

Approved by Board of Directors
Resolution
of May 20, 2009

SHTOKMAN DEVELOPMENT AG LOCAL CONTENT POLICY

CONTENTS

1.	PURPOSE OF THIS DOCUMENT	3
2.	LOCAL CONTENT DEFINITION	3
3.	POLICY STATEMENT	3
4.	OBJECTIVES	4
5.	IMPLEMENTATION	5
6.	MURMANSK LOCAL CONTENT	8
7.	SUPERVISION AND REPORTING	8

1. PURPOSE OF THIS DOCUMENT

The purpose of this Policy is to outline the approaches and practical efforts of Shtokman Development AG in respect of ensuring participation of Russian legal and physical persons in Phase 1 of the Integrated Development of the Shtokman Gas-Condensate Field (hereinafter referred to as the Project).

This Policy shall be read in conjunction with the following Company documents:

- Ethics Policy and Ethics Charter;
- HSE Policy;
- Contracts and Procurement Policy and Procedure;
- Communications and Public Relations Policy.

2. LOCAL CONTENT DEFINITION

The definition of Local Content is understood as a set of interrelated monetary and other efforts within the framework of Shtokman Project aiming at the development of economics, business and manpower of the Russian Federation.

The Local Content may be quantified by:

- The scope of technology, know-how and expertise transfer and development through appropriate contractual agreements between Russian companies, organisations and institutions, and international contractors having such technology and experience;
- The value of goods/materials and services/works produced, made, manufactured, assembled, supplied or rendered by companies, organisations and institutions, established and operating in Russia or by Russian citizens;
- The value of salaries paid to Russian Federation national personnel;
- The value of taxes and other statutory payments to local, regional and federal budgets of Russian Federation and public non-budgetary funds.

3. POLICY STATEMENT

Optimising the Russian content in the Project activities is one of the key elements of success for Shtokman Development AG.

The overall approach of the Company and its Shareholders to the Local Content issue is defined in the Framework Agreements which *inter alia* provide that when placing orders, Russian suppliers and contractors shall be given a preference, provided that they are comparable with foreign ones in respect of the following factors:

- experience, qualification and certification (if required);
- compliance of the quality of work, services and/or equipment with the specifications and other reasonable requirements of the Parties or the Project;
- cost and timing;
- credit worthiness;
- scope of guarantees and liability for work performed, services provided and/or equipment supplied; and
- other major terms with respect to delivery of equipment and/or performance of work and provision of services.

The Company will make use of the Russian Federation existing oil & gas capacities including its research expertise, extensive E&P experience in the Arctic conditions, and service industry capabilities. It should be however recognized that experience yet has to be developed in the offshore, sub-sea and LNG activities.

The primary objectives for Shtokman Development AG to development Local Content are to:

- Contribute to the development of local and regional economies of Russian Federation to achieve a mutually beneficial environment for carrying out Shtokman Project;
- Improve the capacity and capability of the Russian companies to contribute to the Project in order to secure sustainable commercial and industrial benefits for both Parties over the full lifecycle of the Project;
- Intend to develop an offshore, deep water and LNG expertises in Russia which could be beneficial for the development of the subsequent phases of Shtokman and other fields;
- Develop the industrial network in Murmansk area to support the future Shtokman Development AG operations and further oil and gas projects in this area.

Each prospective Supplier/Contractor shall present a Russian Content Plan to Shtokman Development AG. The scope of Russian content shall be applied as

an important criterion under tender evaluation, while the above Plan and the respective obligations of Suppliers/Contractors shall be included into all contracts.

4. OBJECTIVES

This Local Content policy pursues the following objectives:

- Attracting the interest and devoted participation of the best industrial competences available in Russia;
- Inciting transfer of knowledge, technologies and know-how from international companies to Russian ones;
- Encouraging the creation of partnerships between foreign and Russian engineering companies, equipment manufacturing companies, service providers and integrators;
- Promoting cooperation of international companies with Russian universities, research and design institutes in the fields of research & development and education;
- Being conducive to recruitment, training, development and promotion of Russian personnel with relevant educational background;
- Encouraging foreign direct investments, creation and development of production and service capacities in relevant to oil and gas industries in Russia.

5. IMPLEMENTATION

Shtokman Development AG will maximize Local Content, without compromising relevant legislation, technical norms and approved corporate policies, **by:**

- Establishment and permanent updating of a database of approved vendors through a qualification process and to promote competitive tendering based on international standards;
- Increasing Russian companies' awareness of Shtokman Development AG contracting policies, standards and expectations;
- Support to its main international contractors in better understanding the Russian companies' industrial and business capabilities, finding suitable local subcontractors and sources for supply of material, equipment and services in Russia;

- Timely identification of opportunities for Local Content based on long term Company requirements;
- Providing advisory assistance to Russian enterprises in their efforts to continuously develop their capacities;
- Negotiation of frame agreements/contracts with leading competitive contractors and suppliers.

Committed to maximize the level of Local Content, Shtokman Development AG will always encourage competition through open tendering according to international standards and contracting with as many local companies as possible.

While striving to maximize Local Content opportunities, preference will be given to suppliers apt to effectively support the Shtokman development objectives in the long term, including safety and health, environmental and regulatory compliance, quality, transparency to auditing, and achieving scheduled completion times.

All conditions being equal, Russian contractors from Murmansk and Arkhangelsk will be given the priority.

The Local Content policy shall apply to the full contractual process according to the following scheme.

CONTRACTUAL ACTIVITIES TO ENSURE LOCAL CONTENT IN THE PROJECT

Procedure Stage	Efforts to ensure Russian content
Contracting & purchasing planning	Identification of potential Russian contractors & suppliers
Public Invitation to tender and subsequent pre-qualification	Inclusion of this Policy requirements into the list of pre-qualification criteria. Placing the Public Invitation to tender (in Russian language) in Russian media and whenever practicable at Shareholders' Websites Sending individual invitations to tender to potential Russian contractors/suppliers
Development of tendering documentation	Formulating, also in Russian, the CFT documents (instructions to tenderers, the technical scope of work, main terms and conditions) that allow

	Russian contractors/suppliers to participate in the tendering (provided the scope is in line with the overall Project logics, schedule, and the approved technical solutions)
Call for tender	Distribution of the CFT documents to pre-qualified Russian tenderers Dissemination of this Policy together with the CFT document package
Tender evaluation and clarification	Application of Russian content as a tender evaluation criterion
Approval of the Recommendation to Award and Contract Execution	Both under open and closed tenders, priority shall <i>ceteris paribus</i> be given to Russian bidders, then to the bidders ensuring the highest Russian content. Including Russian content clauses to contracts with international contractors/suppliers

Main contractual documents (technical scope of work, main terms and conditions) signed with Russian contractors/suppliers and with foreign/Russian consortiums/JVs shall be issued in both English and Russian. In case of a public invitation to tender, the respective notice in both languages must also be placed in Russian federal and regional media and whenever possible at Shareholders' Websites and Company's E-procurement Website. Tendering and administration correspondence may be kept in Russian subject to mutual agreement.

To increase the Local Content, the Company may equally:

- participate in Russian industrial and regional events like exhibitions, conferences, etc.;
- execute Project-related cooperation agreements with Russian federal and regional authorities, as well as business associations;
- organize training of Russian suppliers to strengthen their qualifications, including study trips to industrial sites outside Russia;
- organize and/or (co)sponsor events aiming to develop contacts between research and industry representatives from Russia and other countries, notably France and Norway.

The Company shall closely coordinate the above activities with the Shareholders to provide for a maximization of the synergy effects and avoiding duplication of efforts.

6. MURMANSK LOCAL CONTENT

Shtokman Development AG undertakes to utilize and develop the industrial potential of Murmansk district while implementing the Project.

7. SUPERVISION AND REPORTING

The Chief Executive Officer shall annually deliver a report to the Board of Directors on the Company activities and the actual figures relating to the Local Content (including both the results of the preceding year and cumulative figures since the Project start-up).

The Company shall annually present a public statement on its efforts within Local Content promotion, to be placed in Russian federal and related regional media and the Company Website. The above public statement or its highlights shall equally be included in the Company's Social Report, if any.