



**Sakhalin Energy  
Investment Company Ltd.**

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# Statement of General Business Principles

June  
2010

# Our Values

Sakhalin Energy employees share a set of core values – honesty, integrity and respect for people. We also firmly believe in the fundamental importance of trust, openness, teamwork and professionalism, and pride in what we do.

## *Sustainable Development*

As part of the Business Principles, we commit to contribute to sustainable development. This requires balancing short and long term interests, integrating economic, environmental and social considerations into business decision-making.

## *Responsibilities*

Sakhalin Energy recognises six areas of responsibility. It is the duty of management to continuously assess the priorities and discharge these inseparable responsibilities on the basis of that assessment.

### **a. To shareholders**

To protect shareholders' investment, and provide a long-term return competitive with those of other leading companies in the industry.

### **b. To the Russian Party**

To respect our obligations towards the Federation of Russia and the Sakhalin Oblast and to protect its rights under the Production Sharing Agreement entered into by Sakhalin Energy and those parties.

### **c. To customers**

To win and maintain customers by developing and providing products and services which offer value in terms of price, quality, safety and environmental impact, which are supported by

the requisite technological, environmental and commercial expertise.

**d. To employees**

To respect the human rights of our employees and to provide them with good and safe working conditions, competitive terms and conditions of employment.

To promote the development and best use of the talents of our employees; to create an inclusive work environment where every employee has an equal opportunity to develop his or her skills and talents. To encourage the involvement of employees in the planning and direction of their work; to provide them with channels to report concerns. We recognise that commercial success depends on the full commitment of all employees.

**e. To those with whom we do business**

To seek mutually beneficial relationships with contractors and suppliers to promote the application of these Sakhalin Energy General Business Principles or equivalent principles in such relationships. The ability to promote these principles effectively will be an important factor in the decision to enter into or remain in such relationships.

**f. To society**

To conduct business as responsible corporate members of society, to observe the laws of the Russian Federation and the other countries in which Sakhalin Energy operates, to support fundamental human rights in line with the legitimate role of business, and to give proper regard to health, safety, security and the environment.

## **Principle 1: Economic**

Long-term profitability is essential to achieving our business goals and to our continued growth. It is a measure both of efficiency and of the value that customers place on Sakhalin Energy's products and services. It supplies the necessary corporate resources for the continuing investment that is required to develop and produce future energy supplies to meet customer needs. Without profits and a strong financial foundation, it would not be possible to fulfill our responsibilities.

Criteria for investment and divestment decisions include sustainable development considerations (economic, social and environmental) and an appraisal of the risks of the investment.

## **Principle 2: Competition**

Sakhalin Energy supports free enterprise. We seek to compete fairly and ethically and within the framework of applicable competition laws; we will not prevent others from competing freely with us.

## **Principle 3: Business Integrity**

Sakhalin Energy insists on honesty, integrity and fairness in all aspects of our business and expects the same in our relationships with all those with whom we do business. The direct or indirect offer, payment, soliciting or acceptance of bribes in any form is unacceptable. Facilitation payments are also bribes and should not be made.

Employees must avoid conflicts of interest between their private activities and their part in the conduct of company business. Employees must also declare to their employing company potential conflicts of interest. All business transactions on behalf of Sakhalin Energy must be reflected accurately and fairly in the accounts of the company in accordance with established procedures and are subject to audit and disclosure.

## **Principle 4: Political Activities**

### ***a. Of companies***

Sakhalin Energy act in a socially responsible manner within the laws of the Russian Federation and the other countries in which we operate in pursuit of our legitimate commercial objectives.

Sakhalin Energy does not make payments to political parties, organizations or their representatives or take part in party politics. However, when dealing with governments, Sakhalin Energy has the right and the responsibility to make our position known on any matters, which affect us, our employees, our customers, our shareholders or local communities in a manner, that is in accordance with our values and the Business Principles.

### ***b. Of employees***

Where individuals wish to engage in activities in the community, including standing for election to public office, they will be given the opportunity to do so where this is appropriate in the light of local circumstances.

## **Principle 5: Health, Safety, Security and the Environment**

Sakhalin Energy has a systematic approach to health, safety, security and environmental management in order to achieve continuous performance improvement.

To this end, Sakhalin Energy manages these matters as critical business activities, set standards and targets for improvement, and measure, appraise and report performance externally. We continually look for ways to reduce the environmental impact of our operations, products and services.

## **Principle 6: Local Communities**

Sakhalin Energy aims to be a good neighbour by continuously improving the ways in which we contribute directly or indirectly to the general well-being of the communities within which we work.

We manage the social impacts of our business activities carefully and work with others to enhance the benefits to local communities, and to mitigate any negative impacts from our activities.

In addition, Sakhalin Energy takes a constructive interest in societal matters, directly or indirectly related to our business.

## **Principle 7: Communication and Engagement**

Sakhalin Energy recognises that regular dialogue and engagement with our stakeholders is essential. We are committed to reporting of our performance by providing full relevant information to legitimately interested parties, subject to any overriding considerations of business confidentiality.

In our interactions with employees, business partners and local communities, we seek to listen and respond to them honestly and responsibly.

## **Principle 8: Compliance**

We comply with all applicable laws and regulations of the countries in which we operate.

## **Living by our Principles**

Our shared core values of honesty, integrity and respect for people, underpin all the work we do and are the foundation of our Business Principles.

The Business Principles apply to all transactions, large or small, and drive the behaviour expected of every employee in every Sakhalin Energy company in the conduct of its business at all times.

We are judged by how we act. Our reputation will be upheld if we act in accordance with the law and the Business Principles. We encourage

our business partners to live by them or by equivalent principles.

We encourage our employees to demonstrate leadership, accountability and teamwork, and through these behaviours, to contribute to the overall success of Sakhalin Energy.

It is the responsibility of management to lead by example, to ensure that all employees are aware of these principles, and behave in accordance with the spirit as well as with the letter of this statement.

The application of these principles is underpinned by a comprehensive set of assurance procedures, which are designed to make sure that our employees understand the principles and confirm that they act in accordance with them.

As part of the assurance system, it is also the responsibility of management to provide employees with safe and confidential channels to raise concerns and report instances of non-compliance. In turn, it is the responsibility of Sakhalin Energy employees to report suspected breaches of the Business Principles to Sakhalin Energy.

The Business Principles have for many years been fundamental to how we conduct our business and living by them is crucial to our continued success.