

**APPENDIX 10****HSE and Social Performance Reporting to Lenders****Purpose**

To summarise Sakhalin Energy's obligations in relation to HSE and Social performance reporting.

Who is this for?

- *Managers*¹;
- *Central HSE Data Management Team*;
- *Social Performance Team*.

Requirements for performance reporting

1. Sakhalin Energy's performance on HSE and social matters will be routinely reported to relevant authorities in accordance with RF requirements, and to the Phase 2 Senior Lenders. Prior to the project Completion Date, monthly and quarterly reports are required in accordance with the Common Terms of Agreement. Following the project Completion Date, the Company is required to report as follows.
2. Deliver a **Quarterly Report to the Independent Environmental Consultant** within 45 days after the end of each calendar quarter, including:
 - a. a list of any incidents or breaches which have been identified in the applicable quarter indicating how they have been categorised pursuant to the Methodology;
3. Deliver a **Half-year and End-year Report to the Phase 2 Senior Lenders**, within 45 days of the end of each half year and calendar year, including the following information for the previous six months:
 - a. a list of consents and interim environmental permissions anticipated to be obtained by the Company for that six months and their status, and advice of any notice from any Government Authority that it has or intends to revoke, terminate, suspend, withhold or withdraw any Environmental Consent or Interim Environmental Permission;
 - b. material compliance by the Company with the HSESAP;
 - c. any outstanding Environmental Claims and Social Claims;
 - d. any financial compensation paid by the Company to other Persons to settle any Environmental Claim or Social Claim which is material;
 - e. any mandatory payments made by the Company under Environmental Law which are material either individually or when aggregated;
 - f. any health, safety, environmental or social information made generally available by the Company to the public and not already provided to the Phase 2 Senior Lenders;
 - g. upon the request of the Phase 2 Senior Lenders (acting reasonably), a summary of the results of any internal audit carried out by the Company of contractor and subcontractor compliance with the HSESAP, material Environmental Law and Consents for the applicable quarter;
 - h. information on performance against health, safety, environmental and social key performance indicators set out in the HSESAP, save in respect of the Resettlement Action Plan (RAP) KPI relating to the re-establishment of living standards and income earning capacity, which shall be reported on annually in two separate groups as specified in the HSESAP;
 - i. a summary of any significant initiatives in relation to health and safety matters which have been implemented or planned by the Company;
 - j. a list of any data or reports on Environmental Matters and Social Matters submitted to relevant Government Authorities;
 - k. a summary of any material grievances lodged under the Company's grievance procedure in the previous six months in respect of any Social Matter;

¹ Italicized terms in this document are included in the [Sakhalin Energy HSE Glossary](#).



- l. a summary of the progress and results of any material investigations carried out in the previous six months relating to any Social Matters (including summary updates on the schedule of consultations, the RAP, implementation and monitoring of the SIMDP, the indigenous peoples consultation, employment and training statistics, reports on any material cultural heritage activities and/or discoveries and material issues identified from community liaison officer activity reports);
- m. a list of any incidents or breaches which have been identified in the applicable six months indicating how they have been categorised pursuant to the Methodology;
- n. a list of incidents or breaches identified in preceding reports for which a RAP had not been completed, indicating how they have been categorised pursuant to the Methodology, the development status of any RAP, and the implementation status of any RAP;
- o. a close out report describing how the Company has complied with the specified remediation actions set out in any RAP which has been completed during the preceding six months and, where appropriate, specifying the results of any root cause investigations and summarising the principal actions implemented to prevent re occurrence of the original event;
- p. a list of the Company's audit program (including a list of audits of contractor and subcontractor compliance with the HSESAP, material Environmental Law and Consents) for preceding six months.

Requirements for notification of Incident, Significant Environmental Harm, Breach, or Default

The Company is required to meet certain notification requirements regarding incidents and breaches. Refer also to Table 7 in Methodology for Classifying and Remediating Incidents and Breaches (0000-S-90-04-O-0009-00, Appendix 9).

4. **Notice of Environmental Incident.** As soon as reasonably practicable and in any event:
 - a. within 48 hours following an Environmental Incident which causes Significant Environmental Harm; and
 - b. within 5 days following an Environmental Incident which does not cause Significant Environmental Harm but with actual Severity rating 4 or 5,becoming known to the Company, the Company shall notify the Intercreditor Agent and the Phase 2 Senior Lenders. Notification shall specify the nature of the incident, immediate steps taken to investigate it, and details of short term containment, remedial or mitigation measures as appropriate.
5. **Notice of Significant Environmental Harm.** As soon as reasonably practicable and in any event within 3 days of becoming aware of Significant Environmental Harm² which does not arise from an Environmental Incident, the Company shall notify the Intercreditor Agent and the Phase 2 Senior Lenders.
6. **Notice of Breach of Obligations.** As soon as reasonably practicable and in any event within 3 days of the Company becoming aware of any Breach², the Company shall apply the Methodology to determine whether the breach constitutes a Blue Impact, Low Amber Impact, High Amber Impact or Red Impact, and advise the Intercreditor Agent and the Phase 2 Senior Lenders. In addition:
 - a. **Red Impacts** which do not arise from an Environmental Incident shall be notified as soon as reasonably practicable and in any event within 3 days of becoming aware of the breach;
 - b. **High Amber Impacts** which do not arise from an Environmental Incident shall be notified within 10 days of becoming aware of the breach;
 - c. **Low Amber and Blue Impacts** shall be notified in quarterly reports (refer requirement 2).
 - d. The Intercreditor Agent may request that a Breach is recategorised (setting out reasonable grounds), and the Company shall not unreasonably withhold consent and shall respond as soon as reasonably practicable but in any event within 10 days of receipt of such request.
7. **Notice of Default.** As soon as reasonably practicable after the occurrence of any Default and in any event within 5 days of such Default becoming known, the Company will notify the Intercreditor Agent

² Refer to definition in Methodology for Classifying and Remediating Incidents and Breaches.



thereof specifying the nature of such Default and any immediate steps the Company is taking to investigate it. Events Of Default include³:

- a. Breach of Obligations;
- b. failure to perform or comply with obligations relating to consents, law, Methodology relating to incidents and breaches, response to breaches including RAPs where applicable, amendments to RAPs and Oil Spill Response Plans, PE HSES Procedure, lender visits, reporting and notification, auditing, public disclosure, and certain other specified obligations²;
- c. failure to assess and redevelop mitigation measures and incorporate them in the HSESAP, where existing measures are not sufficient or impacts were unforeseen by or not contemplated in HSESAP, to either eliminate or reduce any adverse impact to ALARP and the level contemplated by the Standards and as soon as reasonably practicable subject to Lenders consent; and
- d. incorrect or misleading representations or warranties, where not remedied within 30 days, relating to consents, claims, environmental and social Matters, and Events of Default.

Requirements for response to enquiries

8. The Company will respond as soon as reasonably practicable to any reasonable requests for information raised by the Intercreditor Agent or JBIC in connection with:
 - a. any issues contained in any performance report, or
 - b. any enquiries in respect of Environmental Matters or Social Matters that the Intercreditor Agent or JBIC receives from any Person.

Requirements for notification of project expansion

9. Notify the **Phase 2 Senior Lenders** within 45 days after the end of each calendar **quarter** of any Project Expansion or Permitted Project Expansion in relation to which the Company has reached a decision to proceed in that quarter, together with any supporting information required to be provided, pursuant to the PE HSES Procedure (1000-S-90-04-P-0029-00).

Requirements for provision of audit reports

10. The Company shall provide to the **Independent Environmental Consultant** for review copies of all environmental, social, health and safety **audit reports** carried out by or on behalf of a third party or a Sponsor or Shareholder, that it has commissioned for its own purposes within 30 days of the Company receiving the final version thereof.

Requirements for provision of annual public report

11. Not later than the date upon which the annual report is published, the Company shall provide to the **Phase 2 Lenders** copies of the **Company's annual public report** on environmental and social matters and containing such other information as is required to be reported to the public under applicable Environmental Law and the scope of such report shall be developed by the Company having consulted the Phase 2 Senior Lenders in relation thereto.
12. In addition, refer to the Public Consultation and Information Disclosure specification for the list of documents that are required to be publically disclosed.

³ CTA Schedule 8 paragraph 4.10 and 5 and CTA Clause 22.3(b) provide detailed definition.