



# KPMG experience in the Oil & Gas Sector



**2016**  
**KPMG in Russia and the CIS**

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# Introduction

The Oil & Gas sector is currently witnessing an unprecedented period of turbulence. Last year proved harsh for the sector: a sharp decline in oil prices, limited access to funding, the suspension and freezing of significant and promising projects, a refocusing on internal efficiency – all these factors significantly changed the energy sector paradigm. The Oil & Gas sector has traditionally played a major role in the economies of Russia, Kazakhstan, and Azerbaijan, and Oil & Gas companies have been the drivers of these countries' economic development and growth.

We at KPMG have been working closely with the most prominent Oil & Gas companies in Russia and the CIS for more than 25 years, helping them work efficiently, smoothly negotiate complex development stages, and succeed despite the challenges that they face. Our principal objectives have always been and always will be to provide leading professional services and to share our extensive knowledge, capabilities, and experience.

We are proud of our ongoing contribution to establishing and developing the Russian and CIS Oil & Gas sector. Our Oil & Gas Practice professionals offer a suite of services related to many aspects of the activities that you are engaged in. We believe in the values that you believe in, and we deeply care about the success of the Oil & Gas sector.



# The KPMG Oil & Gas practice

The KPMG vision – to be a leader in providing audit and advisory services to the Oil & Gas sector. KPMG is a global and comprehensive Oil & Gas service provider.

We aim to maintain our position as one of the leading advisors to the Oil & Gas sector. We continuously develop strategic thought leadership, methodologies, and practical strategies that help our clients meet their specific needs.

Our objective is to deliver consistent, high-quality, and specialised services to each region where Oil & Gas companies are present, and through our firms' national practices, Oil & Gas Centres of Excellence, and two sector-oriented initiatives – the KPMG Global Energy Institute and Global Energy Conference – we strive to successfully accomplish this objective.

Our understanding of the demands and challenges that Oil & Gas companies face all over the world enables us to develop services, methodologies, and original thinking that specifically address the needs of this particular sector, with due consideration of both continually changing legislative and local requirements, and market environment.

**Clear strategy:** our vision and priorities are embraced and deployed by all our KPMG member firms around the world.

**Broad scope:** we offer a full scope of services to Oil & Gas companies, ranging from simple to complex operating models; from straightforward function review to full-scope business transformation programmes.

**Customer connection:** we can call upon both regional and global energy networks, as well as contacts in the state and private sectors.

**Forward thinking:** we continue to invest in innovation, thought leadership, and in refreshing our existing methodologies. In addition, we continuously monitor customer satisfaction and engagement quality. This gives us a sound platform for further development and service process improvement.

## KPMG a leader in providing audit and advisory services to major Oil & Gas companies

We count among our top global clients: Anadarko Petroleum, Baker Hughes, BP, Chevron, CNOOC, ConocoPhillips, Devon Energy, Eni, ExxonMobil, Halliburton, Husky Energy, Indian Oil, Inpex, Korea National Oil Corp. (KNOC), Murphy Oil, Occidental Petroleum, Petrobras, PetroChina, Qatar Petroleum, Repsol YPF, Royal Dutch Shell, Sasol, Saudi Aramco, Schlumberger, Sinopec, Statoil, Total, and Valero Energy.

### Russia and the CIS selected Oil & Gas clients:

Audit	Non-audit
<b>Russia</b>	<b>Russia</b>
CAToil	Gazprom
Eurasia Drilling Company	Gazprom Neft
Gazprom Burenie	NK Alliance
LUKOIL	NOVATEK
Stroygazmontazh	Rosneft
Transneft	Schlumberger
Weatherford	Yamal LNG
<b>Kazakhstan</b>	<b>Kazakhstan</b>
China National Petroleum Corp.	KazMunayGas
Korea National Oil Corp.	KazTransOil
Petrokazakhstan	<b>Azerbaijan</b>
<b>Azerbaijan</b>	ONGC Videsh
Statoil	SOCAR

Russia and the CIS selected Oil & Gas clients: KPMG member firms provide professional services to<sup>1</sup>

71%

of Oil & Gas companies in the Forbes 2000

67%

of Oil & Gas companies in the Fortune Global 500

84%

of Oil & Gas companies in the FT Global 500

<sup>1</sup> Based on 2014 data


# The KPMG Oil & Gas Practice global and local footprint

## The KPMG Global Oil & Gas Practice

We have 12 dedicated Oil & Gas Centres in key locations around the world, working together as part of our global network. The centres are located in Beijing, Calgary, Doha, Houston, Johannesburg, London, Moscow, Paris, Perth, Rio de Janeiro, Singapore and Stavanger.

The centres enable KPMG professionals to transfer knowledge and information globally, quickly and openly. The centres also produce regular surveys and commentary on issues affecting the sector, business trends, and regulatory changes, as well as commercial, risk-related, and financial challenges of doing business.





KPMG member firms invest significant time and resources in furthering our understanding of the sector.

This enables us to provide clients with strategic and insightful services that are genuinely tailored to their needs and based on a real understanding of their challenges.



# Our contribution to the Oil & Gas Sector

## Key initiatives include:

### The KPMG Global Energy Institute (GEI):

We share our knowledge on key energy topics not only internally, but also with our clients. This is why we set up the KPMG Global Energy Institute (GEI) in 2007, and the KPMG Global Energy Institute for the Asia-Pacific region in 2013.

The GEI interacts with its nearly 20,000 registered members through frequent audio and video webcasts, Internet conferences, publications and white papers, events, and a quarterly newsletter. The GEI organises yearly Global Energy Conferences (GEC) in Houston and Singapore.

### The KPMG Global Energy Conferences

The GECs are premier KPMG events for executives in the energy industry. Presented by the GEI, the GECs attract more than 700 professionals each year and bring together energy executives from around the world in a series of interactive discussions with industry luminaries. The goal of the conferences is to provide participants with new insights, tools, and strategies to help them manage industry-related issues and challenges.

### Informing our clients

To maximise the benefits our clients receive from our investment in thought leadership and training, we also offer our clients education programmes. The KPMG Global Energy Institute Executive Education programme is designed to provide energy financial executives with current information on the trends affecting the industry and a continuous forum of education. Programme sessions cover, for example, IFRS, cross-border mergers & acquisitions, and integrating tax and supply chain planning in the energy sector.

For more information, please visit [kpmg.com/energy](http://kpmg.com/energy).

for Android

for iPhone and iPad



### Focus on Oil & Gas

By downloading the application in the App Store or Google play you will have access to regular articles on hot industrial topics, video interviews with experts, and powerful thought leadership.

# KPMG in Russia and the CIS

The Oil & Gas sector faces various challenges and risks. These include cost and competitive pressures, a need to upgrade ageing refineries and pipelines, geopolitical uncertainties, regulatory constraints, new and disruptive technologies and cyber threats. At the same time, for forward-thinking organisations the Oil & Gas sector provides significant

opportunities involving major infrastructure projects, mergers and acquisitions, joint ventures, technology development, and other areas aimed at meeting soaring demand in Asia and other markets.

KPMG in Russia and the CIS recognises that each business is different, and has its own internal and external challenges

and opportunities. Therefore, the methodologies and approaches used by our Audit, Tax & Legal and Advisory practices are both flexible and insightful, and enable our people to tailor their knowledge and experience to your specific needs.

## Awards for KPMG

 <p>№1 Audit firm in Russia</p> <p>2009–2015</p>	 <p>№1 Audit and Advisory firm in Kazakhstan</p> <p>2011–2014</p>	 <p>KPMG makes Legal 500 rating in Tax category</p> <p>2015</p>	 <p>KPMG in Russia and Ukraine – Tier-1 Transfer Pricing Firm</p> <p>2015</p>	 <p>KPMG in Russia – Tier-1 Tax Advisory Firm</p> <p>2015</p>
 <p>KPMG International is Sustainable Firm of the Year</p> <p>2014</p>	 <p>KPMG International wins International Accounting Bulletin Award for Audit Innovation</p> <p>2014</p>	 <p>KPMG in Russia awarded for Sustained Excellence in Tax Consultancy</p> <p>2014</p>	 <p>KPMG in Russia and Ukraine – Tier-1 Tax Planning Firm</p> <p>2014</p>	 <p>KPMG in Russia – Tier-1 Tax Transactional Firm</p> <p>2014</p>



To ensure that effective communication channels are in place with global clients, at KPMG in Russia and the CIS National Desks (Japanese, Korean, Chinese, German, Turkish, Italian and Iranian) have been established and are operating successfully. The desks are made up of both local and global experts.



<b>Audit and audit-related services</b>	<ul style="list-style-type: none"> <li>– Audit of the financial statements prepared in accordance with International and local financial reporting standards</li> <li>– Accounting- and reporting-related services</li> <li>– Corporate governance and sustainable development services</li> <li>– Internal audit and risk management services</li> </ul>
<b>Tax and legal advisory services</b>	<ul style="list-style-type: none"> <li>– Corporate, international and indirect taxation advisory services</li> <li>– Taxation of individuals and HR management</li> <li>– Transfer pricing</li> <li>– Customs advisory</li> <li>– M&amp;A tax transactional services</li> <li>– Compliance</li> <li>– Tax audit</li> <li>– Legal support of transactions</li> <li>– National and international law matters advisory services</li> <li>– Tax and legal dispute resolution</li> </ul>
<b>Deal Advisory</b>	<ul style="list-style-type: none"> <li>– Corporate finance</li> <li>– Business restructuring</li> <li>– Transactional support</li> </ul>
<b>Management consulting</b>	<ul style="list-style-type: none"> <li>– Strategy and operations</li> <li>– Financial management</li> <li>– Supply chain management</li> <li>– Treasury function</li> </ul>
<b>Risk management</b>	<ul style="list-style-type: none"> <li>– Financial risk management</li> <li>– Major Project Advisory</li> <li>– Forensic</li> </ul>



# Our experience: selected highlights

## Audit

Our KPMG audit team is a recognised market leader. Many of the largest companies in the Oil & Gas sector are counted among our clients.

Working with leading Oil & Gas companies has helped us build up wide-ranging experience in the audit of financial statements, as well as an ability to provide deep insights in this area. We are aware of the risks and challenges Oil & Gas that companies are subject to, and we are able to effectively assess and help clients resolve these challenges.

In our work we use both local knowledge and international experience, and collaborate closely with our global KPMG network.

The independent audit of financial statements enhances the reliability, fairness, and transparency of information, which is an essential element for both Oil & Gas companies and their shareholders, on the one hand part, and for their investors, lenders, and other stakeholders, on the other, as stipulated by law.

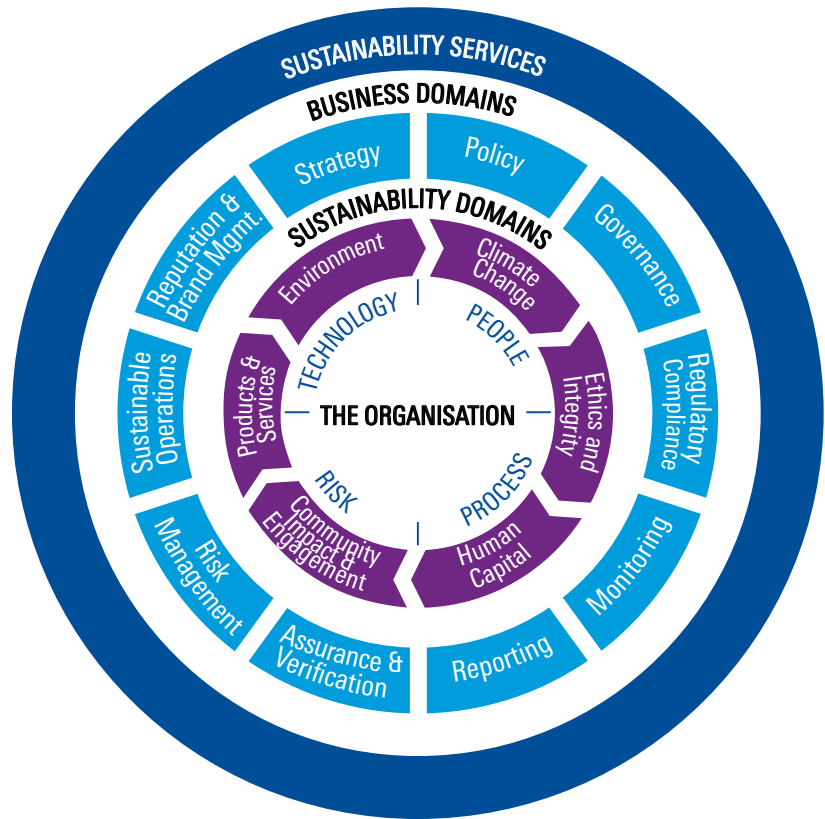
Our leading position is reflected in the rating awarded to us by the agency Expert RA. Thus, in 2009–2015 KPMG Russia was ranked the number one Audit firm and one of the leading advisory service providers.

## Sustainability services

For more than 10 years, KPMG has provided sustainability services in Russia and the CIS. During this time our professionals have gained considerable and broad experience, which allows us to implement projects related to the economic, social, and environmental impact of Oil & Gas companies.

### Our sustainability services include:

- Preparing annual and non-financial reports
- Assurance of non-financial reports
- Improving non-financial risk management systems
- Improving stakeholder engagement systems and local communities' development
- Developing strategies for sustainability, stakeholder engagement, and the development of local communities
- Assessing the development level of sustainability and corporate social responsibility management systems and making recommendations for their improvement
- Assessing environmental, industrial safety and health risks (Health, Safety and Environmental Due Diligence).



### Selected projects:

<p><b>KPMG</b></p> <p><b>Large oil company</b></p> <p>Assessing the efficiency, sustainability, and reliability of production processes</p> <p>2015</p>	<p><b>KPMG</b></p> <p><b>Upstream company</b></p> <p>Independent assurance of annual report</p> <p>2015</p>	<p><b>KPMG</b></p> <p><b>Large oil transportation company</b></p> <p>Independent assurance of a long-term development programme</p> <p>2015</p>	<p><b>KPMG</b></p> <p><b>Operating company of a large oil project in Kazakhstan</b></p> <p>Long-term Sustainable Development Strategy</p> <p>2013–2014</p>
<p><b>KPMG</b></p> <p><b>Large oil company</b></p> <p>An environmental assessment of an oil production company</p> <p>2013</p>	<p><b>KPMG</b></p> <p><b>Large CIS Oil &amp; Gas company</b></p> <p>Preparing the text of the Sustainability Report</p> <p>2011–2012</p>	<p><b>KPMG</b></p> <p><b>Large oil company</b></p> <p>Designing a compliance system to meet international regulations on chemicals</p> <p>2012</p>	<p><b>KPMG</b></p> <p><b>Large oil company</b></p> <p>Registration of petroleum products in accordance with the REACH regulation</p> <p>2009–2011</p>

## Deal Advisory

KPMG has extensive experience in advising clients on M&A transactions in the Oil & Gas sector. We have been providing transaction support services to the largest companies in the sector in Russia and the CIS since 2003.

The Transactions practice in the Oil & Gas sector is made up of a team of more than 20 professionals, of which 10 are Directors, Senior Managers and Managers, each with 5-to-15 years' experience Oil & Gas sector deals. As required by clients, we operate as a single unit, providing a full suite of services which covers financial modelling, valuation, due diligence, preparing deal documentation and completion accounts, as well as the post-acquisition integration of a new business or the spin-off of a business.

For international transactions, we put together a joint team of Russian and international professionals centred around a single contact centre. The team is created to ensure a maximum understanding of what the local clients needs, while at the same time bringing in relevant international knowledge and capabilities.

### Selected projects:

<p><b>KPMG</b></p> <p><b>Oil company</b></p> <p>Due diligence of oil companies</p> <p>2016</p>	<p><b>KPMG</b></p> <p><b>Large oil company</b></p> <p>Advice on JV splitting and planning for the integration of assets received</p> <p>2015–2016</p>	<p><b>KPMG</b></p> <p><b>Large oil company</b></p> <p>Advisory services as part of potential acquisition of a refinery in the ASPAC region</p> <p>2015–2016</p>	<p><b>KPMG</b></p> <p><b>Oil &amp; Gas company</b></p> <p>Organisation of an upstream asset sale to international strategic partners</p> <p>2015–2016</p>
<p><b>KPMG</b></p> <p><b>Large oil company</b></p> <p>Advisory services on the acquisition and integration of a group of companies</p> <p>2013–2015</p>	<p><b>KPMG</b></p> <p><b>Large oil company</b></p> <p>Advising on the disposal of the retail business in Poland, Latvia and Lithuania</p> <p>2015</p>	<p><b>KPMG</b></p> <p><b>Oil company</b></p> <p>Due diligence of Kazakh oil &amp; gas production companies</p> <p>2014–2015</p>	<p><b>KPMG</b></p> <p><b>Oil company</b></p> <p>Disposal advisory</p> <p>2014</p>
<p><b>KPMG</b></p> <p><b>Large oil company</b></p> <p>Advisory services on the acquisition and integration of a share in the refinery</p> <p>2013–2014</p>	<p><b>KPMG</b></p> <p><b>Large oil company</b></p> <p>Advice on the acquisition of a refinery in Italy</p> <p>2008–2014</p>	<p><b>KPMG</b></p> <p><b>Large oil company</b></p> <p>Advice on the acquisition of a drilling company</p> <p>2013</p>	<p><b>KPMG</b></p> <p><b>Large oil company</b></p> <p>Advice on the acquisition of an oil production company</p> <p>2013</p>

# Management consulting



KPMG has significant experience in providing management consulting services to companies in the Oil & Gas sector. Comprehensive knowledge of the sector together with our accumulated experience enable us to offer clients bespoke solutions that meet all their business requirements.

## Selected projects:

<p><b>KPMG</b> Large Oil &amp; Gas company</p> <p>Development of a project bonus award system for large projects in Upstream</p> <p>2014</p>	<p><b>KPMG</b> Large Oil &amp; Gas company</p> <p>Drafting the methodology for a planning and reporting system as part of migration to Oracle Hyperion Planning, developing the design project, quality control and automation support</p> <p>2013–2014</p>	<p><b>KPMG</b> Large Oil &amp; Gas company</p> <p>Drafting the methodology and design of a system for calculating management financial performance by business units</p> <p>2013–2014</p>	<p><b>KPMG</b> Large Oil &amp; Gas company</p> <p>Integrating finance and economic functions in the area of "performance planning and improvements"</p> <p>2013–2014</p>	<p><b>KPMG</b> Large Oil &amp; Gas company</p> <p>Drafting the structure and procedure for the interaction of the Corporate Centre and subdivisions of the Company</p> <p>2013</p>
<p><b>KPMG</b> Large Oil &amp; Gas company</p> <p>Study of organisational structures, allocation of powers among the corporate centre of the Group, the corporate centres of business segments and enterprises</p> <p>2013</p>	<p><b>KPMG</b> Large Oil &amp; Gas company</p> <p>Drafting framework for the migration of the planning and reporting system to Oracle Hyperion Planning, diagnostics of the existing system, description of formats, data planning and consolidation plans, business processes, IT systems, key user requirements and best practices of related projects, drafting the migration roadmap</p> <p>2012–2013</p>	<p><b>KPMG</b> Large Oil &amp; Gas company</p> <p>Drafting a business process classifier, identification and design of corporate centre processes, identification of target staffing numbers of the corporate center Downstream, drafting a change implementation programme</p> <p>2012–2013</p>	<p><b>KPMG</b> Large Oil &amp; Gas company</p> <p>Drafting a business planning methodology at the oil refinery for implementation, based on Oracle Hyperion Planning</p> <p>2012–2013</p>	<p><b>KPMG</b> Group of companies in the oilfield service sector</p> <p>Drafting a methodology for and implementation of a budget management system based on Oracle Hyperion Planning and Oracle Hyperion Financial Data Quality Management</p> <p>2011–2013</p>







## Strategy and Operations

KPMG Strategy and Operations Team has efficiently and successfully implemented Russian and international Oil & Gas companies projects related to developing organisational structures and governance models, and transforming the procurement function. Over the years we have developed a practice and gained considerable experience in methodologies for developing strategies, establishing and reorganising corporate centres, analysing and designing business processes and KPI systems. KPMG in Moscow has more than 10 years' experience in implementing similar projects.

### Our key Oil & Gas sector services comprise:

- Developing a corporate governance model
- Developing management, service and process models and the organisational structure of a shared service centre
- Designing and supporting large-scale organisational transformations
- Developing operational excellence and cost reduction programmes
- Designing a development strategy and evaluating strategic options.

### Selected projects:

 <p><b>Large Oil &amp; Gas company</b></p> <p>Developing a target model for managing the overseas assets of the exploration and production block</p> <p>2015</p>	 <p><b>Large Oil &amp; Gas company</b></p> <p>Developing the organisational structure and service catalogues of companies engaged in managing overseas exploration and production assets</p> <p>2015</p>
 <p><b>Large Oil &amp; Gas company</b></p> <p>Preparing a shared service centre conceptual model for international exploration and production assets</p> <p>2015</p>	 <p><b>Large Oil &amp; Gas company</b></p> <p>LPG market analysis and development of a sales strategy</p> <p>2014</p>

## Treasury

KPMG is a leading advisory firm that provides professional services to corporate treasury functions in Russia and the CIS.

### Selected projects:

 <p><b>Large oil transportation company</b></p> <p>Developing regulatory base for managing currency and interest rate risks</p> <p>2016</p>	 <p><b>Large oil company</b></p> <p>Developing a system for determining risk appetite / limits</p> <p>2015</p>	 <p><b>Large oil company</b></p> <p>Assessment and analysis of derivative transactions</p> <p>2015</p>	 <p><b>Large oil company</b></p> <p>Portfolio management of market risks</p> <p>2014–2015</p>
 <p><b>Large Oil &amp; Gas company</b></p> <p>Diagnostic review of the treasury function, developing the structure of a single treasury, launching cash-pooling, and regulating treasury processes</p> <p>2014–2015</p>	 <p><b>Large Oil &amp; Gas company</b></p> <p>Centralising the Group's treasury in Russia and abroad</p> <p>2013–2015</p>	 <p><b>Large Oil &amp; Gas company</b></p> <p>Developing a methodology for managing market risks</p> <p>2014</p>	 <p><b>Large oil company</b></p> <p>Portfolio management of market risks</p> <p>2014</p>

Using its base and resources, KPMG annually holds a conference for corporate treasury functions; the conference enjoys the status of being the largest public discussion forum for corporations and banks on challenging issues related to treasury management and services provided by banks.

We at KPMG regularly produce surveys of corporate treasury organisations and operating practices in Russia and the CIS; these usually feature over two hundred companies.

The professional advisors that make up the KPMG team possess the appropriate international certificates and regularly receive positive feedback from the corporate treasuries of major Russian and CIS companies.



## Legal services

The KPMG Legal Services Team has extensive knowledge of subsoil legislation and regulations and provides a wide range of professional services to Oil & Gas companies.





On a continuing basis we communicate with experts in taxation, transaction support, management consulting, audit, and accounting; this enables us to offer solutions that are both comprehensive and innovative. We share knowledge and information with legal teams from over 50 jurisdictions comprising the KPMG international legal network and successfully implement best practices and global knowledge and capabilities.

Our overriding priority is to establish effective and efficient communication with a client's project team and to identify and assess legal risks and the means to mitigate and/or manage them (thus enabling the client to obtain a negotiating advantage), and to elaborate advanced solutions in challenging situations.

### Our legal services to Oil & Gas companies include:

- Legal due diligence
- M&A transaction support
- Fundraising transaction support
- Corporate reorganisations and drafting corporate governance structures
- Advice on anti-trust issues, issues related to the registration of title to real estate and subsoil use.

### Selected projects:

 <b>Large oil company</b>  Drafting a framework for amending subsoil use legislation  2015	 <b>Large oil company</b>  Advice on setting up a corporate governance structure  2015	 <b>Large oil company</b>  Legal due diligence in respect of a number of oil & gas assets in Russia, CIS, and abroad  2013–2015	 <b>Large oil company</b>  Legal support on the acquisition of oil transportation companies  2014
 <b>Large oil company</b>  Legal support on integrating a group of companies in the process of the acquisition of an oil company  2013	 <b>Oil company</b>  Assistance in attracting an institutional investor to the project to develop an oil and gas deposit  2012–2013	 <b>Large petrochemical company</b>  Comprehensive support on a transaction to attract investment for a petrochemical refinery construction project  2013	 <b>Large oil company</b>  Transaction support on the acquisition of a petrol station network in Bashkiria  2012

## Tax services




Our Tax & Legal team has wide-ranging experience, acquired from providing comprehensive tax support in projects relating to seismic surveys, geological exploration and the production of hydrocarbons in various license blocks, including offshore oil fields, and the development of hydrocarbons in foreign jurisdictions.

Cooperation and well-established relationships with our clients – leading Oil & Gas companies in Russia and the CIS, as well as foreign partners – have given us an in-depth understanding of tax issues when structuring Oil & Gas projects.

### We offer comprehensive project tax support services to Oil & Gas companies:

- Analysing and developing tax-efficient corporate, financing, and operating structures for projects
- Developing tax-efficient profit allocation mechanisms
- Analysing the tax aspects of master agreements between project partners
- Assisting with the receipt of tax rulings in foreign jurisdictions
- Tax structuring related to the secondment of personnel in foreign jurisdictions.

### Selected projects:

 <b>Large Oil &amp; Gas company</b> Advising on developing of methodological approaches for allocating income and expenses to new offshore deposits (NOD) for taxation purposes 2015–2016	 <b>Large foreign Oil &amp; Gas company</b> Full-scope analysis of the tax and customs aspects of transactions held as part of a PSA 2015–2016	 <b>Large Oil &amp; Gas company</b> Full-scope analysis of the tax aspects of new contractual forms in respect of joint subsoil use 2015–2016	 <b>Large oil company</b> Drafting a tax residency methodology; developing of business processes for CFC legislation; supporting the implementation of newly developed approaches 2015	 <b>Large oil company</b> Comprehensive support of business operating model, including analysis of tax consequences in Russia, Germany, Switzerland and Luxembourg 2015
 <b>Large oil company</b> Analysis the structure for managing the Group's overseas entities; drafting recommendations on its modification to mitigate the risk of these entities being recognised as Russian tax residents 2015	 <b>Large oil company</b> Support in implementing CFC legislation, including developing a data collection methodology and forms to calculate CFC profit tax and establish tax residency 2015	 <b>Large oil company</b> Structuring a joint project with the Croatian Government for upstream operations on the Croatian shelf; analysis of an applicable tax regime, as well as the tax aspects of the financial model and the tax provisions of the PSA 2014	 <b>Large oil company</b> Structuring a JV project with Norwegian and Italian partners for upstream operations in the Russian shelf; developing holding and financing structures; drafting tax clauses for key agreements; negotiating tax rulings in Luxembourg 2012–2014	 <b>Large oil company</b> Structuring a JV project with a US partner for upstream operations on the Russian shelf; developing, holding and financing structures (incl. Swiss finance branch structures), drafting tax clauses for key agreements, tax rulings, employment structuring, obtaining work permits 2011–2014

## Transfer pricing and Tax Services related to BEPS initiative

Robust communication and information exchange with KPMG offices in other countries and our clients, and leading Oil & Gas companies in Russia and the CIS, enabled us to ascertain the clients' needs and to elaborate approaches to providing TP services, as well as to formulate a unique proprietary approach to implementing BEPS initiatives for major Oil & Gas companies.







**The TP services provided by KPMG are not limited only to preparing of documentation for various types of controlled transactions; they also comprise:**

- Drafting TP methodologies for various types of transactions
- Advising companies on the introduction of adjustments in the event that applied prices and/or actual profitability ratios on controlled transactions deviated from the market level
- Developing cost allocation principles, allowing to calculate profitability ratios on controlled transactions
- Supporting companies during TP tax audits
- Benchmarking studies to determine the market level of prices and/or profitability ratios
- Preparing notifications on controlled transactions
- Advising companies during the stage of preparing and concluding a TP agreement with the tax authorities, and other services.

**KPMG BEPS initiative services cover the development of three tiers of TP documentation (Country-by-Country report, Master file, Local file) and comprise:**

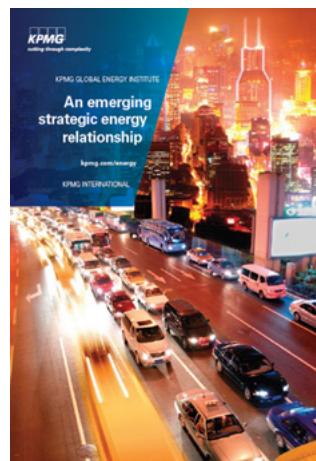
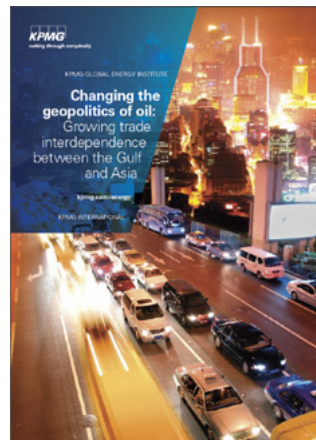
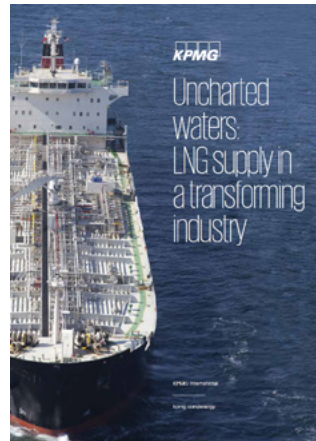
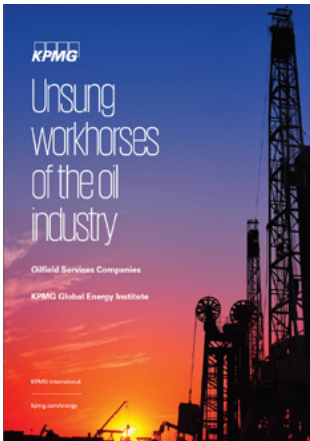
- Analysing the group's business structure and major transaction chains (product flows, areas of services, issue of loans, etc.)
- Detecting risks and value chain diagnostics, assisting in the preparing the Country-by-Country Report with due account for advantages from submitting the report in different jurisdictions
- Developing the Master file in accordance with the OECD's TP recommendations and BEPS
- Drafting the Local file for Russian and overseas companies of the group using a consistent approach.

### Selected projects:

 <b>Global energy company</b> Advising on preparing a set of substantiating documents for controlled transactions related to liquid hydrocarbon export transactions 2015	 <b>Gas company</b> Advising on preparing a set of documents on controlled transactions related to the acquisition of natural gas production operator services, automotive services, the sale of natural gas, and the acquisition of services on in taking, treating and compressing of stripped natural and petroleum gas 2015	 <b>Large oil company</b> Recommendations on common principles of profit allocation, analysis of an option to set up a prime cost of services and create a bonus provision in RAP accounting, recommendations on the methodology of substantiating the market level of transaction prices for price tax control purposes 2015	 <b>Large oil company</b> Recommendations on selecting a TP method and the source of information to demonstrate that prices in a controlled transaction aimed at attracting project financing comply with the market level; recommendations in respect of standard documentation on a controlled transaction for price tax control purposes 2015	 <b>Large oilfield company</b> Identifying controlled transactions, transfer pricing analysis and developing transfer pricing documentation for controlled transactions 2013—2014	 <b>Large aerofuel company</b> Identifying controlled transactions and transfer pricing analysis, development of transfer pricing documentation and business processes in the TP area 2013—2014
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# Recent KPMG Oil & Gas Thought Leadership

Leading the field means more than just having a strong client base – KPMG member firms already provide services to the world's leading Oil & Gas companies. Being the leader also means investing in developing thought leadership, spearheading industry debates to help keep our firms' clients at the forefront of progressive thinking, and giving our people the skills and knowledge to provide the quality and customised services our clients require.



- 1 Unsung workhorses of the oil industry. Oilfield services companies
- 2 Uncharted waters: LNG supply in a transforming industry
- 3 When one crisis meets another: focusing on talent for the long term
- 4 Changing the geopolitics of oil: growing trade interdependence between the Gulf and Asia
- 5 Major LNG projects: navigating the new terrain (focus on Canada, United States, East Africa and Australia)
- 6 KPMG Insight: sustainable value creation in the oil & gas sector
- 7 No paper chase: transforming risk management at energy and natural resources companies
- 8 An emerging strategic energy relationship

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