

	PROJECT PRODUCT				Nº	RP-INDP&G05-PIR-001-C					
	SECTORIAL COMMITTEE::					IND P&G		SHEET:		1 of 38	
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PHASE 0 – LOCAL CONTENT MANUAL

MANUAL FOR ASSESSMENT OF LOCAL CONTENT OF GOODS, SYSTEMS AND SERVICES RELATED TO THE PETROLEUM AND NATURAL GAS SECTOR

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1 INTRODUCTION

This document consists of a set of tables containing definitions, methods and criteria for calculating the local content of goods, systems and services related to the petroleum and natural gas industry.

BNDES methodology used as a term of reference for developing this set of instructions, will be included in the scope of the IND P&G-5 project "Compilation of Methodology, Systematics, Standardization and Audit procedures for Assessment of Local Content", referred to as "Phase 0" of the project.

It should be noted that the methodology put forward in this Manual is based solely on costs and expressly exclusive and confidential information pertaining to manufacturers, suppliers, sub-suppliers and service providers, to be used as working tools for all components of the sector's supply chain.

It must be emphasized that the companies involved will be responsible for providing information for the calculation of local content and the maintenance of probative documentation to be put forward, when applicable, for the purposes of fine-tuning and standardizing the results of this project.

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2 GLOSSARY**MATERIAL**

A set of objects that comprises a work or construction project, etc.

COMPONENT PART

An element (or part / portion) of a piece of equipment or a machine.

Part or piece of an indivisible item.

Each separate part or element of an assembly, a mechanism, machine or item of equipment

REPLACEMENT PART

Spare part.

MACHINE or EQUIPMENT - GOODS

A device or instrument (mechanical electrical or electronic) for the purpose of transmitting or converting energy in order to utilize, put in action or adapt it to carrying out or taking part in the execution of specific tasks or services.

SUB-SYSTEM

A system that is an integral part of a greater system. This could be, for example, a MODULE of an oil rig, a tanker, offshore supply or other type of offshore vessel.

SYSTEM

A Logically coordinated arrangement of independent equipment, machinery and material which, together, comprise an intimately articulated assembly, working as an organized arrangement, for the purpose of carrying out specific functions. An example of this would be an OIL RIG, TANKER or OFFSHORE SUPPLY BOAT, working conjointly.

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The systems concept can be extended to larger groups in the universe of activities related to the petroleum and natural gas sectors, as long as one does not lose sight of the concept of independence and the sequence of activities in an operation. For example, when the local content objects of oil rig, drilling / exploration system are intimately associated with one or more oil wells, one could arrive at the local content object of an oil field.

SOFTWARE

One or a set of computer programs required for operation of an asset or for management or execution of a service

LOCAL CONTENT OF ASSETS (LCb)

The percentage value of the difference between the total commercial value of goods (excluding IPI and ICMS) and the value of the respective imported content, divided by the total commercial value (excluding IPI and ICMS)

NOTE 1: The calculation for the Local content of goods does not apply to the cases of re-sale of imported goods. In this case, the local content is equal to zero and such information must be submitted in a separate declaration.

ITEMS FOR TEMPORARY UTILIZATION

Goods and equipment used under rental, chartering, leasing or operational / financial leasing.

LOCAL CONTENT OF GOODS AND EQUIPMENT FOR TEMPORARY UTILIZATION (LCa)

For the purpose of determining the value of the Local content with reference to goods and equipment for temporary utilization, the percentage value of the LCb will be used, applied to the respective leasing contracts.

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LOCAL CONTENT of SERVICES (LCs)

For the purposes of determining the Local Content of Services, the ILs will be applied to the total value of the service contracted, less the value of the ISS.

COST INDEX FOR UTILIZATION OF LOCAL MANPOWER IN RENDERING OF SERVICES (ILS)

Percentage corresponding to the TOTAL COST OF LOCAL IN-HOUSE OR OUT-SOURCED SERVICES needed, or effectively used, in carrying out the required services divided by the TOTAL COST OF IN-HOUSE OR OUT-SOURCED SERVICES needed or effectively used for completely bought out services.

MANPOWER REQUIRED:

This is the estimated or proposed cost of the services for carrying out a specific job.

MANPOWER EFFECTIVELY USED:

Is the manpower effectively used for carrying out a specific job.

TOTAL COST OF LOCAL MANPOWER :

Is the total cost, including overheads, arising from using of local manpower on jobs directly related to execution of a service carried out by salaried persons

LOCAL MANPOWER:

Is the manpower applied by the employment of local (Brazilian) citizens, in accordance with current Manpower Legislation, or foreigners with permanent visas employed by service rendering establishments as sub contract manpower (which must be registered in the CNPJ – Corporate Taxpayer’s Roll), or by free-lance workers.

Work carried out by foreign individuals present in Brazil under Temporary Visas, or Work Permits issued to Foreigners, or work carried out by those not legally qualified for work within Brazil, will not be considered as Local Employment Work.

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3 CRITERIA, INSTRUCTIONS AND FORMULAE FOR ASSESSING LOCAL CONTENT OF EQUIPMENT RELATED TO THE PETROLEUM AND NATURAL GAS INDUSTRY

1. Local Content (LCb) of equipment must be calculated by means of the following formula, in accordance with the model shown on the accompanying instruction sheet and with instructions established in items 2, 5 and 6 below:

$$LCb = \left(1 - \frac{X}{Y}\right) \cdot 100$$

2. Local content must be calculated with due consideration to :

X = VALUE OF IMPORTED COMPONENTS (in R\$), including raw materials, plus:

- a) CIF Value¹, including the respective Import Duty (II) for the components imported directly by the manufacturer and incorporated in the equipment. For foreign currency exchange purposes, the current local exchange rates, on the day the Sales Invoice was made out, must be used. In cases where the equipment has not been billed, the values used on the date of the Import Declarations (DI) may be used, or the quotation made out by the probable international supplier, as long as those values were not cited more than six months from the presentation of the Local Content calculation;
- b) CIF Value, including the respective Import Duty (II) for the components imported directly by the manufacturer and incorporated in the equipment. For foreign currency exchange purposes, the current local exchange rates on the day the Sales Invoice was made out must be used. In the absence of CIF Value information, the price on the component Purchase Invoice must be used, less IPI and ICMS taxes, or the quotation presented by the most likely supplier. In the latter case, only the "CIF Value + Unit Import Duty (R\$)" must be filled in on the attached Table;
- c) Value of components imported by third parties and acquired on the local market by the manufacturer or the buyer, not including IPI and ICMS taxes. In this case only the "CIF Value + Unit Import Duty (R\$)" must be filled in on the attached Table.

¹ C.I.F.= Cost, insurance and freight., an international trading term. The C.I.F. price of goods is the price including the cost of transporting them to their destination.

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- d) Value of the portion of imported components bought by the manufacturer or buyer, excluding IPI and ICMS taxes. In this case only the “Total purchase price (in R\$)” column of the attached Table must be filled in.

Note: When applicable, the values of the local portions supplied by local manufacturers can be deducted from the value of the imported portion, the basis of calculation then being just the value originally billed by the local manufacturer of the item exported or incorporated into the foreign supply.

Y = TRUE EQUIPMENT SALES PRICE, excluding IPI and ICMS taxes. In cases where the equipment has not been commercialized by the manufacturer; the sales price practiced by the distributor, or company that sells those goods, must be used, even if that entity has been contracted together with the company located abroad.

3. When the prices charged for imported or locally-produced components significantly depart from levels practiced on local and international markets, verification of the local content may be petitioned. In such cases, the value of the imported components will be investigated so as the guarantee assessment of the local content based on a reasonable and adequate price (reference price);
4. The appraiser may, at his own criteria, request verification of the Local Content calculations on the basis of the formula given in item 1 and on the definitions below, providing there is a quotation for the equipment on the international market:

X = VALUE OF IMPORTED COMPONENTS, including raw materials, plus:

- a) FOB value² of the components directly imported by the manufacturer and the buyer and incorporated in the equipment;
- b) value of the components directly imported by the buyer and incorporated in the

² F.O.B. = FREE ON BOARD, meaning the price to the buyer from the vendor, at the point of shipment, regardless of the means of transport.

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equipment / goods;

- c) Value of components imported by third parties and acquired on the local market by the manufacturer, excluding IPI and ICMS taxes.

The values referred to in sub items a), b), c) and d) above must be converted into a common currency , using currency exchange rates in force on the day of issue of the Sales Invoice for the goods.

Y = FOB VALUE FOR EXPORTING THE EQUIPMENT, with due consideration of the following :

- a) If different levels of price are practiced between imported components and complete items of equipment, weighting must be applied between the appropriate values to achieve parity of the discounts applied;

The above value must be converted into the same form of currency, using currency exchange rates in force at the date of issue of the Sale Invoice for the goods/equipment.

- b) If currencies need to be converted, the values used must be those at the date of the Sale Invoice for the equipment.

5. Documentation used for the purpose of calculating local content must be kept safe and available so that, should the need arise, probatory evidence can be presented for auditing purposes. For such an event, a demonstration of the local content calculations in reference must also be available, together with the following documents:

- a) A separate list of imported components used, indicating the origin, manufacturer, brand name and the respective FOB and CIF values and the CIF plus import duty values;
- b) Separate list, of the main local components used, indicating manufacturer, brand name, value of the imported portion, value of the national portion and weighting;
- c) Probative evidence of the values of the imported components and of the complete equipment, in accordance with the instructions contained in item 6 below.

Although Probative evidence is the responsibility of the contractor, the safekeeping of a probative documentation for calculating the local content must be the subject of an agreement between the buyer and the Suppliers (and sub-Suppliers), on the condition that such items

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must be delivered on request of the appraiser. These documents must be kept on file for appraisal purposes over a period of 5 years from the date the concession contract is signed by the ANP.

6. For the purpose of providing proof of the local content calculated, it will be necessary to present a copy of each of the following documents:

a) for imported components:

- the appropriate extract from the Import Declaration, including annexes;
- exporter's fiscal document (bill);
- Bills concerning the imported components acquired locally;

b) for local component:

- Bills concerning the local components.

c) for complete equipment :

- bill from the local manufacturer or, when this has not yet been issued, the sales invoice issued by the local manufacturer;

d) for equipment imported complete, when applicable (item 5):

- fiscal document or, when this has not been issued, bill from the international export trading fabricator;
- • price list from the international export trading manufacturer;
- • fiscal document or, when this has not been issued, a bill from the local manufacturer of the items for export .

e) any other documents related to the process.

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4 CRITERIA, INSTRUCTIONS AND FORMULAE FOR ASSESSING THE LOCAL CONTENT OF CONTRACTS FOR GOODS AND EQUIPMENT FOR TEMPORARY UTILIZATION, RELATED TO THE PETROLEUM AND NATURAL GAS INDUSTRY

The value of the local content for contracts of goods and equipment for temporary utilization will be amount used as Local content (LCb) of the those items used.

1. The local content for contracts of goods and equipment for temporary utilization will (LCa) will be the equivalent of the Local content assessed for the goods / equipment used, as long as the company carrying out the activity is registered on the CNPJ (corporate taxpayers roll):

$$LCa = LCb$$

2. The value of the Brazilian portion to be attributed to such activities will be, therefore:

$$\text{Value of the Brazilian Portion} = CLb \cdot X$$

Where

LCb = LOCAL CONTENT OF THE ITEMS CONTRACTED FOR TEMPORARY USE

X = VALUE OF THE CONTRACT FOR TEMPORARY UTILIZATION OF GOODS/
EQUIPMENT

If the goods / Equipment used comes from abroad, the Local Activity Content (LCa) will be equal to zero, and the will be taken as being the imported portion.

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5 CRITERIA, INSTRUCTIONS AND FORMULAE FOR CALCULATING THE LOCAL CONTENT OF SUBSYSTEMS RELATED TO THE PETROLEUM AND NATURAL GAS INDUSTRY

$$LCb = \left(1 - \frac{X}{Y}\right) \cdot 100$$

Y = TOTAL PRICE OF THE COMPLETE SYSTEM (in R\$), delivered in working condition, even though this aspect has not been the subject matter of a sole purchase (turn-key package / EPC - Engineering Procurement and Construction contract), but including the values of all supply and services contracts which, together, will comprise the subsystem, and excluding the part for spares, IPI and ICMS even when contracted from a company located overseas

X = VALUE OF THE IMPORTED PORTION (in R\$), taking into consideration the values of contracts for all supply and services that, together, comprise the system:

a) In the case of direct imports, the CIF Value (in R\$), plus the respective Import duties:

- of imported raw material;
- of imported materials;
- of the components that are imported and incorporated in each of the items of equipment comprising the asset in question;
- of the equipment or complete subsystems that are directly imported and incorporated into the asset, including software.

b) In the case of locally bought items, the value CIF (in R\$), plus the relevant Import Duty:

- of imported raw material;
- of imported materials;
- of the components that are imported and those incorporated in each of the items of equipment comprising the asset in question;
- of the equipment or complete subsystems that are imported and incorporated into the asset, including software.

c) In the case of directly imported items, the CIF value (in R\$), plus the relevant Import Duty:

- for the imported raw material;

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- of other imported material;
- of the components imported and incorporated directly into each equipment forming part of the asset;
- of the equipment or complete subsystems imported directly and incorporated in the system, including software.

d) In the case of an acquisition on the local market, the value (in R\$) excluding IPI and ICMS:

- of the imported raw material;
- other imported materials;
- of the components imported and incorporated into each equipment of the asset;
- of the equipment or complete subsystems imported and incorporated in the system, including software

e) Value of the imported portion of equipment acquired locally (in R\$), excluding IPI and ICMS, using the methodology adopted for calculating the local content of equipment;

f) value (in R\$) of the services entailed of the production of the sub-system (including software), paid in foreign currency;

g) value (in R\$) of the imported portion of services entailed in production of the sub-system, including software, paid in Reais, excluding ISS.

REMARKS:

a) do not take into consideration amounts spent on spares;

b) use quotations that refer to the base date of supply contracts for converting the value of imported components into R\$;

c) do not take into consideration any readjustment of the supply values, which must always refer to the base date of the supply contracts .

d) Keep safe and available the provisions concerning the information and probatory evidence of local content regarding the equipment.

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e) The value of the imported portion of services linked to building an asset will be calculated as a function of the ILS (Local Services Index - see the Glossary and Item VII of this document). The percentage equivalent of (1-ILS) will be applied in the proportion of the total value of the services (excluding ISS) and the result will be incorporated in the imported portion of the services, added to the amount billed in foreign currency, or billed by companies not registered on the CNPJ list of corporate taxpayers, when applicable.

f) The values of locally-supplied parts of supply provided by Brazilian manufacturers, can be deducted from the value of the imported portion, based purely on the original value of the goods billed by the Brazilian manufacturer for the item exported or incorporated into foreign supply.

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6 CRITERIA, INSTRUCTIONS AND FORMULAE FOR CALCULATING THE LOCAL CONTENT OF SYSTEMS RELATED TO THE PETROLEUM AND NATURAL GAS INDUSTRY

$$LCb = \left(1 - \frac{X}{Y}\right) \cdot 100$$

Y = TOTAL PRICE OF THE COMPLETE SYSTEM (in R\$), delivered in working condition, even though this aspect has not been the subject matter of a sole purchase (turn-key package / EPC - Engineering Procurement and Construction contract), but including the values of all supply and services contracts which, together, will comprise the subsystem, and excluding the value of spares , IPI and ICMS;

X = VALUE OF THE IMPORTED PORTION (in R\$), taking into consideration the values of contracts for all supply and services that, together, comprise the system:

- a) In the case of direct imports, the CIF Value (in R\$), plus the respective Import duties:
- of imported raw material;
 - of other imported materials;
 - of the components that are imported and incorporated in each of the items of equipment comprising the system in question;
 - of the equipment or complete subsystems that are directly imported and incorporated into the asset, including software.
- b) In the case of locally bought items, the value (in R\$) excluding IPI and ICMS taxes:
- of imported raw material;
 - of other imported materials;
 - of the components that are imported and incorporated in each of the items of equipment comprising the system in question;
 - of the equipment or complete subsystems that are directly imported and incorporated into the asset, including software.
- c) Value of the imported portion of equipment acquired locally (in R\$), excluding IPI and ICMS, using the methodology adopted for calculating the local content of equipment;
- d) the value (in R\$) of services linked to production of the goods, including software paid for

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in foreign currency;

- e) value (in R\$) of the imported portion of the services linked to production of the system, including software paid for in local currency (Reais) and excluding ISS tax.

Remarks:

- a) do not take into consideration amounts spent on spares;
- b) use quotations that refer to the base date of supply contracts for converting the value of imported components into R\$;
- c) do not take into consideration any readjustment of the supply values, which must always refer to the base date of the supply contracts.
- d) Keep safe and available the provisions concerning the information and probatory evidence of local content regarding the equipment.
- e) The value of the imported portion of services linked to building a system will be calculated as a function of the ILS (Local Services Index - see the Glossary and Item VII of this document. The percentage equivalent of (1-ILS) will be applied in the proportion of the total value of the services (excluding ISS) and the result will be incorporated in the imported portion of the services, added to the amount billed in foreign currency, or billed by companies not registered on the CNPJ list of corporate taxpayers, when applicable.
- f) When applicable, values of the portions of Brazilian supply, carried out by local manufacturers, can be deducted from the value of the imported portions, based purely on the value originally billed by the local manufacturer of the exported goods or incorporated in the foreign supply.

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7 Criteria and formulae for calculating the local content of groups of systems related to the petroleum and natural gas industry

$$LCb = \left(1 - \frac{X}{Y}\right) \cdot 100$$

Y = TOTAL PRICE OF ENTIRE GROUPS OF SYSTEMS (in R\$), delivered in working condition, even though they have not been the subject matter of a sole purchase (turn-key package / EPC - Engineering Procurement and Construction contract), but including the values of all supply and services contracts which, together, will comprise the group of systems, and excluding the value of spares , IPI and ICMS, even when they have been contracted in conjunction with companies located overseas ;

X = VALUE OF THE IMPORTED PORTION (in R\$), taking into consideration the values of all supply and services contracts which, together, will comprise the final group of systems:

- a) In the case of direct imports, the CIF Value (in R\$), plus the respective Import duties:
- of imported raw material;
 - of other imported materials;
 - of the components that are imported and incorporated in each of the items of equipment comprising the asset in question;
 - of the equipment or complete subsystems / systems that are directly imported and incorporated into the asset, including software.
- b) In the case of locally bought items, the value (in R\$) excluding IPI and ICMS taxes::
- of imported raw material;
 - of imported materials;
 - of the components that are imported and those incorporated in each of the items of equipment comprising the asset in question;
 - of the equipment or complete subsystems that are imported and incorporated into the asset, including software.
- c) Value of the imported portion of equipment acquired on the local market (in R\$), excluding

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IPI and ICMS taxes, in accordance with the methodology adopted for calculating local content of items of equipment;

- d) the value (in R\$) of services linked to production of the goods, including software paid for in foreign currency;
- e) value (in R\$) of the imported portion of the services linked to production of the goods, including software paid for in local currency (Reais), excluding ISS tax.

REMARKS:

- a) do not take into consideration amounts spent on spares;
- b) use quotations that refer to the base date of supply contracts for converting the value of imported components into Reais;
- c) do not take into consideration any readjustment of the supply values, which must always refer to the base date of the supply contracts.
- d) Keep the provisions concerning the information safe and available and also any probatory evidence of local content regarding the equipment.
- e) The value of the imported portion of services linked to building an asset will be calculated as a function of the ILS (Local Services Index - see the Glossary and Item VII of this document). The percentage equivalent of the (1-ILS) will be applied in the proportion of the total value of the services (excluding ISS) and the result will be incorporated in the imported portion of the services, added to the amount billed in foreign currency, or billed by companies not registered on the CNPJ list of corporate taxpayers, when applicable.
- f) When applicable, values of the portions of Brazilian supply, carried out by local manufacturers, can be deducted from the value of the imported portions, based purely on the value originally billed by the local manufacturer of the exported goods or incorporated in the foreign supply.

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8 Criteria and formulae for calculating the local content of services related to the petroleum and natural gas industry.

At this stage of development of the PROMINP, the local content of services, including software, will be measured using the COST INDEX FOR UTILIZATION OF LOCAL MANPOWER IN RENDERING OF SERVICES (ILS). The ILS must be applied to the contracted service value, excluding ISS, to arrive at the Local content for Services.

- a) The COST INDEX FOR UTILIZATION OF LOCAL MANPOWER IN RENDERING OF SERVICES (ILS) must be calculated by means of the following formula, providing the service provider company is registered on the CNPJ roll of corporate taxpayers:

$$ILS = \left(\frac{X}{Y} \right) \cdot 100$$

- b) The ILS will be calculated with due consideration of the following aspects of the services:

Y = TOTAL LABOR COST NEEDED OR EFFECTIVELY USED IN CARRYING OUT THE ENTIRE SERVICE

X = TOTAL LOCAL LABOR COST NEEDED OR EFFECTIVELY USED IN CARRYING OUT THE ENTIRE SERVICE.

If the service is rendered by a company not registered on the CNPJ, or is billed in a foreign currency, the value to be used is that considered for a totally imported item. Notwithstanding, when applicable, the costs of Brazilian labor arising from the subcontracting of local companies or freelance operators for carrying out the service, can be accounted for in the national portion – “X”, based purely on costs effectively incurred and appropriately recorded as such.



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9 Step-by-Step calculation of the local content (LC) of equipment and goods

1. General Guidelines: Use the “save” key to save the work keyed in on the Spread Sheet;

2. Equipment and goods LC – Fill in the “Local Content of Equipment”:

2.1 Client : Key in the Corporate Name of the buyer;

2.2 Supplier: Key in the Corporate Name of the Contractor;

2.3 Equipment: Give the commercial designation and / or the technical nomenclature of the goods / equipment;

2.4 Obtain the sales price of the equipment to the client and ascertain what proportion of it is in taxes - IPI and ICMS (since the taxes may or may not be included in the price) based on one or more of the following documents: Invoice, supply contract, estimate or technical-commercial proposal; (the TOTAL SELLING PRICE OF THE EQUIPMENT – INVOICE VALUE -, VALUE OF THE IPI and VALUE OF THE ICMS). The spread sheet will automatically calculate the value in the PRICE OF THE ENTIRE EQUIPMENT WITHOUT IPI AND ICMS) field;

2.5 List the Invoice date for the equipment or the base date of the supply proposal (in the Sales Invoice Issue Date field). Fill in the main currency at the place of origin of imported components(in the Main Source Currency Principal field). Fill in the currency rate in force on this date (Rate for conversion to R\$ field).

When there are more than one import currencies, use the “Add Currency” key to automatically generate a help table, which should be filled in with the currency and the relevant currency exchange rate to R\$ on the “Date of Issue of the Sales Invoice”. On concluding this operation, click the “return” button. This information will be used to convert the currencies on the calculation table . Up to 10 (ten) different currencies can be handled

2.6 Describe all the components and materials contained in the equipment/goods, dividing them into the two separate classifications of imported and local components, giving the

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respective quantities;

2.7 Divide components into sub-categories of those imported :

2.7.1 Directly by the Buyer

2.7.2 Directly by the Manufacturer

2.7.3 By third parties and acquired on the local market by the manufacturer or the buyer

2.7.4 By third parties and incorporated in the items acquired on the local market by the Manufacturer or the Buyer

3. For Locally Supplied components:

3.1 Locally made Components: Fill in the commercial designation and / or the technical nomenclature in the appropriate field;

3.2 To add local components (an entire line), use the "Add a Component: Local components" key;

3.3 Materials identification / code (column "a"): Fill in the inventory / stores identification code;

3.4 Quantity (column "b"): List the amount of components/materials used in production of the equipment / goods;

3.5 Unit Purchasing Price w/o IPI and ICMS -- R\$ (column "l"): Give the price of acquisition for each component, based on the on the Technical-Commercial Invoices or Proposals related to the component. Subtract the IPI and the ICMS applied on those transactions;

3.6 Supplier (column "n") give the Corporate Name of the supplier of the component

3.7 Manufacturer (column "o"): When the supplier is not the original manufacturer of the product, fill in the Corporate Name of the component manufacturer, otherwise, repeat the information given in column "n";

3.8 Document (column "p"): give the number of the Invoice or the proposal used as a source for the data used in the other columns;

3.9 Columns "c", "d", "e", "f", "g", "h", "i", "j" and "k" will not be filled in this case.

3.10 The total purchase price of acquisition w/o IPI and ICMS (column "m") will be automatically calculated, multiplying the quantity (column "b") by the unit purchase

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price (column "l")..

4. For components that are imported :

4.1 Directly by the Buyer: (data made available by the buyer / client who is responsible for presenting the probatory documents, when applicable):

- 4.1.1 Components Imported Directly by the Buyer: Give the commercial designation and / or technical nomenclature of the component;
- 4.1.2 To add imported components acquired Directly by the Buyer (an entire line), use the "Add a Component: Directly by the Buyer" key;
- 4.1.3 Materials identification / code (column "a"): Fill in the inventory / stores identification code;
- 4.1.4 Quantity (column "b"): List the amount of components/materials used in production of the equipment;
- 4.1.5 Unit FOB value / source currency (column "c"): Give the unit FOB value in the source currency for each component, based on the appropriate extract from the Import Declaration (DI);
- 4.1.6 Unit CIF Value/ source currency (column "e"): Give the unit CIF value in the source currency for each component, based on the appropriate extract from the Import Declaration (DI);
- 4.1.7 Currency (column "g"): When applicable, give the source currency from the menu generated on pressing the "Add Currency" key. If that item is not filled in, the column will assume that the source currency is that given in the "Main source currency" field;
- 4.1.8 Import duty (R\$) (column "i"): Give the value of the Import Duty (II) given in the Import Declaration Extracts;
- 4.1.9 Supplier (column "n"): give the Corporate Name of the component supplier ;
- 4.1.10 Manufacturer (column "o"): If the supplier is not the original manufacturer of the product, give the Corporate Name of the component manufacturer, otherwise, repeat the information given in column "n";
- 4.1.11 Document (column "p"): give the number of the Import Declaration (DI) or of the proposal used as a source for the data filled in the other columns;

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- 4.1.12 Sectors (column "q"): select, among options listed, the industry's sector which the good is inserted;
- 4.1.13 Columns "l" and "m" will not be filled in this case.
- 4.1.14 The total FOB value in source currency (column "d") will be automatically calculated, multiplying the quantity (column "b") by the Unit FOB value / source currency (column "c");
- 4.1.15 The Total CIF Value / source currency (column "f") will be automatically calculated, multiplying the quantity (column "b") by the Unit by the Unit CIF Value / source currency (column "e");
- 4.1.16 The Unit CIF Value (R\$) (column "h") will be automatically calculated, multiplying the Unit CIF Value ; source currency (column "e") by the currency exchange rate value as shown in the "currency" field;
- 4.1.17 The CIF Value + Unit Import Duty (R\$) (column "j") will be automatically calculated, adding the two variables;
- 4.1.18 The CIF Value + Total Import Duty (R\$) (column "k") will be automatically calculated, multiplying the quantity (column "b") by the CIF Value + Unit Import Duty (R\$) (column "j");
- 4.2 Directly, by the Manufacturer:
- 4.2.1 Components Imported Directly by the Manufacturer: Fill in the commercial designation and / or the technical nomenclature in the appropriate field;
- 4.2.2 To add Components Imported Directly by the Manufacturer (a complete line), use the "Add a Component: Imported Directly by the Manufacturer key";
- 4.2.3 Materials identification / code (column "a"): Fill in the inventory / stores identification code;
- 4.2.4 Quantity (column "b"): List the amount of components / materials used for producing the equipment / goods;
- 4.2.5 Unit FOB value / source currency (column "c"): give the Unit FOB value in source currency for each component, based on the appropriate Import Declaration (DI) extracts;
- 4.2.6 Unit CIF Value/ source currency (column "e"): Give the unit CIF value in the source currency for each component, based on the appropriate extract from the

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Import Declaration (DI);

- 4.2.7 Currency (column "g"): When applicable, give the source currency from the menu generated on pressing the "Add Currency" key. If that item is not filled in, the column will assume that the source currency is that given in the "Main source currency" field;
- 4.2.8 Import duty (R\$) (column "i"): Give the value of the Import Duty (II) used in the Import Declaration Extracts;
- 4.2.9 Supplier (column "n"): give the Corporate Name of the component supplier ;
- 4.2.10 Manufacturer (column "o"): If the supplier is not the original manufacturer of the product, give the Corporate Name of the component manufacturer, otherwise, repeat the information given in column "n";
- 4.2.11 Document (column "p"): give the number of the Import Declaration (DI) or of the proposal used as a source for the data filled in the other columns;
- 4.2.12 Sectors (column "q"): select, among options listed, the industry's sector which the good is inserted;
- 4.2.13 Columns "l" and "m" will not be filled in this case.
- 4.2.14 The total FOB value in source currency (column "d") will be automatically calculated, multiplying the quantity (column "b") by the Unit FOB value / source currency (column "c");
- 4.2.15 The Total CIF Value / source currency (column "f") will be automatically calculated, multiplying the quantity (column "b") by the Unit CIF Value / source currency (column "e");
- 4.2.16 The Unit CIF Value (R\$) (column "h") will be automatically calculated, multiplying the Unit CIF Value / source currency (column "e") by currency exchange rate entered in the "currency" field;
- 4.2.17 The CIF Value + Unit Import Duty (R\$) (column "j") will be automatically calculated, adding the values of these two variables;
- 4.2.18 The CIF Value + Imported portion R\$ (column "k") will be automatically calculated, multiplying the quantity (column "b") by the CIF Value + Unit Import Duty (R\$) (column "j");

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- 4.3 By third parties and those purchased on the local market by the Manufacturer or Buyer:
- 4.3.1 Components Imported by third parties and purchased on the local market by the Manufacturer or Buyer: give the commercial designation and / or the technical nomenclature of the component ;
 - 4.3.2 To add components imported by third parties and purchased on the local market by the manufacturer or buyer (complete line), use the "Add component" 3rds - local market "key";
 - 4.3.3 Material identification / code (column "a") :Fill in the inventory / stores identification code;
 - 4.3.4 Quantity (column "b"): List the amount of components/materials used in production of the equipment;
 - 4.3.5 Unit purchase price w/o IPI and w/o ICMS R\$ (column "l") : Give the value based on the Technical-Commercial Invoices or Proposals, subtracting the IPI and ICMS values applied in such transactions;
 - 4.3.6 Supplier (column "n"): Give the Corporate Name of the component supplier ;
 - 4.3.7 Manufacturer (column "o"): When the supplier is not the original manufacturer of the product, fill in the Corporate Name of the component manufacturer, otherwise, repeat the information given in column "n";
 - 4.3.8 Document (column "p"): Give the number of the Invoice or the proposal used as a source for the data filled in the other columns;
 - 4.3.9 Sectors (column "q"): select, among options listed, the industry's sector which the good is inserted;
 - 4.3.10 Columns "c", "d", "e", "f", "g", "h", "i", "j" and "k" will not be filled in this case.
 - 4.3.11 The Total Purchase w/o IPI and w/o /ICMS R\$ (columns") will be automatically calculated by multiplying the quantity (column "b") by the Unit purchase price w/o IPI and w/o ICMS R\$ (column "l").
- 4.4 By third parties and incorporated in the items acquired on the local market by the Manufacturer or the Buyer (information to be presented by the sub-supplier, who will be responsible for providing probatory documentation, when applicable):
- 4.4.1 Components Imported by third parties in the items acquired on the local market by the Manufacturer: give the commercial designation and / or the technical nomenclature of the component;

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- 4.4.2 To add components imported by third parties and incorporated into items acquired on the local market by the (entire product line), use the "Add component" key : 3rd parties and those incorporated into items" key;
- 4.4.3 Material identification / code (column "a") :Fill in the inventory / stores identification code;
- 4.4.4 Quantity (column "b"): List the amount of components/materials used in production of the equipment / goods;
- 4.4.5 Unit purchase price w/o IPI and w/o ICMS R\$ (column "l"): Give information on this value based on the Technical-Commercial Invoices or Proposals, subtracting the IPI and ICMS taxes applicable to such transactions;
- 4.4.6 Supplier (column "n"): Give the Corporate Name of the component supplier ;
- 4.4.7 Manufacturer (column "o"): When the supplier is not the original manufacturer of the product, fill in the Corporate Name of the component manufacturer, otherwise, repeat the information given in column "n";
- 4.4.8 Document (column "p"): give the number of the Invoice or the proposal used as a source for the data filled in the other columns;
- 4.4.9 Sectors (column "q"): select, among options listed, the industry's sector which the good is inserted;
- 4.4.10 In this case, Columns "c", "d", "e", "f", "g", "h", "i", "j" and "K" will not be filled in.
- 4.4.11 The Total Purchase w/o IPI and w/o /ICMS R\$ (column "m") will be automatically calculated by multiplying the quantity (column "b") by the Unit purchase price w/o IPI and w/o ICMS R\$ (column "h"). .

5. The spread sheet will automatically calculate the value of the local content (LC) of the equipment / goods.

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10 Step-by-step calculation of the local content (LC) in contracts for Goods and equipment for temporary utilization

1. General Guidelines: Use the "save" key frequently, to save the work keyed in on the Spread Sheet;

1.1 Begin assessment of the LCa using the calculation for CL - Locally contracted items for temporary utilization. For this purpose, follow the instructions given in Chapter 9 in this manual (step by step instructions for calculating local content (CL) of goods / equipment). Use the "Local content - goods / equipment (LCb)" in the spread sheet entitled "LOCAL CONTENT of GOODS AND EQUIPMENT FOR TEMPORARY UTILIZATION".

Note that the above calculation will be carried out using the total value purchase price of the item paid on behalf of the contractor, etc.

2. In the "LCa" sheet, fill in the "TOTAL CONTRACT VALUE (R\$)" field, with the value referring to the contract for temporary utilization of equipment / goods.

3. The spread sheet will automatically calculate the Local content of the Contract for Temporary utilization of Goods and Equipment (LCa).

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11 Step-by-step calculation of the local content (LC) of Subsystems and Systems

1. General Guidelines: Use the “save” key frequently, to save the work keyed in on the Spread Sheet;;
2. Gather together all contracts or Invoices that, conjointly, form a subsystem or system, then, find out at what price that the finished asset, complete and in working condition is, or will be, commercialized. Calculate the taxes (IPI e ICMS) applicable to this value, since these amounts may (or may not) be included in the end price
3. Calculate the CL for each item of equipment contained in the subsystem or system, except when they are imported, using the methodology and the instructions of the STEP-BY STEP CALCULATION OF THE LOCAL CONTENT (LC) OF EQUIPMENT (Chapter 9 herein);
4. Fill in the EQUIPMENT LIST section of the "Local Content - Subsystems and Systems": :
 - 4.1 Client: Fill in the Corporate Name of the buyer;
 - 4.2 Supplier: Fill in the Corporate Name of the Contractor;
 - 4.3 Supply Scope: Describe the scope of the supply contract, including equipment, subsystems, materials and services – giving a name to the subsystem or system;
 - 4.4 Contract Base Date: Fill in the base date of the contract, i.e. the reference date for the values cited in the document signed by the buyer and the contractor. In the absence of a contractual base date , use the signature date of the supply contract;
 - 4.5 Main source currency: Full in the main source currency of the imported items;
 - 4.6 Currency exchange rate for R\$: Put down the currency exchange rate in force on the base date of the contract.

If there is more than one import currency, use the “Add Currency” key, which will automatically generate a help menu, to must be filled in with the currency and the respective currency exchange rate for R\$ at the “Sales Invoice Issue Date”. On completing this operation,

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click the "return" key. The information thus applied will be used to convert currencies on the calculation table . Up to 10 (ten) different currencies can be handled..

4.7 LIST OF EQUIPMENT FOR WHICH THE RESPECTIVE MANUFACTURERS PRESENTED CL DATA:

4.7.1 For each item of equipment or subsystem that has been dealt with individually for inspection of manufacturer's details, using the "Local Content of Equipment" table, the following information, contained in the "Outgoing" section of that table, will be reviewed:

- Description (column "a"): give the commercial designation and / or the technical nomenclature of the equipment in the "Equipment" field;
- Imported portion R\$ (column "k"): Fill in the information contained in the "Total Value of Imported Components" field;;
- Supplier (column "m"): Fill in the Corporate Name of the supplier of the equipment or subsystem;
- Manufacturer (column "n") :When the supplier is not the original manufacturer of the product, fill in the Corporate Name of the component manufacturer, otherwise, repeat the information given in column "m"; ;

4.7.2 For this type of equipment, information must also be given for:

- Total contracted amount in R\$ (column "b"): Put down the value at which the equipment will be sold to the client by the supplier of the subsystem or system;
- The Total contracted amount in R\$ w/o IPI and ICMS (column "c"): Give the value at which the equipment will be sold by the supplier of the subsystem or system, to the client, without IPI, without ICMS and without readjustments;

4.7.3 The "Local Portion R\$" (column "l") will be calculated automatically, subtracting the value of the "Imported portion R\$ (column "k")" from the "Total value contracted in R\$ w/o IPI and ICMS (column "c")";

4.7.4 In the column Sectors (column "o") must be selected, among options listed, the industry's sector which the good is inserted;

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4.7.5 In this case, columns "d", "e", "f", "g", "h", "i" and "j" will not be filled in.

To add equipment (complete line), use the "Add Equipment: Manufacturer with CL"; "Other Equipment"; "Add Materials"; "Add Spare parts" keys;

4.8 OTHER EQUIPMENT, SUBSYSTEMS, Materials and SPARES:

4.8.1 For all other equipment or subsystems, materials and spares within the supply scope (including totally imported items):

- Description (column "a"): give the commercial designation and / or the technical nomenclature equipment, subsystem, material or spare part;
- Total contracted in R\$ (column "b"): put down the value for which the equipment, subsystem, material or spare part will be sold, by the supplier of the subsystem or system, to the client;
- Total contracted in R\$ w/o IPI and e ICMS (column "c"): put down the value for which the equipment, subsystem, will be sold for, by the supplier of the subsystem or system to the client, w/o IPI, w/o ICMS and w/o readjustments;
- Total Contracted in source currency (column "d"): Only required in the case when the contract contains sections quoted in a foreign currency;
- FOB value - source currency (column "e"): Put down the FOB value in the source currency for each equipment, subsystem, material or spare part, based on the respective Import Declaration (DI) extracts;
- Total CIF Value / source currency (column "f"): Put down the CIF Value in the source currency for each equipment, subsystem, material or spare part, based on the respective Import Declaration (DI) extracts;
- Currency (column "g"): When applicable, put down the source currency as shown in the menu generated by pressing the "Add currency" key. If this column is not filled in, it will be assumed that the source currency is the same as that informed in the "Main source currency" field;
- The Unit CIF Value (R\$) (column "h") will be automatically calculated, multiplying the Total CIF Value - source currency (column "f") by the currency exchange rate value of the currency entered in the "currency" field;
- Import duty (R\$) (column "i"): Enter the Import duty value, based on the

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- appropriate Import Declaration (DI) extracts;
- The CIF Value + Unit Import Duty (R\$) (column "j") will be automatically calculated, adding together the Unit CIF Value (R\$) (column "h") and the Import duty (R\$) value (column "i");
 - The Imported portion R\$ (column "k") will be automatically calculated, adding together the Source currency of the Total Contracted (column "d"), converted into R\$ by the currency exchange rate of the currency stated for "CIF Value + Import duty R\$";
 - The "Local Portion R\$ (column "l"): will be automatically calculated, subtracting the value in the "Imported portion R\$ (column "k") from the "Total Contracted amount in R\$ w/o IPI and ICMS (column "c")", then adding the "Total Contracted Source Currency amount (column "d")", converted into R\$ at the currency exchange rate of the currency entered in the "currency" field;
 - Supplier (column "m"): Give the Corporate Name of the supplier of the equipment, subsystem, material or spare parts;
 - Manufacturer (column "n"): When the supplier is not the original manufacturer of the subsystem, material or spare part, fill in the Corporate Name of the component manufacturer, otherwise, repeat the information given in column "m";
 - Sectors (column "o"): Select, among options listed, the industry's sector which the good is inserted;
 - To add equipment, subsystems, materials and spare parts (complete line), use the "Add Equipment: Other Equipment", "Add Materials", "Add Spare parts" keys.

5. ASSOCIATED SERVICES :

Calculate the CL for each of the services associated with the sub-system or system, following the methodology and instructions of the Step-by-Step calculation of the local content (LC) for SERVICES (Chapter 12 herein);

6. CONTRACT SUMMARY:

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The entire "Contract Summary" file is generated automatically.

- 7.** The spread sheet will automatically calculate the Local content value (LC) for the sub-system or system .

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12 Step-by-Step calculation of the local content (LC) Local Content for Services

- 1.1 General Guidelines: Use the "save" key to save the work keyed in on the Spread Sheet;
- 1.2 Fill in the SERVICES file in the "Local Content of Services" spread sheet:
- 1.3 Client : Key in the Corporate Name of the buyer;
- 1.4 Supplier: Key in the Corporate Name of the Contractor;
- 1.5 Supply Scope: Fill in the contract supply scope;
- 1.6 Contract Base Date: Fill in the base date of the contract, i.e. the reference date for the values cited in the document signed by the buyer and the contractor. In the absence of a contractual base date , use the signature date of the supply contract;
- 1.7 Main source currency: Full in the main source currency of the imported items;
- 1.8 Currency exchange rate for R\$: Put down the currency exchange rate in force on the base date of the contract.

If there is more than one import currency, use the "Add Currency" key, which will automatically generate a help menu, to must be filled in with the currency and the respective currency exchange rate for R\$ at the "Sales Invoice Issue Date". On completing this operation, click the "return" key. The information thus applied will be used to convert currencies on the calculation table . Up to 10 (ten) different currencies can be handled.

- 1.9 Divide the services contracts into 2 groups:
 - a) services contracted in R\$
 - b) services contracted in foreign currency

1.9.1 Services Contracted in R\$

For each of the Services declared on the supply scope:

- Description (Column "a"): Give the commercial designation and / or the nature of the service;
- Total contract value in R\$ (Column "b"): put down the value for which the service will be sold to the client by the supplier of the ;
- Total contract value in R\$ w/o ISS (Column "c"): put down the value for which the service will be sold to the client by the supplier of the, w/o ISS and w/o readjustments;
- Total Cost of Manpower (Column "h"): The service provider must indicate

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the Overall Manpower Cost³, in R\$;

- Total Cost of Local Manpower (Column "j"): The service provider must indicate the Total Cost of Local Manpower³, in R\$;
- ILS - Cost Index for Utilization of Local Manpower in Rendering Of Services (Column "j"): Automatically calculated, dividing the Total Cost of Local Manpower (Column "i") and the Total Manpower Costs (Column "h");
- Total Imported portion R\$ (Column "k"): Automatically calculated by the product of the (1-ILS) and the Total Contract Value in R\$, w/o ISS (Column "c");
- National Portion R\$ (Column "l"): Automatically calculated by the product of the ILS and Total Contract Value in R\$, w/o ISS (Column "c");
- Supplier (Column "m"): Key in the Corporate Name of the Service provider;
- Sectors (column "n"): select, among options listed, the industry's sector which the good is inserted.

Columns "d", "e", "f" and "g" must not be filled in.

1.9.2 Services contracted in foreign currency:

For each of the Services contained in the supply scope:

- Description (column "a"): give the commercial designation and / or nature of the service;
- Total Contracted amount Billed- Source currency' (Column "d"): Give the price of the service to be billed by the Supplier to the client;
- Currency (Column "e"): put down the source currency as shown in the menu generated by pressing the "Add currency" key. If this column is not filled in, it will be assumed that the source currency is the same as that informed in the "Main source currency" field;
- Total Contracted in foreign currency R\$ (Column "f"): to be calculated automatically from the converted into R\$ at the currency exchange rate of the currency entered in the "currency" field;
- Overall Manpower Cost in the "source currency" (Column "g"): The Service

³ See the Glossary in this Manual

**DOCUMENT IDENTIFICATION**

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- provider must indicate the total manpower costs ⁴, in source currency;
- Total Manpower Costs (Column "h"): field automatically calculated by the converting the Total Manpower Costs (Column "g") into R\$ by the currency exchange rate indicated in the "Currency" field;
 - Total cost of local manpower (Column "i"): the service provider need only indicate the total cost of local manpower, in R\$, when there are local manpower costs arising from sub-contracting Brazilian companies or freelance workers are engaged in carrying out those the services, based purely on costs that were effectively incurred against probative documentation;
 - ILS – Cost Index for Local Manpower Utilization in rendering of Services (Column "j"): automatically calculated by dividing the Total Cost of Local Manpower (Column "i") and Overall Manpower Cost (Column "h");
 - Total Imported portion R\$ (Column "k"): automatically calculated by the product of (1-ILS) and the Total Value of Foreign Currency Contracts expressed in R\$ (Column "f");
 - Brazilian portion (R\$) (Column "l"): automatically calculated by the product of (1-ILS) and the ILS Total Value of Foreign Currency Contracts expressed in R\$ (Column "f");
 - Supplier (Column "m"): give the corporate description of the Service Provider;
 - Sectors (column "n"): select, among options listed, the industry's sector which the good is inserted;

1.9.3 To add services (entire line), use the "Add Service Contract value in R\$" or "Add Service Contract value in foreign currency". keys

1.10 The spread sheet will automatically calculate the Local Services Content (LCs).

⁴ See the Glossary in this Manual