



**Sakhalin Energy  
Investment Company Ltd.**

# SUSTAINABLE DEVELOPMENT POLICY



2016

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*The objective of Sakhalin Energy: commercial development and operation of hydrocarbon fields and sales of hydrocarbons in accordance with Sakhalin-2 licenses, as well as development of the required project infrastructure for the benefit of our Shareholders, the Russian Federation, Sakhalin, and local community. Sustainable development and corporate social responsibility (CSR) are essential components of Sakhalin Energy's business way and strategic development. CSR is a tool of an ongoing corporate strategy to increase our prominence in the society and develop our business in sustainable and ethical manner.*

### PURPOSE

Sakhalin Energy in the Statement of General Business Principles:

- commits to contribute to sustainable development: “To contribute to sustainable development. This requires balancing short and long-term interests, integrating economic, environmental and social considerations into business decision-making”; and
- recognises six areas of responsibility including a responsibility 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”.

The main purposes of this Policy are to:

- outline Sakhalin Energy's approach to sustainable development (SD) and SD principles; and
- describe Sakhalin Energy's policy and commitments to contribute to sustainable development.

The scope of this Policy covers all the Sakhalin Energy's current, planned and future operations.

Each employee of Sakhalin Energy (including contractor staff) has the responsibility to comply with the requirements of this Policy.

Committee of Executive Directors (CED) reviews and approves the SD Policy. On their behalf, it is authorised by the Chief Executive Officer (CEO).

The Head of Social Performance is responsible for the SD Policy development as well as for all further revisions and updates of the Policy.

The Policy is communicated to all staff and made available to public (via [www.sakhalinenergy.com](http://www.sakhalinenergy.com)).

### INTRODUCTION

Sakhalin Energy shares approach along with the principles and provisions of ISO 26000:2010 standard “Guidance on Social Responsibility” containing the following definition of social responsibility for any type of organisation, whether commercial company, state organisation or non-profit organisation: “The responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development including health and welfare of society, takes into account expectations of stakeholders, is in compliance with applicable law and consistent with international norms of behaviour, and is integrated throughout the organisation and practiced in its relationships”.

The concept of SD is about ensuring that “the needs of the present generation are met without compromising the ability of future generations to meet their own needs”<sup>1</sup>. Sakhalin Energy adopts this widely followed definition of SD.

This SD Policy has been pursued throughout the entire duration of the Sakhalin-2 project by incorporating SD principles into the business policies, plans and processes of the company. In this sense, sustainable development presumes and ensures economic effectiveness, environmental safety, social justice and ethical behaviour, combined with an overall reduction of human impact on the biosphere. That is implemented via strong, transparent, constructive and systematic cooperation and two-way communication with all groups of stakeholders. Such cooperation has proved to be the backbone of our success.

Measures implemented by Sakhalin Energy, in the framework of the SD Policy over the last years resulted in considerable achievements:

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<sup>1</sup> Our Common Future; UN World Commission on Environment and Development (The Brundtland Commission), 1987

- The detailed system of standards and commitments in health, safety, environmental and social spheres (please see Health, Safety, Environmental and Social Action Plan (HSESAP) was developed on the basis of the best Russian and international experience with attracting stakeholders to open and honest discussion.
- SD principles have been embedded into business policies, plans, procedures and processes.
- The processes of regular provision of information to stakeholders and reporting on the SD performance and fulfilment of the HSESAP commitments have been implemented to ensure openness and transparency.
- Sakhalin Energy is the first company in Russia that implemented self-assessment and self-declaration based on ISO 26000:2010 “Guidance on Social Responsibility” and committed to implement this process on regular basis.
- Internal and independent external verification and monitoring have been implemented to ensure that the HSESAP commitments are being complied with.
- Measures of informing stakeholders and public about the results of the compliance checks have been implemented.
- Efficient engagement with stakeholders with the special focus on project affected communities and vulnerable groups has been ensured. The implementation of the community – company dialogue process aiming at open transparent relations contributes to the efficient Sakhalin-2 project implementation as well as it is the necessary prerequisite for further development of the region.
- Three-level system of direct communication with communities is a unique mechanism developed and tested by the company: information exchange with stakeholders happens at each level of organisation and between them. The system levels are the company, community liaison structure and information centers based in local libraries in Sakhalin communities.

- The company has allocated significant amount of social investments in the Sakhalin region. These initiatives aimed at solving topical problems have contributed to real increase of life quality; a number of social programmes have been acknowledged as complying with the best Russian and international SD/CSR practices.

### SUSTAINABLE DEVELOPMENT PRINCIPLES

Sakhalin Energy endeavours to take a lead on sustainable development taking into account the Sustainable Development Goals of the 2030 Agenda for Sustainable Development<sup>2</sup>. The starting point of the Policy are the eight SD principles that the company adheres to:

- Deliver sustainable value to employees, shareholders, contractors, business partners, and host communities.
- Respect and promote human rights.
- Identify and mitigate economic, environment and social risks and impacts.
- Use resources efficiently and enhance environmental and biodiversity protection.
- Maximise profitability.
- Develop strategic partnerships to enhance sustainable development of host communities with the special focus on the following key priorities: education, community health, environmental protection and biodiversity, safety, culture and art, Indigenous Peoples.
- Engage with stakeholders openly and honestly and take their views and concerns into account in the company's decision-making.
- Publicly report on sustainable development performance.

<sup>2</sup> On 1 January 2016, the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development — adopted by world leaders in September 2015 at the UN Sustainable Development Summit — officially came into force. The SDGs universally apply to all and have 169 specific targets for achievement by 2030 to end all forms of poverty, fight inequalities and tackle climate change, while ensuring that no one is left behind.

### SUSTAINABLE DEVELOPMENT POLICY AND COMMITMENTS

To fulfill these principles the SD Policy includes:

- Sakhalin Energy will carry out its business responsibly and efficiently so as to deliver the robust project that will maximise benefits to the Russian Federation, the Sakhalin community and shareholders.
- Sakhalin Energy will contribute to the present and future needs of society on Sakhalin Island while keeping a balance between economic development, environmental protection and social responsibility taking into account cultural diversity.
- Sakhalin Energy will work with stakeholders to identify ways to contribute to the wider, long-term economic, environmental and social benefits in the Sakhalin region.

To comply with the abovementioned principles Sakhalin Energy's SD commitments are:

- Include SD principles into business plans, procedures and processes.
- Ensure compliance with the corporate Commitments and Policy on HSE and Social Performance and standards stipulated in the Health, Safety, Environmental and Social management systems and Action Plan (HSE&SP MS and HSESAP).
- Inform and engage with our stakeholders on the company's SD performance and seek feedback.
- Develop and implement SI/SD programmes and projects that are linked to the company's strategy and priorities, and have clear procedures and controls.
- Focus on developing strategic partnerships with external stakeholders to enhance positive impact of community development programmes.
- Issue annual non-financial reporting in accordance with the Global Reporting Initiative (GRI) standards and principles as per corporate Sustainable Development Report Development Procedure.

- Be a participant of the UN Global Compact<sup>3</sup> (GC) complying with its ten principles<sup>4</sup> and promoting them.
- Be a member of UN GC LEAD<sup>5</sup> demonstrating sustainability leadership in particular:
  - continuously advance sustainability performance and work towards implementing the GC Blueprint for Corporate Sustainability Leadership<sup>6</sup>, and
  - share related outcomes and learnings with the broader universe of companies in the Global Compact and further by participating in global initiatives as well as in Global Compact Local Networks.

<sup>3</sup> Sakhalin Energy joined UN Global Compact in November 2009.

<sup>4</sup> Ten UN Global Compacts universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

<sup>5</sup> UN GC LEAD launched in January 2011 is a UN GC initiative with the primary objective is to support leading UN Global Compact participants in their efforts to achieve higher levels of corporate sustainability performance – as outlined by the Blueprint for Corporate Sustainability Leadership – and give them proper recognition for doing so.

<sup>6</sup> The Blueprint is a new model of leadership within the Global Compact, which has been designed to inspire advanced performers to reach the next level of sustainability performance. It identifies criteria for leadership practice in three distinct but overlapping dimensions: (i) integrating the ten principles into strategies and operations; (ii) taking action in support of broader UN goals and issues; and (iii) engaging with the UN Global Compact; as well as cross-cutting components.

### TERMINOLOGY

Term	Definition
Corporate Social Responsibility (CSR)	Integration of economic, social, and environmental issues into corporate governance and business systems and processes using innovative and proactive solutions to address economic, social, and environmental impacts and challenges and involving both internal and external stakeholders to improve CSR performance
Cultural Diversity	A diversity of human societies and cultures in a specific region, or in the world as a whole
Global Reporting Initiative (GRI)	Global Reporting Initiative is a non-profit organisation that promotes economic, environmental and social sustainability. GRI provides all companies and organisations with a comprehensive sustainability reporting framework that is widely used around the world. GRI's sustainability reporting framework enables all companies and organisations to measure and report their sustainability performance. Sustainability reporting can be considered as synonymous with other terms for non-financial reporting; triple bottom line reporting, CSR reporting

Health, Safety, Environment and Social Action Plan (HSESAP)	The HSE and Social Action Plan (HSESAP) provides a clear statement of the specific commitments of the company. It identifies Sakhalin Energy's commitments to legal requirements and International standards, management system standards, and the company standards that specify the detailed commitment
ISO 26000:2010 "Guidance on Social Responsibility"	The international standard which provides guidance on the underlying principles of social responsibility, recognising social responsibility and engaging stakeholders, the core subjects and issues pertaining to social responsibility and on ways to integrate socially responsible behaviour into the organisation. This International Standard emphasizes the importance of results and improvements in performance on social responsibility
Non-financial Reporting	The process of communicating the social and environmental effects of organisations' economic actions to stakeholders within society and to society at large
Sakhalin Energy/the company	Sakhalin Energy or the company shall mean Sakhalin Energy Investment Company Ltd.

Social Investment	Social investment is an efficient way of responding to social expectations and needs of communities through implementing and supporting long-term strategic partnership programmes and projects and other voluntary charitable contributions that strengthen the company's reputation and create conditions for positive change in communities' life
Stakeholder	Organisations, companies, individuals, or groups who have a vested interest in the company or the project it implements, i.e. individuals or entities that are influenced by the company or themselves influence or can potentially influence the company's operations
Sustainable Development	The starting point definition for sustainable development for purposes of this document and policy development is the widely followed definition of: "Meeting the needs of the present without compromising the ability of future generations to meet their own needs"

Sustainable Development Goals	Sustainable Development Goals is a set of seventeen global goals adopted at the UN Sustainable Development Summit in 2015
The United Nations Global Compact	A United Nation's strategic policy initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. By joining to Global Compact businesses commit to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption

Acronyms and abbreviations

CED	Committee of Executive Directors
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
GC	Global Compact
GRI	Global Reporting Initiative
HSE	Health, Safety and Environment
HSESAP	Health, Safety, Environment and Social Action Plan
ISO	International Standardization Organization
SD	Sustainable Development
SDGs	Sustainable Development Goals
SI	Social Investment
SP	Social Performance
UN	The United Nations