppliers and a description of the goods and/or services provided, or to be provided:

For period: _____ to _____				% Content of Bid			
Description of Goods/ Services	Subcontractor/ Supplier Name	Location of Work	% of Total Cost	NF%	OC%	NC%	Total
							0.0%
							0.0%
							0.0%
							0.0%
							0.0%
							0.0%
							0.0%
							0.0%
							0.0%
							0.0%
							0.0%
Total				0%	0%	0%	0%
Completed By: _____							
Title/Position: _____		Contact #: _____		Date: _____			

EMPLOYMENT TABLE (NUMBER OF PERSONS)

The Contractor shall provide, where applicable, the total estimated number of persons anticipated to be utilized in completing this scope of work, categorized as follows: **(Not applicable for Purchase Order tenders)**. For the purposes of these Guidelines a Newfoundland resident is a Canadian (or landed immigrant) who meets the residency requirements of the province as defined by the Newfoundland Election Act, Chapter 105, Sections 3 & 11, i.e. has resided in the province for the immediately preceding six month period. Residency information is captured at the point of hire.

Note: If the occupation categories are not appropriate, Contractor may add categories accordingly.

For period:												
OCCUPATION	Newfoundland & Labrador Residents			Other Canadians			Non Canadians			Total Number of Positions		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Management & Administration			0			0			0	0	0	0
Engineers & Technicians			0			0			0	0	0	0
Skilled Trades			0			0			0	0	0	0
Labourers			0			0			0	0	0	0
Marine Crew			0			0			0	0	0	0
Other Field Services			0			0			0	0	0	0
			0			0			0	0	0	0
TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
Completed by:												
Title/Position:				Contact #:				Date:				

EMPLOYMENT TABLE (PERSON-HOURS)

Contractor shall provide, where applicable, the total estimated number of person-hours anticipated to be utilized in completing this scope of work, categorized as follows: **(Not applicable for Purchase Order tenders)**. Person hours are to be reported based on the location of work.

Note: If the occupation categories are not appropriate, Contractor may add categories accordingly.

For period:												
OCCUPATION	Newfoundland & Labrador			Other Canadians			Non Canadians			Total Number of Hours		
	Onshore	Offshore	Total	Onshore	Offshore	Total	Onshore	Offshore	Total	Onshore	Offshore	Total
Management & Administration			0			0			0	0	0	0
Engineers & Technicians			0			0			0	0	0	0
Skilled Trades			0			0			0	0	0	0
Labourers			0			0			0	0	0	0
Marine Crew			0			0			0	0	0	0
Other Field Services			0			0			0	0	0	0
			0			0			0	0	0	0
TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
Completed by:												
Title/Position:				Contact #:				Date:				

TOTAL TRAINING EXPENDITURES

For period: _____ to _____			
Type of training	Expenditure this month \$	\$ YTD	\$ TTD
TOTAL			
Completed By: _____			
Title/Position: _____		Contact #: _____	Date: _____

RESEARCH AND DEVELOPMENT EXPENDITURES

The contractor shall list all estimated research and development activities to be undertaken, where activities are related to Husky work:

For period: _____ to _____				
DESCRIPTION	Date/ Time	This month \$	YTD Total \$	TTD Total \$
Total				
Completed By: _____				
Title/Position: _____		Contact #: _____	Date: _____	

CANADA-NEWFOUNDLAND AND LABRADOR BENEFITS COMMITMENTS

Where applicable, the Contractor will provide detailed information concerning items 3.1 to 3.8 of this Attachment.

RESEARCH & DEVELOPMENT

The Contractor shall, where applicable, detail all Canadian - Newfoundland and Labrador research and development to be conducted or supported by The Contractor for this scope of work.

SUPPLIER DEVELOPMENT

The Contractor shall, where applicable, detail policies and initiatives to promote the development of Canadian - Newfoundland and Labrador suppliers.

TECHNOLOGY TRANSFER

The Contractor shall, where applicable, detail policies and initiatives to promote Technology Transfer to the Canadian - Newfoundland and Labrador participants within the Contractor's Company, Partnership or Joint Venture and/or to proposed Canadian - Newfoundland and Labrador contractors; including:

- a description of the intended technology transfer and the strategy and methods which will be employed to achieve this transfer; particularly, the arrangements for the transfer of technology from non-Canadian participants to Newfoundland and Labrador and Canadian led, owned or controlled participants,
- The nature of the arrangements amongst the participants, including the respective shares of equity and the long-term intentions for their business entity; and, the share and nature of the work to be carried out by each of the participants; and Newfoundland and Labrador suppliers.

TRAINING

The Contractor shall, where applicable, detail policies and initiatives for the development and training of Canadian - Newfoundland and Labrador employees, including on-the-job training and formal training programs to be carried out in Newfoundland and Labrador; and including initiatives aimed at ensuring that disadvantaged individuals or groups have access to training and employment opportunities.

SUCCESSION PLANNING

The Contractor shall provide details of how Newfoundland/Canadian resident succession planning to phase out foreign workers will be implemented as the contract proceeds.

OWNERSHIP

List main shareholders by percentage.

CANADIAN FACILITIES

List Canadian based offices/plants/facilities.

COMPLIANCE

The Contractor must state that it will comply with requirements of the Company (or any governmental authority) with respect to benefits; that it will comply with all applicable guidelines of the Company; and, that it will comply with all of the benefits commitments made in this Contract.

**ATTACHMENT 2A - CALCULATION OF CANADA/ NEWFOUNDLAND AND
LABRADOR CONTENT**

DEFINITION OF CANADIAN CONTENT - CANADIAN GENERAL STANDARDS BOARD STANDARD (CAN2-147.3-82)**1.0 SCOPE**

This standard defines Canadian content and then gives explanations and examples of the terms in the definition. "Canadian content", frequently an important aspect of the procurement process, is here defined so that it can be considered from a common understanding.

2.0 DEFINITION

2.1 Canadian Content¹ is that portion of the selling price of a product or service associated with the work performed in Canada. Canadian Content may also be calculated as the selling price less the cost of directly and indirectly imported materials, labour, services, overhead and profit not taxable in Canada.

2.1.1 Selling Price is the net selling price to the buyer after all discounts. It includes all applicable federal and provincial sales taxes, excise taxes and tariffs.

2.1.2 Cost of Direct Imports¹ is that portion of the selling price associated with directly imported materials, labour, services and overhead. It includes the tariffs and the cost of transportation to the Canadian place of Importation (place where first landed in Canada).

2.1.3 Cost of Indirect Imports¹ is that portion of the selling price associated with the costs for materials, labour, services and overheads that, while obtained through a Canadian supplier, in fact originated outside Canada.

¹ Reasonableness and materiality should apply when apportioning any of the above costs for foreign and domestic sources.

- The content of Profit will be based on where the Profit is taxed.
- The content of Leasing shall be consistent with the added value concept for content allocation.
- Calculation of Canadian content should be based on information derived through generally accepted accounting principles.

3.0 EXAMPLES

To aid in the interpretation of several terms, the following examples are provided:

3.1 Cost of Direct Imports

- 3.1.1 Directly Imported Material Cost – the cost of an electric motor bought directly from a firm producing it outside Canada. The cost of Import includes all duties paid and the transportation cost to the Canadian place of Importation.
- 3.1.2 Directly Imported Labour Cost – the labour cost of sewing together, in a factory outside Canada, a glove from leather and other materials supplied from Canada.
- 3.1.3 Directly Imported Service Cost – the cost of design work performed outside Canada.
- 3.1.4 Directly Imported Overhead Cost – the royalties or management fees paid outside Canada.

3.2 Cost of Indirect Imports

- 3.2.1 Indirectly Imported Material Cost – the cost of an electric motor produced outside of Canada and purchased from a distributor located in Canada for incorporation into a product assembled or manufactured in Canada.
- 3.2.2 Indirectly Imported Labour Cost – the labour cost, to a company with manufacturing facilities in Canada, of testing product in facilities outside Canada.
- 3.2.3 Indirectly Imported Service Cost – the computer costs, to a Canadian firm that provides computer services, of using a computer outside Canada in providing those services.

4.0 NOTES

Examples of the calculation of Canadian content as both a dollar value and a percentage of total net selling price, based on knowledge of either imported costs (4.1) or domestic costs (4.2), are given below:

4.1 Calculation Based on Knowledge of Imported Costs

A.	Total Net Selling Price		\$287,000
B.	Imported Costs: Costs related to directly and indirectly imported materials, labour, services, overhead and profit not taxable in Canada.		
	Materials	(incl. Tariffs)	
	- Direct	\$ 35,000	
	- Indirect	18,000	
	Labour		
	- Direct	20,000	
	- Indirect	3,000	
	Services		
	- Direct	3,000	
	- Indirect	-----	
	Transportation (to Place of Importation)	4,000	
	Overheads	<u>16,000</u>	
		\$ 99,000	<u>\$ 99,000</u>
C.	Canadian Content (line A minus line B)		<u>\$188,000</u>
D.	Percentage Canada Content <u>(line C)</u> (line A) X 100		66%

4.2 Calculation Based on Knowledge of Domestic Costs

A.	Total Net Selling Price		\$287,000
B.	Canadian Content – Cost related to domestic materials, labour services, overheads, taxes and profits		
	Domestic Costs		
	Materials	\$ 60,000	
	Labour	40,000	
	Services	2,500	
	Transportation (within Canada)	5,000	
	Overheads (incl. Profit)	42,500	
	Fed. & Prov. Taxes	38,000	
		<u>\$188,000</u>	\$188,000
C.	Percentage Canadian Content (line B) (line A) X 100		66%

WHITE ROSE PROJECT EXAMPLES

The purpose of the following examples is to discuss the application of the Canadian General Standards Board "Definition of Canadian Content" in the context of the White Rose Development Program.

Labour:

For expenditures related to labour, The CGSB implies by its definitions of Imported Labour Costs, that the determination of whether labour costs are Newfoundland, Canadian or Foreign Labour is based on where the work is performed, regardless of nationality or residency status of the workers. For expenditure reporting of labour cost, categorization is based on the following matrix:

Resident Status	Work Performed in:		
	Newfoundland	Canada	Foreign Location
Foreign	Newfoundland Cost	Other Canadian Cost	Foreign Cost
Canadian	Newfoundland Cost	Other Canadian Cost	Foreign Cost
Newfoundland	Newfoundland Cost	Other Canadian Cost	Foreign Cost

Materials:

Materials content classification depends on the country where the materials used in final processing were obtained. For example, consider a Newfoundland and Labrador cement plant which obtains its materials (limestone and additive requirements) as follows:

- 20% from the United States
- 30% from elsewhere in Canada
- 50% from within Newfoundland and Labrador

Further assume that:

- materials comprise 70% of the cost of the finished product,
- labour, services and overhead, (which are assumed as 100% Newfoundland), comprise the other 30% of the cost of the finished product.

The finished product would be:

- 65% Newfoundland content $[(5 \times .7) + (1 \times .3) = 65]$
- 21% Other Canadian content $[(3 \times .7) + (0 \times .3) = 21]$
- 14% Non-Canadian content $[(2 \times .7) + (0 \times .3) = 14]$

Equipment:

Equipment content classification depends on the country where the main components of the finished product were obtained. For example, consider a Canadian plant (located outside of Newfoundland and Labrador) which produces a diesel driven pump set; and, assume that the main components of this pump are sourced and costed as follows:

- diesel engine is 100% U.K. content and comprises 35% of the finished cost
- centrifugal pump is 100% Japanese content and comprises 25% of the finished cost
- pipework, skid and other materials, labour and overhead are 100% Other Canadian content and comprises 40% of the finished product cost.

This completely assembled equipment (pump set) is then shipped to the White Rose construction site in Newfoundland for installation in a Module by another contractor. The finished product would be categorized as follows:

- 0% Newfoundland content $[(0 \times .35) + (0 \times .25) + (0 \times .40) = 0]$
- 40% Other Canadian content $[(0 \times .35) + (0 \times .25) + (1 \times .40) = 40]$
- 60% Non-Canadian content $[(1 \times .35) + (1 \times .25) + (0 \times .40) = 60]$

Services:**A Contract Value > \$100,000**

The benefit classification is based on an analysis of the components that make up the service fee (i.e. capital cost, labour, overhead and profit) from the supplier's books of records. The Canada/Newfoundland benefit content for each of these components is assessed in the following manner:

- Capital component -classified according to the source of the equipment. In instances however, where a leased asset is fully depreciated, the entire fee is broken down into labour, overhead, profit and classified accordingly.
- Labour component - classified according to the location of the work.
- Overhead component - classified according to the location it was incurred.
- Profit component - classified based upon where the profit is taxed.

Examples:

1. A Newfoundland incorporated company provides a fully equipped supply vessel at a total contract value of \$30 million. Assume the vessel is still being depreciated in its books and the source and costing of the main components of the rental fee are as follows:
 - vessel is 100% UK content and comprises 60% of the rental fee
 - vessel upgrades are 30% Other Canadian and 70% UK and comprises 15% of the rental fee
 - remaining 25% of the rental fee is made up of profit, overhead and labour that are 100% Newfoundland.

The categorization of this vessel contract is as follows:

25% Newfoundland content	$[(0x.60) + (0x.15) + (1x.25) = 25\%]$
5% Other Canadian content	$[(0x.60) + (.3x.15) + (0x.25) = 5\%]$
70% Non-Canadian content	$[(1x.6) + (.7x.15) + (0x.25) = 70\%]$

2. Same example as # 1 above except the vessel is fully depreciated on the books. In this instance any portion of the rental fee associated with the cost of the vessel itself is coded in the same manner as profit. Consequently the Newfoundland content of this vessel then becomes 100%.

100% Newfoundland content	$[(1 \times 1) = 100\%]$
0% Other Canadian content	
0% Non-Canadian content	

B Contract Value < \$100,000

All other services are classified according to the location of the supplier's servicing office.

Transportation Charges:

Follow the classification of the labour, materials or services which are being shipped. (Note that major marine transportation contracts are classified as Services; see above)

Overhead Charges:

Refer to costs such as supplier carrying charges and restocking costs are included as part of the cost of labour, materials or services. The content classification of this portion of the cost is allocated on a proportional basis to the locations where the expenses were incurred.

Profit Charges:

The content classification of profit margins depends on where the profit is taxed. This is usually determined by ownership. For example, assume a U.S. manufactured valve is supplied from a Newfoundland incorporated branch office for a total cost of \$2 million. Assume the main components of the valve are sourced and costed as follows:

- valve is 100% U.S. content and comprises 80% of the total cost
- remaining 20% is profit.

Assume also that 85% of the profit associated with this contract will accrue to the U.S. parent through head office charges and/or other transfers and consequently be taxed in the U.S. In this case, the categorization is as follows:

3% Newfoundland content $[(0 \times .8) + (.2 \times .15) = 3]$

0% Other Canadian content

97% Foreign content $[(1 \times .8) + (.2 \times .85) = 97]$

ATTACHMENT 3 - CONTACTS FOR LOCAL OFFSHORE ASSOCIATIONS AND TRAINING ESTABLISHMENTS

Please note that this list is subject to additions or changes. As such, it may not be exhaustive

LOCAL TRADE AND INDUSTRY ASSOCIATIONS

- 1) Atlantic Canada Opportunities Agency
10 Barter's Hill
Cabot Phase 2
11th Floor
St John's, Newfoundland A1C 5M5
Tel: ++1-709-772-5928
Fax: ++1-709-772-6090
- 2) Consulting Engineers of Newfoundland and Labrador
PO Box 1236
St John's, Newfoundland A1C 5M9
- 3) Newfoundland Ocean Industries Association (NOIA)
Box44, Atlantic Place
Suite 602
215 Water Street
St John's, Newfoundland A1C 6C9
Tel: ++1-709-758-6610
Fax: ++1-709-758-6611
e-mail: noia@noianet.com
- 4) Newfoundland and Labrador Department of Mines and Energy, Industrial Benefits Branch
4th Floor, West Block, Confederation Bldg
P.O. Box 8700
St. John's, NL A1B 4J6
Tel: 709-729-5064 / Fax: 709-729-4011
Email: bsparkes@gov.nl.ca
- 5) St John's Board of Trade
66 Kenmount Road
PO Box 5127
St John's, Newfoundland A1B 3V6
Tel: ++1-709-726-2961
Fax: ++1-709-726-2003
e-mail: boardoftrade.nfld.net
- 6) Offshore/Onshore Technologies Association of Nova Scotia (OTANS)
Suite 813
World Trade and Convention Centre
1800 Argyle Street
Halifax, Nova Scotia B3J 3NB
Tel ++1-902-425-4774
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LOCAL TRAINING INSTITUTIONS

- 1) Memorial University of Newfoundland/Marine Institute
St. John's, Newfoundland, A1C 5S7
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Web page: www.mun.ca
- 2) College of the North Atlantic
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- 3) Operating Engineers College
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- 4) NorTech College
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APPENDIX III

CANADIAN GENERAL STANDARDS BOARD

DEFINITION OF CANADIAN CONTENT

(CAN2-147.3-82)

CANADIAN GENERAL STANDARDS BOARD**Standard For****DEFINITION OF CANADIAN CONTENT****(CAN2-147.3-82)****1.0 SCOPE**

This standard defines Canadian content and then gives explanations and examples of the terms in the definition. "Canadian content", frequently an important aspect of the procurement process, is here defined so that it can be considered from a common understanding.

2.0 DEFINITION

2.1 Canadian Content¹ is that portion of the selling price of a product or service associated with the work performed in Canada. Canadian Content may also be calculated as the selling price less the cost of directly and indirectly imported materials, labour, services, overhead and profit not taxable in Canada.

2.1.1 Selling Price is the net selling price to the buyer after all discounts. It includes all applicable federal and provincial sales taxes, excise taxes and tariffs.

2.1.2 Cost of Direct Imports¹ is that portion of the selling price associated with directly imported materials, labour, services and overhead. It includes the tariffs and the cost of transportation to the Canadian place of Importation (place where first landed in Canada).

2.1.3 Cost of Indirect Imports¹ is that portion of the selling price associated with the costs for materials, labour, services and overheads that, while obtained through a Canadian supplier, in fact originated outside Canada.

¹ Reasonableness and materiality should apply when apportioning any of the above costs for foreign and domestic sources.

- The content of Profit will be based on where the Profit is taxed.
- The content of Leasing shall be consistent with the added value concept for content allocation.
- Calculation of Canadian content should be based on information derived through generally accepted accounting principles.

3.0 EXAMPLES

To aid in the interpretation of several terms, the following examples are provided:

3.1 Cost of Direct Imports

- 3.1.1 Directly Imported Material Cost – the cost of an electric motor bought directly from a firm producing it outside Canada. The cost of Import includes all duties paid and the transportation cost to the Canadian place of Importation.
- 3.1.2 Directly Imported Labour Cost – the labour cost of sewing together, in a factory outside Canada, a glove from leather and other materials supplied from Canada.
- 3.1.3 Directly Imported Service Cost – the cost of design work performed outside Canada.
- 3.1.4 Directly Imported Overhead Cost – the royalties or management fees paid outside Canada.

3.2 Cost of Indirect Imports

- 3.2.1 Indirectly Imported Material Cost – the cost of an electric motor produced outside of Canada and purchased from a distributor located in Canada for incorporation into a product assembled or manufactured in Canada.
- 3.2.2 Indirectly Imported Labour Cost – the labour cost, to a company with manufacturing facilities in Canada, of testing product in facilities outside Canada.
- 3.2.3 Indirectly Imported Service Cost – the computer costs, to a Canadian firm that provides computer services, of using a computer outside Canada in providing those services.

4.0 NOTES

Examples of the calculation of Canadian content as both a dollar value and a percentage of total net selling price, based on knowledge of either imported costs (4.1) or domestic costs (4.2), are given below:

4.1 Calculation Based on Knowledge of Imported Costs

A.	Total Net Selling Price		\$287,000
D.	Imported Costs: Costs related to directly and indirectly imported materials, labour, services, overhead and profit not taxable in Canada.		
	Materials (incl. Tariffs)		
	- Direct	\$ 35,000	
	- Indirect	18,000	
	Labour		
	- Direct	20,000	
	- Indirect	3,000	
	Services		
	- Direct	3,000	
	- Indirect	-----	
	Transportation (to Place of Importation)	4,000	
	Overheads	<u>16,000</u>	
		\$ 99,000	<u>\$ 99,000</u>
E.	Canadian Content (line A minus line B)		<u>\$188,000</u>
D.	Percentage Canada Content (<u>line C</u>) (line A) X 100		66%

4.2 Calculation Based on Knowledge of Domestic Costs

A.	Total Net Selling Price		\$287,000
C.	Canadian Content – Cost related to domestic materials, labour services, overheads, taxes and profits		
	Domestic Costs		
	Materials	\$ 60,000	
	Labour	40,000	
	Services	2,500	
	Transportation (within Canada)	5,000	
	Overheads (incl. Profit)	42,500	
	Fed. & Prov. Taxes	38,000	
		<u>\$188,000</u>	\$188,000
C.	Percentage Canadian Content <u>(line B)</u> (line A) X 100		66%

White Rose Project Examples

The purpose of the following examples is to discuss the application of the Canadian General Standards Board "Definition of Canadian Content" in the context of the White Rose Development Program.

Labour:

For expenditures related to labour, The CGSB implies by its definitions of Imported Labour Costs, that the determination of whether labour costs are Newfoundland, Canadian or Foreign Labour is based on where the work is performed, regardless of nationality or residency status of the workers. For expenditure reporting of labour cost, categorization is based on the following matrix:

Resident Status	Work Performed in:		
	Newfoundland	Canada	Foreign Location
Foreign	Newfoundland Cost	Other Canadian Cost	Foreign Cost
Canadian	Newfoundland Cost	Other Canadian Cost	Foreign Cost
Newfoundland	Newfoundland Cost	Other Canadian Cost	Foreign Cost

Materials:

Materials content classification depends on the country where the materials used in final processing were obtained. For example, consider a Newfoundland and Labrador cement plant which obtains its materials (limestone and additive requirements) as follows:

- 20% from the United States
- 30% from elsewhere in Canada
- 50% from within Newfoundland and Labrador

Further assume that:

- materials comprise 70% of the cost of the finished product,
- labour, services and overhead, (which are assumed as 100% Newfoundland), comprise the other 30% of the cost of the finished product.

The finished product would be:

- 65% Newfoundland content $[(5 \times .7) + (1 \times .3) = 65]$
- 21% Other Canadian content $[(3 \times .7) + (0 \times .3) = 21]$
- 14% Non-Canadian content $[(2 \times .7) + (0 \times .3) = 14]$

Equipment:

Equipment content classification depends on the country where the main components of the finished product were obtained. For example, consider a Canadian plant (located outside of Newfoundland and Labrador) which produces a diesel driven pump set; and, assume that the main components of this pump are sourced and costed as follows:

- diesel engine is 100% U.K. content and comprises 35% of the finished cost
- centrifugal pump is 100% Japanese content and comprises 25% of the finished cost
- pipework, skid and other materials, labour and overhead are 100% Other Canadian content and comprises 40% of the finished product cost.

This completely assembled equipment (pump set) is then shipped to the White Rose construction site in Newfoundland for installation in a Module by another contractor. The finished product would be categorized as follows:

- 0% Newfoundland content $[(0 \times .35) + (0 \times .25) + (0 \times .40) = 0]$
- 40% Other Canadian content $[(0 \times .35) + (0 \times .25) + (1 \times .40) = 40]$
- 60% Non-Canadian content $[(1 \times .35) + (1 \times .25) + (0 \times .40) = 60]$

Services:

C Contract Value > \$100,000

The benefit classification is based on an analysis of the components that make up the service fee (i.e. capital cost, labour, overhead and profit) from the supplier's books of records. The Canada/Newfoundland benefit content for each of these components is assessed in the following manner:

- Capital component - classified according to the source of the equipment. In instances however, where a leased asset is fully depreciated, the entire fee is broken down into labour, overhead, profit and classified accordingly.
- Labour component - classified according to the location of the work.
- Overhead component - classified according to the location it was incurred.
- Profit component - classified based upon where the profit is taxed.

Examples:

3. A Newfoundland incorporated company provides a fully equipped supply vessel at a total contract value of \$30 million. Assume the vessel is still being depreciated in its books and the source and costing of the main components of the rental fee are as follows:
 - vessel is 100% UK content and comprises 60% of the rental fee
 - vessel upgrades are 30% Other Canadian and 70% UK and comprises 15% of the rental fee
 - remaining 25% of the rental fee is made up of profit, overhead and labour that are 100% Newfoundland.

The categorization of this vessel contract is as follows:

25% Newfoundland content	$[(0x.60) + (0x.15) + (1x.25) = 25\%]$
5% Other Canadian content	$[(0x.60) + (.3x.15) + (0x.25) = 5\%]$
70% Non-Canadian content	$[(1x.6) + (.7x.15) + (0x.25) = 70\%]$

4. Same example as # 1 above except the vessel is fully depreciated on the books. In this instance any portion of the rental fee associated with the cost of the vessel itself is coded in the same manner as profit. Consequently the Newfoundland content of this vessel then becomes 100%.

100% Newfoundland content	$[(1 \times 1) = 100\%]$
0% Other Canadian content	
0% Non-Canadian content	

D Contract Value < \$100,000

All other services are classified according to the location of the supplier's servicing office.

Transportation Charges:

Follow the classification of the labour, materials or services which are being shipped. (Note that major marine transportation contracts are classified as Services; see above)

Overhead Charges:

Refer to costs such as supplier carrying charges and restocking costs are included as part of the cost of labour, materials or services. The content classification of this portion of the cost is allocated on a proportional basis to the locations where the expenses were incurred.

Profit Charges:

The content classification of profit margins depends on where the profit is taxed. This is usually determined by ownership. For example, assume a U.S. manufactured valve is supplied from a Newfoundland incorporated branch office for a total cost of \$2 million. Assume the main components of the valve are sourced and costed as follows:

- valve is 100% U.S. content and comprises 80% of the total cost
- remaining 20% is profit.

Assume also that 85% of the profit associated with this contract will accrue to the U.S. parent through head office charges and/or other transfers and consequently be taxed in the U.S. In this case, the categorization is as follows:

3% Newfoundland content	$[(0 \times .8) + (.2 \times .15) = 3]$
0% Other Canadian content	
97% Foreign content	$[(1 \times .8) + (.2 \times .85) = 97]$

Appendix IV

Canada-Newfoundland Benefits Sample Bid Evaluation

1.0 Introduction

This section provides a generic procedure for the evaluation of Canada-Newfoundland Benefits information submitted by bidders to Husky in response to the Canada-Newfoundland Benefits Appendix contained in the bid packages issued to all bidders. The Benefits Appendix serves two functions:

- provides Canada-Newfoundland Benefits information for evaluation in the bidding process
- becomes an attachment to legal contracts in the contract negotiation phase.

As noted, these evaluation formats are generic in nature and are intended to serve as a guideline. Individual contracts will adopt the actual evaluation criteria and associated weightings appropriate to the nature of the tender at the discretion of the Canada-Newfoundland Benefits Manager.

In line with the Husky policy of maximizing Canada-Newfoundland Benefits while achieving “Best Value,” Canada-Newfoundland Benefits will be a factor in awarding all contracts. For major contracts (>\$100M) a detailed evaluation will be carried out, including evaluations of bidder’s responses to issues of supplier development, research and development (R & D), and technology transfer.

Due to the White Rose Execution Structure (see Figure 1.1), Husky’s lead contractors will also carry out procurement activities. Contractors and subcontractors will each undertake procurement activities following their internal Procurement Guidelines, as approved by Husky. In line with Husky’s commitments, Canada-Newfoundland Benefits has been incorporated as an important aspect of these Procurement Guidelines for the White Rose Project. As well, these contractors and subcontractors are required to adhere to Husky Energy’s Canada-Newfoundland Benefits Guidelines, included in each Request for Proposal, and meet the commitment of maximizing Canada-Newfoundland Benefits within a competitive framework.

2.0 Evaluation

Evaluations of proposals and bids are carried out by the Evaluation Team as outlined in the contracts’ Bid Plan for Opening, Evaluation and Award of Contract (“the Bid Plan”). Evaluations are carried out over four sections of the proposals: technical, commercial, Health, Safety and Environment (HS&E), and Canada-Newfoundland Benefits. The Evaluation Team member for Canada-Newfoundland Benefits evaluations is the Canada-Newfoundland Benefits Manager.

Before EOIs are issued on a contract, a determination shall be made as to the relative weight of each evaluation section for selection of the winning bidder. Depending on the nature of the contract in terms of technical and commercial complexity, the weight of the Canada-Newfoundland Benefits evaluation will be determined. The minimum weight for Canada-Newfoundland Benefits for any contract is 5%.

3.0 Evaluation Report

As designated in the Bid Plan, the Manager, Canada-Newfoundland Benefits - or a designate – will write the Canada-Newfoundland Benefits section of the Evaluation Team’s Evaluation Report. This section will include an overall summary and preferred bidder from a Canada-Newfoundland Benefits perspective. This will be supported with a completed Benefits Evaluation Table (see Appendix 2), based on factual information submitted in a bid or clarification.

4.0 Clarifications

Clarifications are issued to bidders, in writing, by the Purchasing/Contracts Administrator on direction from the Canada-Newfoundland Benefits Manager. This is to ensure that consistent information is provided to all bidders. Clarifications are generally issued for two reasons: to request information

provided in the bid be presented in another format to make comparable evaluations against other bidders or to request a more in-depth response to portions of the Benefits Appendix.

Information provided by a bidder through a clarification acquires the same standing as the original bid. This information will be evaluated on the same scale and criteria as the original bid and, if the bidder is awarded the contract, will be included in the attachment to the legal contract. If this information remains incomplete or incompatible for comparison purposes then a second clarification may be issued at the discretion of the Canada-Newfoundland Benefits Manager.

If responses to clarification requests substantially alter the original bid, such responses are to be ignored in the evaluation of the bid and the bidder be so informed.

5.0 Criteria for Benefits Evaluation

The criteria used for Benefits Evaluation are derived from the Canada-Newfoundland Benefits Appendix included with each bid package and completed by bidders as a section of the bid. The eight evaluation criteria are:

- Local Office/Operations/etc.
- Ownership
- Technology Transfer
- Research and Development
- Human Resources Planning
- Training
- Supplier Development/Identification
- Newfoundland Content and Person Hours

The criteria are ranked on a 0 to 5 scale for each bidder and then applied to the weight multiplier associated with the criteria to determine the overall score. The exception is Local Office/Operations/etc., which is given either a 0 or 1 and then applied to the multiplier to achieve an overall score. The overall scores are then summed to achieve a total ranking out of 100. A completed Benefits Evaluation illustrates this process in Appendix 4.

Some criteria will be evaluated in a quantitative manner, using percentages or hours to determine the score out of 5. Others such as R&D initiatives will be evaluated in a qualitative manner. This will be discussed in greater detail in the following sections describing how each criterion will be evaluated.

6.0 Local Office/Operations/Etc.

In section 5.3 of the Canada-Newfoundland Benefits Guidelines, Husky requires all successful bidders to establish an office with management capabilities in St. John's. This requirement is targeted at building the level of expertise in the local offshore support industry, as well as raising the awareness of local and regional benefits issues and industry capabilities. This criterion is given either full points or none in the evaluation.

7.0 Ownership

Evaluation of this criterion is determined by examining percentage ownership levels from Newfoundland, Other Canada, and Foreign on a comparison basis. Generally, a raw score is determined on the Newfoundland percentage Ownership, with 40-60% Newfoundland Ownership setting a benchmark score of 3 out of 5. Differentiation of bidders with relatively equivalent levels of Newfoundland Ownership occurs by comparing Canadian percentage Ownership. If a bidder has significantly more Canadian Ownership than another, points may be added to its raw score to reflect that fact. A 100% Non-Canadian owned bidder receives a score of 0. All tables used for Benefits Evaluations are evaluated in a similar manner with different levels associated with the benchmark score of 3 for each. An example of Evaluation results is presented in Table 2.1.

Table 2.1: Example Ownership Evaluation

Bidder	% NF Ownership	% Canada Ownership	% Foreign Ownership	Score
A	56	44	0	4
B	49	20	31	3
C	0	0	100	0

8.0 Technology Transfer

Technology Transfer evaluation is based on the bidder's response to the Canada-Newfoundland Benefits Appendix and initiative identified therein. This criterion is qualitative in nature, thus bidder's will be rewarded for responses detailing innovative initiatives, strategies and methods for transfer of technology, especially from non-Canadian participants to Canadian, and particularly Newfoundland and Labrador, led participants and suppliers. This criterion is in line with Husky's commitment to the development of the local offshore industry through a greater concentration of expertise in the area.

Example Evaluation Results

Bidder A:

- Commits to transfer knowledge, expertise and processes to Newfoundland subsidiary and its suppliers to maximize work conducted in Newfoundland

Score [4]

Bidder B:

- Commits to hire local graduates to work on other international projects, as well as transfer of systems and procedure to Newfoundland from other operations

Score [3]

Bidder C:

- History of technology transfer in past Newfoundland work. Commitment to train Newfoundland employees on new technology adopted for the project

Score [4]

9.0 Research and Development

Bidders are required to detail all R&D initiatives, particularly those associated with the contract, in completion of the Canada-Newfoundland Benefits Appendix as part of the bid. In evaluating this information a particular emphasis is placed on rewarding R&D initiatives occurring in Newfoundland and targeted at developing the Newfoundland offshore industry.

Bidder A:

- Not currently conducting R&D initiatives for this contract. Maintains a lab in Newfoundland for offshore R&D. Has history of R&D initiatives in the province

Score [4]

Bidder B:

- States that R&D is not applicable to this contract, conducts R&D in Canada

Score [2]

Bidder C:

- States R&D is not applicable to the contract at this time, conducts R&D in Canada, commits to collaboration with local institutions and facilities for any R&D initiatives undertaken

Score [3]

10.0 Human Resources Planning/Employment

In evaluating this category both qualitative and quantitative elements are examined. The primary source of information here is Table 3.3 in the Canada-Newfoundland Benefits Appendix, which outlines the number of employees to be utilized on the contract, broken out by occupation as well as by Newfoundland/Other Canada/Non-Canada. (See Appendix 3) The Newfoundland/Other Canada/Non-Canada numbers are then examined similarly to the ownership numbers, with a benchmark score of 3 set for a range of 50-70% Newfoundland employees.

Also contributing to the score for this criterion is Human Resources (HR) Planning for the company, and in particular for the contract. In particular the evaluation will reward succession planning that allows Newfoundland employees to be promoted into lead roles as training, experience and technology transfers advance. Also acknowledged will be local recruitment, diversity group recruitment, as well as other HR programs. An example of Evaluation results is presented in Table 2.2.

Table 2.2: Employment Table (number of persons) Example Evaluation

Bidder	Newfoundland %	Other Canada %	Non-Canada %
A	75	10	15
B	65	20	15
C	45	20	35

Bidder A:

- Commitment to recruit locally, including use of MUN Co-op programs, active succession plan

Score [4]

Bidder B:

- Active succession plan

Score [4]

Bidder C

- Committed to local recruitment

Score [3]

11.0 Training

Husky has identified training as an important area for the development of the local offshore industry. There is a strong commitment to training within Husky and amongst its contractors and subcontractors,

as training will reduce long-term operating costs and provide a pool of qualified individuals for cost-effective, local support for current programs and future projects.

Husky contractors and subcontractors are required to provide training and learning opportunities relevant to their scope of work. The quality of this training will be subject to audits by Husky throughout the life of the contract. This will determine if training meets commitments outlined in the bid submission, is of a satisfactory quality, and what impact it has made on local training facilities. (Husky Oil Operations Ltd., January 2001b)

Evaluations for training centre on responses to two sections of the Canada-Newfoundland Benefits Appendix. In Table 3.5 Total Training Expenditures, bidders must outline training for the contract by types and provide an estimate of monthly, yearly, and total cost for each. In addition, section 4.4 requires bidders to detail all policies and initiatives for training Canadian and Newfoundland employees. This includes on-the-job and formal training programs and initiative targeted toward training for disadvantaged groups.

Example Evaluation Result

Bidder A:

- Committed to use of Newfoundland facilities for training, will provide training required for all employees
- Score [3]

Bidder B:

- Committed to providing formal training for First Nation's groups. Committed to using Newfoundland facilities for formal training of employees, will also provide on-the-job training
- Score [4]

Bidder C:

- Provides continuous training for employees, will use Newfoundland facilities
- Score [3]

12.0 Supplier Identification/Development

Husky considers supplier Identification and Development crucial to the development of the Newfoundland offshore. In line with this belief, Husky provides support and assistance to bidders through early notification of program requirements and specification and encouragement of Newfoundland and Labrador suppliers to become globally competitive – including the provision of technical assistance and advice where necessary. Information collected in this process, as well as notification of procurement activity, is made widely available to the business community through various publication sources. (Husky Oil Operations Ltd., January 2001b)

Bidders are required to complete two sections in the Canada-Newfoundland Benefits Appendix outlining the use of policies and strategies for use and development of subcontractors and suppliers. The first is Table 3.2 Subcontractors (and/or Suppliers) Table. This requires identification of goods or services required, intended subcontractor/supplier, the location of work, and the percentage of total cost with a break out of the total cost by Newfoundland/Other Canada/Non-Canada. This table is evaluated much the same as earlier tables with a benchmark score of 3 set for a Newfoundland percentage range of 40-65%. The availability of Newfoundland and Canadian subcontractors/supplier for the required work as well as the percentage of the total cost involved largely determine the relative weight for this table in evaluation of this criterion.

The second section evaluated is 4.2 Supplier Development. This provides a qualitative examination of policies and initiative outlined by the bidder toward the development of Canadian- Newfoundland and Labrador suppliers.

Example Evaluation Results

Table 2.3: Supplier Identification Example Evaluation

Bidder	Newfoundland %	Other Canada %	Non-Canada %	% of Total Cost
A	70	0	30	15
B	50	10	40	20
C	40	20	40	18

Bidder A:

- Committed to first consideration and full and fair opportunity principles, will pursue “partnerships” with suppliers to assist in reaching standard performance

Score [4]

Bidder B:

- Committed to first consideration and full and fair opportunity principles

Score [3]

Bidder C:

- Will use Newfoundland suppliers “wherever possible”

Score [3]

13.0 Newfoundland Content and Person Hours

The evaluation of this criterion considers two tables from the Canada-Newfoundland Benefits Appendix. Table 3.1 Content Table is a breakout of various components as a percentage of total cost. This is further broken out by Newfoundland/Other Canada/Non-Canada by month, year, and total. The benchmark score of 3 is set for a range of 50-70% total Newfoundland Content, and is subject to similar changes to reflect distinctions between bids as earlier tables. A completed example of a Newfoundland Content Calculation can be found in the Canada-Newfoundland Benefits Appendix. (See Appendix 3)

Table 3.4 Employment Table (Person Hours) records the number of person-hours anticipated to be used by occupational category. This is further broken out by Newfoundland/Other Canada/Non-Canada. These figures are then converted to percentages. Rather than evaluate an often inequitable absolute estimate of person-hours – which can often result in inflated commercial terms - the more compatible percentage representation is used. This benchmark score of 3 is generally set for a range of 50-70%, and is subject to similar variations as earlier tables.

These two mechanisms for evaluation are given equal weight in determining the final score for the criterion. This portion of the evaluation is quite important to the Total Ranking for Canada-Newfoundland Benefits and this is reflected in the relatively high weight multiplier applied in the Benefits Evaluation Table (See Appendix 4).

Example Evaluation Results

Table 2.4: Canada-Newfoundland Content Example Evaluation

Bidder	% Newfoundland	% Other Canada	% Non-Canada
A	65	20	15
B	55	15	30
C	45	10	45

Table 2.5: Employment Table (3.1) (person-hours) Example Evaluation

Bidder	% Newfoundland	% Other Canada	% Non-Canada
A	75	15	10
B	60	20	20
C	60	10	30

Table 2.6: Ranking

Bidder	Score
A	4
B	3
C	3

14.0 Criteria for Overall Evaluation

Final ranking of bidders from a Canada-Newfoundland Benefits perspective will be on a scale of 0 to 5, which is subsequently multiplied by the weight multiplier, as outlined in the Bid Plan, to determine the score for overall evaluation. For example, if a bidder receives a score of 4.5 out of 5 and the weight for Canada-Newfoundland Benefits for the contract is 20%, the final score for overall evaluation is 18.

$$\text{Score} \times \text{Weight Multiplier} = \text{Final Score}$$

$$4.5 \times 4 = 18$$

In order to differentiate bidders, the 0 to 5 scale score is calculated by dividing the bidder's score on the Benefits Evaluation by the highest score on the Benefits Evaluation and multiplying the result by 5. For example, if one bidder has a total ranking of 90 and the other of 80, the scores on the 0 to 5 scale would be 5 and 4.44 respectively.

$$\text{Company A} \rightarrow 90/90 \times 5 = 5$$

$$\text{Company B} \rightarrow 80/90 \times 5 = 4.44$$

If any bidder scores less than 2 on the 0 to 5 scale for any category (HS&E, Technical, Commercial, or Canada-Newfoundland Benefits), then the bid may be reviewed by the Evaluation Team for elimination.

The 0 to 5 scale shall be based on the following assessments:

- 0 No understanding of the issues/No evident commitment to Canada-Newfoundland Benefits

- 1 Well below basic requirements
- 2 Slightly below basic requirements
- 3 Meets specific requirements
- 4 Well above basic requirements/demonstrates understanding of Canada-Newfoundland Benefits and proposes innovative solutions
- 5 Demonstrates strong commitment to Canada-Newfoundland Benefits objectives and goes beyond ordinary expectations

15.0 C-NLOPB Notification

Husky has a commitment to keep the C-NLOPB informed of the status of major contracts as they progress through the evaluation process to the final award. C-NLOPB will first be notified upon the development of the bidders list from EOI submissions before the list is released to the public. Final notification will come upon Owners' approval of the contract award recommendation for the C-NLOPB to review and concur with (within two business days) before the contract is awarded.

16.0 Award of Contracts

The successful bidder will be notified of the award of contract as soon as possible after final Management, Partner, and C-NLOPB approval of the recommendation. Execution of the final agreement between the bidder and Husky Energy will occur at this time.

Unsuccessful bidders will be notified of the results of the procurement process in writing. Where requested and appropriate a debriefing will take place in a qualitative and not quantitative manner as set out in Husky Energy's Purchasing Practises document.

Where it is deemed necessary, Public Affairs will issue a press release indicating the award of contract and the successful bidder. Notification will also be provided to Stakeholders and published in the NOIA (Newfoundland Ocean Industries Association) Daily Bulletin.

Appendix VI
Canada Benefits Report Formats

C-NLOPB Report Formats

Person Hours Report

	WHITE ROSE DEVELOPMENT PROJECT MONTHLY EMPLOYMENT & STAFFING REPORT
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Contractor: _____

Period: _____

OCCUPATION	Newfoundland & Labrador			Other Canadian	Foreign	Total
	Onshore	Offshore	Sub-Total			
Management & Administration						
Technicians						
Skilled Trades						
Labourers						
Marine Crew						
Other Field Services						
Professionals						
TOTAL PERSON HOURS			-	-	-	-

Completed by: _____

Date: _____

Title/Position: _____

Contact #: _____

C-NLOPB Report Formats

Expenditure Report



**WHITE ROSE DEVELOPMENT PROJECT
MONTHLY EXPENDITURE REPORT**

CONTRACTOR: _____

Note: All amounts reported are in Canadian Dollars, exclusive of HST

PERIOD: _____

	Current Month								Total To Date							
	NL & Labrador		Other Canadian		Foreign		Total		NL & Labrador		Other Canadian		Foreign		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Labour (Management, Staff, Labour)		0%		0%	-	0%	-	0%		0%	-	0%	-	0%	-	0%
Materials & Equipment		0%		0%		0%	-	0%	-	0%		0%		0%	-	0%
Services		0%	-	0%	-	0%	-	0%	-	0%		0%		0%	-	0%
Transportation		0%	-	0%	-	0%	-	0%		0%		0%		0%	-	0%
Subcontracts		0%		0%	-	0%	-	0%	-	0%		0%		0%	-	0%
Other		0%	-	0%	-	0%	-	0%		0%		0%		0%	-	0%
	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%

Quarterly Expenditure Report



**WHITE ROSE DEVELOPMENT PR
QUARTERLY EXPENDITURE R**

CONTRACTOR: _____

Period: _____

DESCRIPTION	CURRENT QUARTER CONTENT %				TOTAL TO DATE CONTENT %		
	NF	CDN	FORE	TOTAL	NF	CDN	FORE
Staff and Labour Costs				0.00			
Materials				0.00			
Subcontracts				0.00			
Other				0.00			
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Amounts reported should be reconciled to amounts invoiced for the period.

Invoice #	Date

Amount
0.00
0.00
0.00
0.00