



SUSTAINABLE DEVELOPMENT REPORT 2020

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SUSTAINABLE DEVELOPMENT REPORT 2020

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MESSAGE
FROM THE CHAIRMAN
OF THE COMMITTEE
OF EXECUTIVE DIRECTORS
AND CHIEF EXECUTIVE
OFFICER





Dear colleagues, dear friends,

Let me present the 2020 Sakhalin Energy Sustainable Development Report. This is the 12th non-financial reporting document that has been prepared in compliance with the Global Reporting Initiative (GRI) international standards. When working on the Report, we made every effort to take into account the opinions of the company's stakeholders to the maximum possible extent.

The COVID-19 pandemic and accompanying macroeconomic challenges made 2020 a difficult year for the Russian oil and gas industry. Nevertheless, the current situation did not affect our long-term goals due to the company's timely response to the unprecedented challenges. Sakhalin Energy's key long-term goal – to be the leading supplier of energy to the Asia-Pacific region – is in line with the company's strategy for continuous improvement, which is the priority topic of this document. The company adheres to the chosen vector towards improvements and transformations in all areas outlined in the Report: business activities, industrial and environmental safety policy, engagement with suppliers and personnel, sustainable development management, and social performance in the host region.

The reporting year was largely successful for Sakhalin Energy. High reliability and integrity indicators of our assets along with the best process safety performance in the entire history of the Sakhalin-2 project allowed us to produce and ship 178.6 standard LNG shipments, which is a record number for the company.

The reporting year was largely successful for Sakhalin Energy. High reliability and integrity indicators of our assets along with the best process safety performance in the entire history of the Sakhalin-2 project allowed us to produce and ship 178.6 standard LNG shipments, which is a record number for the company. This achievement was possible thanks to the fact that we were able not only to ensure the continuity and stability of all stages of the production cycle throughout the year, but also to implement more than 480 initiatives as part of the continuous improvement programme. The ongoing digital transformation, which is taking place at every stage of our work – from geological exploration and well drilling to hydrocarbon processing and equipment maintenance – created an additional synergy effect. Thanks to the use of innovative integrated business solutions, the share of Sakhalin LNG accounted for about 3.3% of global demand and about 4.6% of demand in the Asia-Pacific region in 2020.

178.6

standard LNG shipments
produced and shipped in 2020

The company's adherence to its commitments, including its obligations to the shareholders, required studying and assessing hydrocarbon maturation opportunities. Our achievements of the year include the completion of the first phase of updating the integrated model of the Lunskeye field. Information gathered during the drilling of new wells, the data from the latest geological and technical activities and the monitoring of field development made it possible to refine the geological and hydrodynamic models of the field. As a result, the total recoverable reserves were optimised by 6.9%.

The innovative technologies applied allow the company not only to increase performance but also to successfully fulfil its obligations to the Russian Federation. In this respect, the optimisation of the Russian Content Development Strategy is an important vector of the company's further growth. The key tools for the implementation of the strategy are the creation of the Sakhalin Energy Production and Maintenance Facility at the Sakhalin Industrial Park, the harmonisation of standards, the Vendor Development Programme, and raising personnel awareness of the company's commitments in the field of Russian content development. This is a multilateral interaction, which allows us to use a systemic approach in our work towards achieving our strategic goals.

3.3%

share of Sakhalin LNG
of global demand in 2020

Fighting bribery and corruption is one of the topical areas that the company continues to focus on. We are conducting constant monitoring and analysis in this area and take measures to reduce conditions that lead to such activity. Last year, Sakhalin Energy was awarded the highest class in the first anti-corruption rating compiled by the Russian Union of Industrialists and Entrepreneurs. This is convincing proof that the company's internal corporate governance and anti-corruption practices comply with international standards.

However, it is not only by production and financial performance indicators that we measure our success. We are ready to rise to the main challenge facing every oil company in the world today – to meet the growing demand for energy through the use of cutting-edge technologies, as well as the safest, most efficient and environmentally friendly practices. In its work, Sakhalin Energy strictly follows the principles of corporate social responsibility and pursues the UN Sustainable Development Goals, which are designed to address global environmental and social issues. The recognition of Sakhalin Energy as one of the most active participants in Global Compact LEAD – the world's largest corporate sustainability initiative – for its continued commitment to the UN Global Compact and the Guiding Principles on Business and Human Rights confirms its proactive approach in promoting the SDGs as a strategic benchmark.

Our social and environmental projects were included in the first Voluntary National Review (VNR) of Russia's progress in the implementation of the 2030 Agenda for Sustainable Development, which was presented in July last year at the 2020 UN High-Level Political Forum, the central United Nations platform on sustainable development. This proves the importance of engaging stakeholders in the process of exchanging ideas on how the company can achieve the SDGs.

An important element of the company's social responsibility in the host region, where Sakhalin Energy acts as an employer, taxpayer and initiator of innovative projects, was

6.9%

total recoverable reserves
optimised

constructive cooperation with the government authorities. The basis for this cooperation is the company's aspiration to contribute to the improvement of the local community's quality of life and the development of the social infrastructure in the region and to facilitate the resolution of pressing issues. In the difficult epidemic situation, Sakhalin Energy has made considerable efforts to minimise the impact of the coronavirus pandemic on the company's host region through the provision of aid to educational, social protection and healthcare institutions. The company initiated the implementation of a comprehensive programme aimed at supporting the healthcare sector of the island.

Personnel development is another strategic priority for Sakhalin Energy. I know for certain that the success of the company, especially in the current economic conditions, is the result of joint efforts of the whole team; it is evidence of their high professionalism and performance. Throughout the company, we strive to create a corporate culture and an environment that would enable each employee to unleash their individual potential and contribute to achieving common goals. We have a system of continuous professional training that covers all categories of employees and is aimed at increasing their motivation in the workplace.

Being a large oil and gas operator, the company is eager to hire highly qualified specialists trained at local educational institutions, and promotes the development of Research and Development activities on Sakhalin. Sakhalin Energy was the first of the region's oil and gas companies to sign an agreement with the Human Capital Development Agency and join in the work to develop corporate standards and adapt proactive training programmes for future personnel to the real needs of the business.

For us, investment in human capital is an investment in the future—the future of our host region, the future of the company itself, the successful development of which is inextricably linked with the territory where Sakhalin Energy extracts and processes hydrocarbons.

The year 2021 poses new challenges to our company, as well as to the entire industry. Given how dynamic the situation is, we will continue to improve the corporate governance system, increase the effectiveness of decision making to ensure the company's efficient operation, and maintain our competitiveness in the market.

Sakhalin Energy has always strived for more, so it will strictly adhere to the principles of continuous improvement and sustainable development, considering them the key to the company's long-term competitiveness.



Roman Dashkov

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ABOUT THE REPORT

The 2020 Report focuses on continuous improvement, which is characteristic of all areas of the company's activities, including production and commercial operations, human resources management, industrial safety, occupational health and safety, environmental protection, social investment and stakeholder engagement.



2.1.

GENERAL INFORMATION

In its efforts to implement the Sustainable Development Policy, Sakhalin Energy undertakes to annually provide non-financial reporting in accordance with the standards and principles of the Global Reporting Initiative (GRI). The form of non-financial reporting chosen by the company is a Sustainable Development Report, which serves as a tool for systematising its non-financial activities (environmental, social and other programmes and initiatives) and improving the quality of corporate governance, which increases the company's overall sustainability.

An open reporting culture allows Sakhalin Energy to demonstrate its commitment to the principles and concepts of corporate social responsibility (CSR) and sustainable development (SD), and provide meaningful information about the economic, environmental, social and ethical aspects of its activities to its stakeholders.

CSR and SD reporting benefits Sakhalin Energy in a number of ways, in particular by:

- identifying the stakeholders' opinions and expectations of the company's activities and clarifying the company's CSR and SD strategy;
- demonstrating that the company is aware of and takes into account the stakeholders' opinions, creating long-term trust as well as transparent and constructive cooperation;
- serving as an effective tool for identifying, preventing, and mitigating non-financial risks, creating a sustainable reputation (as a responsible employer, partner, etc.);
- stimulating new opportunities and areas of involvement for the company in production, environmental, and social spheres;
- identifying CSR and SD performance indicators, evaluating and applying them to enhance the quality of managerial decisions at all levels;



- helping to comply with the principle of continuous improvement and stimulating the subsequent improvement of internal and external processes in the company;
- increasing the company's competitiveness.

The target audience of the Report are both the internal and external stakeholders listed in Section 6. Stakeholder Engagement Management.

The Report discloses material topics, issues and indicators of the company's economic, environmental and social performance, including the stakeholders' areas of concern and the senior management's appraisals of the company's performance in the reporting period (see Section 2.4. Defining Material and Priority Topics to Be Included in the Report).

In 2020, Sakhalin Energy was recognised as a non-financial reporting leader:

- the 2018 Sustainable Development Report was declared the winner of the **RUIE Leaders of Russian Business: Dynamics, Responsibility, Sustainability** competition in the **High Quality of Sustainable Development Reporting** category;
- the 2019 Sustainable Development Report was declared the winner of the **2020 competition for the Best Socially-Oriented Company in the Oil and Gas Industry**, held by the Ministry of Energy of the Russian Federation, in the **Oil and Gas Company Non-Financial Report** category;
- the 2019 Sustainable Development Report was declared the winner of the **Change Management. Visionaries Award** in the **Best Disclosure of the UN SDGs Strategy and Performance** category.

Each of Sakhalin Energy's Sustainable Development Reports over the past six years has been devoted to a specific topic, which allows detailed coverage of the company's priority areas of activity. The 2020 Report focuses on continuous improvement, which is characteristic of all areas of the company's activities, including production and commercial operations, human resources management, industrial safety, occupational health and safety, environmental protection, social investment and stakeholder engagement.

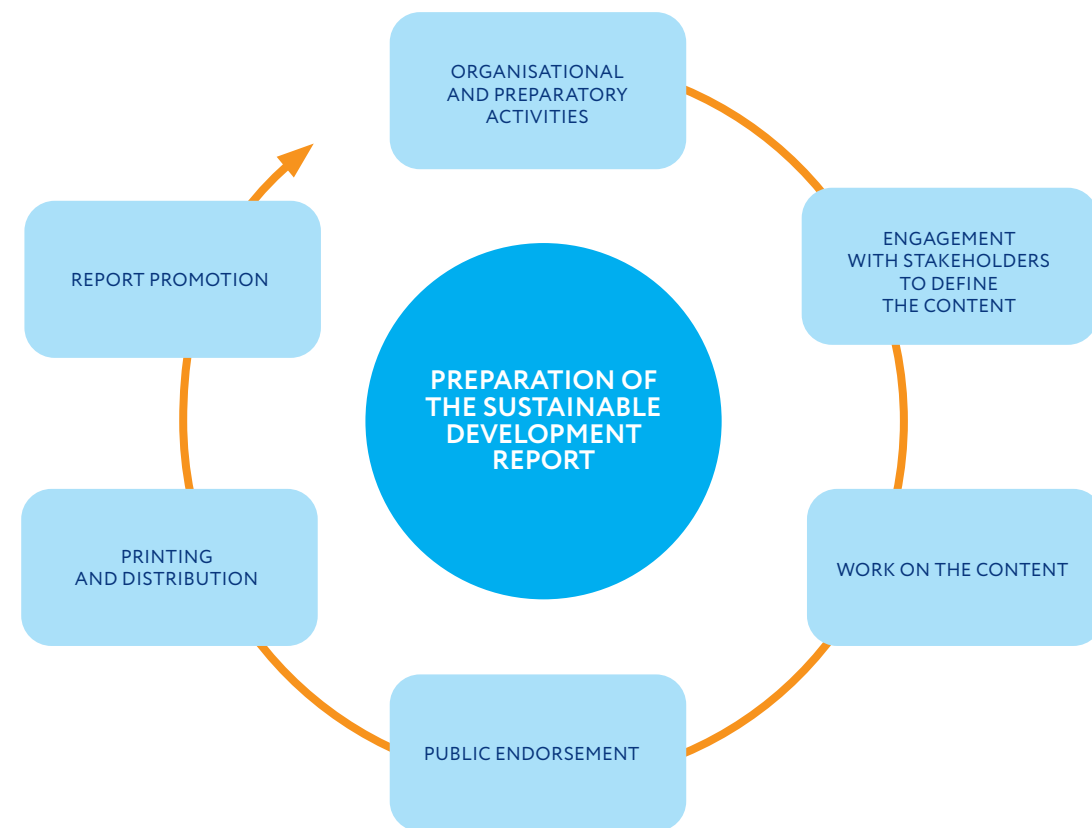
In addition, following the recommendations of the Non-Financial Reporting Council of the Russian Union of Industrialists and Entrepreneurs (RUIE) and suggestions of stakeholders, the company continues to disclose information about its innovative approaches and practices (see Section 2.4. Defining Material and Priority Topics to Be Included in the Report).

The Report pays particular attention to the company's COVID-19 response actions (see Sections 4, 6, 9).

Report preparation process

At Sakhalin Energy, the preparation of the Report is a deliberate systematic process, involving the heads and specialists of almost all company's units. It is implemented in accordance with a special corporate procedure, which ensures continuity, reliability and process improvement. The procedure includes a description of the standards and principles for preparing a report on the sustainable development of the company, defines requirements for determining the content of the document, outlines the processes of its preparation, approval and dissemination, the distribution of responsibilities for each group of indicators and each operation, and also indicates time frames.

Each Report is prepared, coordinated and approved in accordance with the procedure and the schedule, approved by the Committee of Executive Directors on an annual basis.



The procedure provides for the establishment of a Task Force to prepare the Report. This Task Force includes managers and specialists from the company's units, responsible for particular aspects of corporate governance, production activities, economic, social and environmental impacts. The Corporate Affairs Department conducts orientation seminars for the Working Group and key Report developers to inform them of the requirements and standards for the Report, the plan and schedule of work, the principles for defining the content and determining the quality of the Report, etc.

The Report is approved by the Committee of Executive Directors and then by the Chairman of the Committee of Executive Directors, the Chief Executive Officer.

The approved Report is published on Sakhalin Energy's website; paper copies are distributed among the towns and villages of the island (through the company's information centres and district libraries), and sent to the main stakeholders by mail.

All annual Sakhalin Energy Sustainable Development Reports are registered in the National Register of Corporate Non-Financial Reports of the Russian Union of Industrialists and Entrepreneurs (RUIE) (www.rspp.ru). They are also included in the catalogue of the Global Reporting Initiative (www.globalreporting.org) and are available on the UN Global Compact website (www.globalcompact.org).

The company values opinions, suggestions and comments from all stakeholders on this Report. To share your opinion, you may:

- fill out the Feedback Form (see Appendix 6. Feedback Form) and send it to the supplied address;

- fill out the Feedback Form on the company's website (www.sakhalinenergy.ru);
- fill out the Feedback Form at one of the company's information centres (see Appendix 5. Company Information Centres List).

2.2.

REPORT PREPARATION STANDARDS

Since the preparation of the 2017 Report, Sakhalin Energy has been guided by the GRI Sustainability Reporting Standards, which came into force in July 2018. In addition, the company uses the GRI G4 Sector Disclosures (Oil and Gas) guidelines and the requirements of the United Nations Global Compact (GC) in preparing an annual report on adherence to its Ten Principles (UN Global Compact Progress Report).

The company constantly analyses trends and new requirements in the field of non-financial reporting, both international and domestic. In the preparation of this Report, the company was guided by:

- The Public Non-Financial Reporting Concept and the Action Plan for its implementation, which were approved by a decree of the Government of the Russian Federation in 2017;
- Guidelines of the European Commission on Non-Financial Reporting, prepared in accordance with the Non-Financial Reporting Directive, adopted by the Council of Europe in 2017;
- Guidance on Core Indicators for Entity Reporting on Contribution Towards Implementation of the Sustainable Development Goals, adopted by the United Nations Conference on Trade and Development (UNCTAD) in 2019.

In addition, when preparing its Sustainable Development Reports, the company:

- uses materials from analytical reviews of corporate non-financial reports prepared by the RUIE

Committee for Corporate Social Responsibility and Sustainable Development and the RUIE Corporate Social Responsibility and Non-Financial Reporting Centre;

- takes into account leading ratings and indexes in corporate social responsibility (the Responsibility and Transparency Index, compiled by the RUIE, the RAEX-Europe's ESG ranking, etc.);
- analyses its own activities in the field of corporate social responsibility and corresponding activities of other companies;
- studies non-financial reports of other Russian and foreign companies.

Beginning with the 2016 Report, Sakhalin Energy has reported on its contribution to achieving Sustainable Development Goals. This work was continued in the 2020 Report (see Section 3. Corporate Social Responsibility and Sustainable Development and Appendix 1. GRI Standards Compliance Table).

The Priority SDGs for Sakhalin Energy, Based on Stakeholders' Opinions table lists the material SDGs brought up by stakeholders in a specially conducted survey, during dialogues with external stakeholders, and during discussions with company employees, held as part of the preparation of sustainable development reports.

SDGs to Which Sakhalin Energy Contributes Most Significantly,
Based on Stakeholders’ Opinions

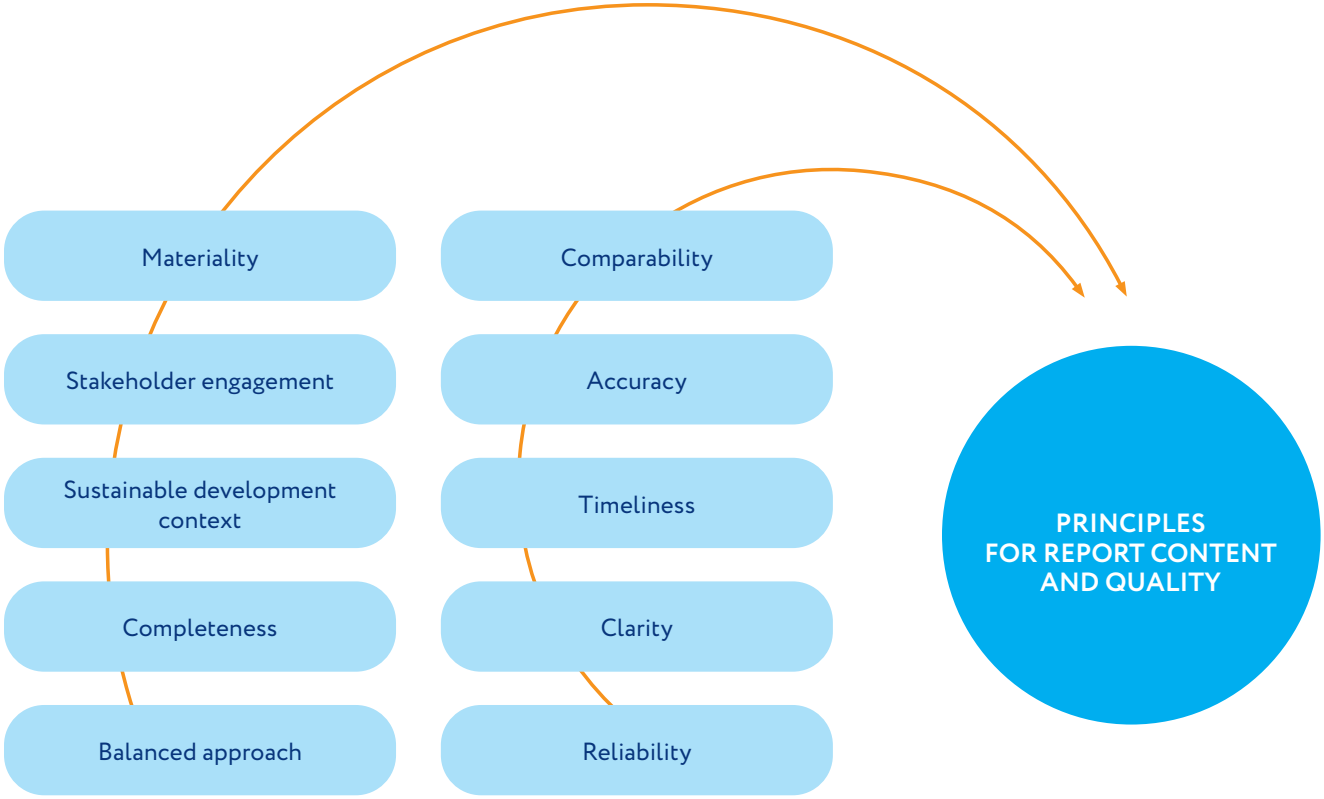
SDG	Total points*	SDG	Total points*
 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	393	 Ensure availability and sustainable management of water and sanitation for all	349
 Ensure access to affordable, reliable, sustainable and modern energy for all	389	 Ensure healthy lives and promote well-being for all at all ages	348
 Make cities and human settlements inclusive, safe, resilient and sustainable	375	 Take urgent action to combat climate change and its impacts	320
 Ensure sustainable consumption and production patterns	370	 Achieve gender equality and empower all women and girls	318
 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	369	 Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	311
 Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	369	 End poverty in all its forms everywhere	304
 Conserve and sustainably use the oceans, seas and marine resources for sustainable development	362	 Reduce inequality within and among countries	293
 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	355	 End hunger, achieve food security and improved nutrition and promote sustainable agriculture	290
 Strengthen the means of implementation and revitalise the global partnership for sustainable development	350		

* Respondents indicated the SDGs, relevant to the company’s activities, ranking them on a FIVE-POINT scale: 5—the most significant; 1—the least significant



2.3. REPORTING PRINCIPLES FOR
DEFINING REPORT CONTENT
AND QUALITY

Principles of the Report Content and Quality Definition



The company acknowledges and uses the following SD reporting principles presented on the Principles of Report Content and Quality Definition chart. The main approach to defining the content of the Report and presenting infor-

mation about the company’s activities is the balance and materiality of information in three key areas of sustainable development: economic, environmental and social.



2.4.

DEFINING MATERIAL AND PRIORITY TOPICS TO BE INCLUDED IN THE REPORT

The material aspects of the company's activities disclosed in its Reports, and their priority, are selected in close cooperation with the company's stakeholders, including its shareholders, lenders, government authorities, customers, personnel, contractors, com-

munity, the media, international organisations, public and other NPOs, and others.

To determine material topics for inclusion in the Report, the company used the following procedure:

1. Determining material topics to be included in the 2020 Report based on external and internal stakeholders' opinions

The company used the most preferred engagement mechanisms and information exchange channels for interacting with each group of stakeholders, taking into account the nature of the relationship (see Sec-

tion 6. Stakeholder Engagement Management). Representatives of stakeholders were involved in defining the Report content by means of:

- electronic surveys (internal and external stakeholders);
- dialogue meetings with external stakeholders (two dialogue meetings—in November 2020 and February 2021);
- discussions with the company personnel.

representatives had an opportunity to put questions to the company's representatives and to receive answers, as well as to express their opinions on the materiality of any aspect of Sakhalin Energy's activities (see Appendix 2. Comments and Suggestions of Stakeholders on Individual Aspects, Indicators and/or Programmes and Company's Response and Commitments).

Two rounds of discussions were traditionally held while preparing the Report. The stakeholder rep-

In preparing the 2020 Report, the company first held dialogue meetings with external stakeholders in the format of video conferencing due to COVID-19-related restrictions. Advanced online technologies allowed for the attendance of those outside the region and in remote areas of the Sakhalin Oblast. The events were attended by representatives of Sakhalin Energy shareholder companies, the Sakhalin Oblast Government, municipal authorities, the Public Chamber of the Sakhalin Oblast, the UN Global Compact Network Russia, Sakhalin State University and other educational and cultural institutions, Sakhalin Indigenous Minorities, as well as experts in corporate social responsibility and sustainable development, the Russian Managers Association (RMA), the World Wildlife Fund (WWF), and other stakeholders.

In addition, in defining the Report content, the company took into account the following:

- the results of regular media monitoring;
- analysed results of the grievances submitted to the company (see Section 6. Stakeholder Engagement Management);
- recommendations and comments regarding the 2019 Sustainable Development Report and recommendations of the RUIE Non-Financial Reporting Council that conducted the public endorsement of the 2019 Report.

The company has also analysed the relevance of the topics presented in the non-financial reports prepared by Russian and foreign companies in accordance with the best international practices.

Detailed information on the results of stakeholder engagement activities conducted in preparation of the Report, including dialogue meetings, surveys, etc., is presented in the Most Material Topics to Be Included in the 2020 Report, Based on Stakeholders' Opinions table.



The Most Material Topics to Be Included in the 2020 Report, Based on Stakeholders’ Opinions (determined based on the largest total score)

Topics	Total points ^o	Included in the Report (sections of the Report)
Oil spill prevention and response preparedness (OSR)	431	8.5.1
Environmental, health, and social impact assessment of the Sakhalin-2 project	430	3.5.2
Waste management	430	8.2.4
Impact on water bodies	427	8.2.3
Environmental monitoring and biodiversity conservation	421	8.3
Importance of the Sakhalin-2 project for the Russian Federation and the Sakhalin Oblast	418	7.1
Impact on atmospheric air	417	8.2.2
Health, safety, environmental (HSE) and social performance management system	416	3.5.1
Environmental protection costs and payments for negative impact	414	8.2.8
Security and occupational safety	411	9.2
Occupational health	407	9.3
Risk management system	407	5.4
Financial benefits to the Russian Federation and the Sakhalin Oblast	406	7.2
Key performance indicators	405	4.2
Stakeholder engagement performance in 2020	404	6
Emissions of greenhouse gases and ozone-depleting substances	404	8.2.6
Russian content	402	7.3
Associated gas evacuation during production	398	8.2.7
Innovations, and Continuous Improvement Programme	396	4.3
Public grievance procedure, and grievance handling in 2020	392	9.4.2
Anti-bribery and corruption	389	5.7
Stakeholder engagement strategy, principles and mechanisms	389	6.1
Corporate culture and the Code of Conduct	387	5.5, 5.6
Staff training and development	381	9.1.7
Implementing results of individual social investment programmes and projects	381	
Human rights: principles and management system	380	9.4.1
Energy production and consumption	380	8.2.5
Sakhalin Energy CSR system, sustainable development policy and performance standards	379	3

^o Respondents ranked the topics on a FIVE-POINT scale: 5 – the most significant; 1 – the least significant.



Topics	Total points ^o	Included in the Report (sections of the Report)
Personnel policy and personnel management approaches, general information	376	9.1.1, 9.1.2
Recruiting, hiring and onboarding new employees	373	9.1.3
Social investment and sustainable development: Sakhalin Energy’s principles and approaches	372	9.5.1
Labour remuneration, bonuses and social benefits	370	9.1.4, 9.1.5
Company mission, vision, values, and principles	370	5.1
Procurement and contracting management	367	7.4
Individual performance review	352	9.1.6
UN sustainable development goals	350	3.4.2
Corporate governance system and structure	341	5.2

Moreover, during the dialogue meetings and the electronic survey, stakeholders mentioned the COVID-19 response actions taken by the company (healthcare measures, impact on settlements, etc.) as a material topic.

Stakeholder comments and suggestions concerning specific company aspects, indicators, and/or pro-

grammes to be included in the 2020 Report as well as corresponding responses and commitments of Sakhalin Energy are listed in Appendix 2. Comments and Suggestions of Stakeholders on Individual Aspects, Indicators and/or Programmes and Company’s Response and Commitments.

2. Evaluation of topic materiality in terms of impact, based on two impact criteria:

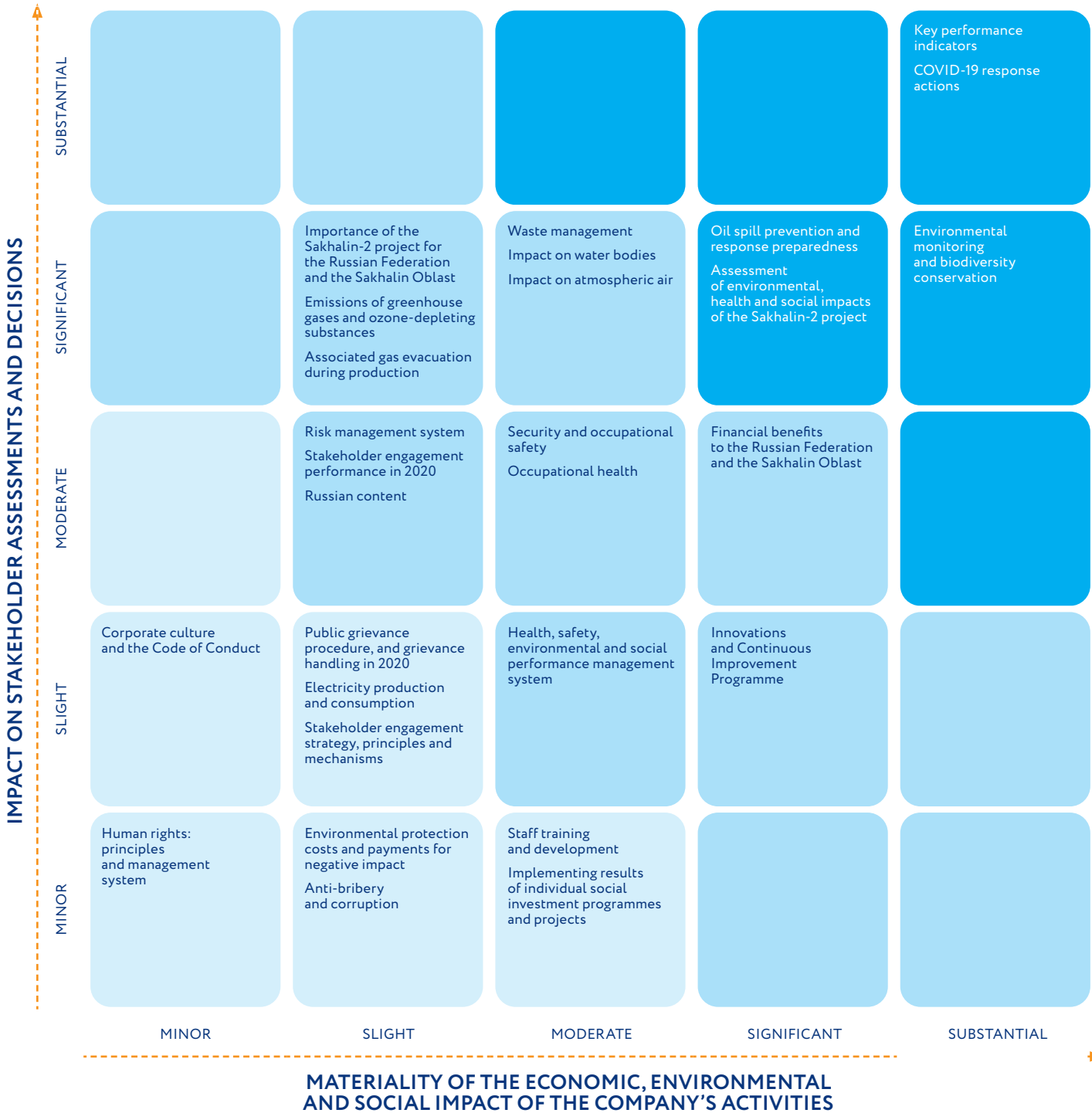
- impact on stakeholder assessments and decisions;
- significance of the economic, environmental, and social impact of the company’s activities.

Evaluation results are presented in the Topic Materiality Evaluation Matrix.

^o Respondents ranked the topics on a FIVE-POINT scale: 5 – the most significant; 1 – the least significant.



Topic Materiality Evaluation Matrix



Rationale for Material Topics

Topics	Rationale	Stakeholders for whom the topic is the most material	Pertinent section of the Report
The company's COVID-19 response actions	In the unprecedented epidemiological situation, it was critically important to ensure effective management of the company as an organisation with a continuous production cycle, and a process of operational decision making. For this purpose, the General Coordinating Committee (GCC), chaired by the Chief Executive Officer, and three control centres for the key areas of activity were established at the company to ensure its continuous operation under the conditions of the rapid spread of the coronavirus infection.	Shareholders, authorities, customers, personnel, contractors, general public	4.2, 4.4, 6, 9
Assessment of the environmental, health and social impacts of the Sakhalin-2 project	The company is committed to conducting impact assessment before beginning any new activities or introducing significant changes to existing projects. This is in line with the due diligence approach, which is the basis for all risk management procedures. Sakhalin Energy seeks to avoid or reduce impact to the lowest possible level or to compensate for it by taking appropriate measures.	Shareholders, authorities, customers, personnel, contractors, general public	3.5.2
Key performance indicators	Sakhalin Energy aims to be a premier energy source and conducts its business on the basis of efficient, reliable, and safe production, and a responsible attitude toward social and environmental issues.	Shareholders, authorities, customers, personnel, contractors, general public	4.2
Innovation and continuous improvement	Sakhalin Energy's continuous improvement (CI) vision and strategy are aimed at creating a corporate culture where both managers and employees are motivated to search for effective ways of fulfilling business tasks with high economic returns without compromising safety or reliability, and are constantly involved in this process. Sakhalin Energy is implementing a digital transformation process to ensure corporate growth and development. The company sees digitalisation as a form of strategic management and a way to create new business opportunities.	Shareholders, authorities, personnel, contractors	4.3
Risk management system	Sakhalin Energy believes that effective risk management plays an important role in achieving the company's objectives. The risk management system of the company is aimed at maximising opportunities or minimising negative effects of identified risks, including risks of failure to reach established goals, risks of losses, and negative factors affecting such areas as safety, operational excellence, respect for human rights, labour relations, health, safety and environment, anti-bribery and corruption, and others.	Shareholders, authorities, customers, personnel, general public	5.4
Anti-bribery and corruption	Sakhalin Energy assists its employees, business partners, contractors, and suppliers in fulfilling requirements for counteracting bribery and corruption.	Shareholders, authorities, customers, personnel, general public	5.7
HSE and social performance management system	The company considers a systematic approach to HSE and social performance management, which allows for continuous improvement in this area. The integrated HSE and social performance management system defines the controls that Sakhalin Energy uses in addressing unsafe situations and managing risks.	Shareholders, authorities, customers, personnel, general public	3.5
Stakeholder engagement strategy, principles and mechanisms. Stakeholder engagement performance in 2020	The company considers regular and meaningful engagement with stakeholders to be an important component of its successful business operations.	Shareholders, authorities, customers, personnel, contractors, general public	6

Topics	Rationale	Stakeholders for whom the topic is the most material	Pertinent section of the Report
Importance of the Sakhalin-2 project for the Russian Federation and the Sakhalin Oblast Financial benefits to the Russian Federation and the Sakhalin Oblast	The Russian Federation and the Sakhalin Oblast receive numerous benefits from the Sakhalin-2 project implementation, including financial and tax revenues to the budgets of the Russian Federation and the Sakhalin Oblast, new opportunities for developing advanced technologies, experience in managing complex high-tech projects, contracts with Russian companies, facilitation of employment growth, etc.	Shareholders, authorities, customers, personnel, contractors, general public	7.1 and 7.2
Russian content	Sakhalin Energy has identified the main areas and tools for increasing Russian Content, and outlined them in the Russian Content Development Strategy. The company gives priority to the implementation of the Standards Harmonisation Project, the creation of the Sakhalin Energy Production and Maintenance Facility, the implementation of the Vendor Development Programme and increasing the effectiveness of internal measures aimed at Russian Content development.	Shareholders, authorities, customers, personnel, contractors	7.3
Environmental monitoring and biodiversity conservation Impact on atmospheric air Impact on water bodies Waste management Electricity production and consumption Emissions of greenhouse gases and ozone-depleting substances Associated gas evacuation during production Environmental protection costs and payments for the negative impact	Due to its scope and complexity, the project can potentially have an impact on the environment, and Sakhalin Energy is committed to dealing systematically with these potential problems so as to mitigate risks and prevent negative consequences. Arranging and implementing industrial environmental control and monitoring, as well as conserving biodiversity, are essential components of the environmental impact management system.	Shareholders, authorities, customers, personnel, contractors, general public	8
Oil spill prevention and response preparedness	Oil spill prevention and response preparedness are the top priorities for Sakhalin Energy. The company uses a comprehensive approach to handle these important tasks.	Shareholders, authorities, customers, personnel, general public	8.5
Security and occupational safety Occupational health Staff training and development Human rights: principles and management system Public grievance procedure, and grievance handling in 2020 Implementing results of individual social investment programmes and projects	The company and stakeholders attach special importance to social impact management, such as HR management and development, respect for and promotion of human rights, occupational safety and health, social investments, and contribution to the sustainable development of the host region.	Shareholders, authorities, personnel, general public	9

2.5.

DEFINITION OF THE REPORT SCOPE

The Report contains information on the activities of all structural units and assets of the company in all areas related to sustainable development, including

economic, environmental, and social impact that occurs both within (internal boundaries) and outside (external boundaries) the company.

2.6.

PUBLIC ENDORSEMENT OF THE REPORT

This Report was endorsed by means of an external public endorsement procedure of corporate non-financial reports at the highest professional level in the Russian Federation – an independent expert evaluation (public endorsement) of the Non-Financial Reporting Council of the Russian Union of Industrialists and Entrepreneurs (see Appendix 7. Certificate of Report Public Endorsement and Appendix 8. RUIE Non-Financial Reporting Council Conclusion on the Review of Sakhalin Energy Investment Company Ltd. 2020 Sustainable Development Report for the Purpose of Public Endorsement).

The primary focus of public endorsement is the relevance and completeness of the information on the

company’s performance disclosed in the non-financial report according to the best practices of conducting business.

The company seeks to take into account the recommendations of experts, recorded in the Conclusion of the RUIE Non-Financial Reporting Council on the Review of the Sakhalin Energy Investment Company Ltd. Sustainable Development Report Information on the company’s response to the recommendations of the RUIE Non-Financial Reporting Council is included in Appendix 2. Comments and Suggestions of Stakeholders on Individual Aspects, Indicators and/or Programmes, and the Company’s Response and Commitments to this Report.

3

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

In 2020, for the fifth year in a row, Sakhalin Energy was among the leaders of the Sustainable Development Vector Index and the Responsibility and Transparency Index, compiled by the RUIE since 2014 for an independent assessment of companies in terms of sustainable development, corporate responsibility and reporting.



3.1.

INTRODUCTION

5th

year in a row Sakhalin Energy was among the leaders of Sustainable Development Vector Index and the Responsibility and Transparency Index

For Sakhalin Energy, corporate social responsibility (CSR) is a cornerstone of its governance system, production and business activities, strategic development plans and proven reputation. It means doing business with responsibility to personnel, the community and other stakeholders, complying with the legislation of the Russian Federation, and applying international standards. Sakhalin Energy's activities in the area of CSR are aimed at implementing a strategy to improve the company's image and role in society, and to carry out its activities in compliance with the standards of sustainable development and good business ethics.

Due to a high degree of transparency and active stakeholder engagement, corporate governance at Sakhalin Energy has gradually transformed into the management of the company as an open system (see Section 5. Corporate Governance, and Section 6. Stakeholder Engagement Management). Sakhalin Energy has developed a system to take into account and control internal and external production, financial, technological, social, and environmental impacts, which allows the company to mitigate all types of risks in order to enhance its corporate sustainability (see Section 5.4. Risk Management System).

PARTNER OF NATIONAL PROJECTS

In 2020, Sakhalin Energy became one of the first companies to receive the status of National Project Partner for its contribution to the implementation of the goals and objectives of the Ecology, Culture, Demography and Education national projects. The status was awarded to Sakhalin Energy by National Priorities Independent Non-Profit Organisation based on a review of the company's corporate practices, included in the toolkit of the Russian Union of Industrialists and Entrepreneurs.

2nd

place was taken by Sakhalin Energy in the social efficiency rating of the largest Russian oil and gas companies

LEADER OF THE SUSTAINABLE DEVELOPMENT VECTOR AND THE RESPONSIBILITY AND TRANSPARENCY INDICES

In 2020, for the fifth year in a row, Sakhalin Energy was among the leaders of the Sustainable Development Vector Index and the Responsibility and Transparency Index, compiled by the RUIE since 2014 for an independent assessment of companies in terms of sustainable development, corporate responsibility and reporting.

In compiling the Responsibility and Transparency Index, the RUIE evaluates the disclosure of information in key areas of activity, analyses 70 indicators characterising responsible business practices, including economic, environmental, and social performance indicators, as well as governance aspects. The Sustainable Development Vector Index shows performance dynamics and therefore makes it possible to identify leaders among the largest companies— leaders in terms of transparency and, at the same time, demonstrating a generally upward trend in the area of sustainable development.



LEADER OF THE SOCIAL PERFORMANCE OF THE LARGEST RUSSIAN COMPANIES RANKING

In 2020, Sakhalin Energy ranked first among companies with the highest contribution to social development per unit of environmental burden — a social performance rating of the largest Russian oil and gas companies.

The rating assesses the social performance of companies in order to identify the best of them, determines the flagships of the Russian economy, which not only set economic performance goals, but also adopt a proactive attitude in sustainable development.

Successfully passing general independent assessments in CSR and sustainable development, the company remains a leader in certain sectors of this area, such as environmental impact management, HR management and personnel development, occupational safety and health, charity, etc. (see Sections 4, 7, 8 and 9).

RAEX-EUROPE ESG LEADER

In 2020, Sakhalin Energy ranked second in the first ESG ranking of Russian oil and gas companies, compiled by RAEX-Europe. The companies were ranked in three sections: Environmental, Social, and Governance. Each section included several issue-related factors, based on which the experts checked the availability of corporate policies, guidelines, and reports, as well as assessed each company's performance in the relevant area (a total of 200 quantitative and qualitative indicators).

3.2.

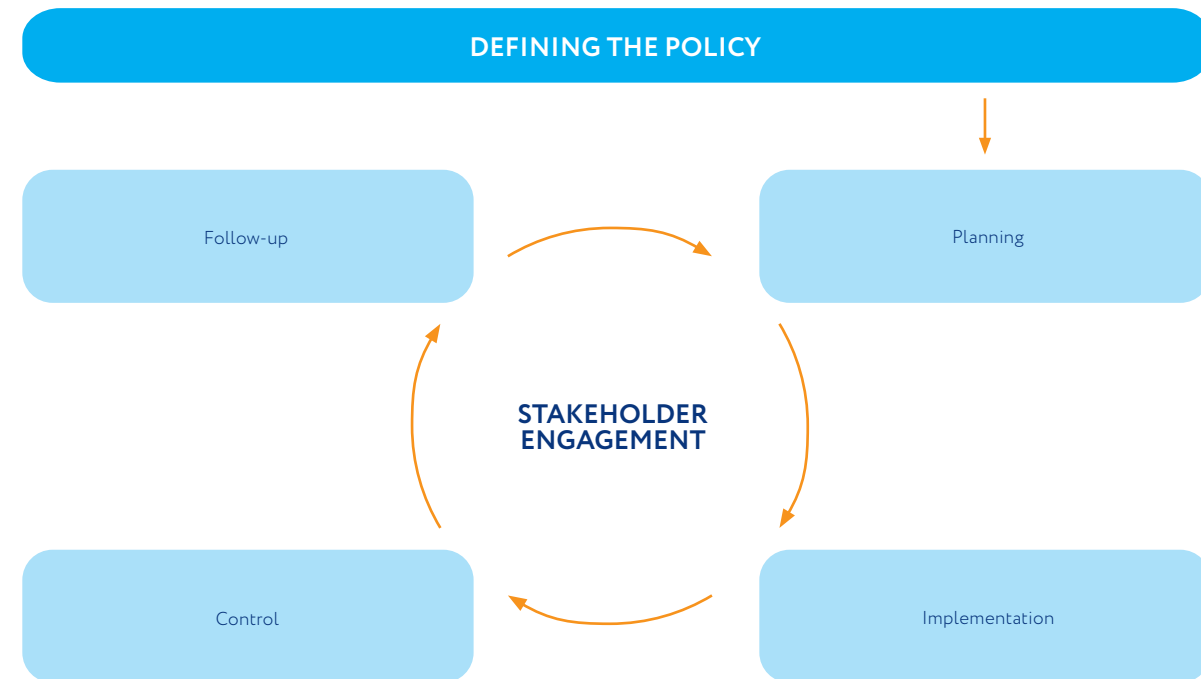
SAKHALIN ENERGY'S CSR SYSTEM

Corporate social responsibility applies to all activities of Sakhalin Energy. This approach is supported by its mission, vision, and values. The practical aspects are addressed and approved in a number of corporate documents (see Section 5. Corporate Governance), including:

- Code of Conduct, including the Statement of General Business Principles;
- Sustainable Development Policy;
- Human Rights Policy;
- Commitment and Policy on Health, Safety, Environment and Social Performance.



Sakhalin Energy's CSR Management System



Sakhalin Energy applies an essential part of the requirements and business principles set out in these documents to its contractors. This is in line with the GRI Standards. In addition to special contractual provisions and specific requirements, including the results of environmental, health and social impact assessments (see Section 3.5.2 Impact Assessment), the company arranges training sessions and workshops to ensure the effective integration of business ethics and social and environmental principles into the work of its contractors, and control over compliance with these principles (see Section 7.4 Supply Chain Management).

At Sakhalin Energy, CSR trends and indicators are regularly evaluated by authorised personnel and senior management within the company's system of internal

oversight and audit, as well as by lenders, their advisers, and external certifying authorities. Assessments are also done through various stakeholder engagement activities, including:

- public consultations;
- workshops and topic-related discussions;
- opinion surveys;
- consultations in information centres established by the company in settlements located along the Trans-Sakhalin pipeline and in close proximity to other assets of Sakhalin Energy;
- addressing grievances and appeals, etc.

For detailed information on the mechanisms for interaction with different stakeholders, see Section 6. Stakeholder Engagement Management and Section 9.4. Human Rights.

3.3.

PERFORMANCE STANDARDS

Russian companies refer to CSR business, social, and environmental activities defined by legislation, as well as a range of additional programmes and responsibilities with regard to employees and society. The results are reflected in various non-financial reports on activities. A number of companies take on additional responsibilities beyond the minimum set by legislation based on their strategic and regional priorities and their level of corporate culture. Sakhalin Energy is no exception. It operates in accordance with the international standards established with regard to CSR.

Many initiatives and standards have been established worldwide in the area of environmental and social

responsibility. The leading standards are the United Nations Global Compact, the Global Reporting Initiative (GRI), the EU Directive as regards disclosure of non-financial and diversity information by certain large organisations and groups, the standards of the International Finance Corporation, standards of the International Organisation for Standardisation (ISO), and a number of others.

In 2009, Sakhalin Energy joined the UN Global Compact (UNGC) and pledged its commitment to consistently follow the UNGC's principles concerning human rights, labour, environment, and anti-corruption.

SAKHALIN ENERGY IN THE UN GLOBAL COMPACT LEAD

In 2011, Sakhalin Energy became the first Russian company to participate in the Global Compact LEAD created as part of the UN Global Compact. LEAD companies are obliged to carry out certain activities in environmental protection, social performance, and corporate governance, as well as to develop new CSR standards.

Since 2018, the UN Global Compact has been implementing the LEAD Programme using new criteria, and Sakhalin Energy continues to participate in the programme, including in SDG Reporting and Corporate Social Responsibility in the Global Compact LEAD. The company submits an annual Communication on Progress (annual reporting by a member of the UN Global Compact) at an advanced level.

At the UN Global Compact Leaders Summit 2020, held at the UN headquarters in New York in September 2020, companies were announced, including Sakhalin Energy, which had been recognised by the Global Compact LEAD as showing their continued commitment to the UN Global Compact and its Ten Principles. The Global Compact LEAD companies (a total of 41 companies in the world) are the most active participants in the UN Global Compact, the world's largest corporate sustainable development initiative.

The main international standards that Sakhalin Energy applies are as follows:

- ISO standards (environmental management, quality control, health and safety, and social responsibility);
- European Union and United Nations standards and directives (environment, human rights, indigenous peoples, etc.);
- World Bank and International Finance Corporation standards (governance systems, risk and impact assessment, biodiversity, public health, cultural heritage, indigenous peoples, involuntary resettlement, stakeholder engagement, grievance mechanisms, etc.);
- GRI standards (non-financial reporting, stakeholder engagement).

APPLICATION OF ISO 26000:2010 GUIDANCE ON SOCIAL RESPONSIBILITY

In 2010, the International Organisation for Standardisation (ISO) proposed ISO 26000:2010 Guidance on Social Responsibility (ISO 26000 standard) for use by organisations worldwide.

Since 2010, Sakhalin Energy has been regularly conducting self-assessments according to this standard. Such self-assessments allow the company to determine the extent to which the principles and topics of the standard are adhered to in its policies and procedures, as well as the extent to which the company actually follows them. In addition, self-assessments make it possible to plan activities that contribute to the improvement of the company's efforts in the area of corporate social responsibility.

During self-assessments, the company's directorates and departments use the developed methodology to analyse the company's standards and experience in the areas indicated in the relevant topics of ISO 26000. The topics include: administrative management, human rights, labour relations, environmental protection, good business practices, customer relations, and engagement with local communities.

In 2019, the company conducted its fourth self-assessment. Based on its results, it was concluded that the company complies with ISO 26000 completely and maintains engagement with stakeholders on social responsibility issues in line with the standard.

After each self-assessment, the company's statement, approved by the Chief Executive Officer, is posted on the company's website in the Social Performance section.

Sakhalin Energy intends to permanently adopt this standard and to verify compliance with it no less than once every three years. The next self-assessment will be carried out in 2022.

3.4.

SUSTAINABLE DEVELOPMENT POLICY

3.4.1. BASIC PROVISIONS OF THE SUSTAINABLE DEVELOPMENT POLICY

Since its inception, Sakhalin Energy has pursued its Sustainable Development Policy by incorporating corresponding principles into the company's business strategies, plans, and processes.

According to the UN definition, sustainable development is about ensuring that "the needs of the current generation are met without compromising the opportunity for future generations to meet their own needs." Sakhalin Energy relies upon this definition in its operation. This approach presumes and ensures economic effectiveness, environmental safety, social justice, and ethical behaviour of the company and its employees, combined with an overall reduction of human impact on the ecosphere. This is implemented via strong, transparent, constructive, and systematic cooperation and two-way communication with all stakeholders.

In 2020, Sakhalin Energy consistently implemented the provisions of the Sustainable Development Policy, a public policy document approved by the Committee of Executive Directors in 2003 (the latest revision of the document of 2016 includes the company's commitment to the United Nations Sustainable Development Goals; see Section 3.4.2. UN Sustainable Development Goals). The policy declares the principles, directions and obligations of the company in sustainable development.

The basic provisions of the Sustainable Development Policy are as follows:

- Sakhalin Energy will carry out its business responsibly and efficiently so as to deliver a robust project that will maximise benefits to the Russian Federation, the Sakhalin Oblast, and the shareholders;
- Sakhalin Energy will contribute to the present and future needs of society on Sakhalin Island,

keeping a balance between economic development, environmental protection, and social responsibility, and taking into account cultural diversity;

- Sakhalin Energy will work with all stakeholders to identify ways to contribute to the wider, long-term economic, environmental, and social benefits in the Sakhalin Oblast.

To comply with these principles, Sakhalin Energy has made the following commitments to sustainable development:

- incorporate SD principles into production and business plans, procedures and processes;
- ensure compliance with the corporate Commitment and Policy on HSES and Social Performance, as well as the standards specified in the Health, Safety, Environmental and Social management systems and Action Plan;
- inform and engage with our stakeholders on the company's SD performance and seek feedback;
- develop and implement social investment and sustainable development 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;
- provide annual non-financial reporting in accordance with GRI standards and principles, as well as the corporate Sustainable Development Report Development Procedure;
- participate in the UN Global Compact (UNGC), complying with and promoting its ten principles;
- be a member of UNGC LEAD demonstrating sustainability leadership.

3.4.2. UN SUSTAINABLE DEVELOPMENT GOALS

Sakhalin Energy's social and environmental projects were included in the first Voluntary National Review (VNR) of Russia's progress in the implementation of the 2030 Agenda for Sustainable Development. In particular, experts noted the company's engagement with indigenous peoples, including the application of the principle of free, prior and informed consent (FPIC) as per the UN Declaration on the Rights of Indigenous Peoples, the Biodiversity Action Plan, and the Marine Mammal Observation Programme, designed to protect the population of marine mammals, primarily grey whales.

At the 70th session of the UN General Assembly in September 2015, a new global agenda was adopted—Transforming Our World: The 2030 Agenda for Sustainable Development, which includes 17 Sustainable Development Goals (SDGs), which seek to build on the Millennium Development Goals. One of the specific features of the new Goals is the

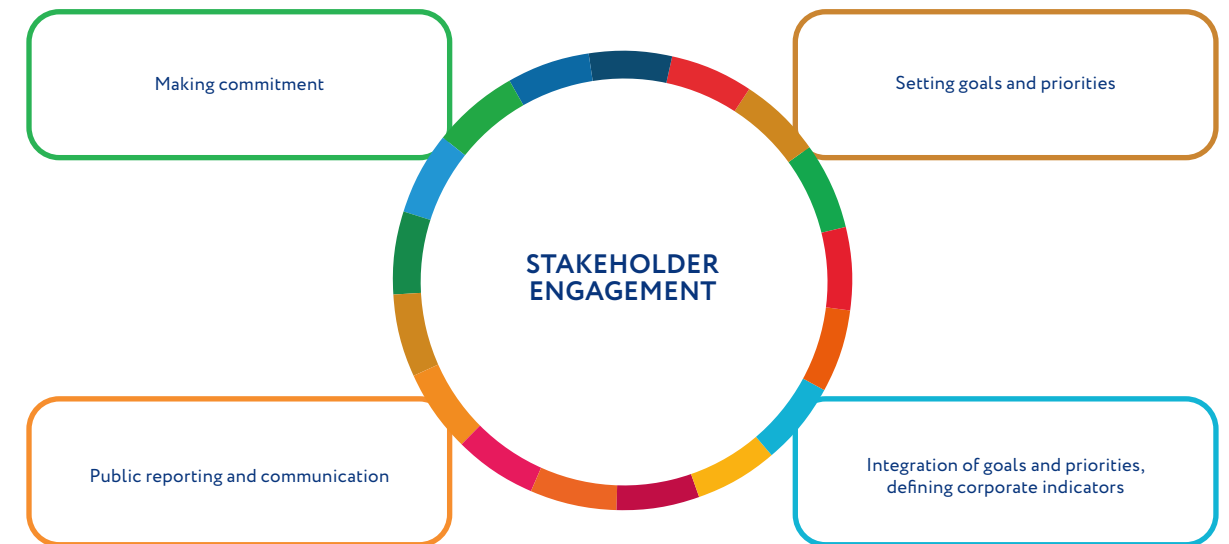
chosen approach to achieve them: the SDGs are addressed not only to governments, but also to other participants in the sustainable development process, in a particular business, civil society, and all individuals. The universal character of the SDGs allows companies to adopt a set of Goals that best corresponds to their activities and existing CSR programmes.

In its activities for the achievement of the SDGs, Sakhalin Energy primarily focuses on the following international documents:

- SDG Compass for Business, developed by the United Nations Global Compact, the GRI and the World Business Council for Sustainable Development (WBCSD);
- Mapping the Oil and Gas Industry to the Sustainable Development Goals: an Atlas, developed by the International Petroleum Industry Environmental Conservation Association (IPIECA) in partnership with the International Finance Corporation (IFC) and the United Nations Development Programme (UNDP);
- SDG Industry Matrix developed by the UN Global Compact and KPMG;
- A number of Russian and international documents related to corporate SDG reporting (see Section 2.2. Report Preparation Standards).



UN Sustainable Development Goals: Sakhalin Energy's Measures



At the end of 2015, Sakhalin Energy initiated work to study the SDGs and to define the company's contribution to achieving them, including:

- making a preliminary analysis of the SDGs to align the targets and indicators they set with the priorities, objectives, areas of activity, programmes and projects of the company (2015–2016);
- making a commitment to achieve the SDGs. The company's commitment to contribute to the achievement of the SDGs is enshrined in the corporate Sustainable Development Policy: Sakhalin Energy strives to be a leader in sustainable development, taking into account the Sustainable Development Goals set out in the 2030 Agenda for Sustainable Development (revised in 2016);

- defining priorities and goals—analysing the company's priorities and goals and defining the most significant SDGs in terms of their importance to the company's activities and contribution to their achievement (since 2016, annually). When determining the company's priorities and goals in relation to the SDGs, a fundamental condition is the engagement of stakeholders in the process of exchanging ideas about possible ways for the company to achieve the SDGs. Since 2016, relevant issues have been put on the agenda of dialogues with external stakeholders in the preparation of Sustainable Development Reports and discussions with company personnel. In 2017, questions regarding these issues were added to questionnaires for stakeholders to determine the content of the Sustainable Development Report. As a result, in 2020, as in the



previous year, the company stakeholders named SDGs 3, 4, 6, 7, 8, 9, 11, 12, 14, 15 and 17 to be the most significant for Sakhalin Energy (see Section 2.2. Report Preparation Standards);

- integrating commitments and goals with the processes and practices of the company. An analysis showed that the company’s existing processes, programmes, and practices in the field of sustainable development contribute to the achievement of most of the SDGs (since 2016). In 2017, an analysis was made of each SDG target (169 targets in total) to determine which company processes and practices correspond to them. The analysis showed that not all SDG targets are applicable to the company or relevant to its activities. In 2018, the company analysed the global indicators (232 indicators in total) to identify and systematise corporate indicators that correspond to each target and global indicator. It was important that corporate indicators should demonstrate the efforts the company makes to achieve the global indicators of the relevant

SDGs. Additional SDG programmes, projects and indicators were identified in 2020 The summary of the analysis results, namely the goals and objectives of the company with examples of areas of activity, projects, programmes or activities that correspond to specific SDGs and their targets, as well as key corporate indicators, is presented in the Goals and Objectives of Sakhalin Energy table. In addition, Appendix 1. GRI Standards Compliance Table contains SDGs that correspond to specific topics/targets of GRI standards;

- public reporting. The company made a decision to include information on its contribution to SDGs achievement in annual Sakhalin Energy Sustainable Development Reports (starting with the 2016 Report and at least until 2030), as well as in its annual reporting as a participant of the UN Global Compact (Communication on Progress).

All structural units of Sakhalin Energy are involved in the above-mentioned activities with respect to the SDGs.

In 2020, the company continued work under the Action Platform Reporting on the SDGs, which was initiated by the UN Global Compact and the GRI in partnership with the UN Principles for Responsible Investment programme in order to unite the efforts of all stakeholders in developing the framework, principles and recommendations for corporate reporting on SDG implementation. The initiators of the project are guided primarily by GRI Standards and the UN Global Compact requirements. As a result, companies will be able to integrate reporting on SDGs with existing reporting formats.



Goals and Objectives of Sakhalin Energy with Examples of Areas of Activity, Projects, Programmes or Activities That Correspond to Specific SDGs and Their Targets, as Well as Key Corporate Indicators

Note: since SDGs are complex and indivisible, the goals and objectives of the company, with examples listed, are presented for several SDGs simultaneously. See Section 10 for 2021–2026 key performance indicators and corresponding SDGs.

SDGs and Their Targets	Company Goals and Objectives	Areas, Programmes, Projects (Examples)	Indicators (Included or Referenced to in the Report)	Report Section(s) and/or Other References
 1.1 1.2 1.4 1.5	Provide an attractive and competitive employee value proposition. 70% Russian Content over the life of the Project (as per the PSA). Contribute to sustainable development of the host regions (Sakhalin Oblast). Resolve grievances from stakeholders effectively, paying special attention to vulnerable groups. Conduct effective and timely environmental, social and health impact assessment. Introduce innovative solutions and carry out digital transformation.	Remuneration and bonus system. Social guarantees, benefits and compensations. Digital strategy ⁹ . Localisation projects (Sakhalin Energy maintenance and repair facility in the Sakhalin Industrial Park). Standards harmonisation project. Continuous Improvement Programme. Digitalisation projects. Supplier management. Supplier Development Programme. Financial benefits to the RF and the Sakhalin Oblast. Sakhalin Island Infrastructure Improvement. Grievance mechanisms. Environmental and social impact management. Resettlement Action Plan. SIM engagement practices (in accordance with the Human Rights Policy, indigenous peoples are a vulnerable group). Social investment programmes and projects. Cultural heritage protection plans. Projects to preserve indigenous languages. Road safety assurance activities.	Ratio of the standard entry level wage and the established minimum wage. Russian and local content. Significant indirect economic impacts. Intellectual property rights portfolio. Grievance resolution indicators. Units with significant actual or potential negative impact on local communities. Operations involving involuntary resettlement, the number of households resettled in each case, and how their livelihoods were affected by the resettlement. Total number of infringement cases affecting the rights of indigenous minorities, and actions taken. Operations in areas where indigenous communities are present or affected by activities and where specific engagement strategies are in place. Number and description of significant disputes with local communities and indigenous peoples. Number of road accident victims.	4, 6, 7, 9.1, 9.2, 9.4, 9.5; for references, see Appendix 4: — Sakhalin Oblast infrastructure development; — Resettlement: Experience of Sakhalin Energy brochure; — websites of social investment projects and programmes; — Public consultation and disclosure plan; — Archaeological Heritage of Sakhalin Island brochure.
 2.3 2.4				
 9.1 9.4				
 11.1 11.2 11.4				
 12.7 12.8				
 3.3 3.5 3.6 3.8 3.9	Goal Zero: No Harm. No Leaks. Ensure employee health protection.	Occupational safety and health (measures to ensure industrial safety, road safety, etc.). Employee health protection (assessment of health risks, occupational health, organisation of medical examinations, emergency medical response, voluntary health insurance and disease prevention programmes, etc.). Industrial environmental control.	Occupational injury rate. Occupational disease rate. Total number of work-related fatalities. Coverage of employees carrying out activities in hazardous, dangerous and arduous working conditions via mandatory periodic medical examinations. Coverage of employees via clinical screening. Greenhouse gas emission indicators. Emissions of ozone-depleting substances. NOX, SOX and other significant air pollutant emissions. Total water discharge by quality and destination. Total weight of waste by type and disposal method. Total number and volume of significant spills. Volume of flared and vented hydrocarbon. Number of road accident victims.	9.2, 9.3, 8.2, 8.5



SDGs and Their Targets	Company Goals and Objectives	Areas, Programmes, Projects (Examples)	Indicators (Included or Referenced to in the Report)	Report Section(s) and/or Other References
 4.3 4.4 4.5 4.7  8.1 8.2 8.3 8.5 8.6 8.8	Meet company skilled labour force requirements to manage ongoing and strategic objectives. 70% Russian Content over the life of the Project (as per the PSA). Contribute to sustainable development of the host regions (Sakhalin Oblast).	Staff training and development activities. Localisation projects (Sakhalin Energy maintenance and repair facility in the Sakhalin Industrial Park). Standards harmonisation project. Continuous Improvement Programme. Supplier management. Supplier Development Programme. Financial benefits to the RF and the Sakhalin Oblast. Engagement with universities ^o . Remuneration and bonus system. Social guarantees, benefits and compensations. Measures to ensure occupational safety and health of personnel.	Average hours of training per year per employee by gender and employee category. Proportion of trained personnel by gender and employee category. Staff training costs. Indicators of skill development and education programmes, including for graduates, trainees, etc. Proportion of employees receiving regular performance and career development reviews, by gender and by employee category. Russian and local content. Ratio of the standard entry level wage and the established minimum wage. Return to work and retention rates after parental leave, by gender. Occupational injury rate. Occupational disease rate. Total number of work-related fatalities. Number of road accident victims.	7, 9.1, 9.2, 9.3
 5.1 5.2 5.4 5.5  10.3	Comply with Russian legislation and international standards for respecting, protecting and promoting human rights.	Assure gender equality and non-discrimination in all aspects of labour relations, including recruitment, selection, hiring, assessment, promotion, training of employees, maintaining discipline, learning and development, compensation, and termination of employment contracts Social investment programmes ^o .	Total number of discrimination cases and corrective actions taken. Ratio of the basic salary of men and women. Composition of governance bodies and main employee categories by gender and age group. Proportion of employees receiving regular performance reviews, by gender and employee category. Average hours of training per year per employee by gender and employee category. Number of employees with disabilities ^o . Proportion of trained personnel by gender and employee category. Return to work and retention rates after parental leave, by gender. New employee hires and employee turnover by age group and gender. Ratio of the standard entry level wage and the established minimum wage.	9.1, 9.5

SDGs and Their Targets	Company Goals and Objectives	Areas, Programmes, Projects (Examples)	Indicators (Included or Referenced to in the Report)	Report Section(s) and/or Other References
 6.3 6.4 6.6  7.3  8.4  9.5  12.2 12.4 12.5 12.6  13.1	Implement effective and lean manufacturing methods. Introduce innovative solutions and digitalisation of all processes. Comply with legislation on environmental protection, observance of established environmental standards, assurance of the rational use of natural resources, and fulfilment of plans for minimising environmental impact.	Operation of gas turbines with a system for reducing nitrogen oxide emissions. Application of enhanced gas turbulence system to ensure sootless flaring. Associated gas evacuation. Drilling waste disposal via dedicated reinjection wells into deep subsurface horizons with sealing barrier formations. Enhanced operational reliability and failure-free service of equipment. Business Continuity Management System Industrial Environmental Control of impact on atmospheric air and bodies of water, waste management. Power saving and enhanced energy performance. Stakeholder engagement practices. Green LNG Strategy ^o . Public reporting on sustainable development.	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal. Volume and disposal of formation or produced water. Volume of flared and vented hydrocarbon. Rate of associated gas burning. Total weight of waste by type and disposal method. Total water discharge by quality and destination. NOX, SOX and other significant air pollutant emissions. Specific pollutant emissions. Emissions of ozone-depleting substances. Energy indirect greenhouse gas emissions. Direct greenhouse gas emissions. Specific greenhouse gas emission. Energy intensity. Energy consumption within the organisation. Specific power consumption. Total water withdrawal by source. Water sources significantly affected by the organisation's water intake. Specific water use indicators. Total number and volume of significant spills. Operational sites on, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. Impacts of activities on biodiversity in protected natural areas and areas of high biodiversity value. Number of species listed in the IUCN Red List and the National List of Protected Species. New environmentally assessed suppliers. Environmental costs and payments for adverse environmental impact, including their structure.	2, 4, 6, 8, reference in Appendix 4: Public Consultation and Disclosure Plan



SDGs and Their Targets	Company Goals and Objectives	Areas, Programmes, Projects (Examples)	Indicators (Included or Referenced to in the Report)	Report Section(s) and/or Other References
 14.1 14.2 14.3 14.4  15.1 15.2 15.5 15.9	Goal Zero: No Harm. No Leaks. Assess the condition and restoration of the environment in the areas of the company's production assets, to identify signs of the current impact, and to develop actions to mitigate it, if necessary. Conduct effective and timely environmental, social and health impact assessment. Impact mitigation, develop and implement actions aimed at the preservation of rare and endangered species, as well as environmentally significant and vulnerable biotopes.	Assess environmental risks and impacts. Green LNG Strategy ⁹ . Effective and viable waste management strategy. Implement the environmental compliance action plan. Coordinated programmes for biodiversity conservation and local monitoring. Maintain and improve emergency response and oil spill response mechanisms, rescue oiled animals.	Volume of flared and vented hydrocarbon. NOX, SOX and other significant air pollutant emissions. Energy indirect greenhouse gas emissions. Direct greenhouse gas emissions. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. Operational sites on or adjacent to protected areas and areas of high biodiversity value outside protected areas. Impacts of activities on biodiversity in protected natural areas and areas of high biodiversity value. Recovery of wetlands in disturbed areas of the ROW. Changes in the status of nesting populations, protected plant and animal species and their habitats. Changes in aquatic ecosystems. State of soils. Overgrowing of the ROW. Number of species listed in the IUCN Red List and the National List of Protected Species. Total amount and volume of significant spills.	8, references in Appendix 4: – Biodiversity Action Plan; – Marine Mammal Protection Plan; – Oil Spill Prevention and Response Plans; – Oiled Wildlife Response Plan.
 16.1 16.2 16.3 16.5 16.6 16.7 16.10	Comply with all applicable laws and regulations of the countries in which the company operates. Effective corporate governance. Corporate culture management. Anti-bribery and corruption enforcement. Provide all stakeholders with safe and confidential ways of expressing concerns and grievances, or reporting non-compliances.	Availability of the General Business Principles, values, norms and standards of the Code of Conduct. Anti-bribery and corruption actions. Feedback and grievance mechanisms. Assurance of safety with respect for human rights. Conflict of Interest Policy. Stakeholder engagement practices, including open public consultations and public sustainable development reporting.	Total value of political contributions by country and recipient/beneficiary. Total number of incidents related to non-compliance with regulations and voluntary codes, concerning product and service information and labelling. Total number of discrimination cases and corrective actions taken. Confirmed incidents of corruption and actions taken. Communication and training on anti-corruption policies and procedures. Rate of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations. Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour. Stakeholder engagement indicators, including feedback. Grievance resolution indicators.	2, 5, 6, 9, 4; for references, see Appendix 4: – Code of Conduct; – Human Rights: Experience of Sakhalin Energy brochure.

⁹ Additional SDG programmes, projects and indicators were identified in 2020.

One of the conditions for achieving the SDGs, which is also highlighted as separate Goal 17, is to join efforts in global, regional or local partnerships, uniting governments, businesses and the community. Sakhalin Energy pays special attention to long-term strategic partnerships engaging external stakeholders. This applies to environmental projects, production localisation and personnel development programmes, social investment, etc. (see Sections 6.9. International and Regional Cooperation, 7.3. Russian Content, 8.3. Environmental Monitoring and Biodiversity Conservation, Section 9.1. Personnel: Management and Development, 9.5. Social Investment and Contribution to the Sustainable Development of the Host Region).

Sakhalin Energy continued promoting the SDGs in the business community. In 2020, in particular:

- Sakhalin Energy was the only Russian company whose experience was included in the compilation of the best practices of the UN Global Compact. In total, the collection contains 31 in-

ternational examples that demonstrate various approaches to the implementation of the SDGs;

- the company's practices were included in the collection of corporate practices "Decent work—sustainable business", prepared as part of the joint work of the RUIE Committee on Corporate Social Responsibility and Sustainable Development, the RUIE Corporate Responsibility, Sustainable Development and Social Entrepreneurship Department with the support of the International Labour Organisation (ILO) and Sakhalin Energy;
- Sakhalin Energy took part in the panel discussion of the draft Voluntary National Review of Russia's Progress in the Implementation of the 2030 Agenda for Sustainable Development (see Section 6.9. International and regional cooperation);
- Sakhalin Energy presented its experience with the SDGs at the VIII Russian Donors Forum Annual Conference (see Section 6.9. International and Regional Cooperation).



3.5.

HSE AND SOCIAL PERFORMANCE MANAGEMENT

3.5.1. HSE AND SOCIAL PERFORMANCE MANAGEMENT SYSTEM

The company is committed to preventing potential damage to the community and environment as a result of its operations and contributes to sustainable development to benefit the residents of Sakhalin and other primary stakeholders. Since the beginning of the Sakhalin-2 project implementation, the Russian Federation and the Sakhalin Oblast have received numerous benefits from it, including multi-billion investments, employment growth, contracts with Russian companies, etc. (see Section 7.1. Importance of the Sakhalin-2 Project for the Russian Federation and the Sakhalin Oblast). Understanding that the scope and complexity of the project can have an impact on the environment and social performance, Sakhalin Energy made a commitment to consistently prevent associated potential problems and adverse impacts, and to reduce risks. In its operations, the company adheres to the principle of eliminating hazards and threats, paying special attention to preventive risk management and impact assessment (see Section 5.4. Risk Management).

Health, safety, environment, social performance, and industrial safety management is an integral element of the corporate management system and is regulated by a number of fundamental documents that include:

- Sustainable Development Policy;
- Commitment and Policy on Health, Safety, Environment and Social Performance;
- HSE and SP Management System Manual;
- Health, Safety, Environment and Social Action Plan;
- Flaring Commitment;
- Statement of Industrial Safety Policy;
- Policy on the Industrial Safety Management System;
- Regulation on Industrial Environmental Control;
- Business Continuity Policy;
- Guidance on the Business Continuity Management System.

The above documents were approved by the Committee of Executive Directors, signed by the Sakhalin Energy Chief Executive Officer, and communicated to the personnel and contractors.

The commitments adopted by the company following the results of assessing the impact on the environment, health, and social performance, conducted before the start of the Phase 2 construction work, are included in the Health, Safety, Environment and Social Action Plan (hereinafter – the Plan). The development of the Plan was a mandatory condition for obtaining a loan for Sakhalin-2 Phase 2 implementation.

The Plan was developed in compliance with Russian laws and international standards, including the World Bank's Policies and Directives, the standards of the International Finance Corporation, and others. The Plan describes the HSE and SP

management system, provides detailed information on measures to minimise the adverse environmental impact, monitoring, activities in environmental and social areas, as well as all internal and external standards regulating the company's HSE and SP activities. The Plan is approved by the project lenders. The fourth edition was published in 2015, revision five is undergoing the final approval round.

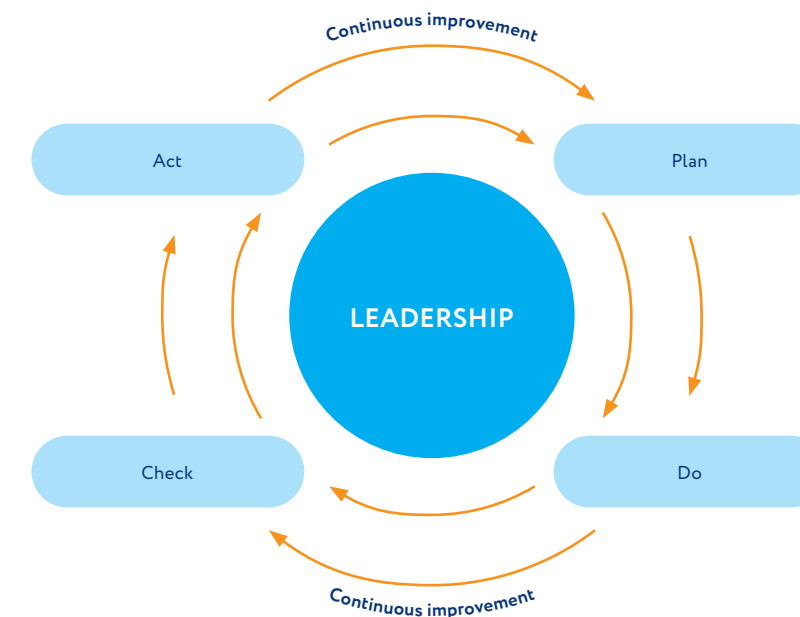
The Plan was posted on the company's website (in Russian and English), as well as in the company's information centres in libraries of the communities located in the vicinity of the company's assets. A few materials are available in Japanese for stakeholders in Japan. The implementation of the Plan is regularly monitored by the company, lenders and their consultants; inspection results are published on the company's website (www.sakhalinenergy.com).

The company applies a systemic approach to handling HSE and social performance issues, which ensures continuous improvement in this area. The comprehensive HSE and SP management system includes controls used by Sakhalin Energy to handle hazardous situations and risks. The system is applied to all Sakhalin Energy assets, projects, and operations, including those conducted by contractors. Sakhalin Energy

considers control of risks as a critically important prerequisite for successful performance; therefore, the risk management system is subject to continuous updating, improvement, and optimisation.

The system is based on the Plan-Do-Check-Act methodology of ISO 14001 and OHSAS 18001 standards.

HSE and Social Performance Management System



The Plan-Do-Check-Act Methodology is applied in order to:

- identify goals and establish procedures necessary to achieve performance indicators in compliance with the Commitment and Policy on Health, Safety, Environment and Social Performance. This includes identifying legal and other requirements, determining problems and risks, assessing impacts, identifying management elements, as well as developing annual performance improvement plans;
- implement procedures for training and advanced training, contractor performance management, engagement and interaction, change management, emergency response, as well as operational control over hygiene, personal safety, integrity of assets, and industrial safety. The procedures cover the issues of transportation, health, safety, environment, and social performance, including those associated with public activities, cultural heritage, land acquisition, relocation and provision of additional assistance, conducting scheduled consultations and sharing information with the community,

grievance consideration; with social investments;

- monitor and assess performance in accordance with the set objectives, legal and other requirements; provide reports on findings, incidents, and non-compliances; take corrective and preventive measures; conduct audits of the HSE and social performance management system at the company's assets and in functions;
- regularly perform a review of the management system and promote continuous optimisation of HSE and SP performance.

The Sakhalin Energy HSE and SP management structure consists of the HSE Management Committee, which exercises comprehensive control over the area. The Committee is chaired by the company's Chief Executive Officer. The HSE General Manager reports to the CEO and oversees the development, introduction, operation, and monitoring of the management system. To ensure the fulfilment of the industrial safety and HSE standards, HSE services were formed in the company's structural and functional units.

Every 3 years the company has its HSE Management System externally certified against the requirements of the internationally recognised ISO 14001 environmental management standard and OHSAS 18001 occupational health and safety management standard. In the intervening years surveillance audits are carried out. In 2018, the company was certified to the new version of ISO 14001:2015, which provides an improved systemic approach to environmental management.

With the positive results of the surveillance audit obtained in 2020, Sakhalin Energy has once again guaranteed to external stakeholders that its environmental impacts are under control and its environmental management approaches continue to be improved.

The new version of the Standard introduced the requirement for a company to integrate environmental management system requirements into the organisation's business processes. This new version also takes HSE leadership to the next level: company executives take a more active role in environmental management

by acting as guarantors of the corporate environmental management performance. Although these principles have recently been made part of the standard, Sakhalin Energy has implemented them for some time, and they have proved efficient.

In 2021 the company plans to obtain certification to ISO 45001:2018 – International Standard for Occupational Health and Safety (OH & S) that has now replaced OHSAS 18001.

In August-September 2020, the Lenders and External Consultants completed the annual monitoring of the company. Special attention was placed on measures implemented by the company to prevent the spread of coronavirus. Based on the monitoring results a positive appraisal was given by the inspecting parties. The company's sanitary and anti-epidemic measures, internal and external communications and additional charitable initiatives, including healthcare initiatives, were highly appraised.

3.5.2. IMPACT ASSESSMENT

The company is committed to making an impact assessment prior to any new activities or significant changes in existing projects. This is the basis of the due diligence approach and all risk management processes.

Impact management is a process of predicting and managing the future project activities by improving project solutions, taking measures targeted at minimising potential adverse impacts and increasing benefits from the company's activities.

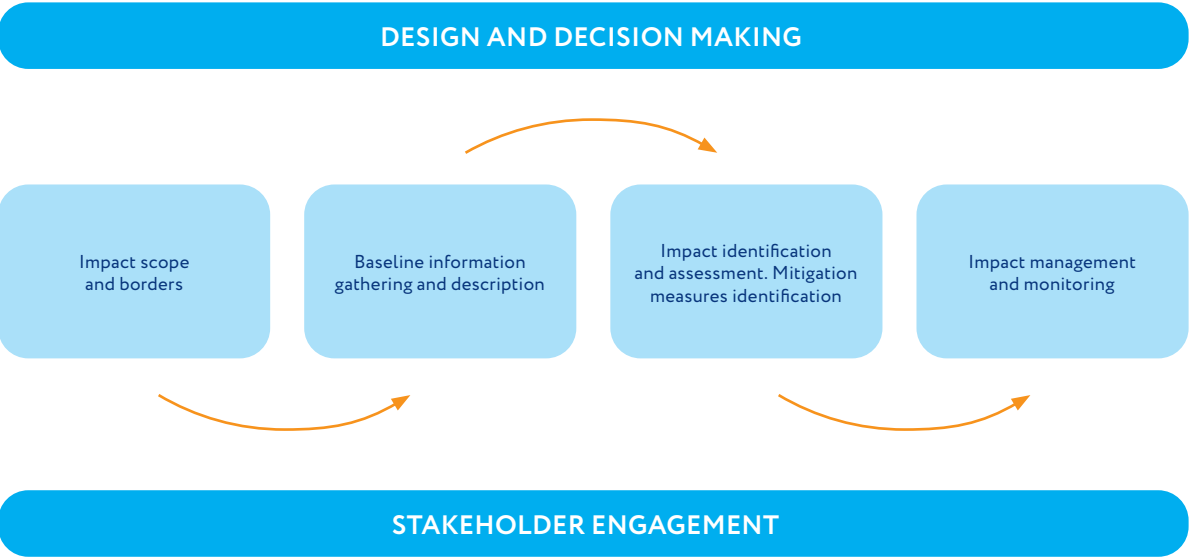
Sakhalin Energy seeks to avoid or reduce the impact to the lowest possible level or to compensate for it by taking appropriate measures. When any potential

adverse impact is identified, the following actions are consistently developed and taken:

- avoid;
- prevent;
- mitigate;
- compensate;
- use experience to reduce the probability of occurrence.

An integral part of any impact assessment carried out by the company are consultations with the stakeholders to inform them about the planned activities, identify concerns, take into account their opinions, and discuss possible measures to manage the impact.

Stages of Impact Assessment



The results of previous environmental and social impact assessments (including the results of comprehensive and strategic environmental assessments as well as the required additional and special studies) are taken into account in the company’s standards, while its ongoing activities are based on relevant plans and programmes. The results of impact assessments are published on the company’s website. The validity and completeness of the assessments are monitored by government authorities and project lenders.

In 2020, the company held three public discussions:

- on the design documentation Addendum to the Technical Project for Construction and Operation of Non-Production-Related Subsurface Facilities for Disposal of Cuttings and other Fluids at Astokh Area of the Piltun-Astokh Field, in the form of public hearings;

- on the documentation Oil Spill Prevention and Response Plan for Prigorodnoye Offshore Assets subject to the state environmental expert review at the federal level, in the form of a public opinion poll;
- on the documentation Oil Spill Prevention and Response Plan for Offshore Assets of Piltun-Astokh and Lunskeye Oil Gas and Condensate Fields subject to state environmental expert review at the federal level, in the form of a public opinion poll.

The company provided responses to all the questions raised during the meetings.

Participants didn’t express negative views on the planned activities.

3.5.3. INSPECTION AND AUDIT

Since 2005, external and internal inspections and audits have been conducted to ensure control over all the elements of the integrated HSE and SP management system in compliance with approved annual plans. External audits are conducted by representatives of the company’s shareholders and lenders, external certifying authorities, etc. For internal audits, the company engages specially trained auditors –

qualified employees of the company and shareholder specialists.

In 2020, five external HSE and SP management system audits were conducted (see the Inspections and Audits of the HSE and SP Management System in 2020 table).

Inspections and Audits of the HSE and SP Management System in 2020

Audit level	Number of audits	Content
External	5	Surveillance Audit to check compliance with ISO 14001 and OHSAS 18001 Standards
		Wells HSE: Verify and assist review
		Onshore Pipeline Cold Eyes Assurance Review
		Monitoring of compliance with HSE and SP standards by the representative of lenders – by the independent environmental consultant [°]
		Third SIMDP (Sakhalin Indigenous Minorities Development Plan) completion evaluation ^{°°}

[°] The report is available on the company’s website (www.sakhalinenergy.com).
^{°°} The report is available on the SIMDP website (www.simdp.ru).



4

ABOUT THE COMPANY

The efforts of Sakhalin Energy have largely contributed to Russia becoming one of the key players in the promising Asia-Pacific market.

4.1.

SAKHALIN ENERGY

Having achieved a labour productivity indicator of 182.03 mln roubles/person per year, the company topped the main category of the “Labour Productivity: Russian Industry Leaders 2020” All-Russian award. Sakhalin Energy leads the TOP-100 major enterprises in the country’s key industries. When selecting leaders from among the participants in the ranking, the organisers studied data on more than 5,000 Russian industrial enterprises. With its consistently high indicators, Sakhalin Energy has led the ranking for the fourth year in a row.

Sakhalin Energy Investment Company Ltd. (herein-after referred to as Sakhalin Energy or the company) was founded in 1994 to develop the Piltun-Astokhs-

koye and the Luns koye oil and gas fields in the Sea of Okhotsk offshore Sakhalin Island.

Sakhalin Energy operates under the Sakhalin-2 project Production Sharing Agreement (PSA) that has been signed by the company and the Russian Federation represented by the Government of the Russian Federation and the Sakhalin Oblast Administration (currently, the Sakhalin Oblast Government).

The following companies hold shares in Sakhalin Energy through their subsidiaries: Gazprom (50% plus one share), Shell, a British-Dutch company (27.5% minus one share), Mitsui (12.5%) and Mitsubishi (10%), Japanese corporate groups.

To develop these two fields, the company has built a large-scale infrastructure for the extraction, transportation, processing and subsequent marketing of hydrocarbons. The infrastructure includes three fixed offshore platforms, offshore and onshore pipeline systems, an onshore processing facility, two booster stations, an oil export terminal with a tanker loading unit, a liquefied natural gas (LNG) plant with an LNG jetty, and gas transfer terminals. Sakhalin-2 has been one of the most technically complex projects implemented in the global oil and gas industry over the last few decades.



The Sakhalin-2 project



In addition, the Sakhalin-2 project is remarkable for:

- Russia’s first ice-class offshore oil and gas platforms;
- first foreign investment raised for the implementation of a large-scale project in Russia;
- Russia’s first 4D offshore seismic survey.

4.2.

MAIN PRODUCTION RESULTS IN 2020

In 2020, Sakhalin Energy produced a record 11.6 mln t of liquefied natural gas — the largest amount in the history of the company.

4.2.1. ASSETS

February 2020 marked eleven years since the first LNG plant in Russia was officially launched as part of the Sakhalin-2 project. The efforts of Sakhalin Energy have largely contributed to Russia becoming one of the key players in the promising Asia-Pacific market.

In 2020, the company achieved two important milestones: the company shipped its 1,900th LNG cargo

since the launch of the LNG plant and the 700th oil cargo since the start of year-round production.

As of April 2020, the Molikpaq platform has produced 300 mln bbl (40.65 mln t) of oil since the start of oil production in the Astokh area of the Piltun-Astokhs-koye field in 1999.

DIGITAL TWIN WORKSTATIONS: IMPLEMENTING REAL-TIME REMOTE SUPPORT SYSTEMS

The epidemiological situation changed our approach to the organisation of work at the company's production facilities. The LNG plant promptly deployed digital twin workstations, a real-time remote support video system. The system enables the production facilities to perform their operations in such a way that other project participants (colleagues in the office, representatives of equipment manufacturers or Shell technical support engineers) can take part in the process remotely as they have a complete idea of what is going on and can share advice or answer any question from an asset in real time.

more than
41
mln t of oil

has been produced
by the PA-A platform
since the development
commencement

4.2.1.1. PILTUN-ASTOKHSKOYE-A (MOLIKPAQ/PA-A) PLATFORM

The Molikpaq platform was built in Japan 36 years ago and has been the main oil production platform in the company for 20 years.

Over the first nine years, starting from 1999, Molikpaq operated only during the ice-free season. In 2008, the platform commenced year-round production of hydrocarbons.

As of the end of 2020, the operating well stock of the Molikpaq platform included 17 oil production wells,

seven water injection wells, and one cutting re-injection well. The platform's average daily production rate in 2020 was 4.97 thousand t (36.67 thousand bbl) of oil and 0.53 mln m³ of associated gas.

Since the commencement of field development, the PA-A platform has produced more than 41 mln t (over 308 mln bbl) of oil, including 1.82 mln t (13.42 mln bbl) produced in 2020.

On the Molikpaq platform, work was successfully completed to upgrade the fire and gas detection system. This has improved the platform protection level.

In 2020, the company continued to ensure effective control over the development of the field, the reliable operation of the well stock, the quality of the fluid

injected for reservoir pressure maintenance (RPM), and the operation of the drill cuttings injection system.



Work continued to increase the oil recovery coefficient through treatment of the bottom-hole zones of wells with scale inhibitor.

The quantitative performance indicators of the Enhanced Oil Recovery Programme (for the company’s assets) are presented in the Enhanced Oil Recovery Programme Results for 2017-2020 table.

2017-2020 Enhanced Oil Recovery Programme Results

Indicators	2017	2018	2019	2020
Total ST since the start of development, pc.	8	8	8	8
Cumulative oil production from ST, thousand t	3,211	4,374	5,368	6,251
Total BHT since the start of development, pc.	4	9	14	21
Cumulative oil production from BHT, thousand t	91	162	227	248

Integration work was performed to update the geological-hydrodynamic model of the reservoirs of the Astokh area, which included determining infill drilling points; the cycle of knowledge systematisation was completed in a timely manner, which allowed focusing efforts on the development of an optimal 2022–2024 drilling schedule. The strategy, which includes information about the types of wells, their number, and drilling sequence, was successfully approved by the Technical Directorate at the final decision-making stage. The issues related to the design of the lower well completion were reviewed, and a concept was chosen using an easy-to-use, cost-effective open-hole gravel pack. In addition, the possibility of optimising the number of casings in sidetracking and new well drilling is under study.

In April 2020, a rig-refurbishment project was launched on the Molikpaq platform. This project will allow further development drilling to cover more remote areas of the Piltun-Astokhskoye field. Operations using the drilling rig are not being performed during this period.

For the purpose of stable production rate, the following measures were taken:

Two wells were successfully worked over at the beginning of the year: the first well, where a frac and pack lower completion has been installed to control sand production, and the second well, in which the tubing has been replaced together with an SCSSSV (Surface Controlled Sub-Surface Safety Valve) and a downhole pressure gauge. As a result, the reliability of downhole equipment has been increased, well integrity has been restored, and performance monitoring has been improved. This work has completed the preparation of the Molikpaq platform for the scheduled shutdown required for the rig refurbishment. The quality of the completed work was confirmed by tests of the wells for leak-proofness in April and October without loss of production.

Focusing on operations, the company carried out work to determine the technological modes of these wells.

As operational measures to control sand production, bottomhole pressure is continuously monitored using acoustic sensors, and critical pressure is simulated using dedicated software.

To prevent sand formation, the wells operate with a reduced flow area of the choke or are equipped with a downhole filter to prevent sand production. Another important goal was to develop a well drilling strategy

after the completion of the rig-refurbishment project. The work included comprehensive data analysis and preparation of reports for wells drilled in 2017–2020.

4.2.1.2. PILTUN-ASTOKHSKOYE-B (PA-B) PLATFORM

PA-B is the largest platform of the Sakhalin-2 project. Since late 2008, the platform has been producing oil and associated gas in the Piltun area of the Piltun-Astokhskoye oil field.

As of the end of 2020, the PA-B platform had 20 production wells, eight water injection wells, and two cutting re-injection wells.

The platform’s average daily production rate in 2020 was 3.45 thousand t (25.44 thousand bbl) of oil and 0.94 mln m³ of gas. Since the commencement of oil field development, the PA-B platform has produced more than 19 mln t (over 141 mln bbl) of oil, including 1.26 mln t (9.31 mln bbl) in 2020.

more than
19
mln t of oil

has been produced
by the PA-B platform
since the commencement
of the field development

The Piltun-Astokhskoye-B (PA-B) platform received the 2020 Shell Award in the Best Drilling Rig of the Year category. The ranking is done according to such criteria as HSE performance, operational excellence, and staff competency.

In the reporting year, the company completed the Well Reservoir and Facility Management (WRFM) programme, comprising production optimisation activities like scale treatments and gas lift optimisation, quality control of injected fluid for pressure maintenance and VRR, operation of the CRI system in the Piltun area of the Piltun-Astokhskoye field. The platform continuously monitored the composition and water cut of hydrocarbon products from the producing wells, the removal of solid/mechanical impurities, and the integrity of the wells.

In 2019–2020, the interpretation of 3D/4D seismic data obtained as a result of 2018 works at the Piltun-Astokhskoye field was carried out using offshore streaming, which was supplemented with the use of ocean bottom nodes (OBN). The use of OBN made

it possible to survey the areas directly adjacent to the production platforms.

Based on the results of the 4D seismic survey, recommendations were given for further optimisation of the development of the company’s fields, and the drilling targets for the planned wells were clarified. It was concluded that it will be expedient to carry out seismic exploration in subsequent years.

In the reporting year, two best-in-class production wells were drilled, one of which was the first at Sakhalin Energy drilled during the COVID-19 pandemic. According to the Rushmore Reviews, an international drilling performance rating, this well was ranked among the best in its class, demonstrating exceptional drilling performance.

It is noteworthy that the three wells that were commissioned on the PA-B platform prior to this event were also recognised as the best in their class by the international rating Rushmore Reviews. Thus, the Sakhalin-2 project team managed to continue the trend of PA-B record achievements.

The well was drilled in order to maintain the planned oil production, while new wells were drilled targeting low-productivity reservoirs in areas located at a significant distance from the PA-B platform. To do this, extended reach drilling technologies were used, as well as drilling a horizontal section in geosteering mode, during which all adjustments are made in real time. This method not only allows for maintaining required production levels, but also optimises the field development strategy, makes the development of reserves more manageable, stable and profitable.

4.2.1.3. LUNSKOYE A (LUN-A) PLATFORM

The LUN-A platform is the first offshore gas production platform in Russia. This is where most of the gas produced under the project comes from. Oil, condensate and gas segregation, including the processing of gas for transportation to the LNG plant, is carried out at the onshore processing facility.

The LUN-A platform was put into operation in December 2008, and gas from the platform has been filling the project's pipeline system ever since.

In Piltun wells, a standard set of open-hole logging was carried out, which was supplemented with reservoir pressure measurements to monitor the development process of the area and assess the hydrodynamic connectivity of the reservoirs. The pressure measurements in the productive intervals in the wells were performed while drilling with the StethoScope.

To prevent sand formation, preventive measures are taken by choking the wells in accordance within the operating limits of the maximum drawdown. Sand screens are also installed as standard equipment for new wells.

As operational measures to control sand production, continuous monitoring of bottomhole pressure, the use of acoustic sensors, as well as modelling of wellbore failure cases and updating of well operating envelopes are carried out.

As of the end of 2020, the LUN-A platform had 19 producing wells and two cutting re-injection wells.

In 2020, the platform continued to operate in a stable manner, producing an uninterrupted flow of gas from the existing wells. The platform's average daily gas production rate is 49.52 mln m³.

Since the commencement of field development, the platform has produced more than 189 bln m³ of gas, including more than 18 billion m³ of gas in 2020.



more than
189
bln m³
of gas

has been produced
by the LUN-A platform
since the commencement
of the field development

Our achievements in 2020 include the completion of the first phase of updating the integrated model of the Lunskeye field. Information gathered during the drilling of new wells, the data from the latest geological and technical activities and the monitoring of field development, as well as the results of the 4D seismic survey carried out in 2015 and 2018 have made it possible to represent the geological and hydrodynamic models of the field more accurately.

The Well Reservoir and Facility Management (WRFM) campaign has become one of the milestones this year. Despite the rapidly changing external conditions associated with the COVID-19 pandemic, we managed to carry out WRFM works at four wells, in particular:

- wellhead equipment was successfully replaced (as part of the Lunskeye field X-mas tree equipment replacement strategy);
- information was obtained on the state of down-hole equipment, and the feasibility of lifting restrictions on its productivity was confirmed; an extended test was carried out, which contributed to the lifting of the previously established limitations on the well productivity;
- An extensive programme of geophysical research was carried out, which helped to localise the point of flooding in the well (proactive isolation of the watered reservoir intervals was undertaken).

In accordance with the strategy for maintaining the current level of hydrocarbon production and with a view to wider reservoir development coverage, the company is drilling an increasing number of wells with a significant horizontal displacement.

In 2020, another long gas well was drilled up to the top reservoir but could not be completed due to COVID-19. This well is notable for one more technical record—the longest casing liner of all those used under the Sakhalin-2 project was installed for this well, using the floating method.

By the end of 2020, all wells of the platform had been prepared for operation in the autumn and winter period. This was part of the planned comprehensive well integrity assurance work, geological and technical activities.

In addition to drilling and repair operations, the company conducted petrophysical surveys in open wellbores, continuously monitored reservoir pressure, the injection of drill cutting and produced water into the subsoil horizons, carried out analysis of produced water samples.

4.2.1.4. ONSHORE PROCESSING FACILITY (OPF)

The main purpose of the onshore processing facility (OPF) is to carry out initial treatment of gas and condensate supplied from the Lunskeye field before they are transferred through the pipeline to the oil export terminal (OET) and the LNG plant. In addition, the OPF also processes oil and associated gas supplied from the offshore platforms in the Piltun-Astokhs-koye field.

In 2020, OPF daily average capacity was 49.41 mln m³ of gas and 12.20 thousand t (95.34 thousand bbl) of oil and condensate.

A Quality Assurance / Quality Control for maintenance and repair process was developed and is being implemented at the asset to avoid technical failure and human errors in this process.

49.4
mln m³
of gas

12.2
thousand t
of oil

was the OPF daily average capacity in 2020

In 2020, scheduled overhaul and maintenance of one of the gas turbine generators was completed at the Onshore Processing Facility (OPF). This equipment supplies electricity to the OPF and the Lunskeye-A platform. Its reliable operation is a prerequisite for gas transportation from the offshore field and maintaining hydrocarbon processing.

The gas turbine unit was overhauled for the first time since its commissioning. The task involved replacing about a thousand original components. A large number of the spare parts used for this purpose were manufactured under a special order.



In 2020, work on the deployment of industrial Wi-Fi and the Wireless HART (highway addressable remote transducers) network was started and is currently proceeding; communication equipment is being installed to ensure a virtual presence at the assets.

Factory Acceptance Tests with the virtual presence of experts were carried out as part of the gas turbine unit control system upgrading process.

The frequency control system of the main compressor was upgraded without the mobilisation of foreign contractors.

4.2.1.5. TRANS-SAKHALIN PIPELINE, BOOSTER STATION AND GAS TRANSFER TERMINALS

The Trans-Sakhalin pipeline comprises about 280 km of offshore pipelines, onshore multiphase pipelines, almost 1,600 km of oil and gas pipelines, as well as 104 block valve stations, five Pipeline Maintenance Depots, a Booster Station (BS), and two Gas Transfer Terminals (Northern and Southern).

One of the main tasks of Sakhalin Energy and Gazprom Transgaz Tomsk (contracted by Sakhalin Energy to carry out the maintenance of the Trans-Sakhalin pipeline) is to ensure uninterrupted and safe hydrocarbons transportation to the Prigorodnoye production complex.

At Sakhalin Energy, an HSE case is implemented for its pipelines, which identifies all potential hazards to the integrity of the assets. These hazards include internal and external surface corrosion, excessive pipe pressure, earthquakes, landslides, soil erosion, seabed gouging, shore scouring, marine vessel traffic, illegal hot taps, and inadvertent or wilful damage.

The following measures have been taken to prevent and eliminate these potential hazards:

- cathodic protection systems have been installed on the pipelines to deal with external surface corrosion;
- Intelligent Pigs, which can detect internal corrosion, are used in the pipelines to monitor internal surface corrosion;
- the offshore and onshore oil pipelines are pigged on a regular basis to remove water and sediments;

- Sakhalin Energy's own seismic monitoring system with detectors located along the entire pipeline and the United States Geological Services (USGS) system are used to ensure a timely response in the event of an earthquake;
- seismic faults are monitored every year to assess movements and displacements;
- prior to seasonal drops in ambient air temperature, the pipeline is checked for water in the pipeline fault crossing trenches so as to avoid freezing and limited pipe movement;
- the pipeline is regularly monitored through helicopter overflights;
- physical checks of all pipeline features, including rivers, fault crossings, swamps, liquefaction areas, road crossings, rail crossings, etc. Also, the entire pipeline RoW is walked over on annual basis;
- air photo data obtained by means of space technologies are used to monitor the vegetation growing on the RoW.

According to statistics, more than 70% of pipeline incidents in the world are caused by unintentional damage from human activity. Sakhalin Energy has been proactively educating the community about the rules of behaviour in the vicinity of the pipeline system. Local authorities, contractors, land users are regularly informed about land use limitations within the RoW and are provided with addresses and telephone numbers to contact the company if necessary. Additionally, special notice boards are located along

the RoW with toll-free telephone numbers in the case of questions or concerns.

Sakhalin Energy continues to accept gas condensate from the Sakhalin-3 project gas treatment plant (Kirinskoye field) as per the agreement between Gazprom Export and Sakhalin Energy. The gas condensate is transported to the oil export terminal (OET) along with Sakhalin Energy's oil.

4.2.1.6. PRIGORODNOYE PRODUCTION COMPLEX

The Prigorodnoye production complex, which is located in the South of Sakhalin, on the shore of a virtually ice-free Aniva Bay, includes the LNG plant, dock and shipping, and the oil export terminal (OET) with a remote tanker loading unit (TLU) located offshore, approximately 5 km from the shore. The Prigorodnoye production complex, including

100% of Sakhalin-2 project pipelines have been operating less than 13 years (as of the end of 2020) and do not exceed their design standard operation life. To verify pipeline system standard operation life, the company carries out regular pigging with a subsequent analysis of the results and development of preventive maintenance plans. In addition, the entire length of the onshore pipelines is equipped with a cathodic protection (CP) system to deal with external corrosion. The company performs regular maintenance and monitors the CP system's performance.

the territory of Prigorodnoye port, covers an area of 236 hectares. The LNG plant consists of two production lines with a design capacity of 4.8 million tons of LNG per year each. As a result of the implementation of the programme to improve production efficiency and reliability, the plant's productivity has increased significantly in recent years.

The Sakhalin-2 LNG plant was named the best among all Shell gas processing assets in 2020.

The award is intended to show recognition of the companies' efforts to ensure safety, improve production efficiency and reliability, and promote professional development. When selecting the winners, special attention was paid to the companies' success in ensuring their competitiveness in the oil and gas industry market despite the challenges of 2020.

Despite the challenges caused by COVID-19, 2020 was a successful year for the Prigorodnoye production complex. The new challenges helped to speed up and improve many existing and new business processes. As a result of top quartile business performance, the LNG plant was recognised by Shell as the Best Asset of the Year in the Integrated Gas and New Energies category. The award acknowledged the

achievements in the field of safety, efficiency and reliability, and professional development.

Additionally, on the backdrop of the COVID-19 pandemic, the LNG plant passed an external audit of the Maintenance and Integrity Execution (MIE) Process and proved compliance at the "Calculative" level. This means that all work processes to ensure reliable maintenance work are effective, the staff are



- C-1351 mercury bed replacement;
- maintenance of multiple control valves and inspection of pressurised vessels;
- maintenance of electrical, instrumentation and automation equipment, as well as other works.

More than 834 people from 19 companies took part in the shutdown with an estimated total man-hours of more than 330 thousand. A total of 741 flanges were tagged and disconnected as part of the flange management programme, 33 flanges were refaced, and multiple complex lifting operations were performed. In addition, the Prigorodnoye production complex was the first asset to use the digital twin technology – a system for providing remote support in real time. During the shutdown period, engineers and technical consultants from around the world were connected to video broadcasts at the site and provided online support. In the field of HSE, a new concept – Visual Onboarding – was developed and implemented in order to increase the effectiveness of safety training of shutdown staff with a focus on newcomers.

The Prigorodnoye production complex, along with the company's other assets, successfully sustained ISO 9001, ISO 14001 and OHSAS 18001 as part of its overall Quality and Health, Safety and Environment Management Systems. In its effort to mitigate the risks associated with greenhouse gas (GHG) emissions, the LNG plant prepared a comprehensive report on the GHG Management Plan, containing an assessment of current results and proposals for a future GHG Reduction Plan. According to the global comparative analysis of LNG plants, the Prigorodnoye production complex is one of the top 25% assets in the world in terms of energy efficiency and low GHG emission. In order to further reduce the impact of greenhouse gases, a long-term Green LNG strategy (for more details, see Section 8.2.7. Green LNG Strategy) was developed to deliver carbon neutral LNG cargoes, which will allow Sakhalin Energy to continue reducing its carbon footprint in the long term.

The asset implemented a number of initiatives to further improve its performance in the broadest sense as part of the Continuous Improvement Programme

highly competent, understand their personal responsibility for the quality and safety of the work performed. The audit also confirmed that the plant has a risk management system in place and a process for detecting failures, and is constantly working to identify the causes of their occurrence.

It is particularly worth noting that the shutdown activities during the COVID-19 pandemic were completed in full and in accordance with the revised plans, 3 days ahead of schedule, without LTAs, and in compliance with the Goal Zero programme (i.e., with no harm and no leaks). The following work scope was performed:

- upgrade of Train 2 2K-1420 axial-flow compressor;
- medium overhaul of Frame 7 gas turbines with modification of the mixed refrigerant compressor turbine;



(see Section 4.3.2. Continuous Improvement Programme). The implementation of the programme, aiming for small improvements based on the bottom-up principle, resulted in significant improvements in production availability and reliability. A key factor contributing to the development of the Con-

tinuous Improvement Programme at the asset is the participation of all employees in the work to improve their activities—everyone can suggest an idea, and the managers will readily consider, screen and assess it before implementing.

LNG PLANT IS ASSESSED AS MIE CALCULATIVE

The LNG plant confirmed status “Calculative” during the official maintenance and integrity execution (MIE) external assessment and demonstrated that the asset is safe and reliable. The LNG plant successfully passed the Maintenance and Integrity Execution (MIE) external assessment for two blades of the Operation Excellence Programme: Safety Critical Elements (SCE) and Performance Standards (Integrity Assurance / IA) and Work Preparation, Scheduling and Execution (Maintenance Execution / ME). The team used standard Shell Global MIE assessment methodology and tools for the certification and final assessments.

Since the beginning of operation in 2009, the plant has produced over 125.8 mln tons of liquefied natural gas.

4.2.2. DEVELOPMENT PROJECTS

4.2.2.1. OPF COMPRESSION PROJECT

The OPF compression facility is designated to support the planned production levels in case of a well-head pressure drop in the Lunskeye field.

In 2019, oversized large-capacity equipment for the OPF Compression Project (OPFC) was delivered to the construction site. In October 2019, Sakhalin Energy successfully completed the installation of two inlet separators on the base structures. The separators

are designed for the treatment of gas supplied from the Lunskeye-A (LUN-A) offshore platform.

As of the end of December 2020, the bulk of the general construction works and the installation of metal structures and pipe racks were almost completed at the site. The installation of the process equipment for the gas compressor unit and the air cooler continues.

4.2.2.2. EXTENSION OF LICENSES FOR THE DEVELOPMENT OF THE PILTUN-ASTOKHSKOYE AND LUNSKOYE FIELDS

Development of the Piltun-Astokhskoye and Lunskeye fields is being carried out in accordance with the subsoil use licenses. The licenses were issued to the company in 1996 for a 25-year period. In 2020, for the first time in the history of the

Sakhalin-2 project, the licenses were extended in accordance with the terms of the Production Sharing Agreement (PSA) for the next 5-year period—until 19 May 2026.

4.2.2.3. GROWTH PROJECTS

As part of its Growth Strategy, the company continued pursuing hydrocarbon maturation opportunities on the Piltun-Astokhskoye and Lunskeye fields:

- Northern Gas Project, further development of the Piltun-Astokhskoye field Block 2 Project, Lunskeye field Block 1 Project. The LUN-9 exploration well project has been shifted from 2022 to a later period due to a combination of macroeconomic factors and the impact of the COVID-19 pandemic.

- Northern Gas project. The potential concepts of field development from the existing production platforms (PA-A and PA-B) have been defined.
- Piltun-Astokhskoye field Block 2 Project. The detailed integrated schedule is being developed. Field development concepts for maturation during the ASSESS stage have been identified. Production profiles have been generated, well costs have been estimated for each concept along with the drilling facilities upgrade costs.

- Lunskeye Block 1 Project. The integrated project schedule has been prepared. The geologic and hydrodynamic models have been updated, production parameters are being calculated. The concepts of field development and infrastructure setup have been defined and are being worked out. The risk management plan has been put in place.
- Lunskeye Deep Exploration Project (drilling LUN-9 HP/HT exploration well). The Project is at the DEFINE stage. The geologic model has been updated, the hydrocarbon resources re-estimated. The risk management plan has been put in place. The exploration project and the engineering survey programme have been developed.

4.2.2.4. LNG TRAIN 3 PROJECT

In 2017, Sakhalin Energy developed design documentation for the Sakhalin-2 LNG Train 3 project. The project design documentation received an endorsement from the State Expert Review by Glavgoexpertiza in 2018.

At present, the Russian party is considering the monetisation of the raw material base of offshore deposits in the Sakhalin Oblast. For its part, Sakhalin Energy continues to evaluate possible options for the supply of raw gas to fill Train 3 and is currently working on cost optimisation and opportunities to increase the Russian content in the Sakhalin-2 project.

4.2.3. HYDROCARBON PRODUCTION AND EXPORT

4.2.3.1. LNG

In 2020, Sakhalin LNG accounted for more than 3.2% of global LNG demand, about 4.6% of LNG demand in the Asia-Pacific region, about 7.9% of LNG demand in Japan, about 4.7% of LNG demand in South Korea, more than 11.3% of LNG demand in Taiwan, more than 2.4% of LNG demand in China, and more than 1.6% of LNG demand in Singapore.

Liquefied natural gas (LNG) is a colourless and odourless liquid with a density half that of water. It consists mainly (up to 90%) of methane (CH₄), the simplest natural gas in the group of gaseous hydrocarbons. When cooled to approximately -160°C at standard

atmospheric pressure, natural gas liquefies and contracts to 1/600th of its initial volume, becoming suitable for collection, storage, and shipment by special-purpose transport.



more than
11.6
mln t
of LNG

was shipped
by the company from
the port of Prigorodnoye
in 2020

Due to regular debottlenecking and equipment adjustment, the LNG plant exceeds its design output of 9.6 mln t per year. In 2020, the company produced a record amount of LNG, the most in the entire history of the Sakhalin-2 LNG plant, surpassing its design capacity by more than 20%.

In 2020, the company produced and shipped more than 11.6 mln t of LNG (178.6 standard LNG shipments) from the port of Prigorodnoye (one standard LNG shipment is 65.0 thousand t).

In 2020, LNG was transported by the Grand Elena, Grand Aniva, Grand Mereya, Amur River and Ob River specialised ice-class LNG carriers, chartered on a long-term basis, as well as in vessels chartered FOB (free on board) by customers. The full cargo capacity of the chartered gas carriers is 148 to 150 thousand m³. In addition, three shipments of LNG were delivered to customers in Seri Cempaka, Seri Camellia and Energy Frontier gas carriers, chartered on a short-term basis.

In 2020, there were no reported cases of COVID-19 among the crews of the chartered commercial vessels or customers' vessels. The company has developed a set of measures aimed at minimising the number of onshore personnel directly interacting with a vessel's crew during their call at the port of Prigorodnoye. The company provided and continues to provide necessary support to shipowners in organising timely rotations of both Russian and foreign crews to ensure an uninterrupted supply of hydrocarbons to customers.



In 2020, the priorities in managing the chartered fleet were the safety, reliability and efficiency of maritime operations, which is achieved through continuous improvement of all work processes, constant monitoring of transport operations—both in ports and during sea crossings of vessels. It was important in 2020 that the updated International Convention for the Prevention of Pollution from Ships (MARPOL 73/78) came into effect to limit the maximum permissible sulphur content in marine fuel to 0.5% by mass. The optimisation carried out by the Commercial Directorate in cooperation with FOB customers and the owners of chartered vessels made it possible for all LNG carriers to use LNG boil-off gas as marine fuel during loading operations at the port of Prigorodnoye, which, in turn,

made a significant contribution to the protection of the Sakhalin Island environment. In addition, with the assistance of DES (Delivered Ex Ship) LNG customers, chartered vessels were able to use LNG boil-off gas as fuel when offloading LNG at ports in Japan and China, thereby reducing LNG transportation costs and improving the efficiency of the chartered fleet.

As a result of the Continuous Improvement Programme, it was also possible to further reduce the residual amount of LNG in the cargo tanks of gas carriers before loading at the port of Prigorodnoye. Due to this, the volume of products shipped was increased and the revenue from each LNG shipment delivered under the DES terms was maximised.

In October 2020, the company made their first LNG delivery to Singapore for Gazprom Global LNG.

Year-round LNG shipments to customers began in March 2009. The company has a solid reputation due to the stability of deliveries, product quality, high safety standards and highly qualified staff. In addition, the company has a number of competitive advantages in the LNG markets in the Asia-Pacific region (Japan, South Korea, Taiwan, China), in particular:

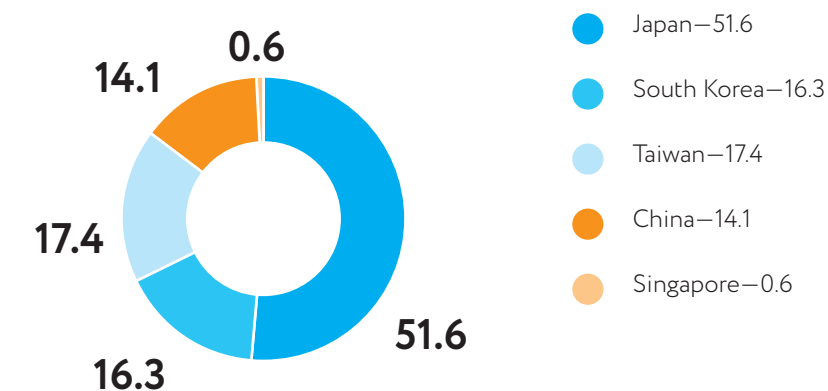
- well-established relationships with major customers in these countries;
- long-term sales and purchase contracts with all major LNG customers in Japan and South Korea, a framework sales agreement and a medium-term contract with a Taiwan company, as well as framework sales agreements with Chinese customers;
- geographical proximity to the sales markets: the duration of an LNG tanker voyage to Japan is 3–4 days, to South Korea—4 days, to China—5 days, and to Taiwan—6 days);
- a vertically integrated production and distribution model, which allows the company to control all processes in the value chain from the well to the customer's terminal.

Sakhalin Energy sells LNG under long-term sale and purchase contracts to 11 customers, and under a medium-term agreement—to one customer from the Asia-Pacific region. The long-term LNG customers include Japanese energy and gas distribution companies, a South Korean gas corporation, and two trading companies affiliated with the shareholder companies. The medium-term LNG customer is a Taiwan state oil/gas and fuel company. Additional products are sold on a short-term basis to existing and new customers under LNG framework agreements.

Despite the unprecedented challenges in the 2020 world market, the company successfully sold record LNG volumes on the spot market—41 standard LNG shipments.

In 2020, Sakhalin Energy delivered LNG to Japan, South Korea, Taiwan, China and Singapore. The volumes of direct LNG shipments to China and Taiwan were significantly higher than in the previous years.

Sakhalin LNG Sales Market Structure in 2020, %





4.2.3.2. OIL

Sakhalin Blend is a special oil grade supplied by Sakhalin Energy to the Asia-Pacific region. It is a light, low-sulphur oil blend, consisting of three components produced offshore Sakhalin:

- crude oil from the Piltun-Astokhskoye field;
- gas condensate from the Lunskeye field, including the C5+ fraction produced at the LNG plant;
- purchased condensate produced in the Kirinskoye gas and condensate field as part of the Sakhalin-3 project.

With the start of Phase II of the project in December 2008, the company began shipping oil from the tanker loading unit of the oil export terminal at the port of Prigorodnoye. Since 2009, the company has been shipping a mixture of oil and gas condensate from the Lunskeye field. In 2014, the company began to use condensate produced in the Kirinskoye field as part of the Sakhalin-3 project (Gazprom).

The gas condensate produced in the Lunskeye and the Kirinskoye fields are mixed with crude oil to make light low-sulphur oil with a density of about 42–49° and a sulphur content of about 0.16%. Sakhalin Blend is well known in the Asia-Pacific region. It competes successfully with similar light low-sulphur grades of oil produced in the Middle East, condensates, and heavier Far Eastern blends such as Sokol and ESPO.

In 2020, the company shipped about 37.9 mln bbl (4.8 mln t) of Sakhalin Blend oil from the port of Prigorodnoye, which amounted to about 54.2 standard oil shipments (one standard oil shipment is 700.0 thousand bbl).

In 2020, year-round uninterrupted supplies of Sakhalin Blend to the ports of the Asia-Pacific region were provided by the company's chartered oil tanker fleet — three specialised ice-class Aframax tankers: Zaliv Aniva, Zaliv Baikal and Zaliv Vostok. Oil was transhipped to customers' vessels in the port of South Korea to be further transported to remote markets. The company carried out two operations of oil transshipment to its vessels as yet another countermeasure against the spread of COVID-19. Thus, oil was supplied to those ports with an increased risk of infection in different vessels.

In line with the long-term oil tanker fleet renewal strategy, the company held a tender in 2020, as a result of which two tankers equipped with bow loading gear and capable of using LNG as their main marine fuel will be part of the company's chartered fleet from 2024 to 2034. The vessels will replace the currently operating oil tankers after the expiration of their 15-year service life. The charter of the new vessels for a 10-year period will improve the efficiency of oil transportation, reduce the cost of marine fuel, and make a significant contribution to the overall reduction of greenhouse gas emissions and the company's carbon footprint globally and regionally.

The successful sales of Sakhalin Blend oil are ensured by the proximity to the developed oil refining regions

in the Asia-Pacific region, the relatively low transportation costs per barrel, the opportunity to unload in several ports, as well as the well-established business relations and experience of cooperation with most major customers in the region.

The company has been selling Sakhalin Blend oil both under fixed-term contracts and on a spot basis since 2014. Sakhalin Blend oil is mainly purchased by the leading refineries in the Asia-Pacific region and trading companies.

Historically, Japan, South Korea and China are the main markets for Sakhalin Blend oil. In 2020, the share of South Korea in the company's sales remained consistently high, as it had been in the previous years, but Japan's share declined due to the influence of the COVID-19 pandemic on the economy and an overall decrease in oil refining in the country. At the same time, China's share in the company's sales in 2020 increased significantly due to the country's large-

scale purchases of crude oil, including Sakhalin Blend oil, amid exceptionally low oil prices.

In 2020, the market faced a drop in global oil demand, caused by COVID-19-related restrictions in many countries, which, in turn, reduced economic activity around the globe. The growing supply and demand imbalance (market overstocking) led to a collapse in the prices of oil and oil products. Through precise team coordination and continuous improvement processes, Sakhalin Energy was able to sell all produced oil shipments successfully, safely and on time despite the different conditions and extremely tough competition caused by the availability of large volumes of cheap oil on the APR market. All operations were carried out at the ports of unloading in full compliance with the COVID-19 preventive measures.

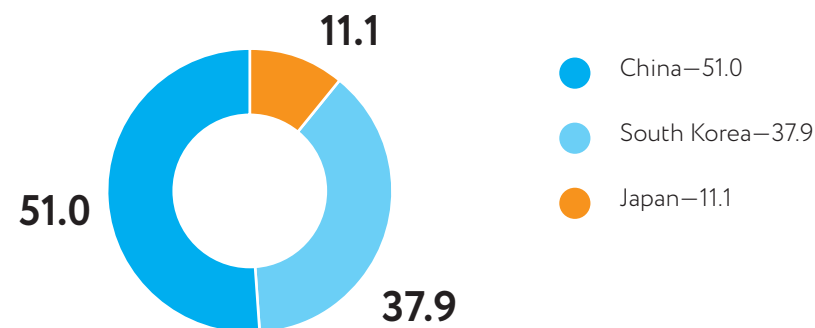
The share of oil blend exported by Sakhalin Energy to the APR is about 0.3% of the total volume of oil consumed in the region.

about
37.9
mln bbl
of oil

was shipped by the
company from the port
of Prigorodnoye in 2020



Structure of the Sakhalin Blend Oil Sales Market in 2020, %



4.2.3.3. NATURAL GAS

Since 2011, Sakhalin Energy has been supplying natural gas to Gazprom's gas main pipeline system to pay royalties payable in kind to the Russian party.

Gas transmission during 2011–2020 was carried out at the northern and southern product delivery points. The product delivery points are part of the Northern and Southern Gas Transfer Terminals (hereinafter referred to as the GTT), located in the vicinity of Boatasino and Dalneye in the north and south of Sakhalin, respectively.

The updated Regulations on the Distribution of Hydrocarbons Under the Production Sharing Agreement of the Piltun-Astokhskiye and the Lunskiye Oil and Gas Fields Development, and the Specifications for the Transfer and Acceptance of Natural Gas Between Sakhalin Energy Investment Company Ltd. and Gazprom, approved in October 2020, envisage the supply of gas by the company against royalty payments in additional six product delivery points on Sakhalin (south of the OPF).

The construction of the first of them – the Tymovskoye product delivery point, designed to supply gas to the Tymovskoye gas distribution station, was finished in 2020. The commissioning stage, which involved

filling the gas pipelines from the block valve station to end consumers, was successfully completed in December.

The commissioning of the remaining five product delivery points (in Dolinsk, Makarov, Troitskoye, Korsakov and Leonidovo) and the start-up of gas are scheduled for 2021–2022.

Since the commencement of natural gas delivery, about 11,272.1 mln m³ of natural gas has been delivered to the Russian party, in particular:

- about 5,602.8 mln m³ (including about 716.5 million m³ in 2020) – via the Southern GTT to Yuzhno-Sakhalinsk Heat and Power Plant-1 and other infrastructure facilities. In addition, 34.2 thousand m³ of natural gas was transferred to the Tymovskoye product delivery point in December 2020;
- about 5,669.3 mln m³ (including about 613.2 mln m³ in 2020) – via the Northern GTT to the Sakhalin-Khabarovsk-Vladivostok gas pipeline. The gas is intended for further use under the Far East and Primorye fuel and energy sector development programmes.

In total, about 1,329.7 bln m³ of Sakhalin-2 gas was supplied to the Russian party in 2020.

about
1.33
bln m³
of gas

of the Sakhalin-2 project
was supplied to the
Russian party in 2020

4.3.

INNOVATIONS AND CONTINUOUS IMPROVEMENT

4.3.1. DIGITAL TRANSFORMATION

Technological advances in the digital age require revolutionary changes in business models and individual business processes. The use and development of digital platforms, the improvement of artificial intelligence during a scrupulous analysis of a huge real-time source database provides high-tech enterprises with undeniable advantages in work and allows them to effectively regulate financial flows.

Today, Sakhalin Energy is implementing digital transformation to ensure further corporate growth and development. The company sees digitalisation as a form of strategic management and a way to create new business opportunities.

In 2019, Sakhalin Energy launched a digital transformation process—a comprehensive business transformation aimed at improving operations and ensuring the long-term sustainability of the company, which consists of changing production and support processes, contractor communication channels, and corporate culture based on fundamentally new approaches to data management using digital technologies.

The purpose of digital transformation at Sakhalin Energy is to facilitate the implementation of the company's growth strategy through the effective use of technologies and opportunities of the digital age, and by creating an appropriate structure, processes and culture.

In 2020, Sakhalin Energy developed a high-level digital strategy.

The objectives of digital transformation were defined as follows:

- transform business processes, external and internal communication channels;

- change corporate culture based on new approaches to change management, working methods and organisational change;
- develop information technologies and use new approaches to architecture and data management, use a product approach and flexible development methods, as well as competencies for the digital programme implementation;
- implement programmes and initiatives for the introduction of digital technologies and digital solutions:
 - Digital oil field (DOF).
 - Digital twins of physical objects.
 - Predictive maintenance and repair of equipment.
 - Ecosystem of contractor engagement.
 - Digital employee.
 - Digital back office.
 - Occupational and industrial safety, environmental protection.
 - Digital data platform.

The company's digital strategy defines the following principles of digital transformation:

1. Support from the company's leadership team

The leadership team actively supports the digital transformation of the company and is involved in discussing the areas for the implementation of digital initiatives.

2. Economic efficiency

Setting clear and achievable goals makes it possible to predict the impact and costs of digital initiatives.

3. Digital transformation is part of the company's business strategy

Digital transformation is integrated with the business strategy, along with other company development priorities, and directly affects the achievement of business goals.

4. Digital transformation is part of the corporate culture

All employees of the company share the same understanding of the goals and objectives of digitalisation, are keen on implementing digital initiatives to improve the efficiency of the company's business, as well as on developing their own digital competencies.

Process Automation

Sakhalin Energy develops and implements innovative approaches to process control. Automation is implemented at three main levels.

- Basic level. The degree of process control automation at all company's facilities is 100%. This means that all process parameters that can be controlled automatically are maintained at optimum values by automation tools.
- Advanced process control (APC) systems. The use of control tools makes it possible to maintain process parameters at the required level and, moreover, do this in a most efficient way. For example, automation of the gas con-

5. A unified approach to effectiveness management and assessment

The unified management system along with processes for evaluating and implementing digital initiatives ensure maximum effectiveness of digital projects and the use of resources, as well as optimal decision-making.

6. Data are the basis of digital transformation

A key skill in corporate digital transformation is the ability to get value and business benefits from data and analytical information.

7. Starting with quick wins

Implementing high-impact, fast-paced digital initiatives ensures support from all company employees. To increase its competitiveness, the company improves the business processes, technologies and products offered by the industry, implements the best global practices, studies and applies promising tools (machine learning, predictive analytics, artificial intelligence) and develops its own solutions, including in the area of information security.

densate stabilisation process at the onshore processing facility (OPF) ensures, along with maintaining the required saturated vapour pressure, maximum energy efficiency and optimal parameters for the uninterrupted operation of weathering gas compressors. For some APC system solutions, a real-time task correction system has been implemented, which helps to adapt to specific conditions. Further development of the APC system is planned through the creation of automated control of the gas treatment and transportation processes. This will help to reduce the load on the Central Control Room (CCR) operators, optimise the operation

of the installations while taking into account ongoing changes, and improve the quality of control of process parameters.

- Step cycles. The LNG plant has implemented algorithms for automating the offloading of LNG and oil, launching LNG trains and a nitrogen installation. Algorithms for well-fitting

control have been introduced on the Molikpaq and Piltun-Astokhskiye-B platforms. Now, wells can be launched into operation automatically in the shortest possible time without any sudden changes in reservoir pressure and flow. These systems reduce the workload of the CCR operator and minimise the risk of human error.

Artificial Intelligence and Machine Learning

The company aims to reach a new level of critical process equipment maintenance organisation, which is based on a predictive technical diagnostics strategy. This will allow more detailed monitoring in real time, an analysis of the current state of equipment, and identification of malfunctions much earlier than existing automated process control systems.

A predictive analytics tool is a specialised software that uses individual equipment models and advanced

pattern recognition methods, computer-aided learning technology, and technology for learning the unique profile of an installation in real load and operational conditions. This tool, among other things, compares historical data on the equipment operation with operational data, and is capable of identifying the preconditions for malfunctions of the process system long before the emergency protection system is triggered. This will give specialists more time to analyse the situation and take preventive measures.

THE ROLE OF DIGITAL TECHNOLOGIES IN THE TIME OF COVID-19 RESTRICTIONS

In 2020, an average of more than 1,300 employees worked remotely on a daily basis. In total, they made more than 3.5 million video and voice calls through the corporate telephone system and held more than 17.5 thousand meetings using video conferencing systems. The number of official events, meetings and conferences held using video conferencing increased from 160 in 2019 to more than 1,800 in 2020. Most of the visits of foreign specialists within the framework of the shutdown were replaced by remote work using virtual presence systems, which provided for high-quality work. More than 600 computers were provided and more than 700 accounts were created to organise the training process for employees staying in temporary accommodation facilities.

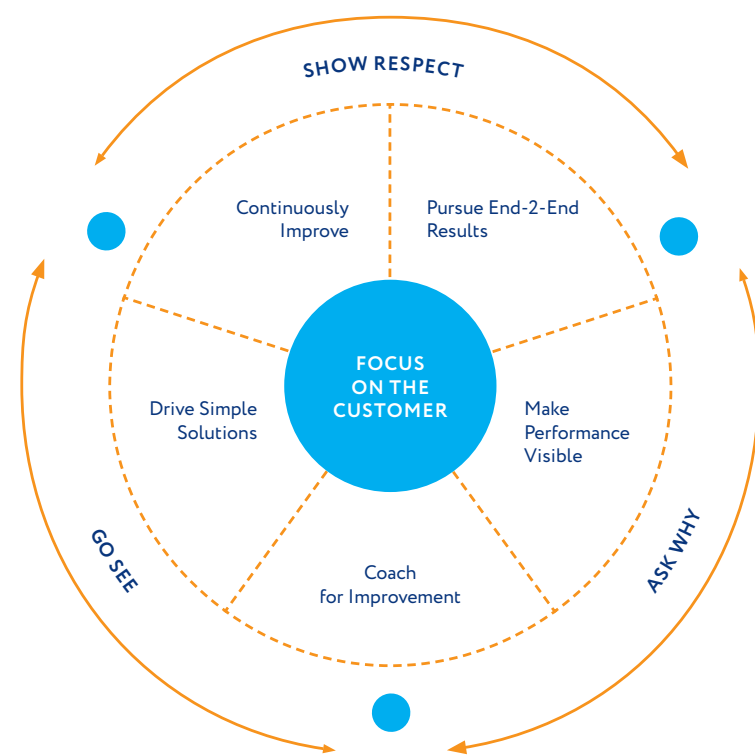
4.3.2. CONTINUOUS IMPROVEMENT PROGRAMME

CI Vision, Strategy and Roadmap

Sakhalin Energy's vision and strategy in the field of continuous improvement (CI) aim at creating a corporate culture and environment where both leaders and employees are engaged and empowered to con-

tinuously look for ways to operate the business more effectively and with higher economic return without compromising safety or reliability.

Core CI Principles and Ways of Working



CI is not a purpose itself but a critical means to achieve our Corporate Vision and Objectives



We ensure visible Leadership Commitment, where leaders at all levels drive the CI Culture by demonstrating consistent application of CI Ways of Working and supporting their departmental CI Plans and Initiatives



We deliver CI initiatives across 6 CI Focus Areas in support of Corporate Targets, prioritised and linked to selected Gap to Potential assessments



We deploy CI aligned and coordinated by a central CI Team through a decentralised delivery model working at a departmental level where this is fit for purpose and at an inter-departmental level where it is necessary



We build CI Capabilities across all levels of the organisation and apply a simple CI Initiatives Management and Realisation Model

Since its inception, Sakhalin Energy has applied modern management techniques and improvement methodologies, which were bundled in 2019 under the CI banner. Throughout 2020 the company has

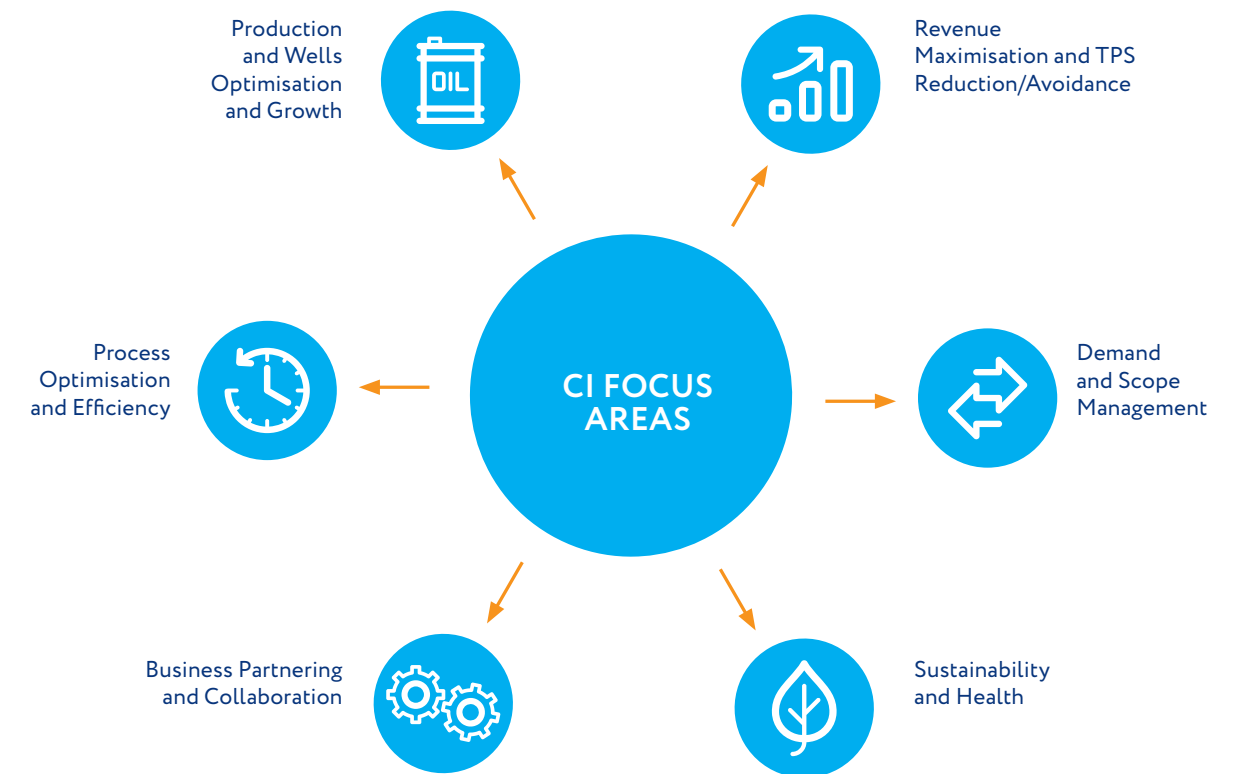
continued its CI journey, in line with the CI vision and strategy and in accordance with the CI roadmap, as approved by the Committee of Executive Directors and set out in the company's Journey Book.

CI Deployment

In 2020, the CI management system, which is based on a decentralised delivery model that is coordinated and supported by the central CI Section, proved its functionality and capability to:

- ensure a high degree of efficiency and effectiveness in operating the CI programme;

- align the CI activities across the company with the overall corporate goals;
- achieve high CI value delivery across the CI focus areas;
- strengthen the CI culture and CI mindset;
- sustain the CI Journey of the company.



CI Focus Areas

Each individual CI initiative and project is evaluated regarding its cost benefit and tested regarding its effectiveness and business benefits. In addition, all CI initiatives and projects are registered on the unified corporate continuous improvement portal, where all

employees can familiarise themselves with the CI initiative, leave comments, ask questions, propose solutions and receive feedback and answers from initiators/owners of the corresponding CI initiative or project.

CI Leadership

Continuous improvement is built into the management structure and is presented at regular meetings and information sessions, both at the corporate and at the departmental level, and CI is also part of the individual annual goals and targets setting and review process of all leaders and members of staff.

CI leadership is underpinned by visible leadership commitment, where leaders at all levels drive the desired CI culture and mindset by demonstrating a consistent application of the CI ways of working and by strongly supporting their departmental CI plans and initiatives.

CI Culture and Ways of Working

The company supports employees in their CI initiatives and encourages their participation in the corporate CI programme by recognising successes in the area of continuous improvement, praising CI initiators at all levels in the company and in their individual business units. Successful initiatives are communicated to personnel, posted in all company's offices and assets and participate in the CI Award and recognition process at corporate or directorate level.

The widespread use of CI techniques, tools and visual management systems and the increased number of dedicated CI sessions and CI seminars resulted in significant growth in the number of staff that is involved in the CI programme, which is assessed through an annual CI Survey.

2020 OPINION SURVEY

The results of the CI opinion survey 2020, which was conducted across all directorates in the company, demonstrated a very high level of positive feedback and staff engagement in the CI Programme. The highest average ratings (scores) were achieved in the response from staff to the following key questions:

- 94% — “I have a positive attitude towards Continuous Improvement, and I regard CI as important for our company”;
- 90% — “In my organisational unit, there is a strong focus on business performance, results and achievements”;
- 86% — “In my organisational unit, we have CI Initiatives in place that are clearly connected to our targets (to deliver our objectives, strategy, scorecard)”;

- 86% — “I know how CI works and is managed in the Company, I know my role in CI and what is expected from me in the area of Continuous Improvement”;
- 85% — “In my organisational unit, CI is actively and visibly promoted and personally supported by the members of the leadership team”.

The application of CI management tools and techniques (regular “huddles” / “cadence sessions”, “problem solving via A3 thinking” and “value stream

mapping workshops”), requires employees to have appropriate knowledge and skills.

CI Capability Building

In order to develop the relevant CI competencies, the company's CI Capability Building Portal, which is available to all staff, provides access to a wide range of dedicated CI (e-learning and classroom) training courses including:

- CI Awareness and Basic Training Courses on the CI Methodology and on various CI Tools;
- CI Practitioner Training and CI Specialist Training;
- CI Leadership Training.

CI Value Delivery

The CI value generated through the corporate CI Programme is based on the implementation and delivery of CI initiatives, which are driven (bottom-up) by frontline staff individuals (identifying improvement opportunities in their daily work scope) and (top-down) by the management through key corporate CI initiatives/projects (including benchmarking and “gap to potential” studies) addressing major improvement opportunities and delivering of corporate KPIs and scorecard targets.

CI plans and initiatives are aligned with and support ongoing business improvement / operational excellence activities as well as departmental and corporate scorecard targets. The progress of approved CI initiatives is monitored frequently, and the CI teams receive support from leadership members for their CI initiatives where obstacles need to be removed.

In 2020, the CI funnel of Sakhalin Energy contained more than 1300 CI initiatives with a total value of more than US\$ 370 mln; more than 560 CI initiatives were completed and generated an associated value of more than US\$ 200 mln and US\$ 125 mln in bottom line impact for the 2020 year alone.

4.3.3. INTELLECTUAL PROPERTY BUSINESS PROCESS

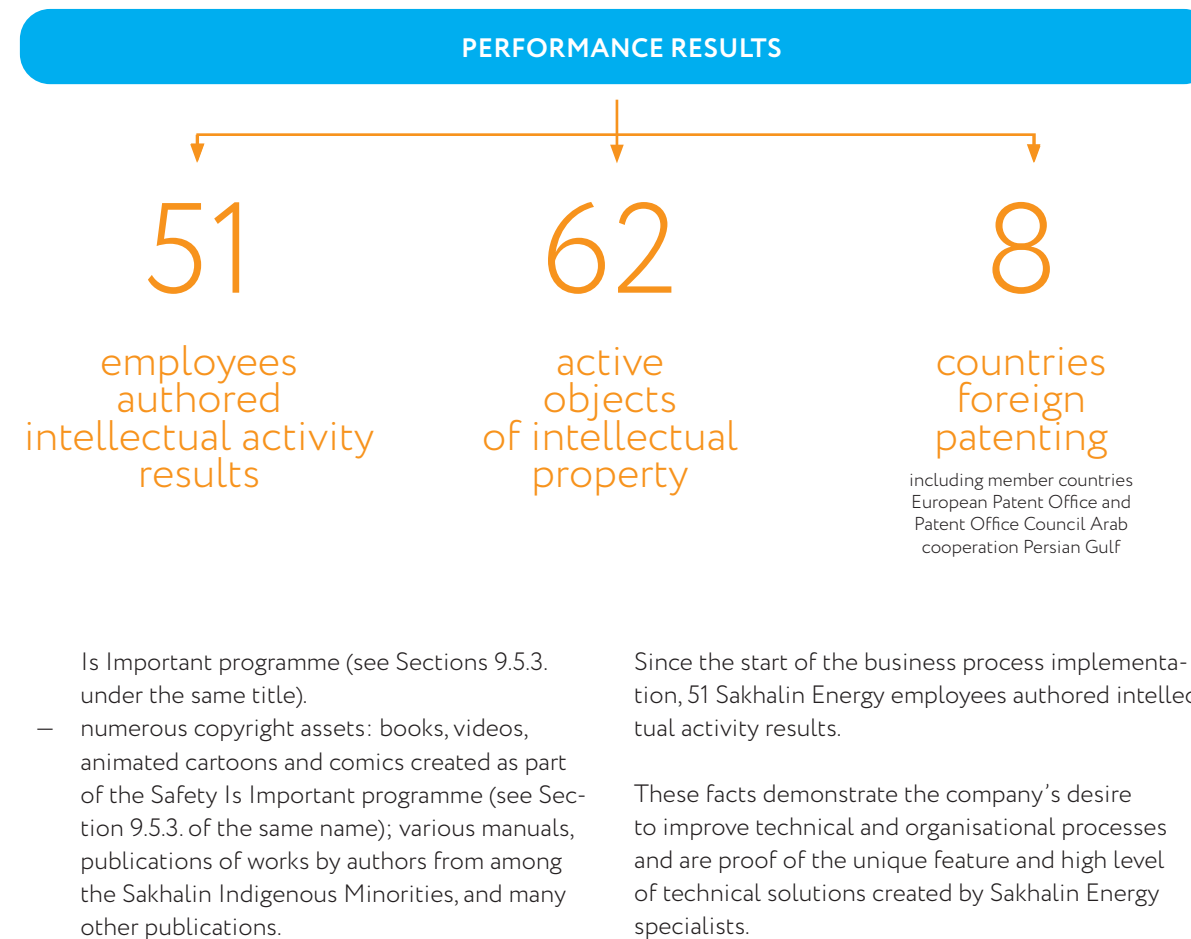
Throughout its history, Sakhalin Energy has been using the best international practices and the latest technical solutions. The unique conditions of the Sakhalin-2 project implementation, however, often require the company and its contractors to search for or develop advanced approaches and methods, devices and technologies for fulfilling production and commercial tasks. A package of intellectual property rights, which is a valuable asset for the company development, helps to maintain efficient and reliable production.

In connection with this, in 2016, Sakhalin Energy introduced the Intellectual Property business process to implement the processes of intellectual property rights management, consolidation and protection of the company's rights to new technical solutions created as part of the Sakhalin-2 project, and also

strengthen the company's competitive advantages. The new business process was designed to develop a unified approach to the management of substantial intellectual property, to ensure its legal protection, and to obtain additional benefits from intangible assets. Much attention is given to the management of the intellectual property of third parties and the company's contractors, obtained under contracts or on other grounds.

In four years, the Intellectual Property process has yielded noticeable results: as of the end of 2020, the company held a portfolio of intellectual property rights, which included the following:

- seven patents issued in the Russian Federation (two of them protect technical solutions related to the production of liquefied natural gas, the third patent protects a new solution for monitoring the state of an oil and gas field during hydrocarbon production, the fourth — a solution aimed at simplifying and increasing the efficiency of drilling equipment operations during off-shore hydrocarbon production, the fifth — a solution for maintaining the operability and integrity of subsea pipelines, the sixth — a solution aimed at improving the service life of drill strings by protecting the joints in the protector body, the seventh — a solution for informative monitoring of the exploited reservoir capacity);
- five patents issued abroad (one in Australia, one in Qatar, one in Canada, and two in the USA), following the patents for the development of legal protection for the technical solutions "Method for the Control of the Mixed Refrigerant Composition" and "Method for the Control of the Mixed Refrigerant Composition in a Premixed Refrigerant Cycle in the Production of Liquefied Natural Gas", obtained in the Russian Federation;
- 49 software programmes registered with Rospatent;
- trademarks: the Sakhalin Energy logo, registered in two colour combinations; the image of Senya — the protagonist of the Safety



The developments included in the company's intellectual portfolio are applied at its facilities, increasing work efficiency and strengthening the company's competitive advantages as a responsible producer of hydrocarbons.

Sakhalin Energy is engaged in activity which is entirely new for the company—joint patenting of new collective technical solutions developed by Sakhalin Energy specialists together with contractors, which are in line with modern international practices and have shown good results when introduced into the company's activities.

In 2021, the company will continue to expand its intellectual property portfolio by patenting and registering unique IT, technical and other solutions in the Russian Federation (and abroad, if necessary), and by interacting with contractors in order to benefit from the use of new solutions developed under the Sakhalin-2 project.

4.4.

BUSINESS CONTINUITY MANAGEMENT

Since 2016, Sakhalin Energy has been implementing the Business Continuity Management System (BCMS) to sustain the confidence of customers, shareholders and stakeholders in the company's capability to safeguard and restore business-critical activities and performance in case of any disruptive event.

To ensure the effective availability of essential functions, Sakhalin Energy has developed a Business Continuity Policy as an overarching commitment to a comprehensive Business Continuity and Recovery Programme based on ISO 22301:2012 Societal Security—Business Continuity Management Systems, ratified by the RF standards organisation (GOST R22301:2014 Societal Security—Business Continuity Management Systems).

The purpose of the BCMS is to identify and assess the impact that can be caused by disruptive events, whether unintentional, intentional, or naturally caused (disruption, emergency, crisis or natural disaster) and to develop recovery plans that would enable Sakhalin Energy to resume key business activities

as soon as practicable. Thus, the BCMS provides a suitable mechanism by which Sakhalin Energy can systematically prepare for disruptive events and assure BC capability.

For operational process management there is a 3-year Integrated Business Continuity Improvement Plan 2018-2020 based on BC Desk-Top Exercise and Annual BCP Management Review.

BC management has significant interfaces with crisis management and emergency response.

By 2020, Sakhalin Energy had already analysed most of the credible disruptive events that could lead to an interruption in the company's key activities. The company had also tested its readiness to respond effectively and resume business-critical activities after events such as an earthquake, critical IT services failure, a significant technical or HSE incident at a production facility and identified manual work-arounds for continuity of some business-critical operations.

In 2020, the company proved the effectiveness of its BCMS by responding to the COVID-19 pandemic challenges. In the complicated epidemiological and economic situation it was critically important to arrange efficient management of the company as an organisation with a continuous production cycle and timely decision-making process. For this purpose, the company set up the General Coordinating Committee (GCC), chaired by the Chief Executive Officer and three command centres by areas of activities, to ensure continuous operation of the company amid the rapid spread of the coronavirus infection. The first command centre was responsible for developing and implementing measures to prevent the spread of coronavirus at the facilities. The second command centre was engaged in ensuring reliable production,

product shipment, and implementation of project activities. The third command centre, chaired by the Financial Director, ensured sustainable cash flow and risk control amid sanctions.

GCC meetings were held on a daily basis, including holidays and days off, for the purpose of prompt response with due regard to the existing situation, decisions of shareholders, recommendations and resolutions of government authorities. In the course of its work, the GCC developed and implemented the Unified Comprehensive Action Plan, which was updated as needed. All decisions related to the security of facilities, protection of employee health, and production continuity during the COVID-19 pandemic were taken by GCC.

General Coordinating Committee



5

CORPORATE GOVERNANCE

In 2020 Sakhalin Energy has been rated as Class A1 following the first-ever anti-corruption rating of Russian business completed by the Russian Union of Industrialists and Entrepreneurs (RUIE). This is the top grade a business can earn in terms of anti-bribery/anti-corruption and corporate business ethics.



5.1.

COMPANY'S MISSION, VISION, VALUES, AND PRINCIPLES

Sakhalin Energy is guided by general business principles, with underlying core values of honesty and integrity, respect and care for people, professionalism and individual accountability, continuous improvement and teamwork. These principles are exemplified by the company's responsibilities to its shareholders, the Russian party, customers, the company's employees, and business partners—i.e. all parties that have business relations with the company, as well as to the community.

The general business principles cover, among other areas, economic features, competition, business integrity, political activities, health, safety, security,

environment, local communities, as well as communication and engagement with stakeholders. The full text of the company's General Business Principles is available on the Sakhalin Energy's website (www.sakhalinenergy.com).

Vision: To be the premier energy source for Asia-Pacific.

Mission: Sakhalin Energy is committed to being a premier energy supplier, recognised for its safety, operational excellence, and reliability.

We conduct our business in an ethically, socially, and environmentally responsible manner.

5.2.

CORPORATE GOVERNANCE SYSTEM AND STRUCTURE

“The Business Management System is the fundamental mechanism for Sakhalin Energy's operations. The system ensures compliance with our business principles, legislation, obligations to shareholders and other stakeholders, gives an understanding of how the company conducts its business and what policies and standards must be followed in order to properly perform all work. Therefore, updating the Business Management System along with updating the business process model is the special focus area for the company in the new reality.”

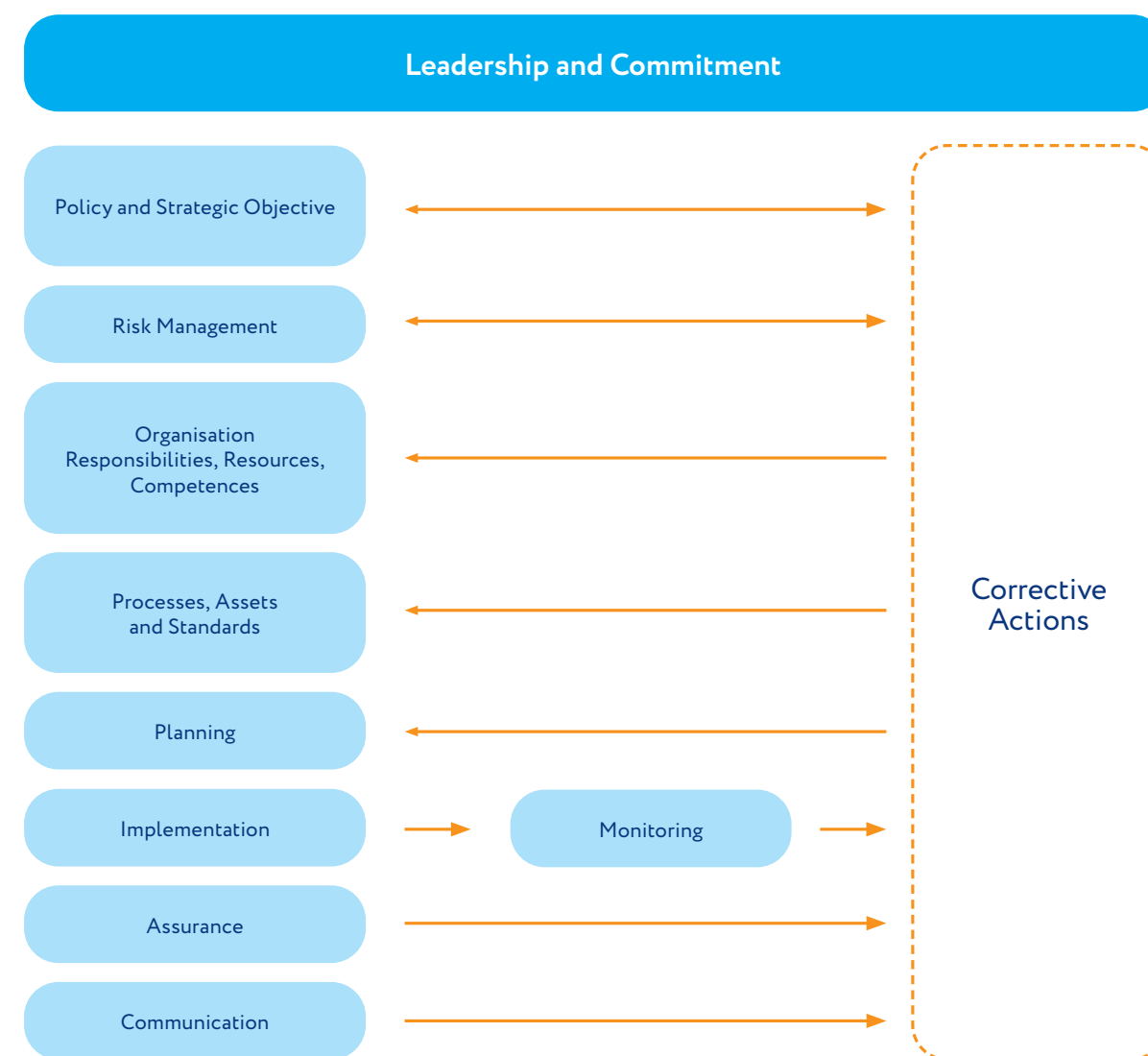
Roman Dashkov,
Chairman of the Committee of Executive Directors
and Chief Executive Officer

Corporate governance is a process ensuring due diligence in organisation, management, and oversight within Sakhalin Energy. Corporate governance is accomplished by engaging the Sakhalin Energy's senior management with its shareholders and the Russian party to determine the direction of the

company's activities, establish areas of responsibility, and assess performance.

The Sakhalin Energy's Business Management System Manual describes the main principles and approach to managing the company.

Corporate Governance System



Leadership and commitment

Sakhalin Energy’s senior management is fully committed to the Business Management System. Compliance with senior management decisions is mandatory for

all staff and contractors. The senior management plays a leading role in the continuous improvement of business processes through their decisions and actions.

Policy and strategic objectives

The company’s policies and standards comply with Russian laws and regulations as well as with the requirements of its shareholders and lenders. Sakhalin Energy’s strategic objectives are inspiring and clear

to everyone and are consistently incorporated into the policies, standards, processes, and plans adopted by the company.

Risk management

When establishing objectives, the company identifies, assesses, and considers overall risks related to achieving these goals and identifies ways to manage risks,

including decreasing, mitigating, or preventing them (see Section 5.4. Risk Management).

Organisation, responsibilities, resources, and competency

The organisation and resources of the company are adequate to meet the strategic objectives. Responsibilities at all levels are clearly described, communicated,

and understood. The employees are prepared and trained in accordance with training plans coordinated with structured competency assessment systems.

Processes, assets, and standards

Processes and assets are defined with clearly assigned responsibilities. Process/asset standards and procedures incorporating controls and means of risk management are in place and understood at the appropriate organisational levels. Process owners ensure the proper implementation of control procedures through regular assurance and compliance activities adopted by the company.

Planning

All plans approved are optimised and fully resourced. Performance targets are set that will ensure progression towards the long-term objectives. The five-year plans, that are assessed and adjusted annually, form the basis of planning. They are established through

active and open discussions with representatives of all directorates and departments at the special annual event named 100 Workshop (see Section 6.3. Engagement with Personnel).

Contingency and emergency response plans are implemented and regularly evaluated.

The Journey Book, which is published annually, is used to inform all company’s employees about the company’s goals, strategy, targets, and measures to achieve them.

Implementation

Performance indicators are established and monitored, and results are reported. Corrective measures are taken as necessary, and policies, organisational structure, risks, plans, and processes are updated.

All incidents with significant potential or actual consequences are thoroughly investigated and reported. All lessons learned are disseminated throughout the company.

Assurance

Assurance is in place to ensure the management system is reasonably effective. It includes independent audits of processes and assets. Audits are followed up

in a timely manner. Management regularly reviews the suitability and effectiveness of the assurance framework.

Communication

Transparent and open communication is essential to ensure the company’s business objectives are met. Line managers engage with their staff, communicating business goals and priorities. The CED receives their feedback for information and possible follow-up.

The CEO and other members of the CED reinforce this communication framework with regular staff engagement sessions (see Section 5.5. Corporate Culture and Section 6.3. Engagement with Personnel).

5.3.

CORPORATE GOVERNANCE
MODEL

Strategic planning is carried out through engaging the Sakhalin Energy’s senior management with the Russian party (representatives of the federal executive authorities and the Sakhalin Oblast Government) and company’s shareholders that determine policy directions, establish areas of responsibility, and assess the results achieved, including those in the area of sustainable development. Under the shareholding structure of Sakhalin Energy, which has not changed

since 2007, Gazprom holds 50% plus one share, Shell holds 27.5% minus one share, Mitsui holds 12.5%, and Mitsubishi holds 10%. All the shareholders operate through their subsidiaries.

The Supervisory Board is the Sakhalin-2 project strategic management body established and operating in accordance with the Agreement on the Development of the Piltun-Astokhskoye and

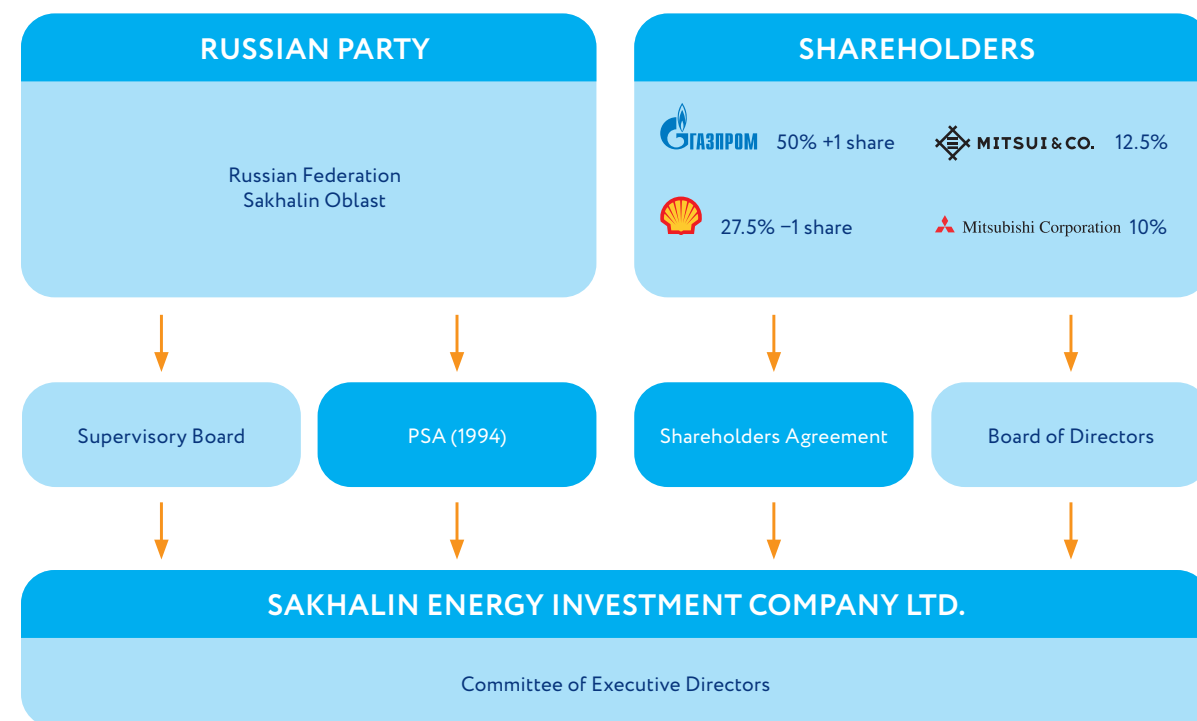
Lunskoye Oil and Gas Fields on the Basis of Production Sharing (PSA). The Supervisory Board supervises the fulfilment of the PSA terms and approves the company's long-term development plans and budgets, annual work programme and budget, LNG sales agreements, procurement procedures, Russian national employment and training plans, etc. The Supervisory Board also reviews the company's annual reports and appoints auditors. The Supervisory Board consists of 12 members: six representatives from the company and six representatives from the Russian party. Information on members

of the Supervisory Board is available on the Sakhalin Energy's website (www.sakhalinenergy.com).

Sakhalin Energy uses a three-stage corporate governance system, in which:

- certain key decisions are made by shareholders;
- the Board of Directors is responsible for overall company's governance;
- daily management and operation of the company is the prerogative of the Committee of Executive Directors (CED).

Corporate Governance Model



The company's governing bodies have the following tasks in the governance model.

Board of Directors (BoD) — appointed by the company's shareholders, it is responsible for the overall governance of the company and for key decisions regarding economic, environmental, and social activities as well as the strategy and business direction of the company.

The BoD members in 2020 included all the executive (7) and non-executive (8) directors of the company. Cederic Cremers, Shell Country Chair in Russia, served as the Chairman of the Board as of the end of 2020.

The BoD is supported by several committees.

Commercial Committee — chaired by the company's Commercial Director and consisting of representatives from Sakhalin Energy and its shareholders who meet to discuss commercial issues and related proposals and strategies pertaining to PSA/shareholder issues, PSA amendments, Licence Security proposals, infrastructure sharing/cooperation issues, and business strategies on crude oil, LNG and natural gas, and other commercial issues.

Technical Committee — chaired by the company's Technical Director and consisting of representatives from the Sakhalin Energy's Technical and Production Directorates and its shareholder companies who meet to discuss technical issues such as value assurance reviews, development proposals, well drilling and completion, development work programmes and related budget proposals, operational activities, contracting plans and strategies, tender board policy, project development schedules, HSE management, and engineering, procurement and construction plans.

Finance Advisory Committee — chaired by the Finance Director and consisting of representatives from Sakhalin Energy and shareholder companies who meet to discuss financial issues. The standard

agenda of a FAC meeting includes equity/project financing arrangements; assurance framework (including financial business); cost recovery issues; strategic risks, internal/external audits; work/service contracts, agreements and amendments; tax liabilities; insurance; treasury; accounting policy and supply chain management.

External Affairs Committee — an advisory committee to the BoD. The Committee is chaired by the Sakhalin Energy's Head of the Corporate Affairs Division and consists of representatives from the company and its shareholders who meet to discuss external affairs, such as formulating and coordinating the company's positions and communications with shareholders; monitoring and responding to media reports, releases, and inquiries; and coordinating issues associated with managing the company's reputation.

Board Assurance Committee — consists of two representatives from each of the company's shareholders, one of which is a non-executive director. The meetings are attended by the company's Chief Executive Officer, Finance Director, Legal Director, any other executive directors responsible for the agenda items of a Committee meeting, the Audit Manager, and other individuals invited by the Committee.

Board Remuneration Committee — an advisory committee to the BoD. This Committee reviews and makes recommendations with regard to the annual performance of executive directors as well as overall HR policies. The Committee includes two representatives (one of which should be a non-executive director of the company) from each of the shareholders.

Committee of Executive Directors — headed by the company's CEO (Chairman) and consists of all the executive directors of the company. CED designates, directs, and oversees the operations of Sakhalin Energy through business plans and strategies and by deciding how best to implement them. The CED members as of 31 December 2020 are shown in the Committee of Executive Directors organisational chart.

Committee of Executive Directors (as of 31st of December 2020)

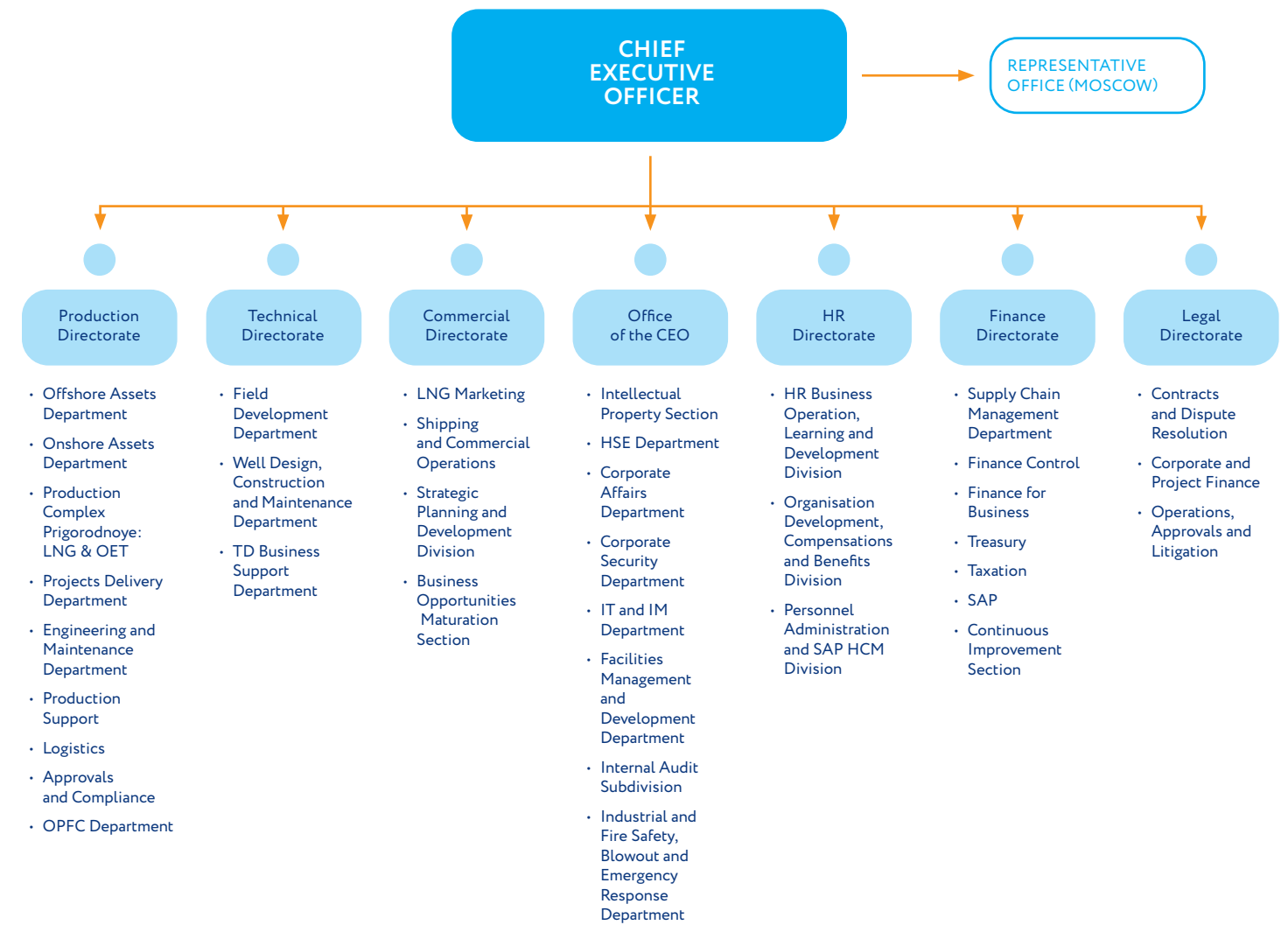


The CED is supported by internal committees, including, but not limited to:

- Management Development Committee;
- Decision Review Board;
- Business Integrity Committee;
- Business Assurance Committee;
- HSES Management Committee.

The company's organisational structure ensures that functional tasks related to both assets and processes are completed.

Company's Organisational Structure (as of 31st of December 2020)



5.4.

RISK MANAGEMENT SYSTEM

Sakhalin Energy believes that effective risk management is critical to achieving the company's goals.

The main goals of effective risk management are as follows:

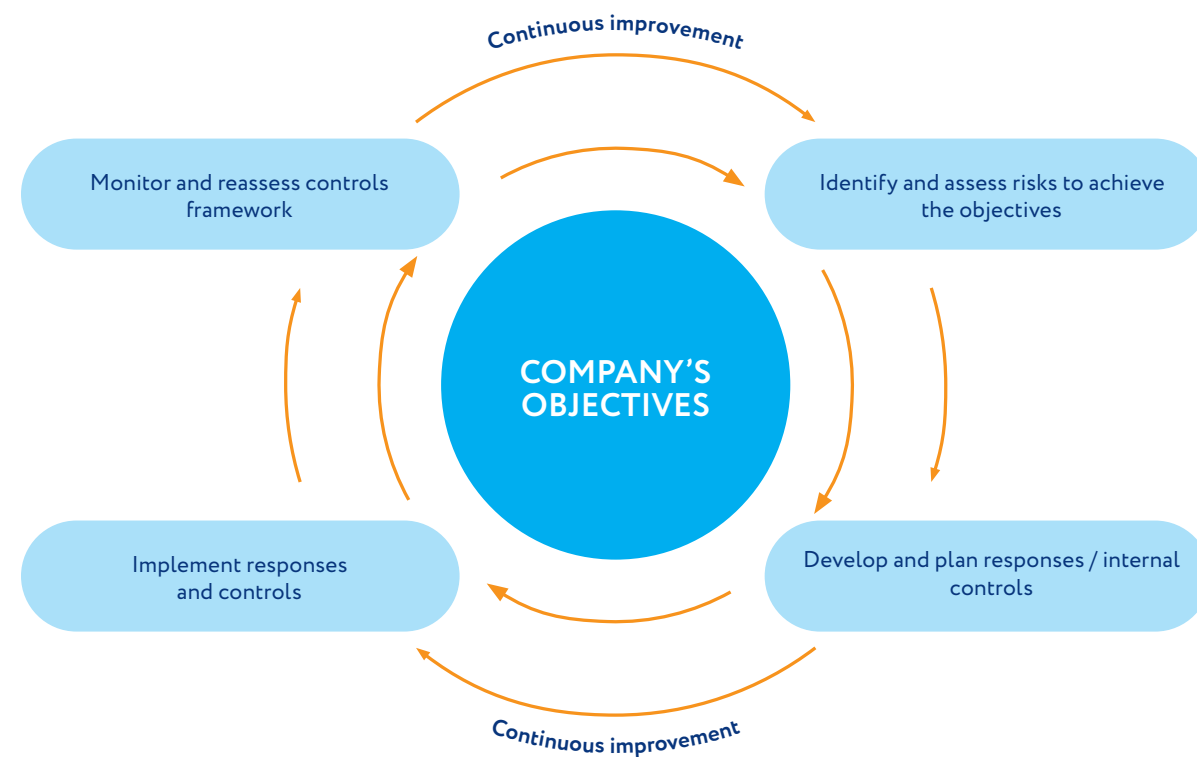
- creating a risk-oriented culture in the company;
- creating value for key stakeholders by ensuring effective implementation of the corporate strategy;
- ensuring sound planning by involving senior management in the management of key risks;

- ensuring proper assessment, monitoring and mitigation of risk exposure.

In risk management, the company follows the ISO 31000:2018 Risk Management Standard.

Sakhalin Energy understands risk as a potential situation that can affect the achievement of corporate goals. Accordingly, all risks are divided into threats and opportunities and assessed in terms of impact and probability.

Risk Management Cycle



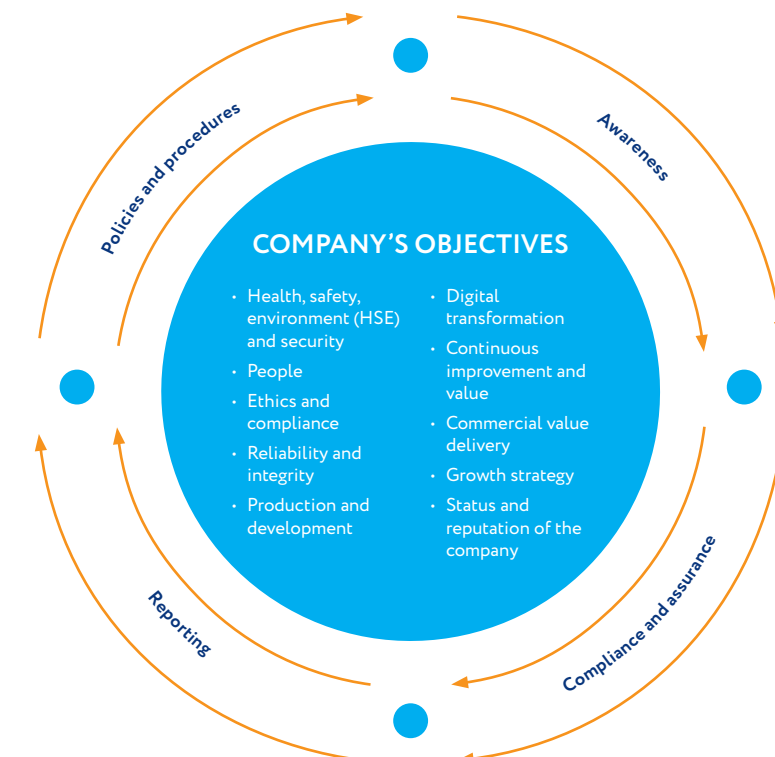
The risk management process at Sakhalin Energy includes identification and assessment of risks, planning management measures, their implementation, monitoring indicators and reassessment of risks. The cycle is carried out on continuous and dynamic basis in order to ensure the identification of areas that require improvement, as well as the implementation of these improvements (see the Risk Management Cycle chart). This process is governed by the Corporate Risk Management Procedure.

The key tool for assessing the impact and likelihood of risks is the risk assessment matrix, which provides for classification of actual and potential consequences, determination of the severity of risks, and proper management thereof. Risks are assessed by the likelihood of occurrence and the level of impact on the process of goal implementation.

One of the most important components of effective risk management is conducting an impact assessment. This process is carried out before starting any work that could potentially affect various areas (see Section 3.5.2. Impact Assessment).

Risk management lies within the responsibility of those who are responsible for achieving the goals associated with these risks (risk owners and coordinators). All executive directors of the company ensure proactive risk management as part of his/her leadership activities. Monitoring is carried out by the Business Assurance Committee, which includes the company's executive directors, and the Board of Assurance Committee (see the Controls Framework chart).

Controls Framework



Risks that the company assesses as the most significant, and ways to control them

Risks	Description/Controls	Reference
Continuous improvement (opportunity)	Many of the processes and areas of work used by Sakhalin Energy can be improved in order to increase their efficiency and/or productivity, which will allow the company to be the leading supplier of energy resources for the Asia-Pacific region. The company has developed a strategy to achieve maximum production efficiency—the Continuous Improvement Programme, which includes a number of initiatives to reduce costs, increase profitability and improve production efficiency.	Details in Section 4.3.2
COVID-19 related Risks		
Business continuity	To reduce the risk the company developed and introduced the imperative measures for minimising the probability of COVID-19 infection intrusion into company’s offices and facilities, specific logistics have been developed for personnel/equipment delivery to the company’s assets. General Coordinating Committee executes the control over compliance with these measures.	Details in Section 4, 9.1, 9.3
Personnel health	To reduce the risk the company developed and introduced the imperative measures for minimising the probability of COVID-19 infection intrusion into company’s offices and facilities. General Coordinating Committee executes the control over compliance with these measures.	
Economic risks		
Risk of adverse effects of existing and potential sanctions	The United States and several other countries have imposed sanctions that may affect the company’s business. The company has formed an interdisciplinary sanction working group responsible for monitoring and developing situation management plans.	
Social and reputational risks		
Staff turnover	It is important for the company to retain the necessary level of trained and qualified personnel. Losing professionals and specialists, especially those in technical fields, can lead to insufficient trained personnel in the skill pool to fill critical positions and can lower the general qualification level of key experts. In order to mitigate the risk, the company strives to support the succession process, including at the level of managerial targets and goals. Programmes of managerial and leadership skills development are being implemented. The competitiveness of the employee value proposition is regularly assessed. The Traineeship Agreement is updated annually in cooperation with the shareholders.	Details in Section 9.1
Occupational diseases risk	To reduce the risk of occupational diseases: personnel health risk assessment at the facilities, harmful factors production control, special workplace attestation, periodic medical and clinical examinations, control over compliance with work instructions during work, control over the use of PPE, and education on the prevention of occupational diseases.	Details in Section 9.3
Environmental risks		
Risks with regards to negative impact on the environment	The company uses the following controls to reduce the risk of negative impacts on the environment and the risk of contamination in line with the requirements of environmental legislation and international standards: identifying all environmental aspects and performing an environmental risk and impact assessment when planning business activities and implementing a project; operating on the basis of permits and licenses obtained, within the limits for emissions and discharges and waste generation volumes specified by the standards; developing and implementing comprehensive programmes for industrial environmental control, local environmental monitoring and biodiversity conservation in the areas of production assets; analysing the results of monitoring, assessing the efficiency of controls and developing and implementing environmental protection plans. Risks are managed in accordance with the company’s Risk Management Standard and the special Atmospheric Air Protection Standard, Water Use Standard, Waste Management Standard, Soil Use Standard, Marine Environment Protection Standard and Biodiversity Standard.	Details in Section 8



Risks	Description/Controls	Reference
Safety risks		
Process safety	Process Safety is the management of hazards that can cause major accidents that release potentially dangerous materials or energy such as a fire or explosion, or both. Potential sources of major accidents are: hydrocarbon releases from production installations or wells, onshore and offshore assets and pipelines which could result in a fire or explosion; loss of structural integrity of offshore installations; marine hazards such as a ship colliding with an installation or another vessel; aviation hazards such as a helicopter crash; major road traffic accidents; contamination of food or water affecting personnel at the assets; loss of power to remote locations during the winter; dropped objects, and transferring personnel between offshore installations and vessels. The Process Safety Control System consists of three elements: Design Integrity – designing and building the company’s assets so that risks are as low as reasonably practicable (ALARP); Technical Integrity – applying technical control measures through effective maintenance, inspection, repair, and quality assurance; Operating Integrity – applying technical control measures and managing critical work processes by using work permits, monitoring technical processes manually, overseeing changes in processes, etc. Senior management must take a leading role in ensuring process integrity in order for this system to be successful. Leaders should have the ability to pick up on weak signals and create an atmosphere in which people can halt unsafe work and speak up when they feel something is not right. The process safety risks are assessed at each company’s asset based on Russian Federation legislation and international practice.	Details in Sections 4 and 9.2
Personnel safety risks	The key risks in the area of personnel safety have been associated with hand injuries as a result of jamming, lifting operations and cutting tool handling, falling and leg injuries from trips and slips. Dropped objects and working with electricity entail potential risks. To mitigate safety risks, the company implements adequate preventive and control measures, such as staff training on occupational safety, provision of PPE, medical check-ups, introduction of latest technologies for minimising staff exposure to hazards, electronic work permits system that prevents conflict of operations and reduces the likelihood of human error. The implementation of the Goal Zero programme is a special priority aimed at improving the safety culture and decreasing the number of injuries. As part of the Effective Observation and Intervention Programme, employees and contractors are engaged in identifying hazardous work conditions in order to prevent accidents; best interventions are rewarded with prizes and gifts. Company management at various levels demonstrates continuous leadership and commitment to safety in the course of regular visits to production sites and communication with the staff. Identification of root causes of accidents enables the company to be proactive and prevent recurrence of incidents by learning lessons and sharing experience among production facilities.	Details in Section 9.2
Road safety	Within the framework of the OPFC project, the traffic intensity on the southern access road has significantly increased. To strengthen road safety control, on the road an additional monitoring group has been arranged. Traffic decreased during the operations phase, but the risk levels remain high over the entire service life of the Sakhalin-2 project. Traffic volumes are still high, often in difficult weather and road conditions. The most common violation among contractor drivers is speeding. To manage risks and prevent violations of road traffic rules, the company monitors speed limit violations using IVMS and with the help of Traffic Safety Team inspectors, conducts training sessions and discussions with drivers, and performs strict journey management. Other precautionary measures and controls are also being implemented.	Details in Section 9.2



5.5.

CORPORATE CULTURE

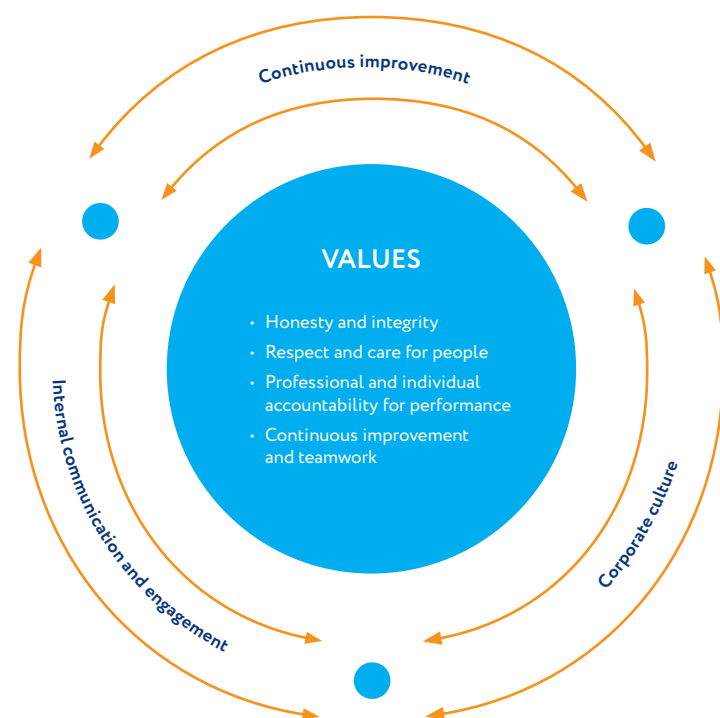
“The Reputation of an honest business is a priceless asset for any organisation. Our success in no small measure is contingent on compliance with both legislative requirements and highest possible ethical standards.”

Roman Dashkov,
Chairman of the Committee of Executive Directors
and Chief Executive Officer

Values, principles, rules, codes, traditions and practices add up to the company’s corporate culture, making it unique and guiding it to the destination that has been set. Sakhalin Energy’s corporate culture, which

rests on trust and our corporate values—honesty, integrity, respect, professionalism, individual responsibility, continuous improvement and teamwork—contributes to our reputation and business success.

Corporate Values



Sakhalin Energy operates in strict compliance with the Russian Federation legislation and corporate General Business Principles, including the following:

- we promote the development and best use of the talents of our employees;
- we conduct business as a responsible corporate member of society, support fundamental human rights and give proper regard to health, safety, security and the environment;
- we contribute to sustainable development, integrating economic, environmental and social considerations into business decision-making (the principles of environmental and social responsibility);
- we do not tolerate corruption, corporate fraud, embezzlement, money laundering or any other abuse of the company’s assets;
- we seek to work freely and fairly, in compliance with the business ethics standards;
- we seek to maintain mutually beneficial relationships with business partners, contractors and vendors.

The General Business Principles of the company are communicated to newcomers during the regular onboarding sessions.

All employees complete biannually online trainings dedicated to the Code of Conduct, Anti-Bribery and Corruption principles and Conflict of Interest Procedure. In 2020 the company refreshed the mandatory online trainings. In 2020, almost 100% of employees who were required to do these trainings completed them.

To enhance zero tolerance of corruption and fraud, the company has developed face to face training sessions on Ethics and Compliance, which are conducted on a regular basis. This format serves as a platform for discussing changes in the anti-corruption legislation and their impact on the business environment and the company.

The company’s management is actively involved in promotion of the corporate culture which is based on mutual respect and trust: the company trusting its employees, the shareholders trusting the company, etc. This makes negligence and any malpractice unacceptable.

To enhance and further develop our corporate culture aimed to maintain the company’s values, reputation and high international standing, the following sources have been developed:

- Ethics and Compliance internal web-resource. The E&C website covers ethics and compliance information and updates (Stories, Facts and Events sections) and offers information

on the Ethics and Compliance Programme, encouraging employees to raise their concerns and ask questions to receive advice and recommendations (via Whistle Blowing and Contacts links).

- Ethics and Compliance Programme. The programme was developed in accordance with the Russian and applicable international legislation, as well as best international practices. Ethics and Compliance Manager coordinates the implementation of the programme in line with its terms and conditions. The programme is updated annually and information on its delivery is reported to the company senior management and shareholders on a regular basis as per plan.

5.6.

ETHICS AND COMPLIANCE

The Code of Conduct is an integral part of Sakhalin Energy's corporate governance and culture, defining essential rules, standards and norms of conduct aimed at achieving Sakhalin Energy's goals in line with its requirements, corporate values and principles.

Sakhalin Energy's Code of Conduct applies directly to each employee and covers various aspects, includ-

ing respect for human rights, health, safety and environment, anti-corruption and anti-bribery, etc., and includes the principles of management commitment, due diligence and risk assessment, monitoring and reporting, communication and training, etc. (see the Basic Elements of Ethics and Compliance chart).



Basic Elements of Ethics and Compliance



Detailed regulation of each of these processes is included in the company's procedures and policies:

- Code of Conduct, including the Statement of General Business Principles;
- Sustainable Development Policy;
- Human Rights Policy;
- Whistle Blowing / Grievance Procedure;
- Conflict of Interest Procedure;
- Anti-Bribery and Corruption Procedure.

All policies and procedures have been developed in line with the existing laws and regulations, as well as the General Business Principles of the company. The company has established a safe and confidential whistleblowing hotline for employees and others to raise any concerns and report incidences of non-compliance with the General Business Principles. Sakhalin Energy employees are expected to report to the company any incidents of violation of the General Business Principles.

The company continuously works to reinforce its staff engagement and two-way communication framework using such methods as direct communication (general staff communication sessions, meetings

with each group/department, etc.), as well as various types of electronic and written communications and feedback (see Section 6.3. Engagement with Personnel), etc.

The company has developed and applies the Conflict of Interest Procedure. Under the procedure, a conflict of interest declaration must be filled out by all the employees on an annual basis. Employees must also submit a conflict of interest declaration at other times when an actual, potential or perceived conflict of interest arises.

The Procedure allows the company to prevent and assess potential conflicts and describes measures to protect both Sakhalin Energy and its personnel from the risk of actual conflict between the employees' private and professional interests.

In 2020 almost 100% of employees completed their annual conflict of interest declaration.

In 2020 Sakhalin Energy has been rated as Class A1 following the first-ever anti-corruption rating of Russian business completed by the Russian Union of Industrialists and Entrepreneurs (RUIE). This is the top grade a business can earn in terms of anti-bribery/anti-corruption and corporate business ethics.

The rating's objective is to improve the openness and transparency of Russian companies through publishing information regarding levels of compliance with the Russian Anti-Corruption Charter for Business and ISO 37001-2016 Anti-bribery management systems – Requirements with guidance for use.

To compile the rating, 37 criteria contained in ISO 37001:2016 were used, including the existence of a corporate anti-bribery management system, leadership commitment to the principles of honesty and integrity in business, financial and non-financial controls, raising awareness among personnel and business partners, including extensive anti-bribery and anti-corruption personnel training, availability of effective mechanisms to communicate information to all relevant stakeholders, etc.

5.7.

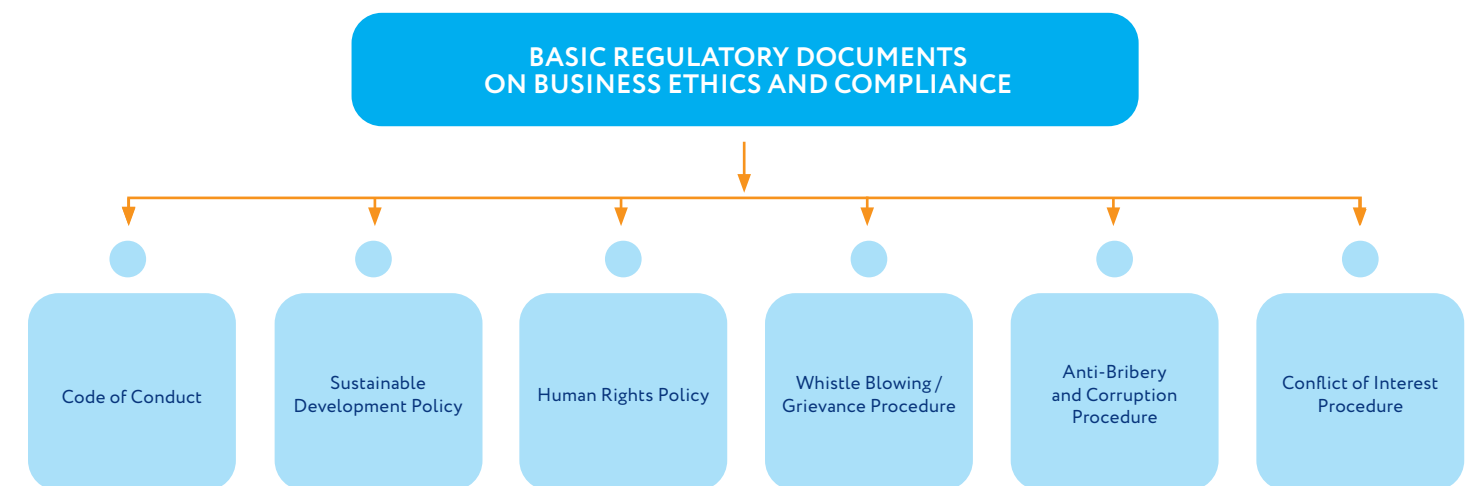
ANTI-BRIBERY AND CORRUPTION

The effective development of Sakhalin Energy is based on zero tolerance to corruption and fraud, and one and the same Code of Conduct being mandatory for all the company's employees, irrespective of their position or employment record.

- The company follows Russian and applicable international anti-corruption and anti-fraud regulations, corporate General Business Principles and Code of Conduct, as well as internal policies and procedures.

- Sakhalin Energy does not tolerate corporate fraud, bribery, corruption, embezzlement, money laundering or any other abuse of its assets.
- The company promotes its General Business Principles to business partners, contractors and vendors.

The company continually and diligently makes efforts to prevent and combat corruption and keeps making these efforts more effective. This includes development of the relevant policies and procedures and implementation of business assurance processes to prevent any unlawful activities.



Anti-Bribery and Corruption Procedure (hereinafter referred to as the Procedure) is the primary company’s document dealing with bribery and corruption.

Risks associated with non-compliance with this Procedure include failure to follow anti-bribery and corruption legal requirements and failure to comply with ethical business standards. These risks may lead to reputational damage, financial losses (e.g. fines), and criminal liability of the company, its employees as well as its agents, contractors, and intermediaries. The Procedure lists categories of employees who present higher risks of violating anti-bribery and cor-

ruption laws and must attend individual face-to-face training on the requirements of this Procedure.

To raise the awareness of all employees in 2020 company issued the regular Bulletin on Business Ethics and Internal Control.

All newly hired staff must be briefed about the requirements set forth in the Procedure as part of their induction. The Finance Controller together with the Ethics and Compliance Manager shall ensure that Sakhalin Energy employees are made aware of Anti-Bribery and Corruption Procedure (including organisation of training sessions) and comply with this Procedure.

The company informs both internal and external parties on channels for reporting violations of anti-bribery and corruption legislation.

For these purposes, various mechanisms have been put in place including posting relevant information on the company’s internal and external websites, in the company’s offices and at production assets. The company’s website has a digital template for making reports on fraud, corruption or embezzlement.

On an annual basis company informs contractors with which active contracts exist on its Ethics and Compliance requirements (including Anti-Bribery and Corruption) via official letter signed by the Finance Director.

The company’s Legal Directorate shall advise employees on anti-bribery and corruption legal issues and risks associated with non-compliance.

The Anti-Bribery and Corruption Procedure establishes an overall set of controls for compliance with the anti-bribery and corruption laws, including:

- anti-bribery and corruption requirements;
- identifying non-compliance;
- reporting to the Business Assurance Committee;

- applying a set of potential risk indicators, or the so-called “red flags” (e.g. risks associated with demands for payment for services not covered by a contract, lack of transparency in invoice supporting documents, etc.);
- applying pre-contractual due diligence, mandatory contract provisions, etc.

The following is arranged in order to integrate anti-bribery and corruption requirements into the



company’s processes of contracted works organisation and procurement and to implement further controls.

- The Legal Directorate shall monitor any changes in standard contract clauses that specify the company’s anti-bribery and corruption requirements.
- To provide methodological support of the company’s contracting and procurement process and to observe the due diligence principle related to potential and existing contractors, employees of the Ethics, Corporate Governance and Assurance Subdivision shall assess the compliance of the proposed changes to the standard contract terms with the principles of business ethics, applicable anti-corruption

legislation, company’s requirements, and best international practices;

- The Supply Chain Manager shall ensure that standard company’s contracts contain the relevant standard clauses and that controls set forth by this Procedure are effectively integrated into the company’s processes of organisation of contracted works and procurement. Special focus shall be placed on ethics and compliance in terms of training seminars organised for manufacturers and suppliers.

The Business Assurance Committee shall review monitoring results for compliance with anti-bribery and corruption requirements.

6

STAKEHOLDER ENGAGEMENT MANAGEMENT

The company considers regular and meaningful stakeholder engagement and public disclosure of relevant information to be essential components of corporate sustainability and successful implementation of the Sakhalin-2 project.



6.1.

STRATEGY, PRINCIPLES, MECHANISMS AND ENGAGEMENT TOOLS

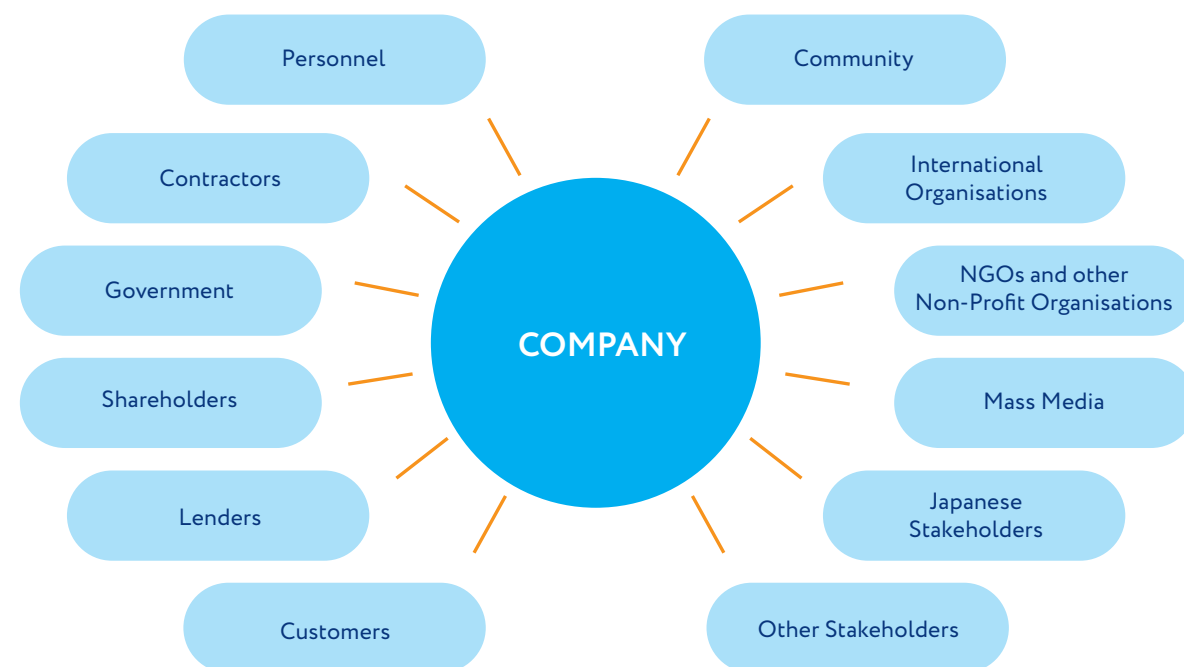
Considering that regular and meaningful engagement with the general public and key stakeholders is an important element of successful operations, Sakhalin Energy has been sharing information about its activities and plans and consulting with stakeholders since the start of the project.

Stakeholders are defined as organisations, companies, individuals, or groups that have a vested interest in the company or the project, i.e. individuals or

entities that are influenced by the company or can potentially influence the company's operations.

The company interacts with a number of stakeholders including shareholders, personnel, lenders, government authorities, customers, suppliers and contractors, community, Japanese stakeholders, international organisations, public and other non-governmental/non-profit organisations, mass media, and others.

Company's Stakeholders



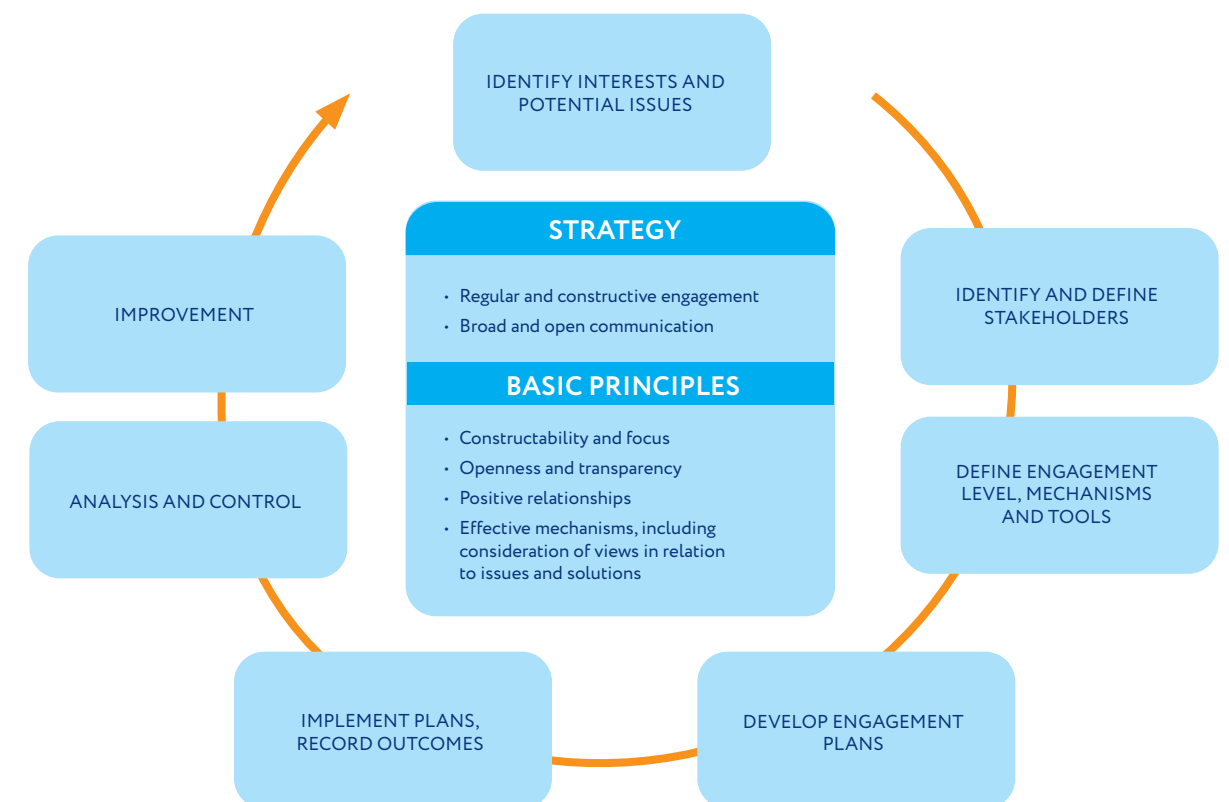
Sakhalin Energy's engagement with stakeholders is based on its commitments as set forth in key corporate documents, including:

- Code of Conduct, including the Statement of General Business Principles;
- Sustainable Development Policy;
- Human Rights Policy;
- Commitment and Policy on Health, Safety, Environment and Social Performance;

- Social Performance Standard (Public Consultation and Disclosure Appendix);
- Public Consultation and Disclosure Plan (updated annually).

These documents define the strategy, principles, process, mechanisms, and stakeholder engagement tools and are available to the public.

Stakeholder Engagement Process



The most effective mechanisms and tools are determined by engagement goals and objectives and depend on a particular stakeholder group (see the

Public Consultation and Disclosure Plan on the company's website www.sakhalinenergy.com).

6.2. STAKEHOLDER ENGAGEMENT
IN 2020

Sakhalin Energy continued systematic and consistent engagement with key stakeholders in 2020. The COVID-19 pandemic caused many changes: many of the planned events were held online instead of face-to-face, some activities were cancelled, in particular:

- public, group and individual meetings with the community representatives to update them on the project progress and various aspects of the company’s activities, as well as to receive feedback;
- engagement with Japanese stakeholders.

The key activities in 2020 were as follows (changes caused by the COVID-19 pandemic are specified in the indicated sections):

- engagement with personnel (see Section 6.3. Engagement with Personnel);
- providing information to stakeholders through the company’s website, the Vesti monthly corporate newsletter, and the media (news-papers, TV); distribution of information reports and printed materials in the communities. No changes during the COVID-19 pandemic;
- activities of company information centres established in local libraries (see Section 6.4. Local Communities Engagement through company’s Information Centres). Due to the COVID-19 restrictions, most of the compa-ny’s information centres were closed between March and July; afterwards they resumed their work in full;

- engagement with indigenous people under the Sakhalin Indigenous Minorities Development Plan (see Section 6.5. Engagement with the Sakhalin Indigenous Minorities (SIM));
- engagement with non-governmental and non-profit organisations (see Section 6.6. Engagement with Non-governmental and Non-profit Organisations);
- engagement with customers, suppliers and contractors (see Section 6.8. Engagement with Cus-tomers, Section 7.4. Supply Chain Management, and 7.3.4. Vendor Development Programme);
- engagement with state and local government authorities (see Section 6.9. Engagement with State and Local Government Authorities).

thorities, and other stakeholders). The meetings were held in person in February 2020, before the start of the COVID-19 pandemic;

- 29 people visited the office of the Community Liaison Officer in Korsakov. The statistics of vis-its are presented in the Statistics of Questions from Visitors to the Korsakov Office in 2020 by Topic chart. The Korsakov Community Liaison Officer’s open hours were suspended starting from March 2020 due to the COVID-19 pandemic, but consultations were conducted by phone;
- 2 rounds of dialogue meetings with stakeholders as part of the preparation of the Sustainable De-velopment Reports: for 2019 – in February 2020 (in person), for 2020 – in November 2020 (online due to the COVID-19 restrictions).

Statistics of stakeholder engagement in 2020:

- 5,701 visits to information centres;
- 14 public meetings in 12 communities of the dis-tricts of traditional residence of the Sakhalin In-digenous Minorities (200 participants – represen-tatives of SIM, non-governmental organisations, tribal enterprises and communities, municipal au-

Moreover, to prepare non-financial reports in accor-dance with international standards, additional stake-holder opinion surveys were held in order to deter-mine the range of topics to be included in the Report (see Section 2. About the Report).



Statistics of Questions from Visitors to the Korsakov Office in 2020
(up to March, inclusive) by Topic, %

Employment, personnel learning and development (including training programmes for trainees, development of young specialists, educational grants, etc.)	21
Social investment (grant projects, sponsorship)	31
Stakeholder engagement	7
Company's printed materials	17
Other questions	24

6.3.

ENGAGEMENT WITH PERSONNEL

Sakhalin Energy makes every effort to maintain an open dialogue with its employees and respect

their rights, and pays special attention to the process of addressing grievances and requests from employees.

2020 was an extraordinary year for Sakhalin Energy. With the transition of part of the company's office personnel to working remotely and an increase in the duration of shifts for rotational staff, it was necessary to search for new forms of communication with employees.

For this purpose, special pages dedicated to COVID-19 were created on the internal and external websites of the company, which ensured constant access for employees to the most relevant information about the company's activities under pandemic conditions.

In 2020, an average of more than 1,300 employees worked remotely on a daily basis. In total, they made more than 3.5 million video and voice calls through the corporate telephone system and held more than 17.5 thousand meetings using traditional and new video conferencing systems.

In addition, a 24-hour hotline was established at Sakhalin Energy in the first days of the pandemic. During 2020, it received 1,452 calls from employees of the company and contractors, as well as their family members.

Engagement with personnel is an important component of strengthening and developing the company's corporate culture (see Section 5.5. Corporate Culture) and is conducted, among other ways, through the internal communication system, which includes the following:

- distribution of the Journey Book among employees — this is the company's key document for planning the work of all directorates and organisational units, which provides information on the medium-term development strategy (next five years), as well as the main plans for the coming year;
- traditional annual employee opinion survey. No such survey was conducted in 2020 due to the COVID-19 pandemic;
- various issue-related opinion surveys. In 2020, as part of the Goal Zero programme, a tradi-

tional survey was conducted among employees to study their opinion on safety management. A number of other surveys were conducted to study the opinions of the company's employees on the effectiveness of corporate communications during the pandemic and the specifics of the remote work; to get the rotational personnel's feedback on their work schedule under the COVID-19 pandemic conditions in order to assess and optimise it; to define material topics for the Sustainable Development Report; to learn about employees' contribution to the preservation of natural resources, etc.;

- the Vesti monthly corporate newsletter. It is distributed among Sakhalin Energy employees, sent to the company information centres, and posted on the company's website. Since 2020, a full version of the newsletter in English has



been published, which is also posted on the company's website;

- monthly HSE newsletter with a review of incidents both in the company and in the industry as a whole, warnings about hazardous production factors and seasonal natural phenomena, assessment of and proposed measures to mitigate risks;

- business ethics and internal control newsletter (which is published twice a year as an appendix to the Vesti corporate newsletter);
- monthly Goal Zero e-presentation with stories of employees who took part in the #IamGoal-Zero project. The presentation includes information about the company's and contractor employees, whose care and timely intervention made it possible to prevent serious accidents at the company's facilities or in everyday life.
- the daily newsletter is issued on the basis of materials from the company's internal corporate website;
- email messages on behalf of the members of the company's Committee of Executive Directors;
- distribution of printed information materials (posters, leaflets, brochures, etc.) to inform employees about various aspects of safety, operational excellence, HR issues, upcoming events, etc.;
- placing announcements, posters and other information (including photo and video materials, presentations) on special stands in the company's offices, as well as on plasma display panels;
- training workshops and information sessions to explain new procedures, relevant topics and the company programmes to employees. Since March 2020, they have been held online;
- corporate Intranet site, which contains information about the company and its activities.

EMPLOYEE OPINION SURVEY ON THE EFFECTIVENESS OF COMMUNICATIONS UNDER THE COVID-19 PANDEMIC CONDITIONS

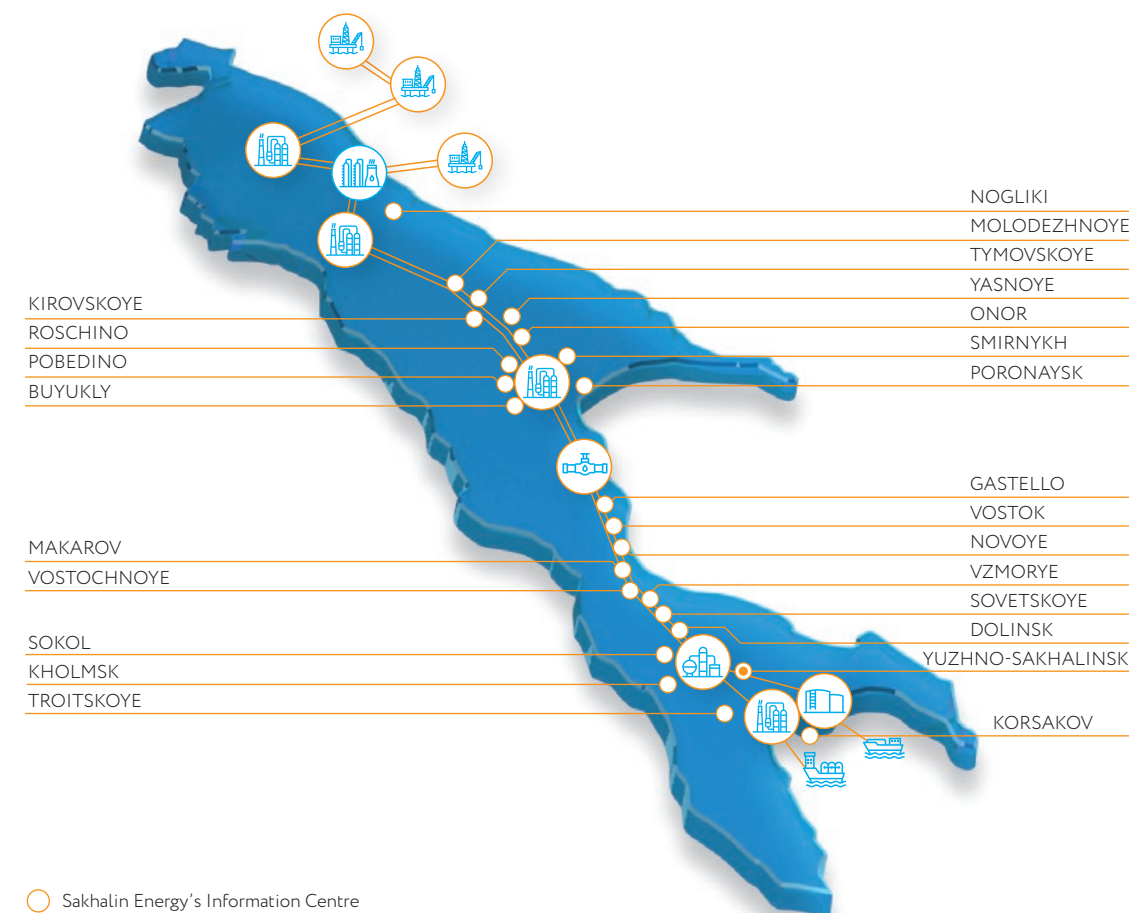
Two surveys of Sakhalin Energy employees' opinions on the effectiveness of communications under the COVID-19 pandemic conditions were conducted in May and July (as part of a survey on the specifics of remote work). Based on the feedback received, a conclusion was made that, in general, the communications with the company's personnel during the pandemic were effective. Studying the opinions of employees, collecting their suggestions and comments allowed optimising the provision of information to different categories of personnel engaged in the Sakhalin-2 project.

6.4.

LOCAL COMMUNITY ENGAGEMENT THROUGH COMPANY INFORMATION CENTRES

There are 23 information centres at the district and village libraries in the communities along the Trans-Sakhalin pipeline and in close proximity to other company's assets.

The centres are equipped with essential office equipment, computers with Internet access, and information stands. This helps meet the company's objectives and increase the functional capacity of the libraries.



During their working hours, librarians provide consultation to information centre visitors on questions related to the company's activities.

The following activities are carried out at the information centres:

- regular updates to company information stand materials;
- assistance in finding information on the company's website;
- community assistance in preparing and submitting complaints in accordance with the Community Grievance Procedure;
- providing company information materials upon request;
- providing information about the company's social programmes;
- assistance in organising and conducting meetings of company representatives with the local community and stakeholders.

These tasks require certain knowledge and skills. All consultants annually attend seminars, which include issue-related lectures on specific areas of the company's activities, such as environmental protection and biodiversity conservation, protection and support of human rights, the community grievance procedure, etc.

Most of the company's information centres were closed from March to July 2020 due to restrictions related to COVID-19. Some of the centres continued to operate remotely, offering virtual tours and other events on social media. In 2020, during an annual seminar, which was held online the audience learned about the company's actions in response to the COVID-19 pandemic, the implementation status of the OPF Compression project, the results of measures taken to reduce the impact on grey whales and other mammals in 2019, the contribution of Sakhalin Energy to the achievement of the UN Sustainable Development Goals, etc.

BOOK AS A GIFT PROJECT

The Book as a Gift project has been implemented since 2010. The company annually donates issue-related sets of books to Sakhalin city and village libraries, which include reference, historical and biographical publications intended for a wide range of readers.

The topics of gift sets are selected either by the company alone, or together with the employees of the libraries that host Sakhalin Energy information centres. Normally, the selections are dedicated to significant historical or social events.

The topic of the 2020 project was the 75th anniversary of the Victory in the Great Patriotic War. The gift set included books for readers of different ages from the series of publications of the same name, devoted to wartime events.

In addition, a separate page was created on the company’s website (<http://www.sakhalinenergy.ru/ru/social/icenters/>), which covers all events held by the information centres, using the publications received as part of the Book as a Gift project.

In 2020, Sakhalin Energy’s information centres were visited by 5,701 people. The data on the visits are

presented in the Statistics of Visits to the Information Centres in 2020 chart.

Statistics of Visits to Information Centres in 2020, %

General information about the project (website, information stands, printed materials)	19
Vesti corporate newsletter	30
A series of books about the nature of Sakhalin Island	8
Social programmes	3
Safety Is Important programme	17
Employment	3
Book as a Gift Project	17
Other (environmental issues, Safety Rules Along the Main Pipeline programme, and so on)	3

6.5.

ENGAGEMENT WITH SAKHALIN
INDIGENOUS MINORITIES

Since its foundation, Sakhalin Energy has continuously interacted with Sakhalin Indigenous Minorities. Sakhalin Indigenous Minorities are a special group of stakeholders, for which the issues of respect for human rights, industrial and environmental safety, and the preservation of traditional culture are of paramount importance. Sakhalin

Energy takes this into account in its operations and implementation of social programmes. The long-term partnership social programmes are examples of Sakhalin Energy’s activities in support of human rights. The programmes especially cater to the needs of vulnerable groups of the population, in particular, of indigenous minorities.

The company’s activities in the field of engagement with Sakhalin Indigenous Minorities are regulated by the following key documents:

- Human Rights Policy;
- Sustainable Development Policy;
- Social Performance Standard;
- Sakhalin Indigenous Minorities Development Plan (Development Plan) – the company’s main programme in engagement with indigenous minorities since 2006 (see below and Section 9.5.7. Sakhalin Indigenous Minorities Development Plan);
- Tripartite Cooperation Agreement between the company, the Regional Council of Authorised Representatives of the Sakhalin Indigenous Minorities (Regional Council) and the Sakhalin Oblast Government;
- Public Consultation and Disclosure Plan.

In 2020, the company continued its regular interaction with representatives of the Sakhalin Indigenous Minorities. Taking into account relevant recommendations, Sakhalin Energy pays special attention to raising public awareness about current programmes and opportunities. For this purpose, the company used the following tools:

- public meetings within the framework of the Development Plan (see Section 9.5.7. Sakhalin Indigenous Minorities Development Plan) in the areas of traditional residence and traditional economic activities of the Sakhalin Indigenous

Minorities (public meetings were held until the COVID-19 pandemic);

- SIMDP website (www.simdp.ru) and the company’s external website (www.sakhalinenergy.ru);
- printed materials: SIMDP newsletter and documents, a booklet on the Sakhalin-2 project, books and brochures;
- individual and group meetings, consultations with representatives of SIMDP partners and stakeholders throughout the year (held in compliance with the restrictions related to the COVID-19 pandemic);

- individual consultations on applications for financing, for participation in programmes and projects;
- open hours by the Community Liaison Officer for visitors from among the SIM population in all traditional SIM residence districts (more than 70 open hours). With the beginning of the COVID-19 pandemic, face-to-face appointments were replaced with online and telephone counselling (over 90 individual consultations).

Since 2006, the Sakhalin Indigenous Minorities Development Plan (see Section 9.5.7. under the same title) has been the company's main programme for engagement with indigenous ethnic groups. It is implemented in accordance with the principle of partnership between the business (Sakhalin Energy), society (the Regional Council of Sakhalin Indigenous Peoples' Authorised Representatives), and government authorities (the Government of the Sakhalin Oblast).

The SIMDP is compiled in accordance with the international standards on engagement with indigenous minorities and implemented in five-year phases. The development of the second (2011–2015), the third (2016–2020) and the fourth Plans (in 2020) was performed in accordance with the principle of free, prior and informed consent (FPIC).

The Plan partners have demonstrated that business organisations can effectively engage with indigenous minorities. This has been repeatedly stressed out at the Russian and international levels. In particular, over the years, various government bodies have recommended disseminating the experience of the Development Plan implementation in the constituent entities of the Russian Federation.

The preservation of the SIM languages is one of the key areas of the company's social activities. In addition to the SIMDP, the company implements or supports various projects related to Sakhalin Indigenous Minorities, pays special attention to the preservation and promotion of the national culture and languages of the indigenous peoples of the island. In particular, in 2020, Sakhalin Energy, together with its partners, continued to protect the intangible cultural heritage of the SIM and implemented a number of projects, in particular:

- publication of the Nivkh Dif (Nivkh Word), the only newspaper in the Nivkh language (published twice a month in full-colour print, distributed among SIM peoples and stakeholders);
- series of events devoted to the 85th anniversary of the classic of Nivkh literature Vladimir Sangi (Nivkh Culture Days anniversary events as part of the XIII Regional Holiday of the Sakhalin Indigenous Minorities, preparation

and publication of The Wise Seal by Vladimir Sangi in Russian, Nivkh, English and French);

- participation of the Sakhalin delegation in the work of the XV International Exhibition-Fair Treasures of the North: Masters and Artists of Russia 2020 and the All-Russian Forum of Indigenous Peoples of the North, Siberia and the Far East of the Russian Federation (participation in festivals, competitions, presentation of the exhibition booth, conducting fish skin, birch bark, bead, Nivkh embroidery and wood carving workshops, etc.). The Sakhalin Oblast won the main award—the Grand Prix in the Best Regional Exhibition category. The Sakhalin: the Island of Traditions exhibition was presented as a ke-raf, a Nivkh summer dwelling.
- Reindeer Herder's Drawings exhibition of works by Vasily Solovyov, an original indigenous artist and reindeer herder, at the Literary and Art Museum of the Book of Chekhov's Book Sakhalin Island;



- publication of The Legends of the Uilta, dedicated to the anniversary of Elena Bibikova, the Uilta storyteller, who has made a significant continuous contribution to the preservation of the language of one of the smallest ethnic groups on the planet;
- the Magical World of Vladimir Sangi project, which included a presentation of The Chipmunk Looking for a Friend animated film, New Year's events for children, workshops and guided tours for residents and guests of the regional centre.

In September, Slow Food Russia Non-Profit Organisation, with the support of Sakhalin Energy, held the Terra Madre Indigenous People Fish Festival at the site of the International Exhibition-Fair Treasures of the North: Masters and Artists of Russia 2020.

Fish occupies a special place among the products favoured by Slow Food since it is the basis of the traditional diet of many ethnic groups and helps them stay healthy. The Fish in the Diet and Culture of Indigenous Peoples of the North conference was an important event of the festival. Representatives of more than ten regions of Russia shared their traditional fish recipes and demonstrated the use of fish in the art and crafts of their ethnic groups. Moreover, the festival featured master classes, the Ark of Taste food contest and the presentation of the first catalogue of the same name.

6.6.

ENGAGEMENT WITH NON-GOVERNMENTAL AND NON-PROFIT ORGANISATIONS

In 2020, the company continued to engage with local, regional, and international public organisations in various forms, including online meetings and correspondence. Key important areas of engagement include:

- participation in the work of the Russian Union of Industrialists and Entrepreneurs (RUIE). In 2020, the company's work in this area was more active. Along with the participation in the work of the Committee on Corporate Social Responsibility and Sustainable Development and the Commission on the Oil and Gas Industry, the company's experts became members of a number of other working bodies of the RUIE: the Committees on Corporate Relations, on Industrial Safety, on Vocational Training and Qualifications, on Technical Regulation, Standardisation and Conformity Assessment, on Ecology and Environment Management;
- cooperation with the Western Grey Whale Advisory Panel (WGWAP) of the International Union for Conservation of Nature (IUCN) in developing optimal solutions to minimise the company's impact on whales (see Section 8.3.11. Grey Whale Monitoring and Marine Mammals Protection). Within the framework of the consultations of the Advisory Panel in 2020, Sakhalin Energy's representatives had meetings with the scientists members of the Panel, as well as representatives of state regulatory bodies and non-governmental environmental organisations included in the WGWAP as observers;
- participation in the work of the Rosprirodnadzor Scientific and Technical Council (STC) and working groups to develop recommendations for the implementation of state policy and legal regulations in respect to environmental protection, to ensure environmental safety and to increase the efficiency of environmental supervision (see Section 8.2. Industrial Environmental Control, Section 8.2.1. General Information);
- participation in the Donors Forum, in particular, in the discussion of new challenges in charity and social investment, as well as the role of charity in the implementation of the global and national agendas for sustainable development;
- cooperation with the World Wildlife Fund (WWF) in Russia in discussing the criteria and methods of the environmental openness rating of Russian oil and gas companies, in summarising the 2019 rating (see Section 8.1. General Information).

6.7.

ENGAGEMENT WITH CUSTOMERS AND SHIPOWNERS

The company performs its obligations under the contracts of purchase and sale of hydrocarbons, and observes the rights and interests of customers with all due responsibility.

Maintaining and developing constructive, respectful relationships with customers help the company resolve operational challenges that arise in the course of oil and LNG contract execution and enter into new agreements on the best terms and conditions for the parties involved.

Under the COVID-19 pandemic conditions, the quality of customer engagement has been tested by the lack of personal contact. The company still manages to successfully resolve all operational issues and hold price negotiations.

Maintaining and expanding a strong portfolio of oil and gas buyers from the main Asia-Pacific countries is a fundamental objective, and the company continues its active work towards it. In 2020, three LNG sales framework agreements were concluded with new buyers, and one – with the company's long-term customer. Thus, the number of companies with which Sakhalin Energy holds short-term LNG sale framework agreements has increased to 29. In 2020, the company also expanded its portfolio of Sakhalin Blend oil and gas condensate mixture buyers up to 14 companies.

Sakhalin Energy has an important task—to place LNG volumes on the market based on medium-term LNG sales and purchase agreements, which the company plans to supply beginning from 2022 in accordance with the strategy developed in 2020.

Long-term business relationships and close cooperation with chartered vessel owners allowed the company to ensure safe, reliable and timely supplies of LNG and oil in full scope to the Asia-Pacific markets, despite the difficult epidemiological situation in the region.

Given the circumstances, Sakhalin Energy decided against holding the traditional annual Shipowners Forum. Instead, the company focused on regular interactive communication with shipowners and

made every effort to ensure the reliability and safety of hydrocarbon shipping.

Restrictions aimed at preventing the spread of COVID-19, imposed by a number of states, including the Russian Federation, in 2020, made changing crews of the vessels much more difficult than before. Sakhalin Energy has developed a procedure for changing crews of commercial vessels in the port of Prigorodnoye and foreign ports, with particular attention to monitoring the health of the crew under pandemic conditions.



In addition, the company organised contactless offloading of oil and LNG in the port of Prigorodnoye, which required a minimum number of people boarding the vessel. This made it possible to significantly reduce the risk of viral infections entering vessels and thereby make the operation of the fleet safer.

In 2020, all management decisions were implemented remotely, which proved the reliability of the company's and the shipowners' management systems, and ensured the effectiveness of the joint actions taken on the basis of long-term partnerships.

The company conducted a survey among LNG and oil buyers, which showed a high level of customer satisfaction and loyalty to the company, its products and services in 2020. Sakhalin Energy received positive feedback from its customers on its compliance with international HSE rules and standards, consistently high quality of supplied products, customer focus and long-term partnerships. The respondents also pointed out that the company was constantly making efforts to improve the oil and LNG supply chains.

In addition to responding to the survey questions, the customers expressed their wishes regarding a number of aspects of the company's business, the planning of shipments and transport operations, and stressed the need for face-to-face meetings with company representatives in 2021.

Thus, a customer survey is an effective tool not only for assessing the work and services, but also for planning commercial activities. The company is going to proceed with requesting feedback from its customers, increasing the level of customer satisfaction, creating a personalised experience for each customer, and promptly responding to any changes.

6.8.

ENGAGEMENT WITH STATE AND LOCAL GOVERNMENT AUTHORITIES

Sakhalin Energy actively cooperates with state authorities of the Russian Federation, including legislative and executive bodies of the federal, regional, and local levels.

In 2020, as in previous years, engagement with state authorities was carried out in various formats, with the Supervisory Board (SB) and the SB Working Group acting as the key Sakhalin-2 project official supervi-

sory bodies provided for by the PSA. In addition, the company interacted with the government authorities on various aspects of the project implementation on an ongoing basis. Sakhalin Energy also actively engaged with the Sakhalin Oblast Government, the Rospotrebnadzor Department for the Sakhalin Oblast, and municipal administrations on various issues related to the COVID-19 pandemic.

Despite the difficult sanitary and epidemiological situation and the shutdown at the Sakhalin-2 gas facilities in 2020, the company effectively organised safe voting on the proposed amendments to the Constitution of the Russian Federation by the company's employees, employees of contractors and subcontractors, working at remote sites or staying at the temporary accommodation facilities during a 14-day observation period.

During the voting process, the company closely interacted with the Sakhalin Oblast Electoral Commission, the Sakhalin Oblast Government, the Rospotrebnadzor Department for the Sakhalin Oblast and the administrations of the municipalities, where the Sakhalin-2 facilities are located.

Government officials regularly participate in stakeholder dialogue meetings, which the company holds as part of the preparation of its annual reports. The results of the 2020 dialogues are presented

in Appendix 2. Comments and Suggestions of Stakeholders on Individual Aspects, Indicators and/or Programmes and the Company's Response and Commitments.

6.9.

INTERNATIONAL AND REGIONAL COOPERATION

Due to the coronavirus pandemic, many important events planned to be held in 2020 all over the world were cancelled or postponed; some of them were held online. Sakhalin Energy strictly complied with the imposed restrictions. Nonetheless, the company continued to actively strengthen its business reputation and its image as a socially responsible company, and took part in a number of significant events, in particular:

Days of the Sakhalin Oblast in the Federation Council of the Federal Assembly of the Russian Federation, 25–26 February, Moscow, Russia

In 2020, the Federation Council of the Federal Assembly of the Russian Federation hosted the Days of the Sakhalin Oblast. Sakhalin Energy joined the regional delegation and presented a corporate booth, as well as a 3D model of the Prigorodnoye production complex. The company representatives informed the participants and guests of the event about the Sakhalin-2 project, the main achievements of Sakhalin Energy, its development, cooperation and employment prospects. Within the framework of the Days of the Sakhalin Oblast, the company also made a presentation of the book by A. P. Chekhov titled “Sakhalin Island. Facsimile Reproduction and Optoelectronic Reconstruction of the Manuscript”, dedicated to the 160th anniversary of A.P. Chekhov and the 130th anniversary of his visit to Sakhalin.

Import Substitution in the Oil and Gas Industry conference, 27–28 February, St. Petersburg, Russia

The event is held annually with the participation of the RF Ministry of Energy, the RF Ministry of Industry and Trade, the RF Chamber of Commerce and Industry, and the Committee for Energy Policy and Energy Efficiency

of the Russian Union of Industrialists and Entrepreneurs (RUIE). Sakhalin Energy participated in discussions of the strategy for the scientific and technological development of the industry and measures of state support for the introduction of breakthrough technologies, localisation of production and technological partnerships, international cooperation and transfer of the science-to-business technology.

Voluntary National Review of Russia’s progress in the implementation of the sustainable development goals panel discussion, 13 March, Moscow, Russia

The event was organised by the Analytical Centre for the Government of the Russian Federation to discuss the first consolidated draft Voluntary National Review of Russia’s Progress in the Implementation of the 2030 Agenda for Sustainable Development. The company shared its practices of engagement with the Sakhalin Indigenous Minorities, the preservation of cultural heritage, and so on.

Russian Business Week, 17–23 June, online

As part of the Russian Business Week, the Effective Anti-Crisis Strategies of the State and Business: Social Aspect forum was held in two sessions: Labour Market: Lessons Learnt from the Crisis and Post-Crisis Development, and Doing Business Responsibly in the Post-Crisis Development Period. The sessions were attended online by more than 400 representatives of business, government organisations, trade unions, experts (more than 1,000 people, if considering YouTube views). The company representatives and other participants discussed topical issues of the tax and financial systems, investment climate, labour market, social investments, elimination of administrative barriers, and so on.

Oil and Gas Industry Supply Chain (Neftegazsnab 2020) annual conference, 19 June, online

The Neftegazsnab 2020 annual conference is a platform for productive communication between managers of oil and gas supply chain units. The speakers highlighted the procedures for selecting suppliers and for organising tenders, and answered questions asked by participants in the conference. Sakhalin Energy made a presentation under the title “Supplier Development Programme as a Tool for Localising Procurement”.

Additive Technologies in the Fuel and Energy Sector: World Practice and Russian Prospects webinar, 18 August, online

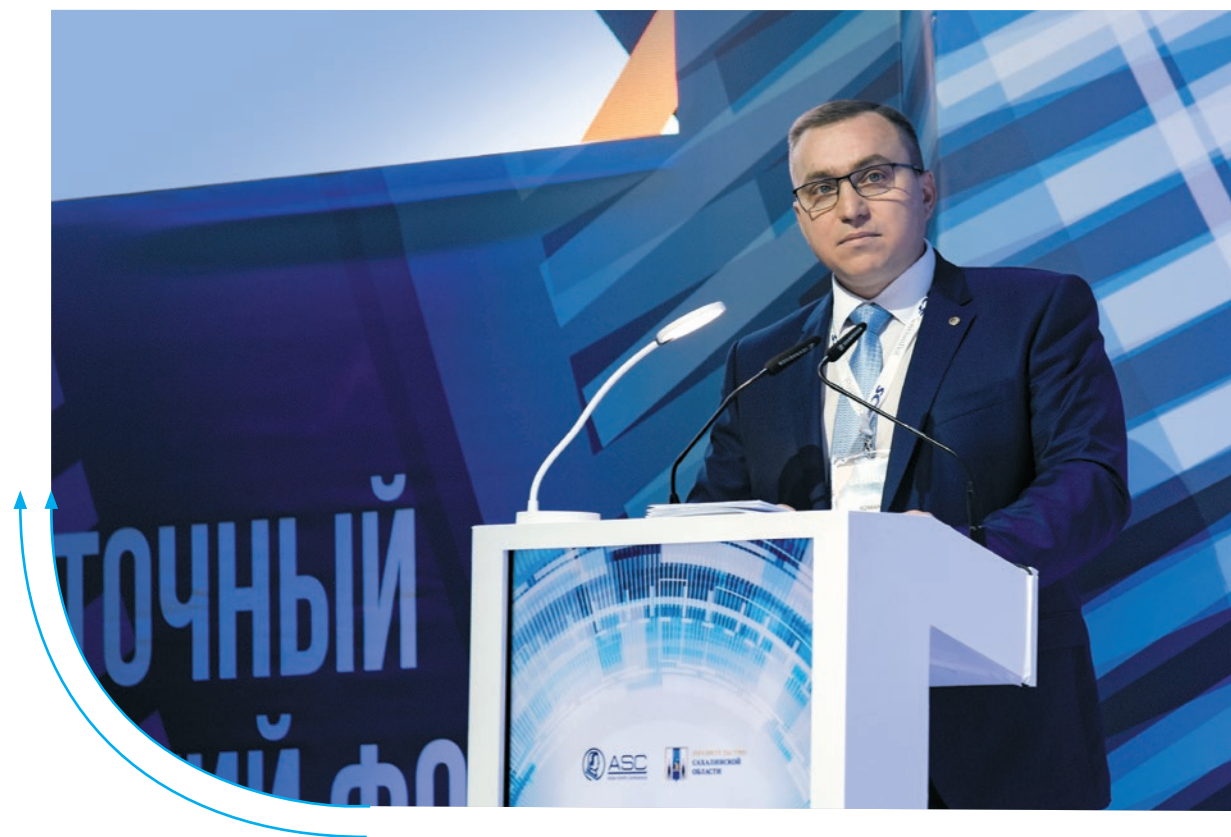
The event was organised by the National Oil and Gas Forum jointly with Rosatom State Atomic Energy Corporation as part of the NNF. Digital project. Neftegaz Exhibition and Expocentre acted as strategic partners

and co-organisers of the webinar. The event participants discussed the prospects for accelerating the development and current conditions for adapting additive technologies in Russia and abroad, the practices of their application in the fuel and energy sector and related industries, economic and technological aspects, technical regulation and standardisation, development drivers and administrative barriers.

Sakhalin Oil and Gas International conference, 30 September to 01 October, Yuzhno-Sakhalinsk, Russia

Just like in the previous years, Sakhalin Energy was one of the main newsmakers at the conference in 2020: the company’s representatives made presentations in eight out of ten sessions. They provided up-to-date information on the company’s work in the conditions of the pandemic, its performance, marketing activities, the Russian Content development, progress of LNG production, digitalisation





projects, and the Sakhalin Oil and Gas Industrial Park. The company organised and held a number of business meetings with the aim of signing documents, in particular:

- a cooperation agreement with Sakhalin State University and Gazprombank;
- an agreement of intent with PetroGazTech Shelf-Service Holding Company;
- a memorandum of understanding with Nipom;
- an agreement of intent for the joint implementation of the Sakhalin Oil and Gas Industrial Park project in the Sakhalin Oblast, including with the residents of the park.

VIII Annual donors Forum conference, 19–23 October, online

In 2020, the large-scale discussion platform brought together more than 750 specialists in philanthropy, social investment, communications and sustainable project management, and organisations from 15 countries of the world (India, USA, UK, Brazil, Spain, China, Chile, Mexico, and others) and 60 cities of Russia. Company representatives took part in the discussion of the contribution of philanthropy to the achievement of global and national development goals, as well as the impact of the global UN SDGs agenda and the current social and economic situation on philanthropy in Russia and other countries.

1st Regional Forum on Business and Human Rights in Eastern Europe and Central Asia, 23–25 November, online

The purpose of the forum was to foster an active dialogue on business responsibility and human rights, to increase awareness about the UN Guiding Principles on business-related human rights and to facilitate their promotion in the region. The company made a presentation on corporate tools for the effective implementation of the UNGPs, on the key challenges in the implementation of the Grievance Procedure and its benefits for business.

Peoples of Russia 1st International Forum, 30 November to 01 December, online

The forum, organised by the Russian Federal Agency for Ethnic Affairs, was the largest event dedicated to the priority issues of the implementation of the State Ethnic Policy of the Russian Federation. During the forum, the participants discussed topical issues of interethnic relations, intercultural communications and for conflict-resolving strategies.

Respect for Human Rights as an indicator of corporate responsibility (Business-Related Human Rights) video conference, 03 December, online

The event was organised by the Committee on Corporate Social Responsibility and Sustainable Development of the Russian Union of Industrialists and Entrepreneurs jointly with the UN Global Compact National Network and in partnership with the UN High Commissioner for Human Rights Office in Russia. The online meeting brought together more than 100 representatives of the International Labour Organisation, relevant ministries, Russian and international companies, UN agencies in Russia, business unions and associations, and expert communities. At the conference, Sakhalin Energy made a presentation on key human rights challenges and opportunities, and shared its practices.

7

ECONOMIC IMPACT MANAGEMENT

The Russian Federation and the Sakhalin Oblast receive significant benefits from the Sakhalin-2 project implementation.

7.1.

IMPORTANCE OF THE SAKHALIN-2 PROJECT FOR THE RUSSIAN FEDERATION AND THE SAKHALIN OBLAST

The Russian Federation and the Sakhalin Oblast have gained significant benefits from the Sakhalin-2 project.

- Since Sakhalin Energy started its operations, the Russian Federation's proceeds from Sakhalin Energy's activity under the Sakhalin-2 project have totalled over US\$ 30.9 bln, including approximately US\$ 10.8 bln received by the Sakhalin Oblast.
- US\$ 26.9 bln worth of contracts have been awarded to Russian companies and organisations.
- The Russian Federation has gained valuable experience in managing complex high-tech projects in remote locations.
- The infrastructure on Sakhalin Island has undergone large-scale upgrades.
- Local employment levels and local workforce quality have increased (both direct and indirect effect).
- Incomes and living standards for the local population have risen.
- Many contracts and subcontracts under the Sakhalin-2 project are being awarded to Sakhalin companies.
- With the company's support, extensive social and public initiatives are being carried out on Sakhalin Island.

In 2020, according to the International Financial Reporting Standards (IFRS), revenues of Sakhalin Energy amounted to US\$ 4,383 mln, and its total net income was US\$ 1,080 mln.

The entire oil and gas industry has been impacted by the spread of a new coronavirus COVID-19 and tense situation on the hydrocarbon markets in 2020. Management of Sakhalin Energy has taken necessary measures to ensure sustainability of the company's operations and minimise negative effect of operating environment in 2020.

Revenue and Net Income in 2017–2020 (according to the International Financial Reporting Standards (IFRS)), US\$ mln

Parameter	2017	2018	2019	2020
Revenue	5,401	6,273	5,978	4,383
Net Income	1,503	2,041	2,078	1,080

US\$
4.383
mln

were the revenues
of Sakhalin Energy in 2020

7.2.

FINANCIAL BENEFITS TO THE RUSSIAN FEDERATION AND THE SAKHALIN OBLAST

In 1994, Sakhalin Energy signed the Agreement on the Development of the Piltun-Astokhskoye and Lunskeye Oil and Gas Fields on the Basis of Production Sharing (PSA) with the Russian Federation, represented by the Government of the Russian

Federation and the Sakhalin Oblast Administration. A PSA is a commercial contract between an investor and a state, allowing the investor to make large-scale, long-term, and high-risk investments under a stable tax regime.

Production sharing between a company and a state is triggered when an investor recovers all of its costs (the specific shares of each party are not fixed but depend on the profitability of the project). The PSA also stipulates that the company should pay a profit tax, and the profit tax for the company is currently payable at a rate higher than the profit tax rate for non-PSA taxpayers.

US\$
2.5
bln

was allocated by Sakhalin
Energy to the Russian
Federation in 2020

According to the PSA, the state retains the ownership rights to the field and grants the investor an exclusive right to develop the mineral resources. The investor develops the resources by its own means and at its own risk and invests funds required for the exploration and development of the fields.

Under the PSA, some types of taxes, levies, and duties are replaced with production sharing. This effectively means that instead of some taxes (including the mineral extraction tax, property tax, etc.) and levies, Sakhalin Energy uses hydrocarbons as a form of royalty payment, and after product sharing starts, it will use them as the profit share. Financial benefits to the Russian party include the profit tax paid by the company and a number of mandatory payments, contributions, and levies. In addition, the Russian party receives income on R-share dividends (a special preference share providing the right to receive dividends).

In total, for the reporting period, Sakhalin Energy allocated US\$ 2.5 bln (in kind and in cash) to the Russian Federation.

Royalties (in kind and in cash payment) amounted to US\$ 232 mln.

The amount of the Russian party's production profit share paid by the company was US\$ 272 mln.

The dividends paid by the company to the R-share amounted to US\$ 339 mln.

In addition, the 2019 fiscal year profit tax totalled approximately US\$ 1.6 bln, which was paid by the company in 2020. Further payments of profit tax to the budget of the Russian Federation in the amount of US\$ 13.7 thousand were made.

Based on 2020 financial performance profit tax in the amount of approximately US\$ 1.0 bln will be paid to the budget in 2021.

Over the entire period of project implementation (1995–2020), the Russian party has received US\$ 30.9 bln from Sakhalin Energy under the Sakhalin-2 project, including amounts paid in 2020.

Total amount of payments to the Russian party from Sakhalin Energy under the Sakhalin-2 project in 1995–2020, US\$ mln

1995–2014	2015	2016	2017	2018	2019	2020
13,623	5,188	2,022	1,768	2,528	3,328	2,462

Taxes and other mandatory payments made to the Sakhalin Oblast budget and to local budgets from Sakhalin Energy under the Sakhalin-2 project in 1995–2020, US\$ mln

1995–2014	2015	2016	2017	2018	2019	2020
4,300	2,411	1,281	918	639	707	556

7.3.

RUSSIAN CONTENT

7.3.1. STRATEGY AND OUTCOMES

Russian Content is the use of Russian manpower, materials, equipment, and services at the Sakhalin-2 project. The PSA requires the Russian Content to be measured in labour input (in man-hours) and materials and equipment (in terms of weight) supplied by Russian legal entities and individuals. Sakhalin Energy is committed to achieving a level of 70% of Russian Content over the life of the project. In 2020, the company reached the indicator of 91% in terms of labour input 85% and 91% in terms of materials and equipment.

Sakhalin Energy has identified the main guidelines and tools for increasing the Russian Content and set them out in the Russian Content Development Strategy, according to which the company's main focus areas are:

- implementation of the Standards Harmonisation Project (see Section 7.3.2. Standards Harmonisation Project);
- establishment of Sakhalin Energy Maintenance and Repair Facility as part of Sakhalin Industrial Park (see Section 7.3.3. Sakhalin Energy Maintenance and Repair Facility in Sakhalin Industrial Park);
- progress in the Vendor Development Programme (see Section 7.3.4. Vendor Development Programme);
- improvement of internal Russian Content development activities.

The new Russian Content Development Strategy includes a whole set of internal actions aimed at increasing the number of initiatives and projects in the area of import substitution, namely:

- familiarisation sessions for Sakhalin Energy employees, including at remote assets;
- regular publication of articles and information materials about successful Russian Content projects in the Vesti corporate newsletter and on the company's website;
- roll-out of an incentive programme to reward employees for their contribution to the Russian Content Development;
- elaboration of Russian Content Development requirement as part of individual work plans.

Implementation of these actions will not only raise awareness among Sakhalin Energy employees about Russian Content commitments and successes but

will also contribute to a positive image and credibility of national manufacturers and vendors. As a result, it will increase the interest of the company's employees in the RC development.

From the start of the project to the end of 2020, the total value of awarded contracts and variations of existing contracts with Russian companies was about US\$ 26.9 bln. In 2020, the value of contracts in these categories reached approximately US\$ 475.76 mln (or 64% of all new contracts and amended existing contracts).

As regards Russian costs (actual disbursement of funds), in 2020, the company reached the indicator of 56%.

During 2020, the company has awarded 7,603 contracts and orders, 5,563 of which were awarded to Russian companies.

Selected contracts with Russian companies in 2020 included:

- FBU Gormorpassluzhba RF for OSR Vessel for Prigorodnoye long-term charter;
- JSC Neftechim Technologies for provision of oil, water and gas treatment chemicals and associated services;
- Island General Services LLC for provision of on-island transportation services;
- Sogaz Insurance for voluntary medical insurance;
- Sogaz Insurance for offshore operational insurance including physical damage and operator's extra expenses;
- FSDS LLC for provision of diving services.

RUSSIAN ENGINEERING AND DESIGN

Since 2017, Sakhalin Energy has been implementing a large-scale project to transfer the contract for engineering support and design services in the renovation of Sakhalin Energy assets from a foreign design company (Production Services Network Sakhalin (PSNS)) to Gazproektengineering (GPE), a Russian design institute. In 2020, a plan was approved to accelerate the transfer of work scopes and personnel, along with sharing experience and competencies (until the end of 2022 instead of the end of 2026). In the first three years, almost the entire engineering staff (more than 100 employees) were transferred from PSNS to GPE. According to international standards, a workplace mentoring programme was introduced in the Russian organisation to ensure the effective transfer of competencies in the field of design work. Currently, the

implementation of IT infrastructure is underway; further, it is planned to develop and implement a governance system and an information management system. In addition, Russian design institutes and engineering companies are actively involved in the development and engineering support of offshore oil and gas field development projects (for example, OOO Burovaya Tekhnika Research and Production Association and AO Morneftegazproekt).

Sakhalin Energy is actively engaging Sakhalin companies in the project. The company has established close cooperation and exchange of information with the Sakhalin Oblast Government. It holds regular workshops for potential Russian vendors, which are actively attended by representatives of companies operating on the island. The plan is to include Sakhalin companies in the Prequalification Audit Programme and the new Vendor Development Programme.

- Island General Services LLC for provision of on-island transportation services;
- Yuzhno-Sakhalinsk Airport for provision of minor services at Nogliki Airport;
- Engineering Construction Company SMNM-VECO LLC for OPFC shutdown brownfield tie-ins;
- OOO TransVostok Logistica for supply of lubricants and oils.

In 2020, the share of contracts and orders awarded to companies registered on Sakhalin amounted to about 69% (3,851) of all contracts awarded to Russian companies.

Through engagement in the intentional project, Russian companies receive a unique experience and opportunities to develop competencies of its staff and embed top QA/QC, HSE, industrial and environmental safety standards. This makes them more competitive in the domestic and international markets.

The largest contracts and orders signed in 2020 with companies registered in the Sakhalin Oblast:

LOCALISATION OF GEOLOGICAL AND ENGINEERING WELL SURVEYING SERVICES

Striving for localisation and import substitution of services for geological and engineering surveying of wells while drilling, in 2020, Sakhalin Energy signed agreements of intent with three Russian companies – OOO Geopromalians, OAO Kogalymneftgeofizika, and OOO Petroviser. A year earlier, the company signed a memorandum of cooperation with another Russian company – OOO GeoTime – in the framework of this activity.



FOR OUTSTANDING CONTRIBUTION TO THE DEVELOPMENT OF RUSSIAN CONTENT IN THE SAKHALIN-2 PROJECT

In 2020, Sakhalin Energy started a new tradition – awarding diplomas for outstanding contribution to the development of Russian Content in the Sakhalin-2 project to its domestic contractors. The first awards ceremony was held during the Sakhalin Oil and Gas International Conference. Roman Dashkov, Chief Executive Officer of Sakhalin Energy, thanked the company’s contractors for their contribution to the Sakhalin-2 project and the Russian Content development, and presented diplomas to five Russian companies – PAO TMK (supply of Russian pipe products with premium connections), AO Gazproektengineering (engineering and technical support, and design services), OOO AKROS (cutting re-injection services), OOO INTRA Services Company (set of works to restore protective anti-corrosive coating and insulation of pipelines), OOO PetroGazTech Shelf-Service Holding Company (offshore assets inspection using underwater unmanned remotely operated vehicles (ROVs) and hydrographic equipment). Each of the five companies made a significant contribution to the development of Russian Content in the Sakhalin-2 project. Working together with Sakhalin Energy provides these companies with the unique experience of participating in Russia’s largest international offshore project and, moreover, gives them a chance to develop their competencies, improve management and control systems, and introduce best practices for safe and efficient production with the help of our professionals.

7.3.2. STANDARDS HARMONISATION PROJECT

Sakhalin Energy assets are designed to operate with materials and equipment of foreign origin, which are manufactured in accordance with international technical standards. It restricts usage of Russian equipment and materials, as well as limits the Russian content in general. Therefore, in 2014, a decision was made to implement the Standards Harmonisation Project, aimed at providing equal opportunities for foreign and Russian manufacturers to purchase materials from Russian manufacturers for all onshore facilities of the main pipeline system and the onshore processing facility without reducing safety, reliability and integrity indicators of assets.

The harmonisation of a standard refers to bringing its content in line with another standard to ensure the interchangeability of products (services), uniform understanding of test results and technical information. In the context of the project, harmonisation of standards implies comparative analysis of foreign and Russian standards in order to subsequently unify technical requirements, which are based on the company's technical specifications and Shell's internal design standards.

The company started with analysing a number of normative technical documents (NTD) on ordering, operating, repairing of equipment and components at Sakhalin Energy onshore assets. It also studied reference documents of several levels. As a result, over 34 thousand NTD required for further harmonisation were identified, and a fully-fledged project layout was developed.

In the period from 2017 to 2020, comparative analysis of standards, and technical requirements for disci-

plines, such as Electrical Equipment, Steel and Metalwork, Mechanical Equipment, Rotating Equipment, Instrumentation and Automation, were developed.

The issuance of relevant documents will be completed in 2021.

Since 2019, after the completion of the work on the first two disciplines listed above, the company has been implementing the results into its material procurement system. In particular:

- the developed technical requirements were forwarded to Design Department contractors to be implemented in new projects on reconstruction and modification of the company's onshore assets;
- in terms of current repair and maintenance, the company is creating and updating material master in SAP according to the harmonised requirements to materials and equipment, communicating with Russian manufacturers and placing purchase orders.

In 2020, the company created a task group to apply the harmonisation project deliverables in the company's operational and project activities in order to maximise the benefits from the project and develop the Russian content.

A decision was also made in 2020 to implement a standards harmonisation project in the Technical Directorate. In 2021, it is planned to analyse about 200 standards and, based on the comparative analysis results, update all drilling contracts.



7.3.3. SAKHALIN ENERGY MAINTENANCE AND REPAIR FACILITY IN SAKHALIN INDUSTRIAL PARK

The idea of establishing a dedicated service park for Sakhalin oil and gas industry originated in 2013. In early 2016, Sakhalin Energy entered the feasibility study phase followed by signing a memorandum of cooperation between Sakhalin Energy, Sakhalin Oblast Government and Gazprombank during the Eastern Economic Forum in September 2018. The Official Ceremony of Capsule Placement in the Foundation of Sakhalin Industrial Park (SIP) was held in December 2018.

It was decided in mid-2019 to launch Phase 1 of the Project on a 4.7 ha land plot allocated for the Maintenance and Repair Facility of Sakhalin Energy (MARF), the first anchor resident of Sakhalin Industrial Park. Phase 1 will comprise one facility, including logistic centre with vehicle maintenance shop and archive, and infrastructure sufficient for Launching Stage 1 and 2.

Establishment of the Sakhalin Energy Maintenance and Repair Facility is one of the strategic objectives of the company for the period up to 2023. The facility will allow to improve the reliability and efficiency under the Sakhalin-2 project and significantly reduce

production and logistic risks. Considering the international cooperation under the project, the park will also serve as a platform for the transfer of technology and best industrial practices.

Such project, especially which is deployed in remote locations, away from the existing production assets, is very important. Such parks form local engineering and technological centres and carry out a city-forming function: one job in the oil industry creates five to six jobs in related industries.

In August 2020, the company and Sakhalin Oblast Government has reached the agreement to provide Sakhalin Industrial Park and SEIC MARF with external engineering infrastructure involving funds from Sakhalin Oblast Development Corporation. At the Sakhalin Oil and Gas conference, 13 companies signed agreements of intent to become a resident of the oil and gas industrial park. Later, two more companies joined the residents of the future park.

In 2021, it is planned to commence construction and installation works.

7.3.4. VENDOR DEVELOPMENT PROGRAMME

The development of Russian vendors is one of the key activities of Sakhalin Energy, the main purpose of which is to contribute to developing their competences and increasing Russian content in the Sakhalin-2 project.

For over 14 years, Sakhalin Energy has been actively implementing the Vendor Development Programme. It includes two areas: Integrated Vendor Development and Training Workshops.

Integrated Vendor Development is aimed at assisting promising Russian partners so that they can improve their manufacturing processes to meet the Sakhalin Energy requirements and international quality and safety standards. This area includes the following activities:

- working meetings with Sakhalin Energy’s technical experts for presentations and information exchange;
- audits of Russian enterprises for compliance with the company’s requirements;
- preparing individual development plans for Russian enterprises and providing follow-up control;
- providing support during testing, pilot testing and certification;

- qualifying Russian enterprises for their subsequent inclusion in the list of approved vendors of Sakhalin Energy.

An important component of the Vendor Development Programme is its training module that has been providing regular workshops since 2007. The workshops are intended to introduce company’s requirements to the Russian manufactures and vendors as well as to increase their awareness of the forthcoming tenders. The programme of each workshop includes overview of the Sakhalin-2 project and sessions on the key areas:

- HSES and Social Performance management in contracts;
- QA/QC during materials and equipment procurement; preparation for and participation in the Sakhalin Energy tender process;
- anti-corruption, and standards of business conduct.

In addition, the company provides special training sessions for nuanced understanding of HSE in Contracts, and individual information sessions (round tables) for early informing about terms and conditions of forthcoming tenders for potential Russian vendors. During such sessions, Russian vendors get information on the scope of supply and general requirements for products and work/service providers.

NEW FORMAT

Due to the restrictions imposed in connection with the COVID-19 pandemic in 2020, some of the scheduled trainings and information sessions were held online. Over this year, Sakhalin Energy has conducted three HSES-SP trainings, which were attended by 16 companies and five round tables with the participation of 64 representatives from 25 companies.

In addition, specialists of the Russian Content Development Team held five specialised videoconferences with existing contractors and vendors of the company, which were devoted to the updated 2019–2023 Russian Content Development Strategy, its key areas and the search for new cooperation formats for the development of the Russian Content. The events were attended by more than 100 representatives from 47 Russian companies. The participants of the videoconferences were especially interested in the international technical standards harmonisation project and the creation of the Sakhalin Energy Production and Maintenance Facility for servicing and repairing oil and gas equipment.

Information about the Vendor Development Programme is available on the company’s website (www.sakhalinenergy.ru), including description of the programme’s components, requirements for participants, application process, preliminary schedule with topics indicated, and contact details.

The company continues to implement continuous improvement initiatives within the Vendor Development Programme. In particular, the initiative of pilot testing of Russian equipment and materials is being implemented by Sakhalin Energy at its assets. The pilot testing of one of the TMK pipe products with premium PJSC TMK UPPF connections was successfully completed at Molikpaq platform in 2020. The international certification of two more TMK premium connections will be completed in 2021.

In Q1 2020, during drilling of a gas well on Luns kaya platform pilot testing of Russian-made non-rotating protectors for drill pipes was successfully completed.

With a view to instrumentation and automation equipment import substitution, pilot operation of flame detectors and gas analysers manufactured by Spetspozhtengineering LLC (SPE) was successfully

completed at BS 2. SPE equipment will replace foreign equipment at all company assets.

The LNG Plant has testing several types of lubricant samples produced by Gazpromneft-SM LLC, which will continue into next year. In addition, a number of tests are planned for 2021, including:

- an ultrasonic flare gas flow meter, manufactured by Kuibishev Telecom-Metrology NPP LLC, will be tested at the OPF site;
- the shut-off and control valve stations of Sakhalin Energy’s onshore pipelines will be used to test modular power units manufactured by two Russian companies NIPOM LLC and Nauka-Energotech LLC (trademark Evogress);
- the LNG Plant will test the base station and sensors, manufactured by Tingeniks LLC, for collecting additional data from the industrial site in non-explosive areas;
- paint coatings manufactured by Hempel LLC will be tested at the company offshore platforms.

Being an effective tool for assessing reliability and quality of Russian equipment and materials under actual operating conditions, pilot testing is also a step forward towards Russian manufacturers.

7.4.

SUPPLY CHAIN MANAGEMENT

The company pays close attention to the effectiveness of Supply Chain Management (SCM).

Our fundamental Supply Chain Management document is the Sakhalin Energy Supply Chain Management Policy (hereinafter referred to as the Policy). This Policy applies to all company’s employees and contractors, but primarily to the company’s personnel that are directly engaged in supply chain management. The Policy is applicable to all activities that involve spending the company’s funds on equipment, materials, resources, services, and works.

The Supply Chain Manager is responsible for ensuring that our model contracts contain the appropriate terms and conditions, for effective implementation of these terms and conditions in the procurement processes and for ensuring that control and assurance measures that are specified in the Policy and other Policy-based documents.

Sakhalin Energy adheres to the following principles in Supply Chain Management:

- safety — causing no harm to people, the environment, or to our property; ensuring that contractors comply with the company’s safety standards;
- additional value in SCM — value maximisation, cost effectiveness, and long-term commercial profit;
- zero tolerance for personal profit, bribery, or corruption — in all SCM operations in accordance with the supply transparency principle;
- competition — development of open competition in markets;
- Russian content — maximisation of the Russian content and development of Russian suppliers and contractors;
- human rights — ensuring respect for, observance, and promotion of human rights by contractors;

- sustainable development — ensuring sustainable development in the process of selecting a contractor and in making supply chain management decisions;
- Sakhalin-2 project growth plans — investing into the major projects, including those offering opportunities for increase in Russian Content.

The Policy lists rules and measures that ensure compliance with these principles.

In accordance with the principles listed above, our sourcing and award and contract management processes are set up as follows:

Creating a list of qualified vendors (for certain scopes of resources/services or for specific tender scopes):

- conducting workshops for potential vendors (see Section 7.3.4. Vendor Development Programme);
- pre-qualifying potential vendors.

Conducting tenders for purchase of materials/equipment or provision of services:

- competitive bidding is preferred when sufficient market capacity exists;
- distributing Invitations to Tender (ITTs) and Clarification Bulletins;
- receiving bids (proposals);
- conducting technical bid evaluation (including HSE, etc.);
- conducting commercial bid evaluation.

Contract award:

- upon completion of all stages of the bidding process, the company awards the contract under the terms and conditions specified in the ITT.

Contract management:

- during performance of the contract, the company monitors contractor activities by tracking the mutually agreed Key Performance Indicators

(KPIs) and by organising meetings to review contractor performance;

- the company raises awareness of, and conducts trainings for contractors in order to ensure compliance with its requirements (including those related to HSE and social performance, anti-corruption and bribery principles, human rights, etc.);
- the company conducts contract performance audits.

Sakhalin Energy’s requirements for contractors and suppliers

Sakhalin Energy attaches great importance to the fulfilment of the company’s requirements by contractors and suppliers. These requirements include the following:

Health, safety and environmental and social performance (HSE & SP) requirements

- Contractors must:
- include compliance with HSE & SP principles to the performance assessment;
 - perform checks and investigate any breaches of the HSE & SP rules to ensure the company’s HSE policy is properly followed;
 - independently certify the HSE & SP management system for compliance with generally recognised standards;
 - verify that they comply with HSE&SP standards.

Requirements for the quality of materials, equipment and services supplied

- Contractors must:
- develop and comply with quality assurance policy;
 - specify (develop) and comply with the quality control process and its procedures;
 - specify (develop) and comply with quality assurance procedures.

Russian content requirements

Sakhalin Energy’s Russian content requirements have arisen from the Production Sharing Agreement concluded with the Russian party. The parameters used to measure the Russian content are weight of material and equipment, number of man-hours and their cost equivalent.

Requirements for a tender proposal

- A tender proposal shall clearly demonstrate and confirm the following:
- a tenderer is a financially stable and solvent company/organisation;
 - a tenderer has the relevant experience in the subject scope;
 - high quality and reliability of the provided services/performed works/supplied materials;
 - HSE & SP management systems and procedures are in place;
 - a quality assurance system and procedure are in place;
 - availability of resources to meet the work/supply schedule.

8

ENVIRONMENTAL IMPACT MANAGEMENT

Sakhalin Energy conducts environmental management based on environmental protection laws and regulations of the Russian Federation and in line with international standards and best practices of the oil and gas industry.



8.1.

GENERAL INFORMATION

Sakhalin Energy conducts environmental management based on the environmental protection laws and regulations of the Russian Federation and in line with international standards and best oil and gas industry practices.

Sakhalin Energy's environmental policy has been integrated into the corporate Business Principles, Sustainable Development Policy and HSE & SP Policy. Relevant commitments are included in the HSE & SP Plan, standards and procedures, as well as other corporate documents.

The HSE & SP management system is described in Section 3.5 above. It has been certified according to ISO 14001:2015 and OHSAS 18001:2007 international standards.

For continuous improvement of operational efficiency, the system follows a repeating cycle: plan – do – check – act. External and internal audits are held to monitor and evaluate the system's efficiency. Company assets are audited on a regular basis for compliance with environmental laws and regulations and corporate standards and procedures.

Sakhalin Energy also promotes the development of vendors and suppliers through a "one team" approach, experience sharing and contractor compliance monitoring.

The company places special focus on proactive risk management and environmental impact assessment. The company has developed and implemented a risk management system (see Section 5.4. Risk Management System) to reduce environmental impacts and pollution risks.

The company is implementing an administrative and technical action plan to gradually reduce negative environmental impacts and to develop the competencies of the company and contractor personnel, as well as to develop and implement programmes for industrial environmental control and monitoring the natural environment and biodiversity.

8.2.

INDUSTRIAL ENVIRONMENTAL CONTROL

8.2.1. GENERAL INFORMATION

Sakhalin Energy exercises industrial environmental control of its assets to ensure compliance with legislation on environmental protection, to observe the established environmental regulations, and to support the rational use of natural resources and fulfilment of plans for minimising environmental impact.

The company exercises industrial environmental control in the following areas:

- air emissions;
- water use and impact on water bodies;
- waste management.

The company tracks and controls emissions and discharges, greenhouse gases and ozone-depleting substances from hydrocarbon production and transportation assets, and the LNG asset it operates; special attention is given to waste management, energy consumption and associated petroleum gas utilisation issues.

The company has developed and has been implementing the Air Emissions and Energy Management Standard, Water Use Standard, and Waste Management Standard.

8.2.2. IMPACT ON ATMOSPHERIC AIR

Sakhalin Energy seeks to minimise environmental impact, including by reducing air emissions.

In order to reduce emissions, the company uses gas turbines equipped with low-NOx burners. A system that increases gas turbulence is used on flaring units, which facilitates soot-free gas flaring.

To reduce atmospheric pollutant emissions, Sakhalin Energy implements measures to improve operational reliability and safe operation of equipment, and monitors compliance with the operating envelope of the gas turbines. To ensure the timely elimination of potential gas leaks at company assets, the company performs equipment inspections and diagnostics using fixed and portable gas analysers and infrared cameras, and carries out any required repair and maintenance. To assess the impact of greenhouse gases and ozone-depleting substances on the atmo-

sphere, the company keeps track of their emission sources and consumption (see Section 8.2.6. Greenhouse Gas and Ozone-Depleting Substance Emissions).

The company conducts monitoring of fixed sources for compliance with established standards for maximum allowable emissions. Air quality monitoring is carried out at the boundaries of sanitary protection zones around the company's production assets.

The increase in the total volume of emissions, including those of carbon monoxide, nitrogen oxide, and methane, recorded in 2020, is primarily due to the repair and maintenance works carried out as part of the comprehensive scheduled shutdown at the gas infrastructure facilities, as well as to the scheduled shutdown for maintenance at the PA-A and PA-B platforms.





The efforts made to improve the operational reliability and safe operation of equipment, as well as systematic monitoring to ensure its correct operation, made it possible to keep specific emission values at the same level as in the previous years.

Air quality monitoring at the boundaries of the sanitary protection zones of the Prigorodnoye production complex, OPF, and BS 2 showed neither non-compliance with established standards, nor any increase in pollutant concentrations.

Gross Air Emissions in 2017–2020, thousand tonnes

Pollutant	2017	2018	2019	2020
Carbon oxide	4.06	4.21	3.41	3.53
Nitrogen oxide (in NO2 equivalent)	4.26	4.34	3.93	4.04
Methane	1.17	1.10	0.70	0.90
Sulphur dioxide	0.04	0.03	0.03	0.03
Other pollutants	0.91	0.62	0.45	0.38
Total	10.44	10.30	8.52	8.88



Specific Air Emissions in 2017–2020, by Areas of Activity

Activity	2017	2018	2019	2020
Hydrocarbon production (kg/toe)	0.18	0.19	0.14	0.15
Hydrocarbon transportation (kg/thousand t-km)	0.06	0.08	0.06	0.08
LNG production (kg/toe)	0.23	0.20	0.20	0.19

8.2.3. IMPACT ON WATER BODIES

The company strives to reduce water consumption for production needs and to minimise the environmental impact from wastewater discharge.

The intake of water from surface and groundwater bodies for domestic, drinking and industrial purposes is carried out on the basis of water use permits and licenses for subsoil use.

To ensure compliance with the established standards for the maximum allowable discharges of pollutants to water bodies and rational use of water resources, the company monitors the efficiency of the sewage treatment plants and carries out quality control of sewage, surface and groundwater, as well as monitors compliance with the established water use and water discharge limits. Water intake and treatment facilities are maintained in good order; monitoring of water protection zones of water bodies is carried out on a regular basis. Groundwater monitoring is performed to identify areas of possible changes in groundwater levels or areas of possible contamination caused by the operation of the company’s production assets.

In 2020, the water use figures remained the same as in the previous year. A growth in water intake from underground sources was caused by an increase in water consumption by personnel of the OPFC construction camp, residents of the Zima residential complex and temporary camp of the Prigorodnoye

production complex due to the transition of employees to remote and longer duration rotational work in response to the coronavirus pandemic.

A decrease in the volume of seawater injected to maintain reservoir pressure was associated with an increase in the water cut of producing reservoirs and the use of produced water to maintain reservoir pressure.

An increase in water disposal to surface water bodies was due to the transition of employees living in the Zima residential complex to long-term remote work due to spread of coronavirus infection, and the introduction of a rotational work schedule for personnel of the Prigorodnoye production complex. An increase in the volume of discharges to land was caused by a significant amount of atmospheric precipitation.

In 2020 incidences of disposal of insufficiently treated wastewater increased. This was caused by the commissioning of a temporary camp for rotational workers at the Prigorodnoye production complex, the use of additional amounts of disinfectants to combat the spread of the coronavirus and, accordingly, an increase in the load on the treatment facilities.

Only 2% of the wastewater was insufficiently treated, another 2% of the wastewater was treated to minimum standards, and the other 96% met minimum standards without treatment.



Environmental monitoring did not reveal any adverse impact on the water bodies located in the area of the company’s production assets.

Consolidated Figures of Water Use in 2017–2020, thousand m³

Parameter	2017	2018	2019	2020
Water intake, including:	30,050.94	28,290.83	29,263.78	29,403.01
from surface sources	29,228.98	27,507.64	28,558.22	28,482.38
from underground sources	326.27	347.43	348.46	463.82
Water consumption, including:	29,593.53	27,893.77	28,939.95	28,960.95
for production needs (not including consumption for reservoir pressure maintenance needs)	22,520.46	21,458.08	21,188.04	22,284.19
for reservoir pressure maintenance needs	6,689.23	6,077.11	7,379.29	6,279.57
Water discharge, including:	23,163.00	22,062.96	21,724.05	22,990.72
into surface water bodies	23,047.10	21,944.30	21,582.89	22,750.25
on the surface	86.54	88.13	75.19	99.15

Specific Water Use in 2017–2020, by Areas of Activity

Activity	Water consumption for in-house needs				Disposal of polluted water into surface water bodies			
	2017	2018	2019	2020	2017	2018	2019	2020
Hydrocarbon production (m³/toe)	1.0	1.0	1.0	1.0	0.004	0.004	0.005	0.005
Hydrocarbon transportation, m³/thousand t-km	0.001	0.001	0.001	0.001	–	–	–	–
LNG production (m³/toe)	0.01	0.01	0.004	0.005	0.006	0.006	0.001	0.004



8.2.4. WASTE MANAGEMENT

The company’s waste management activities are aimed at meeting Russian and international requirements and optimising waste management processes in order to reduce adverse environmental impact. Most of the company’s waste is classified as low-hazard (Hazard Class IV and V). It is mainly drilling waste and solid domestic waste.

To prevent adverse environmental impact, in 2020 the company continued injecting drilling waste through special disposal wells into deep underground horizons with necessary insulating formations to ensure their full containment and safe disposal. This is one of the best available technologies for the disposal of waste associated with oil and gas production (ITS-17, 2016).

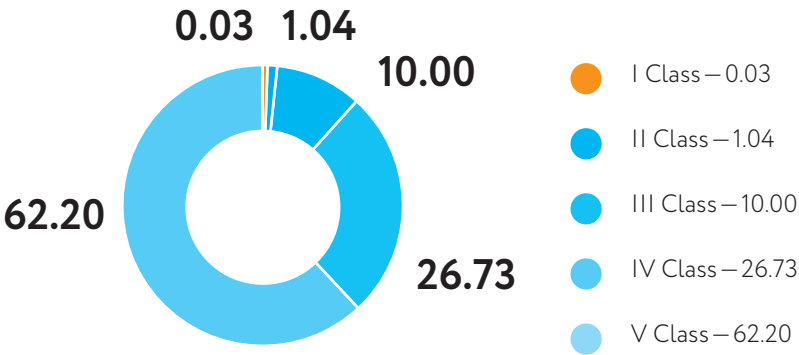
In 2020, the company continuously monitored the injection process and took all reasonable measures to reduce the volume of drilling waste. To confirm no adverse environmental impact, the company con-

tinued monitoring of the seawater condition in the bottom layer, sediment and benthic communities. Based on the monitoring results for the previous four years, Rosprirodnadzor confirmed that the disposal of drilling waste has caused no adverse impact on the environment.

At the production assets, waste is collected separately for subsequent disposal and treatment in order to reduce the amount of waste disposed at landfills; the company conducts inspections of waste storage sites and waste is removed in a timely manner.

All Hazard Class I-III waste is transferred to licensed contractors for disposal or treatment. All Hazard Class IV–V waste is sent to specially equipped landfills. The company is actively searching for cost-effective methods of managing Hazard Class IV-V wastes in order to reduce the proportion of waste disposed at landfills, including increased reuse and recycling of materials.

Waste Breakdown by Hazard Class in 2020 (Not Including Drilling Waste), %



Waste Management Indicators (Including Drilling Waste) in 2017-2020, thousand tonnes

Parameter	2017	2018	2019	2020
Waste generated in the reporting year (all Hazard Classes)	36.58	27.13	30.74	24.67
Transferred to other organisations for disposal and treatment	3.47	2.89	4.49	4.53
Transferred to other organisations for burial at landfills, including:	1.66	1.89	2.01	1.81
in the Sakhalin Oblast (with MSW [°])	0.21	0.45	1.70	1.37
outside the Sakhalin Oblast	1.45	1.45	0.31	0.44
Waste disposed at own assets (burial of drilling waste)	31.41	22.50	24.24	18.33

° Solid domestic waste.

As of the beginning of the reporting year, there was no waste in the temporary waste accumulation area. The reduction in the volume of generated waste was mainly due to the suspension of drilling activities during the period of scheduled platform maintenance.

The amount of waste transferred for disposal and treatment remained the same as the year before. The reduction in the total amount of waste transferred for burial at landfills, including those on Sakhalin, was due to the closure of leisure facilities and the cancellation of mass events in the Zima Highland

residential complex, as well as the transition of office employees to remote work to prevent the spread of the coronavirus disease.

Solid domestic waste transferred to the regional operator was disposed of on the territory of the Sakhalin Oblast in accordance with the territorial waste management scheme. A slight increase in the amount of waste buried at landfills outside the region was associated with the generation of Low Hazard Class IV–V waste during the comprehensive shut-down at the gas infrastructure facilities.



8.2.5. ENERGY PRODUCTION AND CONSUMPTION

The company is striving to use energy resources efficiently, and this is stated in its policies, standards, and commitments on energy management and gas flaring.

The company’s assets have been designed in line with international best practices, and new depletion compression facilities (OPFC) under construction incorporate the latest technological advances. All production assets use independent power supplies.

Energy saving and efficiency improvement efforts are organised under the company’s Continuous Improvement and Production Process Optimisation Pro-

gramme (see Section 4.3.2. Continuous Improvement Programme). Its core activities are aimed at enhancing the operational reliability of equipment, and process efficiency.

Natural gas has the biggest share in the energy mix of the company. Diesel fuel is used for backup. The power supply for the company’s infrastructure in Yuzhno-Sakhalinsk and Korsakov comes from the public electrical grid, while the energy for heating is generated independently at the assets. The energy consumption balance is shown in the table below.

Energy Generated and Consumed in 2017–2020, million GJ

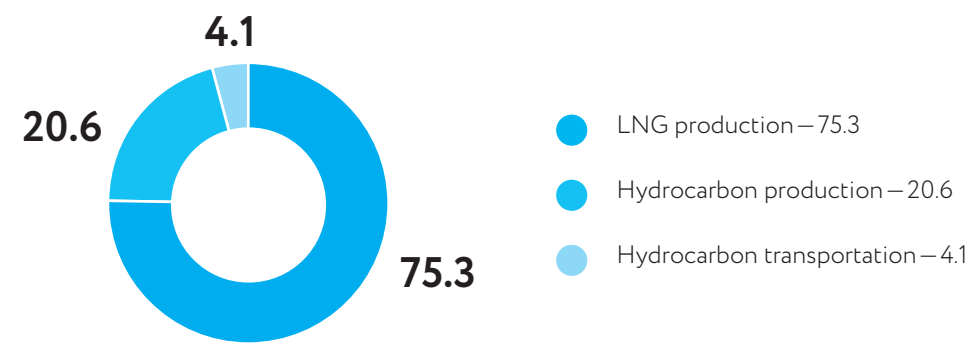
Parameter	2017	2018	2019	2020
Primary energy generated	910.28	895.63	857.10	871.55
Primary energy sold, including:	858.07	839.04	801.72	817.82
provided to Russian Party	39.83	39.99	44.04	47.34
Primary energy consumed, including:	59.29	59.08	57.47	59.44
direct energy consumed (natural gas)	57.49	57.19	55.61	57.74
primary energy purchased (diesel fuel)	1.80	1.89	1.86	1.70
Indirect energy purchased/consumed (electricity)	0.12	0.13	0.13	0.14

The 2020 energy consumption breakdown by activity is shown in the diagram. A slight increase in energy consumption was due to increased hydrocarbon

and LNG production; energy intensity was virtually unchanged compared with the previous year’s data.



Energy Consumption in 2020, by Areas of Activity, %



Energy Intensity in 2017–2020, by Areas of Activity

Activity	2017	2018	2019	2020
Hydrocarbon production, GJ/t hydrocarbons produced	0.64	0.63	0.66	0.65
Hydrocarbon transportation, GJ/Kt-km	0.15	0.15	0.15	0.15
LNG production, GJ/t LNG produced	3.85	3.88	3.84	3.85

Sakhalin Energy’s assets have high energy efficiency. In fact, the company’s figures are some of the world’s best. For example, in 2020, energy intensity of the company’s assets was at 0.65 GJ/tonne hydrocarbons produced. The data from the International Association of Oil and Gas Producers indicate that the average annual energy intensity among international oil and gas companies was 1.45 GJ/tonne hydrocarbons produced.

Sakhalin Energy’s LNG plant is the largest energy consumer in the company; however, it remains a world leader in energy efficiency. It was placed

at the top of the Shell 2020 rating for operational performance thanks to outstanding safety efforts, improved efficiency, and production reliability.

In 2020, Sakhalin Energy installed a novel automatic traffic control system at the start of the Nysh – Lunskiy Bay road. The system is fitted with solar batteries and a wind turbine that provide a continuous power source. Based on the results of this pilot project, similar systems may be installed along the route.

8.2.6. GREENHOUSE GAS AND OZONE-DEPLETING SUBSTANCE EMISSIONS

In 2016, Russia joined the Paris Agreement, under which each party defines its own contribution to preventing global climate change and takes internal measures to adapt to these changes and achieve the objectives. The Paris Agreement has superseded the Kyoto Protocol, which expired in 2020.

The company shares the global community’s concerns regarding climate change and implements the following key measures aimed at climate conservation and greenhouse gas (GHG) emission reduction:

- development and assessment of design documentation with regard to environmental safety and environmental impact analysis;
- monitoring and reporting of GHG emissions;
- utilising associated gas and flaring reduction;

- inspection and diagnostics of equipment to prevent leaks and increase operational reliability;
- actions aimed at reducing hydrocarbon losses;
- programmes for improving energy efficiency of production processes.

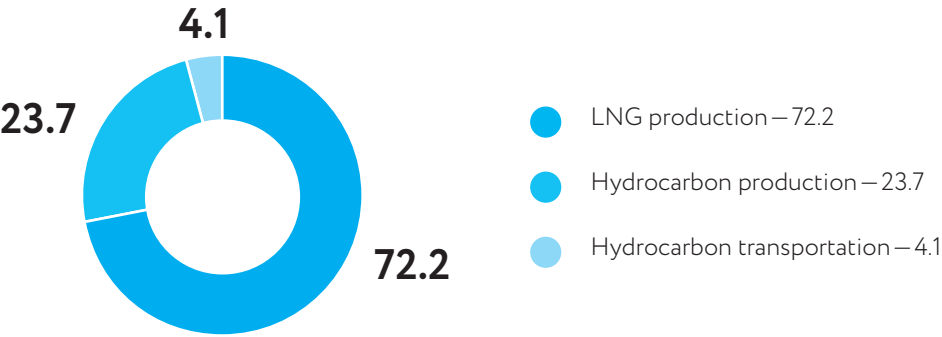
The company has developed GHG emission management and energy efficiency plans for the offshore platforms, OPF, and the LNG plant.

2020 saw a slight increase in the total volume of GHG emissions. This was due to a rise in LNG production, flaring during maintenance and repair works at hydrocarbon production assets, as well as an increased use of hydrocarbons to produce energy for internal use and other process operations.

GHG Emissions in 2017–2020, mln tonnes of CO₂ equivalent

Parameter	2017	2018	2019	2020
Direct emissions (Scope 1)	3.740	3.768	3.529	3.661
Indirect emissions (Scope 2)	0.008	0.009	0.009	0.010
Total	3.748	3.777	3.538	3.671

2020 GHG Emissions by Company Activity, %



Specific GHG Emissions in 2017–2020 by Company Activity

Activity	2017	2018	2019	2020
Hydrocarbon production, t CO ₂ eq./t of hydrocarbons produced	0.048	0.052	0.046	0.046
Hydrocarbon transportation, t CO ₂ eq./thousand t-km	0.009	0.009	0.009	0.009
LNG production, t CO ₂ eq./t of LNG produced	0.231	0.230	0.228	0.228

The 2020 levels of specific GHG emissions remained similar to those of the previous year.

Structure of GHG Emission Sources in 2020, %

Source	2020
Fuel consumption	87.62
Gas flaring	4.31
Uncontrolled leaks	0.17
Mobile sources	2.94
Gas venting emissions	0.26
Acid gas removal	4.40
HFC emissions	0.04
Indirect emissions	0.26

GREEN LNG STRATEGY

In order to meet the challenges facing the global energy sector, in 2020 the company developed a Green LNG Strategy to reduce its carbon footprint (see 8.2.7. Green LNG Strategy). The launch of this strategy implementation is scheduled for 2021.

In 2020, Sakhalin Energy’s vehicle fleet welcomed its first electric car. The innovative Renault Kangoo Z.E. will carry passengers and cargoes within Zima residential complex and around Yuzhno-Sakhalinsk. Sakhalin Energy has become the first oil and gas company on the island to introduce this innovative solution to passenger and cargo transportation. The company intends to steadily build an environmentally friendly car fleet.

Some equipment at the company assets, such as air conditioners and cooling machinery, contains ozone-depleting substances, regulated by the Montreal Protocol. In 2020, the company continued

implementing the Action Plan aimed at the gradual replacement of this equipment and discontinuing the use of ozone-depleting substances in accordance with the Protocol.

8.2.7. GREEN LNG STRATEGY

Sakhalin Energy is committed to contributing to the global efforts to address the challenges of climate change. In 2020 the company developed the Green LNG Strategy with the purpose of reducing its carbon footprint and identifying options for the production and supply of carbon neutral products to our buyers. The strategy focuses on four main areas: nature-based solutions, further improving the energy efficiency of Sakhalin-2 Project production technologies, commercial carbon credit activities and alternative technologies.

The nature-based solutions activities are focused on increasing the absorption of greenhouse gases. Conservation, restoration and enhancement of forest management are possible options for the Sakhalin Oblast. Afforestation of some areas is considered a potentially

promising activity. The company plans to estimate the costs related to the life cycle of natural resource-based carbon-sink solutions; promote an environmentally responsible culture at all company facilities; develop projects aimed at generating carbon credits.

The company works continuously on the improvement of energy efficiency and reduction of greenhouse gas emissions (please refer to chapters 8.2.5 and 8.2.6). Key emphasis is placed on assessing the potential for further reduction of greenhouse gas emissions in the integrated gas chain: introduction of process modifications, optimisation of maintenance schedules, application of predictive analytics to improve equipment reliability, gas flaring management, and instrumented methods for the prevention and control of leaks.

Additionally, the company is investigating options for carbon neutral LNG cargoes to become a standard offer. Consultations with LNG buyers are planned in order to explore their interest in buying carbon neutral LNG cargoes and identify their preferred options for compensating greenhouse gas emissions. Options to purchase carbon credits from third parties will be explored, taking into account the preferences of the LNG buyers. A proposed pilot carbon trading system on Sakhalin may introduce the potential to obtain Russian carbon credits that could be used in conjunction with carbon credits generated by the company as a result of nature-based solutions implementation.

The long-term strategy is to implement an “energy cocktail”, combining the use of both traditional

and promising alternative technologies that can contribute to the global reduction of greenhouse gas emissions. The plan is to perform a feasibility assessment of alternative technologies and their potential integration with the company’s operations: low-carbon and renewable energy such as wind, solar and thermal (please refer to chapter 8.2.5); production and use of hydrogen; carbon capture and storage (CCS).

One of the keys to the successful implementation of the Green LNG Strategy is establishing a partnership with the Sakhalin Oblast Government to generate joint long-term solutions in the area of clean energy and assist in developing the state legislative framework for greenhouse gas management.

8.2.8. UTILISATION OF ASSOCIATED GAS IN PRODUCTION

The company strives to reduce associated gas flaring to a minimum. Associated gas produced at the PA-A and PA-B platforms is transported via off-shore pipelines to the shore, and it goes through the onshore pipelines to the OPF, where it is mixed with LUN-A gas for further transportation. Some of the associated gas is used as fuel for production assets.

Currently, the company does not reinject associated gas into the reservoir.

The company has included targets for associated gas utilisation in the Reservoir Management Plans for the PA-A, PA-B, and LUN-A platforms. The actual associated gas utilisation in 2020 was 97%.

Utilisation of Associated Gas in Production in 2020, %

Year	Produced	Flared
2017	97	3
2018	96.5	3.5
2019	98	2
2020	97	3



8.2.9. ENVIRONMENTAL PROTECTION COSTS AND PAYMENTS FOR THE NEGATIVE IMPACT

To comply with international and Russian legislation requirements, Sakhalin Energy implements environmental conservation measures. The current cost of implementation in 2020 was 3,153 mln roubles.

Sakhalin Energy’s environmental conservation activities are monitored by the supervisory authorities at federal and regional levels, including:

- Ministry of Natural Resources and Environment of the Russian Federation;
- Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor);

- Federal Subsoil Resources Management Agency (Rosnedra);
- Federal Service for the Supervision of Natural Resources (Rosprirodnadzor);
- Amur Water Basin Committee of the Federal Water Resources Agency;
- Ministry of Ecology of the Sakhalin Oblast.

In the reporting year, federal supervisory authorities conducted six inspections, which found non-compliances related to exceeding wastewater discharge standards and permissible concentrations of pollutants in wastewater. The company took actions to remedy all identified non-compliances.



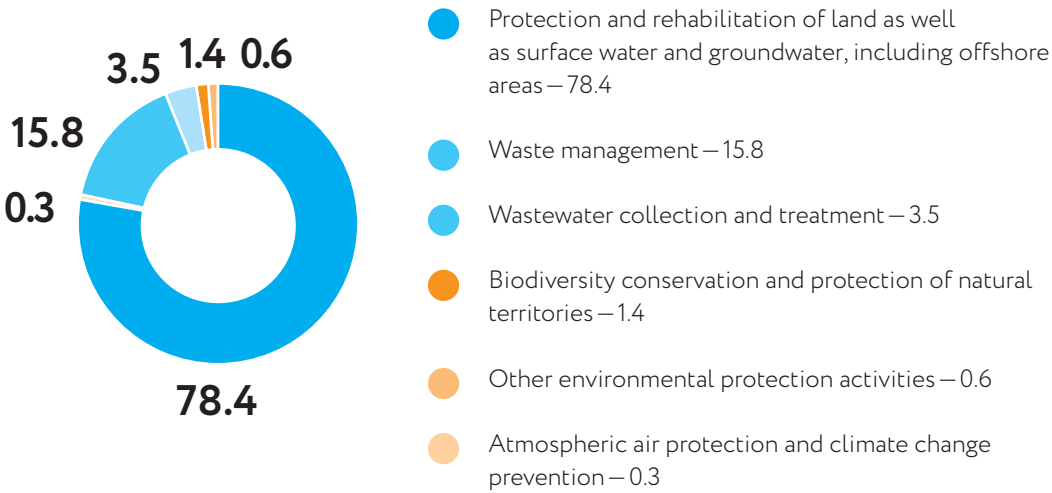
Payments for Adverse Environmental Impact in 2017–2020, thousand roubles

Parameter	2017	2018	2019	2020
Air emissions	898.41	806.52	595.77	663.60
Discharges into water bodies	72.01	157.21	127.92	215.80
Waste disposal	180.88	680.15	631.89	7,134.09
Total	1,151.30	1,643.88	1,355.58	8,013.49

Despite the reduced adverse environmental impact due to the reduction in the mass of buried waste, the payments increased. This was due to, among other things, a considerable increase in the surcharge rates established by Article 16.3 of the Federal Law on Environmental Protection, put into force on 01 January 2020.

The share of above-limit payments in the total amount of payments for adverse environmental impact was 41%, mainly due to the absence of limits for the disposal of low-hazard and virtually non-hazardous Hazard Class IV–V waste at landfills and the application of multiplying factors beginning from 01 January 2020.

Current Environmental Costs in 2020, %



8.3.

ENVIRONMENTAL MONITORING
AND BIODIVERSITY CONSERVATION

8.3.1. GENERAL INFORMATION

The implementation of environmental monitoring in potential impact zones during the operational phase ensures Sakhalin Energy’s compliance with the requirements of the State Environmental Expertise for in-process environmental monitoring and local monitoring.

The environmental monitoring programmes are carried out to assess the condition and restoration of the environment in the areas of the company’s pro-

duction assets, to identify current impact signs, and to develop actions to mitigate it, if necessary.

The implementation of the corporate Biodiversity Action Plan (BAP) fulfils the company’s obligations with respect to impact mitigation, development and implementation of measures aimed at protecting both rare and endangered species and environmentally significant and vulnerable habitats.

In 2020, the company participated in various meetings and sessions with external parties dedicated to environmental protection and biodiversity conservation issues, including the meeting of the Working Group for the Conservation and Recovery of Certain Rare, Threatened and Endangered Wildlife Species in the Russian Federation, sessions of the Scientific and Technical Council (STC) under Rosprirodnadzor, the meeting of the Western Gray Whale Advisory Panel (WGWAP) under the IUCN, and many others.

In 2020, environmental monitoring and biodiversity conservation activities (involving specialist organisations and company experts), were carried out in the following areas:

- soil cover;
- river ecosystems;
- flora and vegetation;
- protected species of birds, including the Steller’s sea eagle;
- marine environment and biota in the waters of oil and gas fields;

- marine environment and biota in the area of Prigorodnoye port and ballast water control;
- gray whales and marine mammal protection.

The results of the environmental monitoring and biodiversity conservation measures have confirmed that the company is minimising the impact of its production activities on the environment through its environmental protection management system, which includes risk assessment and prevention, and prompt mitigation of identified risks.

8.3.2. SOIL MONITORING

A system of regular soil monitoring allows for the identification of trends and potential changes. The company assesses the soil condition along the onshore pipeline routes, at the production assets, and within the areas around the Prigorodnoye production complex and the OPF at intervals prescribed in the monitoring programme.

In 2020, soil monitoring included:

- obtaining data on the physicochemical and agrochemical characteristics of soils;
- analysing the content of pollutants in soils in the territory of the Prigorodnoye production complex and along the pipeline route.

In 2020, the environmental soil study within the potential impact zone of the LNG plant and OET was conducted at 12 local soil monitoring sites situated in three directions (bearings) 0.5, 1.0, 2.0 and 4.0 km away from the border of the production area of the plant in locations with the most representative

landscape conditions, as well as at two “baseline” sites. The concentration of organic matter in the soil varies greatly: from elevated levels (black bog soils) to relatively low (high moor soils) and low levels (brown forest soils). In 2020, no deterioration of the soil layer or signs of degradation related to the operational activity of the Prigorodnoye production complex has been recorded at any of the monitoring sites. The concentrations of petroleum hydrocarbons and benzo(a)pyrene in the soils of all monitoring sites are within background levels throughout all soil cross sections and do not exceed permitted levels. In 2020, no contamination by the ecotoxins under study has been recorded: the average level of cumulative petroleum hydrocarbons in the 0–25 cm soil layer varied in the 32–235 mg/kg range, which is considerably below the permissible level (1,000 mg/kg); the average concentration of benzo(a)pyrene in the 0–25 cm soil layer was below the detection threshold.

The 2020 soil monitoring along the onshore pipeline route was carried out at 24 permanent sample sites on the right-of-way, characterised by different landscape and orographic conditions and man-made soils and at 24 “baseline” sites with undisturbed natural soils. Almost all monitoring sites are covered by vegetation, with 75–100% plant cover, which supports the formation of proper sod soil.

In 2020, the concentration of total petroleum hydrocarbons, the primary monitored ecotoxins in the soil (0–25 cm layer), totalled 15–289 mg/kg, which is considerably below the permissible level (1,000 mg/kg).

The monitoring in 2020 did not reveal any land contaminated with oil or petroleum products as a result of the operation of the company’s infrastructure or execution of work in the territories of the company’s assets.

As of the end of 2020, the area of disturbed soils amounted to 83.36 ha, including 4.21 ha in the reporting year related to the OPFC construction works.



8.3.3. RIVER ECOSYSTEMS MONITORING

The onshore pipeline system, covering virtually the whole territory of Sakhalin Island, crosses more than a thousand water bodies (rivers, streams, lakes and canals) from Chaivo Bay in the north to Aniva Bay in the south. During the design and construction stages, the company conducted baseline studies and operational monitoring of all crossings of water bodies. For the operational stage, a comprehensive observation programme was developed to monitor environmentally significant and hydrographically complex watercourses. This allows the company to monitor any changes, to identify critical areas, to develop and take timely corrective measures.

River ecosystem monitoring comprises several areas: the quality of surface waters, bottom sediments, and benthos. The quality of river ecosystems primarily indicates the nature and specifics of potential impact on aquatic ecosystems during the operation of pipeline and infrastructure facilities. The other objective of monitoring is to identify any potential adverse impact from natural factors on the Sakhalin-2 project infrastructure.

The monitoring of river ecosystems includes:

- determination of hydrological and hydrochemical characteristics of watercourses;
- assessment of bottom sediment condition in river beds;
- identification of hydromorphological changes (river bed and bank erosion in the areas of pipeline route crossings);
- assessment of the composition and abundance of benthos (community of sediment dwellers);
- assessment of the size and quality of potential Pacific salmon spawning areas.

In 2020, the monitoring of hydrological and hydrochemical characteristics and the condition of bottom sediments was implemented in the following water bodies:

- 18 watercourses crossed by the pipelines;
- the Vatung River in the area of potential impact from the OPF;

- the Mereya River and the Goluboy Stream in the area of the Prigorodnoye production complex.

Monitoring was performed during two hydrological seasons: summer low water and autumn high water. Sampling was carried out at two cross sections: the upstream baseline (with no impact from the company assets) and downstream monitoring sections.

On most investigated river-crossing sites (from the upstream to the downstream cross sections), no significant horizontal or vertical deformations of river beds were detected. The crossings are in satisfactory condition, and no damage to utility lines was found.

The physicochemical properties of surface waters in all observation seasons complied with regulatory benchmarks, demonstrated identical change trends, and had similar quantitative and qualitative characteristics upstream and downstream in each watercourse.

The oxygen regime of surface water was within norms during all observation periods. Suspended solids demonstrated minor seasonal fluctuations in their concentrations.

Among all the studied metals, concentrations of iron and copper showed the highest variability. In most of the watercourses, the content of these metals exceeded the corresponding maximum allowable concentration (MAC) standards. Elevated concentrations of iron and copper is a natural phenomenon common for surface waters in Sakhalin.

Monitoring did not reveal surface water contamination by petroleum products. All measured values were insignificant and complied with Maximum permissible concentrations for fishery watercourses (MPCf).

The content of petroleum products in bottom sediments did not significantly change from season to season. The measurements of their concentrations made at the upper sections were the same as those made at the lower ones.

Grain-size distribution of bottom sediments was homogenous in all watercourses in all seasons and was mainly made up of grains of 10 mm or larger. The share of these particles in the summer and autumn periods was more than 50% of the total mass.

Benthos monitoring in watercourses continued in 2020. The analysis of habitat conditions (bed type, current speed, sediment type, depth), quantitative and qualitative indices of macro-zoobenthos, showed that the variability of the composition, state and structure of benthos communities between the baseline and control sections of the watercourses under study is due to natural variability, in particular the heterogeneity of biotopes and hydrologic-hydrochemical indicators at monitoring stations.

17,260 humpbacked pink salmon fry are estimated to have migrated in the Goluboy Stream in 2020.

In 2020, the timing of humpbacked pink salmon spawning migration in the Goluboy Stream was close

to the average for rivers of the Tonino-Anivsky Peninsula. Filling of the spawning grounds in the Goluboy Stream was significantly lower than the long-term annual average value – the number of spawners that entered the area in 2020 was estimated at 10 thousand specimens. Around 70% of the total number of fish that entered the area actually spawned in the stream, while the rest were killed by poachers. The majority of salmon failed to get further than the bridge across the federal road. Most humpbacked pink salmon spawning grounds were registered within the protected area of the LNG plant and in the area from the LNG plant to the federal road.

Average egg planting was calculated at 86 eggs per 1 m². The egg survival rate reached 55% during the autumn period.

Overall, the outcomes of river ecosystems monitoring in 2020 are explained by natural fluctuations of parameters; no impact from Sakhalin Energy’s production assets on the quality of surface waters or their flora and fauna was detected.

8.3.4. FLORA AND VEGETATION MONITORING

Sakhalin Energy implements the Environmental Monitoring Programme of vegetation cover, which allows assessment of current vegetation conditions and timely response to any adverse environmental impact from the company assets.

The Monitoring Programme includes the following objectives:

- to monitor the condition of vegetation in the areas adjacent to the company assets;
- to evaluate and forecast natural and man-induced changes/successions in the plant communities;
- to monitor the state of rare and protected species of plants and lichens;

- to monitor the restoration of vegetation within the rights-of-way and generate recommendations for additional work required in some areas.

In 2020, flora and vegetation monitoring, including of protected species, was conducted in the area of the Prigorodnoye production complex and around the OPF, including the territory of the OPFC project. Studies were completed on the right-of-way within the onshore pipeline area.

The vegetation cover around the Prigorodnoye production complex mainly features dark coniferous and dark coniferous larch forests. The structure and species composition of vegetation communities in monitored areas remain unchanged. No reduction in the number of trees that was recorded in previous years



in certain areas due to windfalls has been identified. The species composition of subordinate layers in all sampling areas surveyed has not changed. In 2020, a study was conducted to observe the state of nine protected species in 56 locations. Two previously monitored species, *Daphne jezoensis* and *Trillium tschonoskii*, were excluded as they were removed from the Red Book of the Sakhalin Oblast in 2019.

The vegetation cover around the OPF features boggy larch forests and dark coniferous larch forests. Wetlands spread to the north of the OPF. Standing timber in woodlands is not impacted by OPF activities. Identified insignificant variations in the number of trees are due to natural processes in phytocenoses, such as undergrowth ageing and natural death of old trees. The species composition of layers at all monitoring sites surveyed has not changed. The habitat of the only protected species of vascular plants – Sakhalin *Ephippianthus* – located southwest of the OPF, has not been violated. As of today, these habitats, identified in the course of monitoring, are the northernmost on Sakhalin.

In 2020, the condition of five species of epiphytic lichens found in 26 locations, was studied. The thalli of these species of lichens were strong in 17 locations. In 9 locations the lichens were still affected to a certain degree by the change in the microclimatic conditions (stronger lighting and wind, decreased air humidity at the boundaries of open and forested areas). However, thalli of these species of lichens continue to sprout, which suggests the preservation of the species composition and the general restoration of lichen cover.

An excellent degree of grass cover reinstatement was recorded for more than 85% of the right-of-way; many sites are characterised by a developed dense grass canopy. Individual undergrown areas persist on steep slopes and in some areas in the northern districts of the island, which is due to the lack of fertility in sandy and clay soils. Despite this, even these areas show a positive trend: vegetation is gradually being restored on the right-of-way.

The monitoring of the vegetation cover along the pipeline route did not show any disturbances in the structure or species composition of plant communities, with the exception of one site in the Korsakovsky District that was severely damaged by a windfall in 2015. The condition of 13 protected species (in 72 locations) has not caused any concern. Only in two locations with *Aralia elata*, the vegetation cover was disturbed as a result of windfall. Stronger lighting, however, improved the growth conditions for this species. A study of 11 protected species of epiphytic lichens (in 61 locations) showed that none of the locations were disturbed. In all locations, thalli of both the protected and common species continued to sprout, which suggests the preservation of the species composition of lichen cover in the monitored area.

The results of long-term monitoring show that the structure and species composition of plant communities remain unchanged in the zone of potential impact from the company assets, and the vegetation is gradually being restored on the right-of-way.

8.3.5. MONITORING OF PROTECTED BIRD SPECIES

Subject to Federal Law No. 52-FZ of 24 April 1995 On the Protection of Wildlife (Articles 22 and 24), rare species protection involves a number of restrictive measures with regard to users that perform business activities in their habitat. Legal entities and citizens who implement economic activities onshore and offshore where animals included in the Red Data Books dwell shall bear responsibility for the preservation and conservation and reproduction of this wildlife in accordance with the laws of the Russian Federation and its constituent entities.

During the Sakhalin-2 project planning stage, extensive in-depth studies of avifauna were conducted along the entire onshore pipeline route and in the waters of the offshore fields and Prigorodnoye Port. The results helped establish species composition and number of birds, and identify important nesting, migration, and feeding areas. Avifauna studies were primarily focused on a number of protected bird species that are especially sensitive to human-induced impact; these species became the target of subsequent observation as part of the environmental monitoring and biodiversity conservation programme during the operational phase of the project.

In 2020, rare bird species monitoring was carried out around the Prigorodnoye production complex (PC) within a 4 km radius of the production facility boundary. The studies covered both the onshore territory and the adjacent offshore area.

Since the start of the monitoring activities in the vicinity of the Prigorodnoye PC, the researchers have observed a total of 175 bird species, 79 of which were nesting species and 33 were protected species. During the 2020 survey season, the following protected species were recorded near the Prigorodnoye PC: Japanese cormorant, great egret, eastern egret and intermediate egret, falcated duck, mandarin duck, white-tailed eagle, Japanese snipe, glaucous-winged gull, white-bellied green pigeon, common reed bunting and russet sparrow. Nesting of the Japanese snipe and the common reed bunting has been observed, while nesting of the mandarin duck and the white-tailed eagle is presumed. The remaining species were observed during passing visits and seasonal migration periods.

The Japanese snipe was chosen as a basic ornithological monitoring object for the whole duration



of observations in the vicinity of the Prigorodnoye PC. From the 2020 observations, the number of Japanese snipe breeding pairs was between 107–112. Studies show that the steady increase in Japanese snipe numbers in meadow areas (including the reclaimed areas suitable for nesting) that had been observed before has now stopped, and the numbers have stabilised. As the meadows started to become overgrown with shrubs and tree undergrowth, the breeding pairs were naturally redistributed across the existing habitats.

The population of another nesting species, the common reed bunting, does not appear to fluctuate. Annually, 3–4 pairs make nests in the reeds around Mereya lake. A specimen of the white-bellied green

pigeon, a mating male that kept to the border of the forest, has been observed in the vicinity of the asset. Over the last four years, the Japanese cormorant has been regularly observed in the waters near Prigorodnoye Port during the summer roaming and autumn migration periods. This season, researchers observed over a dozen specimens.

The areas near the Prigorodnoye PC are important for the nesting and migration of protected bird species, including those on the IUCN (International Union for Conservation of Nature) Red List. The long-term monitoring during Prigorodnoye PC's operational stage has demonstrated no negative impact of the asset on the numbers of these species.

8.3.6. STELLER'S SEA EAGLE MONITORING

The Steller's sea eagle is the world's largest fish-eating bird of prey. This species is listed in the IUCN (International Union of Conservation of Nature) Red List (Category VU, Vulnerable), in CITES (the Convention of International Trade in Endangered Species) Appendix II, in the Bonn Convention, in bilateral agreements on the protection of migratory birds between Russia and the USA, Japan, and South Korea, in the Red Book of Russia (Category III, Rare), and in the Red Book of the Sakhalin Oblast (Category II, Rare).

Even at the project feasibility study stage, Sakhalin Energy used the results of background studies to develop measures to protect nesting areas of the Steller's sea eagle located within the production assets potential impact area, in line with the requirements of Russian legislation and international best practices.

The company monitors eagles and has implemented impact mitigation measures for the Steller's sea eagle and white-tailed eagle during construction, modification and operation of assets under Sakhalin-2 Project.

Monitoring is conducted in the Nogliki District within a 2 km corridor along the onshore pipeline routes, within a 3 km zone around OPF boundaries, and in the control zone at a distance of up to 2 km from the northern part of the Lunsy Bay shoreline.

The research is focused on the following parameters: the total number of Steller's sea eagles, their age composition, the number and quality of nests, the predator pressure by brown bears, and the degree of anthropogenic impact. Comparison of the data obtained at the two company monitoring sites and the control zone makes it possible to assess the degree of influence of company assets on the nesting population of eagles.

In 2020, 137 Steller's sea eagle individuals and 5 white-tailed eagle individuals were identified during the field study. 174 nests were inspected, of which 13 were newly-built.

77 eagle nesting sites were inspected along the pipeline route. 13 nests were used by eagles for breeding, 22 nests were occupied by eagle pairs that did not

breed in them, 7 nests were visited by eagles only occasionally, 12 nests were unoccupied, 13 nests were abandoned, and 10 were destroyed. In all, 67 eagle nests were identified within the pipeline impact area, 69% of which were in good and satisfactory condition. Most of the nests had been built in trees, but 37% were located on power transmission line supports.

In the control zone located in the northern part of Lunskey Bay, 91 eagle nesting sites were inspected. 19 of them were inhabited by nesting pairs, 16 nests were permanently occupied, 9 nests were occasionally visited by eagles, 10 nests were unoccupied, and 7 nests had been abandoned. One third of all nests recorded in the control zone in 2019 (30 nests) had ceased to exist, since the trees in which the nests had been built in were blown down by strong gusts of wind, presumably in the autumn of 2019 and in the spring of 2020. As a result, there were 61 eagle nests in the control zone as of 2020, 57% of which were in good and satisfactory condition.

Of the 13 eagle nests along the pipeline route, 9 nests were inhabited by pairs which successfully raised one chick each; three nests on the Chayvo Spit had been ravaged by a bear, and from one of the nests, a chick fell out and died. In total, 9 chicks left the nests.

Of the 19 nests in the control zone, one chick per nest was successfully raised by eagle pairs inhabiting 14 nests, two chicks per nest were reared in 4 nests, and one chick died in one nest. The total number of chicks that left the nests was 22.

The average Steller's sea eagle brood size in the potential pipeline impact area was 1.0 chicks per pair, and in the control zone—1.22 chicks.

In 2020, six nesting sites were inspected in the area of potential OPF impact. Two of the identified nests had been abandoned, and four nests had fallen to the ground as a result of storms. The anthropogenic load observed in recent years in the vicinity of the OPF and on the adjacent sea coast persists.

During the field study of 2020, young immature individuals accounted for only 1.5% of the birds. The low proportion of immature individuals is due to the fact that in summer they tend to spend most of their time in the feeding areas, on the shores of shallow bays, and therefore are not included in the head count carried out at the nesting sites.

In 2020, the impact of bears on the eagle population, or the predator pressure, can be characterised as significant for the potential pipeline impact area (3 nests were destroyed) and insignificant for the control zone. In the control zone, no confirmed cases of nests destroyed by bears were identified; in four cases, however, fresh claw marks were noted in the lower part of the trees with nests.

The 2020 study showed that the breeding population of eagles in the potential pipeline impact area is not significantly affected by the asset. Every year eagles nest along the pipeline route, and some of the nests are located in the immediate vicinity of the RoW.



8.3.7. MONITORING OF MARINE BIOTA AND ITS ENVIRONMENT

Environmental safety and conservation of the marine environment in the course of offshore field development are a key priority of Sakhalin Energy.

In order to ensure timely detection of potential impact on the quality of seawater, bottom sediments and the condition of biological communities as well as to monitor the effectiveness of impact mitigation measures, the company conducts regular environmental monitoring in accordance with environmental legislation of the Russian Federation and internal corporate standards.

In 2020, as part of industrial environmental monitoring, Sakhalin Energy has continued the study of the condition of the marine biota and its habitat near the company's production assets in the shelf area of the Sea of Okhotsk off the north-eastern shore of Sakhalin and in the coastal area of Aniva Bay.

Field studies in the Piltun-Astokhskoye and Lunskeye oil and gas fields (near the PA-A, PA-B and LUN-A platforms, as well as in the vicinity of drilling waste disposal wells) were conducted in the autumn period from the supply vessel Gennadiy Nevelskoy. The monitoring of the Prigorodnoye Port water area in Aniva Bay (near the tanker loading unit of the oil export terminal (TLU-OET) and the LNG jetty) was conducted from the company's tugs.

The analysis of long-term data and comparison with baseline and regulatory values has revealed spatio-temporal dynamics of the monitoring parameters and led to the following conclusions:

- the hydrochemical indicators and levels of contaminants (total petroleum hydrocarbons (TPHs), phenols, detergents) in seawater near the offshore production assets were considerably below the maximum permissible concentration (MPCf) values established for fishery waters and did not exceed baseline levels for these water areas;
- the distribution of chemicals (phenols, detergents, TPH) in bottom sediments was uneven

due to the mosaic distribution of bottom sediment types and geological properties of the region. In general, concentrations of contaminants in the bottom sediments near the platforms were low, not exceeding baseline levels (average TPH levels varied between 0.54–2.30 µg/g, phenols—0.05–0.06 µg/g, detergents—1.83–2.93 µg/g) and were considerably below the concentration values that can cause primary biological effects on the individual and community levels of marine ecosystems;

- the concentration of TPHs determined by the studies in bottom waters and bottom sediments near the drilling waste disposal wells did not exceed baseline levels. The maximum concentration of TPHs in the seawater reached 0.032 mg/dm³, which is 1.5 times lower than the MPCf. TPH levels in bottom sediments peaked at 5.5 µg/g, which is 6 times lower than baseline values typical for these water areas;
- no accumulation of pollutants was recorded near the wellheads of the abandoned appraisal wells at the Piltun-Astokhskoye and Lunskeye fields. The concentrations of methane and TCPHs in bottom waters and bottom sediments do not exceed background values established for these license areas;
- several benthic communities have been identified near the platforms and at the borders of the fields. They are typical for the shelf of the Sea of Okhotsk and are characterised by high species diversity with great abundance indicators comparable to baseline values. The depth and type of bottom sediments are key factors that determine the benthos structure;
- common sand dollars, sea anemones, bivalves and gastropods make up the majority of the benthos biomass; polychaetes and crustaceans are the most abundant representatives of the communities. Amphipods and polychaetes have the largest number of species; bivalves and gastropods are also quite diverse. The species composition of the benthos is quite stable; no downward trends in the indices of species

- diversity and abundance have been identified in the study areas;
- in general, the water area of Prigorodnoye Port is characterised by low concentrations of contaminants both in the seawater and in bottom sediments, as well as by a high abundance of indicator species in the benthos; species sensitive to pollution are the most abundant in the benthic communities.

In general, the results of the long-term studies show that the indicators monitored near the offshore pro-

8.3.8. BALLAST WATER CONTROL

Every year, over 200 standard hydrocarbon cargoes are loaded onto oil tankers and LNG carriers arriving to the Prigorodnoye production complex mainly from ports of the Asia-Pacific region.

Ballast water taken on by a vessel at the port of departure may contain invasive (alien to the local environment) marine organisms, which, under favourable conditions, can adapt to the local environment, disturb the balance of the ecosystem of Aniva Bay and cause harm to human health.

Sakhalin Energy has developed a package of preventive measures to manage ballast water risks based on international regulations and best industry practices. Currently the most effective measures to prevent the introduction of alien species are either ballast water exchange on the high seas (D-1 regulation) or employing ballast water treatment system on the vessel (D-2 regulation). These methods are in accordance with the International Convention for the Control and Management of Ships' Ballast Water and Sediments (the Convention), adopted by the International Maritime Organisation in 2004. The company included requirements to manage this risk in the corporate Ballast Water Management Policy in 2009 prior to the start of large-scale hydrocarbons transportation. Since September 2017, ballast water and sediment management requirements have

duction assets have been stable during the operational stage. They also demonstrate no impact of production activities of the assets on the quality of seawater, bottom sediments and the condition of marine biota in the water areas of the Piltun-Astokhskoye and Lunskeye fields off the north-eastern shelf of Sakhalin as well as in the Prigorodnoye Port water area in Aniva Bay. This reflects compliance with environmental standards at the production assets of the company.

become mandatory for all countries that have joined the Convention, including the Russian Federation, which ratified it in 2012.

Ballast water monitoring and control of tankers and LNG carriers to be loaded in Prigorodnoye port include:

- checking vessels' logbooks for confirmation of ballast water exchange in deep waters of the Pacific Ocean and the Sea of Japan;
- bacteriological analysis of ballast waters from the vessels with installed and operational ballast water treatment systems (D-2 regulation);
- planktonic organisms sampling for subsequent analysis in the laboratory to identify potentially dangerous species.

A vessel is only allowed to commence discharging ballast water and loading hydrocarbons when an exchange of ballast water in deep waters or its treatment using a dedicated system is confirmed.

The results of phyto- and zooplankton species analysis in the ballast waters from tankers and LNG carriers in 2020 detected potentially dangerous planktonic organisms among species that are not typical for Aniva Bay in some ballast water samples. Since these organisms were found only rarely and in small quantities, the risk of their adaptation and mass growth in Aniva Bay waters is very low.



Bacteriological analysis of ballast waters from vessels that employ ballast water treatment systems did not reveal any dangerous microorganisms.

The results of 2020 environmental monitoring in the waters of Prigorodnoye port confirmed the absence of adverse impact of ballast water on Aniva Bay.

Nevertheless, ballast water monitoring on vessels and in the waters of Aniva Bay will be continued.

As a result of the long-term monitoring of Aniva Bay marine flora and fauna, over 750 species of phytoplankton, over 100 forms of zooplankton, about 40 species of ichthyoplankton and 170 species of benthos have been identified. In addition to this, new species of seaweed and planktonic animals which had never before been recorded in Aniva Bay, but are local inhabitants in view of biogeographic and environmental characteristics, were registered.

No protected species of flora and fauna have been observed during the environmental monitoring of the Prigorodnoye port waters.

Number of port calls by vessels where ballast water sampling was undertaken, 2017–2020

Year	2017	2018	2019	2020
Vessel calls	125	100	120	117

8.3.9. GRAY WHALE MONITORING AND MARINE MAMMAL PROTECTION

23 species of marine mammals, including 17 species of cetaceans (whales, dolphins, porpoises) and six species of pinnipeds (seals), can be found in the area of the Sakhalin-2 project in the coastal waters of the Sea of Okhotsk. Of these, 8 species are listed in the Red Book of the Russian Federation – the gray whale,

the bowhead whale, the North Pacific right whale, the fin whale, the Cuvier's beaked whale, the harbour porpoise, Far East population of the carnivorous killer whale as well as pinnipeds such as the Steller sea lion. The Okhotsk Sea population (Western subpopulation) of gray whales, which also has a high conserva-



tion status in the Red Book of the Russian Federation and is on the Red List of the International Union for Conservation of Nature (IUCN), feeds near Sakhalin Energy’s offshore production assets during the ice-free period. The company therefore pays close attention to the monitoring and conservation of gray whales, as well as other marine mammal species.

The corporate Marine Mammal Protection Plan (MMPP) makes it possible to take into account all the risks associated with production activities, and to take timely measures to reduce any negative impact. This includes establishing special corridors for vessels to bypass the main feeding areas of gray whales, imposing speed restrictions for vessels, prescribing specific minimum distances between vessels and

marine mammals to ensure their safety. Another key component of the MMPP is the presence of marine mammal observers while conducting vessel operations in the areas where whale encounters are more likely, which has been run as a separate observation programme since 2003. According to the long-term data, the most common species in the waters of the north-eastern coast of Sakhalin are cetaceans such as the harbour and Dall’s porpoises, the minke whale, the gray whale; and pinnipeds such as the largha or spotted seal, the northern fur seal, and the Steller sea lion. Individual specimens of other rare species, including the Cuvier’s beaked whale, the short-finned pilot whale, the northern right whale dolphin, and the North Pacific right whale have been observed over the years of monitoring.

In 2020 Sakhalin Energy conducted acoustic noise monitoring on the border of the Gray Whales’ Piltun feeding area. These measurements confirmed a low level of anthropogenic noise from the company’s assets.

As in previous years, Sakhalin Energy, in close cooperation with the Sakhalin-1 operator, continued implementing the Integrated Monitoring Programme near the north-eastern coast of Sakhalin Island that started in 2002.

During the 2020 field season, 175 individual whales were preliminarily identified, including nine calves and two new adult whales. Updates on 11 newly registered whales have been made to the Sakhalin

photo identification catalogue, which, as a result, now includes 332 animals.

In addition to field studies, considerable efforts are focused on making an interdisciplinary analysis of the data collected over the past years, and on preparing research results for publication in peer-reviewed scientific journals. During the monitoring programme implementation, more than 100 scientific papers based on the research results were published in leading Russian and international publications.

The results of the long-term monitoring indicate the well-being of the gray whale feeding aggregation that

comes near to the company’s offshore production assets. According to experts from the Western Gray Whale Advisory Panel (WGWAP), the number of individuals in the subpopulation has seen an annual increase of 4.3–5.4%.

Not a single incident negatively impacting marine mammals has been registered since the start of Sakhalin Energy’s operations on the north-eastern shelf of the island. All of this confirms the effectiveness of the management of the environmental aspects of the company’s activities and the measures applied to minimise their impact.

Number of Gray Whales registered in the Sakhalin Photo Catalogue in 2017–2020, individuals

Year	2017	2018	2019	2020
Gray whales	283	297	321	332

8.4. PIPELINE RIGHT-OF-WAY MAINTENANCE

Currently, regular monitoring and geotechnical surveys are in place on the RoW. Their results are logged and used in the implementation of necessary measures.

The list of RoW monitoring actions for 2020 included:

- helicopter fly-overs and photography;
- river crossing surveys;
- river surveys based on geomatic principles;
- monitoring of river hydrological characteristics;
- surveys of geological hazards, cover thickness;
- plant growth and local soil monitoring;
- groundwater surveys;
- satellite surveys of the pipeline RoW;
- boggy areas surveys.

Based on the outcomes of RoW monitoring, a RoW maintenance plan has been developed. Repair and maintenance of the RoW were completed in December 2020, as planned. Work was performed at four plots and included rectifying the consequences of natural erosion as well as repairing existing anti-erosion structures.

Landslide mitigation activities at two existing bank protection sites were completed in 2020.

No pipeline damage occurred in 2020.

8.5.

OIL SPILL PREVENTION AND RESPONSE PREPAREDNESS

8.5.1. GENERAL INFORMATION

Oil spill prevention and oil spill response (OSR) preparedness are top priorities for Sakhalin Energy. The company applies a complex approach to addressing this important mission.

The company has established a Crisis Management Team, an Emergency Coordination Team, and a Duty Dispatcher Service that are on duty 24/7 to coordinate the response in emergency situations.

The company has developed OSR Plans for all onshore and offshore assets; all necessary approvals

and expert review conclusions have been obtained from the relevant state agencies.

The company has concluded contracts for OSR services to be provided by the Professional Emergency Response Teams (PERTs) of CREO (Centre of Rescue and Environmental Operations), Ecoshelf, and the Sakhalin branch of the Rosmorrechflot Offshore Rescue Service for offshore assets.

Furthermore, the company's own certified Non-Professional Emergency Response Teams (NERTs) have been established at Sakhalin Energy production assets.

OSR vessels with appropriate equipment are continuously on standby near SEIC offshore platforms and in Prigorodnoye port.

The number and volume of oil spills have decreased significantly in recent years. With 32 emergency oil spills totalling 133.5 litres of oil reported between 2010 and 2020 versus 21 emergency spills releasing 3,504.46 litres of oil in 2008–2009.

In 2020, there were no oil spills registered at the company facilities.

Over 21 years (1999–2020), more than 614 MMbbl of crude oil and condensate has been produced, while the total volume of hydrocarbon spills was 26.6 bbl, which is 0.000004%.

Since the start of operations, there have been no crude oil and/or petroleum product spills at the company assets that could be classified as an emergency situation.



Global practices in responding to emergencies have proven that an effective response to major oil spills is only possible with the integrated application of mechanical and non-mechanical technologies. In particular, using dispersants and in-situ burning can significantly mitigate environmental damage, reduce response time, and rescue unique wildlife species. Sakhalin Energy has conducted a Net Environmental Benefit Analysis (NEBA) that confirmed the effectiveness of combining mechanical recovery methods with non-mechanical – use of dispersants and in-situ burning – in response to large-scale emergencies.

Emergency Coordination Team members receive Level I and II OSR programme training, as well as Level I (ICS-100), Level II (ICS-200) and Level III (ICS-300) Incident Command System training. Level I is basic and is designed for ordinary rescuers and emergency responders, while Level II is designed for training supervisors, leaders of oil spill response

teams and groups. Level III training is intended for Asset Managers, Department Heads, and Emergency Response Coordinators.

In order to increase the OSR preparedness of personnel and improve their practical skills, the company conducts monthly practical and theoretical training sessions at various levels at all its assets. In 2020, large-scale corporate training sessions were held: in June – well blowout and oil spill response drills at the Lunskeye field, and in September – OSR drills at the Onshore Processing Facility.

The objectives of the exercise were fully met. As a follow-up to the exercise, recommendations were developed and measures were taken to improve the OSR systems. An analysis of the drills and exercises conducted by the company confirmed its readiness to respond in the event of an emergency spill of oil or petroleum products at any offshore or onshore Sakhalin-2 asset.

8.5.2. OILED WILDLIFE REHABILITATION

Oil spills can cause serious harm to coastal and marine fauna. Rivers and wetlands, coastal bays and lagoons temporarily or permanently inhabited by birds and other wildlife species, many of which are protected species, are especially vulnerable to oil spills. Animals affected by crude oil and petroleum products need prompt and proper rescue actions, including capturing, rehabilitation, and subsequent release into the wild. This task can only be carried out by properly trained staff.

In compliance with its commitments to environmental protection and biodiversity conservation and in line with international best practices, Sakhalin Energy has been training personnel under the Oiled Wildlife Rehabilitation Programme since 2005.

The programme was developed in cooperation with the International Fund for Animal Welfare (IFAW) and the International Bird Rescue Research Centre (IBRRC), taking into account the particularities of Sakhalin avifauna and the severe climate. The programme is open for participation to all company and contractor employees engaged in oil spill response.

In addition to oil spill response plans, a number of corporate documents were developed as part of the programme. The main one is the Oiled Wildlife Response Plan, which identifies the necessary resources and procedures for coordinating actions between corporate units and external entities.

Since 2011, the Sakhalin rehabilitation centre for oiled wild animals has been operating in the territory of the Prigorodnoye production complex. This is the first such centre in Russia and the only one in the Pacific region.

To implement the programme, the company installed specialised equipment in the central and northern parts of the island, at the OPF and at the pipeline maintenance depot (PMD) in Gastello.

In 2020, Sakhalin Energy published an Oiled Wildlife Rescue Field Guide for rescuers and volunteers.

More than 200 volunteers and 300 people from 30 organisations mainly operating on Sakhalin, including representatives of government bodies, oil and gas companies and veterinarians, have been trained through the Oiled Wildlife Rescue Programme over the years.

The training includes two response modules: theoretical training in the classroom and the development of practical skills in the field, on the shore area of Aniva Bay. The practical training includes repelling, capturing and transportation of birds, and cleaning and stabilisation of birds in the rehabilitation centre for oiled wild animals.



8.6.

SANITARY PROTECTION AND SAFETY ZONES

To ensure the safety of the population and according to Federal Law No. 52-FZ On the Sanitary and Epidemiological Welfare of the Population of 30 March 1999, a special-use area, i.e. a sanitary protection zone (SPZ), was established around assets and production sites that may impact human habitat and health. The size of such a zone is set to mitigate the impact of pollution on the atmosphere, keeping it in line with health standards and acceptable health risk levels.

The sanitary protection zone boundaries confirmed by the Chief State Medical Officer of the Russian Federation for the Prigorodnoye production complex, OPF, and BS 2 were not changed in 2020.

The onshore main pipelines run in the same right-of-way and are clearly designated with special signs. A safety zone is established along the entire pipeline route and its boundaries are clearly marked with signs. A safety zone was established for the main pipelines to prevent any possible damage to them.

This zone is mandated by the Rules for Main Pipelines Protection, approved by Ruling No. 9 of Gosgortekhnadzor (currently, Rostekhnadzor, the Federal Service for Environmental, Technological, and Nuclear Supervision) of the Russian Federation, dated 22 April 1992. The safety zone along the pipelines transporting oil and natural gas is a strip of land extending 25 m on either side of the pipeline.

9

SOCIAL IMPACT MANAGEMENT

Sakhalin Energy's key business principles include running its business in a socially responsible manner, compliance with the laws of the Russian Federation, and also respect for fundamental human rights within the legal business framework.

9.1.

PERSONNEL: MANAGEMENT AND DEVELOPMENT

Personnel is the main asset of the company. As in previous years, one of the most important tasks set by the company is to ensure that the rights of its employees are respected and supported. Sakhalin Energy is committed to upholding the human rights of its employees, as required by the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, including non-discrimination, the prohibition of child and forced labour, the right to associate, to create trade unions and to join them, collective bargaining and conclusion of contracts and agreements, the creation of safe and favourable working conditions for the company's employees, as well as contractor, subcontractor, and agency personnel, including during the COVID-19 pandemic.

Strictly adhering to the principles of business ethics and corporate culture, the company provides equal opportunities for all job applicants and employees in accordance with well-defined and established recruitment rules and labour standards, and prevents any discrimination.

Based on the principles of a culture of openness and business partnership, Sakhalin Energy undertakes to develop and comply with regulations pertaining to all aspects of personnel work in all aspects of employment relations including recruitment, selection, hiring, assessment, promotion, training, maintaining discipline, professional development, compensation, and termination of employment contracts.

Due to its comprehensive and effective approach to the assurance of decent working conditions, in 2020 Sakhalin Energy won in the Development of Labour and Personnel Development category of the competition for the best socially oriented company in the oil and gas industry, held by the Ministry of Energy of Russia.

LESSONS OF ISOLATION

Sakhalin Energy pays special attention to personnel training issues. However, COVID-19-related restrictions led to dramatic adjustments to the established classroom learning model and accelerated the transition to the active use of e-learning and distance learning in the form of online training courses and webinars.

Since rotational personnel arriving in Sakhalin are required to spend a 14-day observation period at the temporary accommodation facilities (TAFs), the company has provided everything necessary for employees to take training courses during this period in order to use the time effectively.

A catalogue of online and offline training events in key areas of study was developed, comprising more than 400 training courses; a user manual for connecting

to IT services and learning applications was published. In the TAFs with no stable connection to the company's network, training materials were distributed using USB drives (in total, 200 devices were provided). Training materials were also available in the data transmission system and could be downloaded to personal mobile devices. About 45% of the company's personnel and 8% of contractor employees staying in the TAFs used the opportunity to study or prepare for training activities.

9.1.1. APPROACHES TO HR MANAGEMENT AND HR POLICY

The HR Directorate meets the company's manpower needs, which include preparing organisational changes for upcoming large-scale projects, staff training and retention, and attracting skilled employees

from shareholder companies and the external labour market. The Directorate is guided by the following strategic priorities:

- hire and develop highly qualified specialists, including residents of the Sakhalin Oblast;
- meet the company resourcing requirements for key roles from among the internal successors pool and personnel reserve of shareholder companies;
- invest in the professional training and development of Russian employees capable of taking technical authority and managerial roles in line with succession planning;
- deliver an attractive and competitive employee value proposition (EVP);
- introduce digital HR technologies and deliver cost-effective HR processes in the environment of continuous improvement;
- maintain our unique corporate culture and strengthen our brand as an employer of choice.

The company's senior management believes that all employees should feel engaged in their work, be confident that the company supports and respects them, and be given the opportunity to contribute to the growth of the company using their knowledge, skills, and abilities. Employee engagement is measured regularly via employee opinion surveys and is viewed as one of the most important indicators of employee work satisfaction at the company.





FOR THE FIRST TIME IN SAKHALIN ENERGY'S HISTORY, THE ANNUAL HR WEEK WAS HELD IN A NEW FORMAT

Before 2020, the traditional HR Week had always been held in a classroom format only. Last year, the HR Directorate, with the support of the Information Technology and Information Management Departments, held the traditional series of events remotely. They were conducted with the participation of professionals from a number of cities (Moscow, Sochi, Kaliningrad, Ekaterinburg, and others) and from shareholder companies. The new format also made it possible to reveal the internal reserves of the company. For example, in order to close gaps in the competence of personnel, specialists of the Field Development Department shared their experience in using digital technologies in the course of field development; employees of the HR Talent Management Subdivision held a webinar dedicated to the psychological aspects of working remotely; the Goal Zero Implementation Team of the HR Directorate focused on safety when working remotely. After listening to the lectures, the online attendees did practical tasks, asked questions and received answers. This all was done in real time through a shared chat with the speakers. Unlike regular seminars, the lectures were video-recorded and they are now available for viewing on the company's internal website.

To achieve its people management goals and objectives, Sakhalin Energy implements an HR strategy through a personnel policy, which is a holistic, strategically-oriented set of methods, tools and documents that govern the relationship between the employer and its employees, and also allow the company to quickly respond to changing conditions in the global oil and gas market and the labour market of qualified specialists. All required notifications regarding changes in employment conditions are communicated to the employees in accordance with labour legislation of the Russian Federation.

The HR Director and the Committee of Executive Directors oversee the development, modification, and approval of the company's HR policy. These

processes are based on a set of documents regulating HR management processes, which meets the requirements of international standards. The key Sakhalin Energy documents on the HR policy include:

- Code of Conduct;
- Human Rights Policy;
- Programme of Employment and Training of Russian Nationals;
- Manpower Plan;
- Internal Working Rules;
- Learning and Development Standard;
- Successor Pool Planning and Development Policy;
- Regulations on Labour Remuneration, Bonuses and Social Benefits.

THE USE OF THE SAP HCM AUTOMATED SYSTEM

The company's HR Directorate makes maximum use of human capital management software, namely HCM SAP, in the implementation of the HR Policy. This allows the company to significantly save time and to optimise many processes in the HR Directorate and other units of the company. In particular, the system modules used by the company automate the preparation of HR documents and reports, as well as aid in managing important processes such as personnel learning and development, succession planning, competence assessment, and recruitment.

9.1.2. GENERAL INFORMATION

55.4%

of the personnel are
Sakhalin Oblast residents

As of 31 December 2020, the total number of people employed by the company was 2,190, including 2,094 Russian employees. Sakhalin Energy operates mostly in the territory of the Sakhalin Oblast, Russian Federation. There are 2,167 employees working in the Sakhalin branch and 23 employees in the company's Moscow office.

Implementing the approach set forth in the company's HR policy and outlined by the PSA agreement, the company has made a point of hiring Russian citizens, mostly Sakhalin residents, to work on the Sakhalin-2 project. At the end of 2020, the number of Sakhalin Oblast residents working at the company was 1,213 people, which is 55.4% of the total personnel.

Personnel Structure in 2020

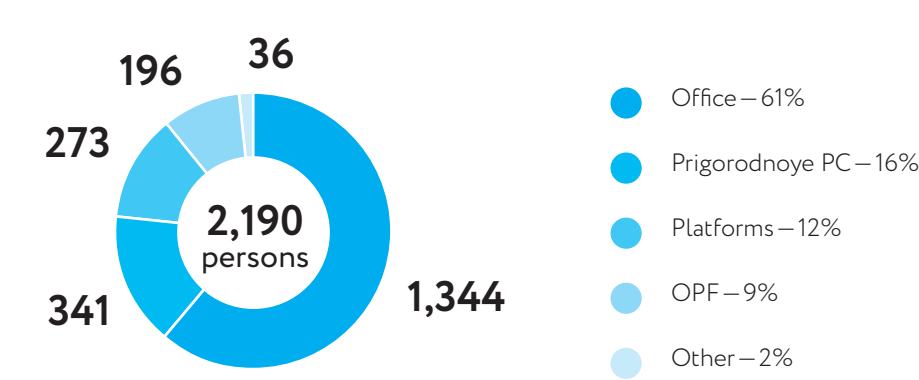
	Total, persons	including, persons		Total, %	including, %	
		female	male		female	male
Russian personnel	2,094	584	1,510	96	99	94
including Sakhalin Oblast residents°	1,213	460	753	58	79	50
Foreign personnel	96	4	92	4	1	6
Total	2,190	588	1,602	100	100	100

° % of the number of Russian personnel.

The personnel structure is mandated by the specific nature of the company’s operations: 87% are managers, specialists and clerks; 13% are workers. About

61% are office employees; the rest are employed at the Sakhalin-2 production assets.

Personnel Structure in 2020 by Asset



474 Russian employees held managerial positions (see the Managerial Personnel Structure in 2020 table), 242 of which are residents of the Sakhalin Oblast. In order to increase the share of Russian executive personnel, the company is training, developing, and promoting existing Russian staff, and actively recruiting new qualified Russian specialists.

The implementation of the Traineeship Programme, as well as the formation and development of a successor pool make it possible to meet the company’s needs for junior technical staff through the recruitment of trainees (see Section 9.1.7.4. Traineeship Programme and Section 9.1.7.5. Successor Pool Planning and Development).

Managerial Personnel Structure in 2020

	Total, persons	including, persons		Total, %	including, %	
		female	male		female	male
Russian personnel	474	103	371	91	99	89
including Sakhalin Oblast residents°	242	83	159	51	81	43
Foreign personnel	49	1	48	9	1	11
Total	523	104	419	100	100	100

° % of the number of Russian personnel.

There are 588 women among Sakhalin Energy employees (more than 27% of the staff). Of these, 104 occupy executive positions, making up 20% of the company’s management team (see the Managerial Personnel Structure in 2020 table).

In 2020, 74 employees were granted child care leave. Of these, three fathers took advantage of this right. During the same period, 29 employees (all women) resumed their job duties at the end of their child care leave. All of them continued their employment with the company.

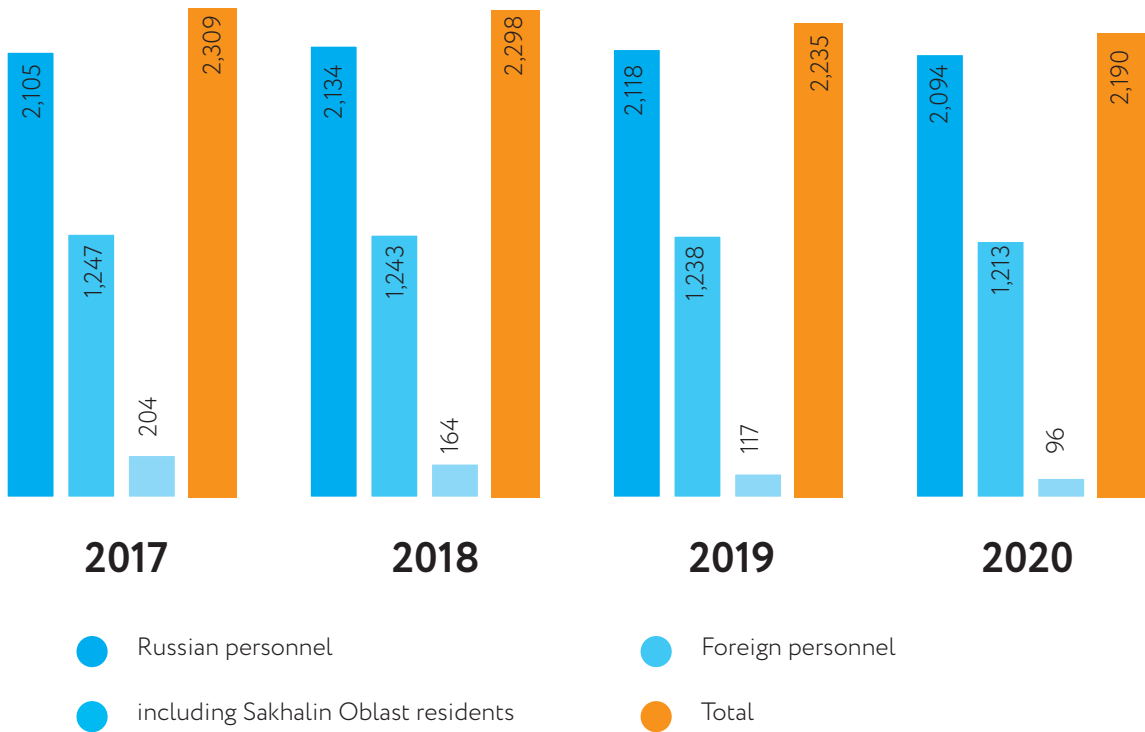
Change in the Number of Employees in Managerial Positions in 2017–2020
(as of the year's end), persons

	2017			2018			2019			2020		
	Total	including female	male	Total	including female	male	Total	including female	male	Total	including female	male
Russian personnel	413	88	325	438	89	349	460	91	369	474	103	371
including Sakhalin Oblast residents	216	66	150	223	68	155	231	71	160	242	83	159
Foreign personnel	83	4	79	69	1	68	58	2	56	49	1	48

In the past two years, the number of employees has slightly decreased, which is explained by current production needs and the company’s development

strategy. The activities of the company do not require hiring personnel for seasonal work, as, for example, in the tourism or agricultural sectors.

Change in the Number of Employees in 2017-2020 (as of the year's end), persons



During 2020, 239 employees left the company, of which 182 were men and 57 – women, including 39 foreign and 200 Russian employees (of which 93 were residents of the Sakhalin Oblast). In 2020, the personnel attraction rate was 3.9%, in 2019 – 3.5%,

in 2018 – 4.3%, in 2017 – 3.75%, and in 2016 – 4.07%. The statistics of personnel who left the company in 2020, broken down by age group and gender, are shown in the Structure of Personnel Who Left the Company in 2020 table.

Structure of Personnel Who Left the Company in 2020

Age, years	Total, persons	including, persons		Total, %	including, %	
		female	male		female	male
Below 35	103	28	75	43	49	41
36–50	89	24	65	37	42	36
Above 50	47	5	42	20	9	23
Total	239	57	182	100	100	100

At the end of 2020, the average age of employees was 40 years. Employees aged under 50 accounted for more than 87% of total personnel.

Personnel Age and Gender Structure in 2020

Age, years	Total, persons	including, persons		Total, %	including, %	
		female	male		female	male
Below 35	708	214	494	33	37	31
36–50	1,188	348	840	54	59	52
Above 50	294	26	268	13	4	17
Total	2,190	588	1,602	100	100	100

Taking into account the specific features of the company’s operations, such as the presence of hazardous production facilities and workplaces with harmful working conditions, as well as the absence

of full-time positions for low-skilled personnel, as of December 2020, 5 employees with disabilities as part of quota jobs – 3 women and 2 men – have been working in the company.

With the onset of the COVID-19 pandemic, employees who could do their work outside stationary workplaces located in the company’s office were transferred to remote work in order to prevent the spread of the novel coronavirus disease.

Local regulations of the company established the following work schedules:

- five-day working week with two days off;
- work schedule with irregular working hours;
- rotation-based work schedule;
- shift work schedule;

— work schedule with staggered days off according to an individual plan.

The working schedules used at the company’s assets are shown in the Company’s Employee Working Schedules by Asset table.

Company’s Employee Working Schedules by Asset

Company’s asset	Working schedule
Offices	Five-day working week with two days-off; Work schedule with irregular working hours; Work schedule with staggered days-off according to a individual plan.
Prigorodnoye PC	Five-day working week with two days-off; Work schedule with irregular working hours; Rotation-based work schedule; Work schedule with staggered-days off according to a individual plan; Shift work schedule.
Platforms, OPF, BS-2	Rotation-based work schedule.
Other	Five-day working week with two days-off; Work schedule with irregular working hours; Work schedule with staggered days-off according to a individual plan; Shift work schedule.

At the end of 2020, 28% of the company’s employees were working on a rotational basis and living in hotels and rotational camps built and equipped in accordance with Russian legislation and best international practices. In an effort to adapt to the unprecedented

conditions, in March 2020 the company arranged temporary accommodation facilities for the observation of arriving employees in order to prevent the spread of the coronavirus disease at the company’s production facilities.



For the purpose of minimising the risks of coronavirus infection ingress to the production facilities the company developed a logistic plan for the delivery of personnel on rotation, which distributes the passenger flows via the northern and southern hubs. This is exactly where the temporary accommodation facilities were arranged according to the plan. The plan also took into account the regions from which employees arrived (and also the epidemiological situation therein) and the location of the production assets the employees were to work at after the observation period. The plan was approved by the Rospotrebnadzor Department for the Sakhalin Oblast as part of the Action Plan to Prevent the Importation of the Coronavirus to Sakhalin Energy Remote Facilities.

To protect the company’s production facilities against COVID-19, it was decided to arrange the delivery of employees to the assets only after their 14-day observation period, subject to the absence of clinical symptoms of the coronavirus infection and two negative COVID-19 tests. For this purpose, the company organised temporary accommodation facilities (TAFs) for a 14-day observation period for company and contractor personnel before entering the company’s sterile facilities. Since there were no sites or buildings in the region ready for use as observation facilities, the company started arranging them using its own resources, in accordance with the requirements of government authorities and corporate standards.

The company, together with TAF building owners, divided indoor areas according to the epidemiological requirements (clean zones and dirty zones), introduced a disinfection regime (air and surface disinfection every time the doors to the residential rooms open, and waste disposal).

The rules for residence, catering, household chores (washing, cleaning), waste disposal, medical supervision and other activities at the TAFs were established and communicated to all TAF residents before their arrival at the facilities (the rules are also available on the company’s website).

In total, 10 TAFs were organised by the company. At the end of 2020, four TAFs (two in the south and two in the north of the island) were used to accommodate rotational employees for the mandatory observation period. In addition, two isolation wards were arranged in the north and south of Sakhalin for infected employees and those who had been in contact with COVID-19 patients.

9.1.3. RECRUITING, HIRING AND ONBOARDING
NEW EMPLOYEES

Despite the difficult epidemic situation in 2020, the recruitment of the best professionals in the industry was one of the most important components of the HR strategy, which is based primarily on a culture of openness, business partnership and development.

During the selection of new employees in 2020, focus was made on adapting the toolkit for working in recruitment of the candidates, the automation of processes, and on developing Employer brand.

Openness in the selection of personnel means considering candidates from all possible sources for vacant positions in order to hire the best quality specialists. The main sources for people recruitment and spreading information about vacancies are as follows:

- Sakhalin Energy’s website. For the convenience of applicants there is an automated service for submitting CVs online. The website offers guidelines for the registration of CVs. Applicants can edit their CVs in their personal accounts. There is an alternative option for candidates who did not find a suitable vacancy at the time they applied: they can submit their CVs in the Registration without vacancy category, so the CVs will be stored in the company’s database;
- provision of information on vacancies to the Yuzhno-Sakhalinsk Labour Centre (on a monthly basis);

- cooperation with leading recruitment agencies;
- participation in local and regional specialised job fairs;
- publishing vacancy lists in online resources;
- promoting the company’s Employee Referral Programme, per which Sakhalin Energy employees are given a bonus if their recommended candidates are hired to work at the company;
- recruitment of skilled employees from shareholder companies.

As in previous years, continuous improvement projects development was the company’s strategic goal in the year 2020. During development of one such project, market of automation soft was carefully screened and negotiations with contractors were held. Such software allows to automate a number of recruitment processes, to achieve a bigger effect from working with the candidates, to obtain (detailed) analytical reports.

In 2020, it was particularly important to use new channels of communication with the candidates. During cooperation with the Universities and Graduates online platforms and social networks were used. In general, the year 2020 opened up new opportunities for recruitment new employees to the company.

In the spring of 2020, the company first time participated in the second wave of the federal project named Professional Internships 2.0 project, and in the autumn – in its third wave, the results of which will be summed up in February 2021. Following the spring wave, the company received 13 case solutions and 13 students participated in online internships at the company and were included in the skill pool for traineeship and Graduate employment.

Following to the principle of openness, Sakhalin Energy regularly engages with the universities (with due regard for COVID-19 safety requirements) to attract the best graduates to work at the company. In 2020, Sakhalin Energy held a number of online events with the following universities:

- Far Eastern Federal University (Vladivostok);
- Ufa State Oil Technical University;
- Tyumen State University;
- Kazan National Research Technological University.

In July 2020, Sakhalin Energy, in partnership with the Petroschool project (oil and gas community in social networks), took a part in the Career Intensive event for students of the Gubkin Russian State University of Oil and Gas. Company representative told about interview mistakes made by university graduates and offered advice on how to avoid them.

Sakhalin Energy continuously improves the existing personnel recruitment programmes putting great stock in succession planning: student who receives a company grant can take an internship and will

be a candidate for participation in the Graduate Development Programme (see Section 9.1.7.7. Graduate Development Programme).

In 2020, Sakhalin Energy won in the Personal Potential of Employees category of the Context competition with the #youthcomeontothefareast programme, which unites events for retention and development of Far East students and recruitment of graduates from local universities.

The company has a special relationship with its long-standing strategic partner—Sakhalin State University (SSU). Cooperating with SSU, Sakhalin Energy not only aims to attract its graduates to work at the company, but also actively participates in regional projects to help unite local young people, share accumulated knowledge and experience with them. For this purpose, the company took part in the following events:

- OstroVa All-Russian youth patriotic forum, during which the Moderators of Sakhalin conducted course and the OstroVa-2030: Image of the Future on the World Arena talk show discussion platform were held;
- School of the Future Student.

SAKHALIN ENERGY'S PRIORITY: LOCALISING QUALITY EDUCATION

On the sidelines of the Sakhalin Oil and Gas Conference 2020, a tripartite cooperation agreement was signed between Sakhalin Energy, Sakhalin State University and AO Gazprombank. The purpose of the cooperation agreement is to improve the quality of training programmes to meet the requirements of the company, which includes creating a roadmap for professional development from technician to engineer through an applied Bachelor's programme, opening new training areas, and providing educational loan opportunities for the residents of the Sakhalin Oblast.

Since 2020, SSU has been implementing an initiative, under which students can get two diplomas simultaneously. The key goal is to train specialists in specialities which are in high demand and then arrange employment for them at local enterprises in the Sakhalin Oblast. The Two Diplomas project gives Sakhalin schoolchildren a unique opportunity to receive education from the country's leading universities without leaving the island region. The main focus is on IT, bioinformatics, urban studies, oil and gas production, and other high-potential areas (21 in total), which were selected by the government in close cooperation with the major employers of the region, including Sakhalin Energy.

In 2020, Sakhalin Energy and the Human Capital Development Agency (HCDA) signed a cooperation agreement, according to which they will join efforts in implementing projects, programmes, and various activities to improve the quality of training for oil and gas specialists. The objectives of the agreement include the development of corporate professional standards for the oil and gas sector and the implementation of WorldSkills practices. In addition, the cooperation agreement envisages revising and upgrading the teaching materials and equipment of secondary vocational educational institutions. The newly developed corporate standards will serve as a basis for creating unified industry standards for the oil and gas enterprises operating on Sakhalin. As a result, educational establishments all over Sakhalin will train highly qualified specialists according to a single curriculum and unified standards.

To further improve its image as a reliable and attractive employer, Sakhalin Energy took a part in the 2020 Best Russian Employers ranking performed by HeadHunter (hh.ru), the largest Russian online recruitment company. Companies participating in the ranking are assessed against three criteria: employee loyalty, HR processes, and the ranking from the applicants. Sakhalin Energy placed in the top twenty among large companies, and in the top five among energy and raw materials production enterprises, behind only major companies such as Rosatom, Sibur, and Gazprom Neft.

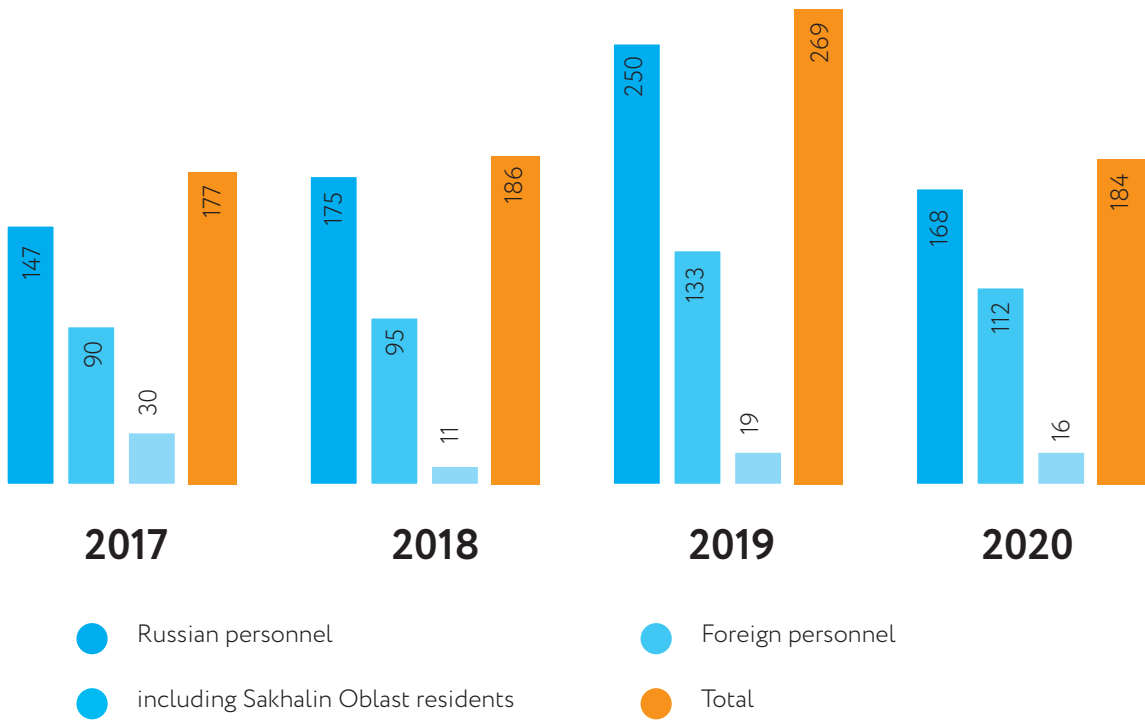
Sakhalin Energy representatives told the audience about regular information sessions for new staff, held in Russian and English, with a complete overview of the specific features of work in the company's structural units, various processes, interaction within the company and with its external stakeholders. Such sessions facilitate interaction and the exchange of information. In 2021, the company

will transfer some of its onboarding activities to an online format to protect its employees from coronavirus.

In 2020, the company hired 184 people – 148 men and 36 women, of which 16 people are foreign citizens and 168 – Russian nationals (including 112 residents of the Sakhalin Oblast).



Dynamics of Staff Recruitment in 2017–2020, persons



The statistics of employees hired in 2020, broken down by age group and gender, are presented in the Personnel Recruitment Structure in 2020 table.

Personnel Recruitment Structure in 2020

Age, years	Total, persons	including, persons		Total, %	including, %	
		female	male		female	male
Below 35	134	26	108	73	72	73
36–50	36	10	26	19	28	18
Above 50	14	—	14	8	0	9
Total	184	36	148	100	100	100

9.1.4. REMUNERATION AND BONUS SYSTEM

The company applies a time-based remuneration system, which also provides for additional payments based on the employee’s skills and position. This encourages efficient work and provides motivation for excellent performance.

The main principles of remuneration adhered to by Sakhalin Energy are to pay competitive salaries that are equal to or exceed the average salary in the Russian oil and gas industry, and to use a transparent bonus system for all personnel categories.

- Remuneration of Sakhalin Energy’s employees includes:
 - base salary, hourly rate as per the employment agreement;
 - compensatory or incentive allowances and rises to the base salaries and hourly rates payable as per the Regulations on Labour Remuneration, Bonuses and Social Benefits, RF Labour Code and other normative acts;
 - bonuses payable as per the Regulations on Labour Remuneration, Bonuses and Social Benefits and other local normative acts.
- one-off payment to employees that have received awards;
 - bonus for participation in a research-to-practice conference held by the company on a regular basis;
 - Committee of Executive Directors Award to employees who achieved special success in teamwork;
 - bonus to awardees of the Merit Pin for Outstanding Performance and Contribution to the Company.

Sakhalin Energy’s remuneration policy, practices and methods are designed to recognise and encourage excellent individual and production performance. The company uses the same remuneration system for both male and female employees.

Employees may be awarded certificates of merit and Honorary Letters on Oil and Gas Workers Day and the company’s anniversaries. Recognition may also be given to their 50th birthday and then every five years.

- The existing incentive system uses a single unified, standard approach to incentivising employees in all the company’s subdivisions. This is achieved through the following types of bonuses as per the Regulations on Labour Remuneration, Bonuses and Social Benefits:
- Annual Performance Bonus;
 - Special Recognition Award (SRA);
 - Long Service Award (10 years or more);
 - Employee Referral Reward;

Sakhalin Energy regularly monitors the financial segment of the job market and annually adjusts employees’ salaries, taking into account their individual performance (see Section 9.1.6. Individual Performance Review) to make sure that the salaries paid by the company to its staff are competitive.

In 2020, the minimum salary in the company was three times higher than the minimum wage established by Russian legislation. Sakhalin Energy’s labour remuneration expenses totalled 12.91 bln roubles



in the reporting year, with award/bonus payments totalling 2.85 bln roubles.

The company's remuneration and bonus system is adapted to changes in the working mode for all categories of personnel. It takes into account the specific features of the production processes and ensures a high level of personnel involvement.

To ensure business continuity during the COVID-19 pandemic, the company has developed and implemented unique measures aimed at preventing the spread of the novel coronavirus at the company's facilities. The work and rest hours of personnel at all facilities of the company were arranged in strict compliance with applicable laws and regulations. In addition, the company introduced additional payments for employees in connection with mandatory observation and isolation in order to support personnel working at the company's facilities with a continuous production cycle during the pandemic.

9.1.5. SOCIAL BENEFITS AND COMPENSATIONS

The company does everything possible to ensure the attractiveness and competitiveness of its compensation and benefits package in order to attract and retain skilled and high-potential personnel. The compensations and benefits provided to Sakhalin Energy's personnel ensure the well-being and social security of employees and their families.

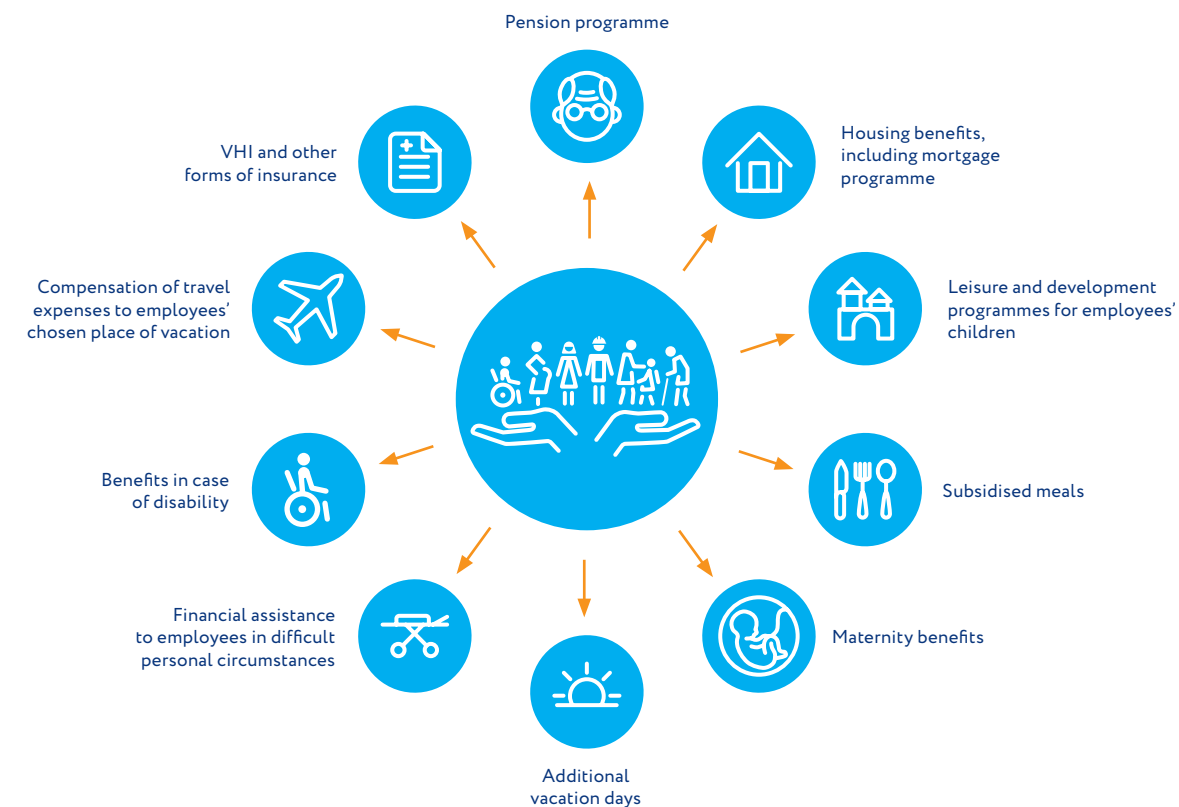
In addition to the guarantees and benefits provided for by Russian labour law, Sakhalin Energy provides its employees with:

- voluntary medical insurance, including for family members;
- accident and illness insurance;
- travel insurance, including for family members;
- temporary disability benefits;
- free meals at the company's production assets and in the company's offices;
- benefits related to the provision of housing for employees and their families for the

duration of their employment (for those employed on terms of relocation from other regions);

- mortgage programme;
- compensation of a portion of round-trip travel expenses to vacation destinations within the RF territory (this applies to employees and non-working members of their families (spouses and minor children), living in the Far North and equivalent areas;
- corporate pension programme;
- financial assistance upon the birth (or adoption) of a child and in difficult personal circumstances;
- maternity benefits;
- additional paid vacation days;
- leisure and development programmes for children of the company's employees;
- sport and recreation facilities (see also Section 9.3 Occupational Health).

Social Benefits and Compensation at Sakhalin Energy



Housing Benefits

The company provides benefits related to the provision of housing for employees and their families who are hired on terms of relocation from other regions of the Russian Federation, the CIS member states, as well as from the Far North and equivalent areas. The benefits are provided in the form of housing from the housing stock of the company, or payments for the rental of accommodation.

Housing is provided mainly from the company-owned housing located at the Zima residential complex. The company also has leased residential premises in Strawberry Hills complex.

The company runs a mortgage programme, which provides for compensating a portion of mortgage interest for the purchase (construction) of residential premises in the Sakhalin Oblast. Under the programme, the company reimburses 40% of interest payments actually paid by an employee during the accounting period, not exceeding the amount set by the company.

Since the beginning of the programme, 360 Russian employees (more than 16% of total staff) have participated in it.

25%

of Russian employees
of the company
are participants
in the pension
programme

Medical Insurance

The company provides employees and their families with medical insurance benefits under insurance contracts with SOGAZ concluded as part of voluntary medical, accident and illness, and travel insurance programmes.

Under the voluntary medical insurance agreement, employees and their families have access to telemedicine services, provided by doctors of leading Moscow clinics on the SOGAZ-TELEMED platform. During the COVID-19 pandemic, this has enabled company employees and their families to get quality medical care without exposure to unnecessary risks.

In accordance with Russian legislation, the company provides foreign employees with required medi-

cal assistance under voluntary medical insurance contracts in the territory of the Russian Federation. The company also helps employees to acquire voluntary medical insurance policies for family members on favourable terms.

Corporate Pension Plan

The company offers a corporate non-state pension plan, under which employees and the company pay contributions towards occupational pension schemes.

Participation in the corporate pension plan is voluntary and allows each employee to independently pay into their retirement pension.

At the end of 2020, 25% of the company’s Russian employees are enrolled in the corporate pension plan.

From 2010 to 2020, the company contributed a total of 406.9 mln roubles to Gazfond.

Programmes for the Children of Company Employees

In 2020, a decision was made to suspend the Happy Holidays summer leisure and recreation programme due to restrictions on public events, as well as the closure of the Zima Highland residential complex for visits as part of the measures taken by the company to prevent the spread of the coronavirus disease.

Other

Employees and their families can use the company’s shuttle buses, which run along approved routes across the city to the company’s offices, and stop at educational institutions of Yuzhno-Sakhalinsk.



9.1.6. INDIVIDUAL PERFORMANCE REVIEW

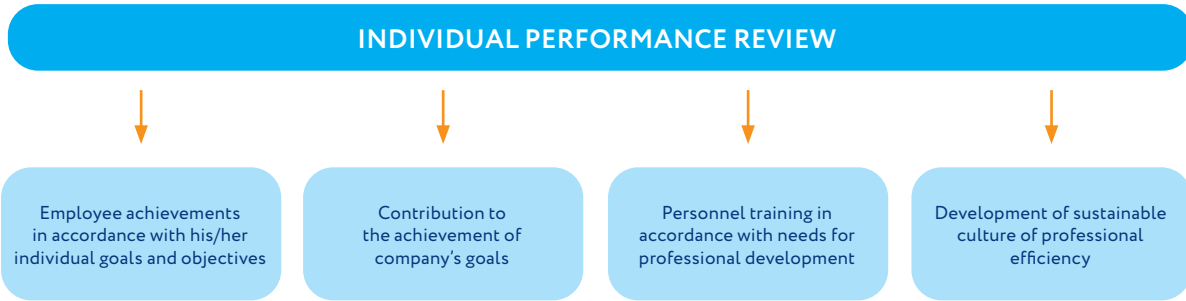
The Individual Performance Review process is one of the main tools used to achieve the company’s strategic goals of building a performance culture.

All employees undergo an annual performance review. An employee’s performance is assessed based on the degree to which he/she reaches business and individual goals set at the beginning of the year.

This assessment shows whether the employee needs to engage in professional development activities to ensure his/her further professional growth and to contribute to the improvement of the company’s efficiency in general.

As of the end of 2020, 2,075 employees (95% of the company’s personnel) had successfully passed the Individual Performance Review (see the Individual Performance Review in 2020 table).

Individual Performance Review



Individual Performance Review in 2020

Personnel Category		Number of employees, persons	Employees who underwent the Individual Performance Review, persons	Employees who underwent the Individual Performance Review, %
Managers		523	510	98
including	male	419	414	99
	female	104	96	92
Specialists		1,365	1,312	96
including	male	896	882	98
	female	469	430	92

Personnel Category		Number of employees, persons	Employees who underwent the Individual Performance Review, persons	Employees who underwent the Individual Performance Review, %
Salaried workers		10	9	90
including	male	—	—	—
	female	10	9	90
Workers		292	244	84
including	male	287	240	84
	female	5	4	80
Total		2,190	2,075	95
including	male	1,602	1,536	96
	female	588	539	92

9.1.7. PERSONNEL TRAINING AND DEVELOPMENT

9.1.7.1. GENERAL INFORMATION

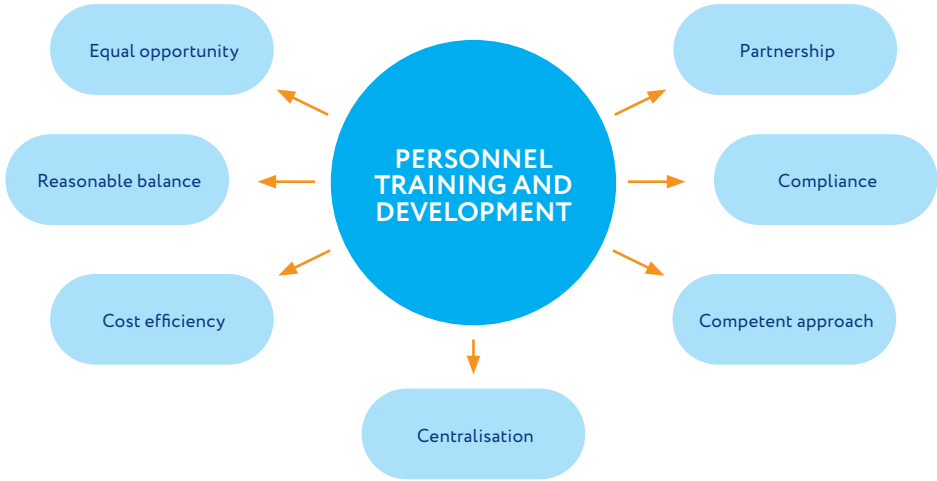
Sakhalin Energy’s learning and development system is designed to meet the needs of the company for highly qualified personnel, necessary to achieve its short-term and long-term production goals.

Training and development of company personnel is based on the following principles (see the Personnel Training and Development Principles chart):

- compliance: the training content is formed based on the needs of personnel and business; the results of training contribute to achieving production goals and implementing the company’s overall strategy;
- competency-based approach: the training and development process is based on an analysis of staff competence;
- centralisation: the learning and development subdivisions are responsible for all training processes in the company, planning and managing the budget allocated for training;

- cost effectiveness: achieving the maximum level of efficiency through the application of learning and development criteria coordinated with the business needs of the company, as well as the choice of educational service providers without compromising production safety and reliability;
- equal opportunity: continuous, systematic and consistent improvement of the professional qualifications of employees, development of their potential throughout their career in the company;
- reasonable balance: the ratio of on-the-job training, distance learning, internal and external training in accordance with the 70/20/10 model;
- partnerships: maintaining partnerships with international and Russian educational institutions, expanding cooperation with universities within the framework of partnership agreements, cooperation with organisations and shareholder company training centres.

Personnel Training and Development Principles



9.1.7.2. STAFF ASSESSMENT

The company applies a competence-based development approach for HR management. A profile of functional, leadership and general business competences has been developed for each position. Competence assessment is used as the basis for recommendations regarding further development and training of the employee occupying a given position, as well as for other HR decisions. The job competency profile is a standard list of competences set for the company for every job.

Competence assessment gives a clear understanding of professional and behavioural qualities against established requirements, depending on their qualifications, positions, and tasks performed.

There are various tools that can be used by managers in the process of competence assessment, in particular:

- observation of the employee in the course of work;
- studying competence evidence provided by the employee;

- conducting competence-based structured interviews;
- knowledge testing;
- detailed recording of the employee’s performance results;
- analysing the quality of the product delivered by the employee;
- 360 Degree assessment;
- solving business cases;
- Assessment Centre (for leadership competences only).

By the end of 2020, 99% of competence profiles for staff (specialists, and managers) had been posted in HCM SAP.

To assess the leadership potential and managerial qualities of personnel, the company uses modern tools such as:

- Current Estimated Potential Ranking Exercise – a current estimate of the highest position that the employee can occupy at the peak of his/her

99%

of the staff competency
profiles are available
in SAP HCM

career during his/her work at the company. The assessment is based on the criteria abbreviated as CAR: capacity, achievements and relationship;

- Assessment Centre — a technology for integrated expert assessment of employee leadership competence against their current job profiles, which has been used since 2009. This method incorporates such components as business cases, business games, structured interviews, and feedback with a detailed analysis of the employee’s strengths and areas for further development. The target audience of the Assessment Centre is employees included in the successor pool for senior positions. In 2020, 45 employees of this category went through this assessment. Since 2009, the Assessment Centre has been used to assess the leadership competence of 797 company employees.
- 360 Degree Assessment — an additional tool used to assess leadership competency and personal effectiveness of employees, which was developed and implemented in the company in late 2014. As of the end of 2020, this type of assessment had been arranged for 182 people. To do this, the employee, his supervisor, subordinates and peers fill in an online questionnaire designed on the basis of the company’s model of leadership competences. The final results are presented as average ratings of each group of raters and are accompanied by the key findings regarding the employee’s strengths and weaknesses as well as recommendations for employee development.

A structured interview is a highly recommended method for assessing professional competencies. This is an interview during which the competence of a job candidate or employee is determined by applying the appropriate methodology. The Professional Training Subdivision organised information sessions on the

structured interview methodology, during which videos were shown that gave examples of proper and improper behaviour of managers during a competence assessment. The materials are available on the HR Directorate web page. Six managers took part in information sessions in 2020.

To assess employees’ general business competencies, the use of tests with specifically designed tasks and questions that help the manager assess the level of each functional competence of his/her subordinate is recommended. In 2020, 24 people used this tool. Upon completion of testing, both the employee and the manager receive an automatically generated report, which includes recommendations for development.

The Competence Assurance Programme is an important element of the company’s HR strategy and an effective tool for ensuring that the production facilities are staffed with motivated and highly qualified technicians who operate production facilities safely and smoothly. The programme is a system for assessing and proving knowledge and skills of technicians involved in technical processes, the repair and maintenance of production equipment. During the assessment, employees demonstrate professional knowledge acquired through training and professional development, as well as the skills and abilities developed in the course of their work. In addition, when assessing employee competences, focus is made on the rules and standards of labour behaviour in the team and the attitude of employees towards their work, which is an important component of operating hazardous production facilities.

Competence assessment results are subsequently used to recommend areas for employee development, prepare individual development plans, and make decisions to promote and transfer employees to other units and areas of work within the production facility or to another asset of the company.

In 2017, the tracking and control processes under the Competence Assurance Programme were automated and now are carried out in SAP HCM. Automation has made it possible to visualise competence profiles and their status for all parties involved, including technicians and their supervisors and

managers, which in turn ensures the high effectiveness of the programme as a reliable tool for the development of highly qualified personnel. In 2020, 98.8% of the company’s employees were covered by the assessment, of which 97.9% proved to be fully competent.

9.1.7.3. PERSONNEL TRAINING

The company prepares annual plans for personnel training and professional development based on current production targets, career development plans, and employee competence assessment results.

Due to government and corporate restrictions related to COVID-19 and the transition of most of the company’s employees to remote work in 2020, the training processes underwent corresponding changes, in particular:

- gradual replacement (where possible) of face-to-face training with electronic and distance learning during the pandemic;
- cancellation or postponement of most of the planned field and classroom training events due to the closure of the Russian Federation borders, restrictions on travel within the country, as well as changes in the schedules and training formats by training providers;
- gradual transfer of group training on Sakhalin to a webinar format, caused by brining amount of business travel to minimum and the introduction of a mandatory observation period for personnel before entering the production facilities.

In 2020, 1,801 employees attended workshops and training courses, including distance learning (one or more courses per individual). The company provides training for personnel of all categories without exception (see the Employee Training in 2020 table). The average duration of training was 4.44 man-days, or 35 hours per employee (excluding on-the-job training).

In 2020, Sakhalin Energy invested 87 mln roubles in employee training.

In 2020, the company continued to implement cost optimisation programmes, including those aimed at optimising learning and development costs without reducing employees’ opportunities for learning and development, the number of recommended programmes and their providers. Pursuing its digitalisation policy, the company continues to actively implement and use various forms of distance learning (webinars, online training courses), using all available resources, including internal. Priority is given to group training on Sakhalin instead of individual on-site training. These methods make it possible to maintain a high level of competence of company personnel.

Employee Training in 2020

Personnel Category		Number of employees, persons	Number of employees who completed training, persons	Percentage of trained personnel	Average duration of training, hours/person	Average number of training courses per person
Managers		523	443	85	27	3.1
including	male	419	368	88	28	3.1
	female	104	75	72	24	2.9
Specialists		1,365	1,101	81	27	2.9
including	male	896	734	82	30	3.0
	female	469	367	78	21	2.7
Salaried workers		10	10	100	22	1.6
including	male	—	—	—	—	—
	female	10	10	100	22	1.6
Workers		292	247	85	88	2.5
including	male	287	243	85	89	2.5
	female	5	4	80	28	3.0
Total		2,190	1,801	82	35	2.9
including	male	1,602	1,345	84	40	2.9
	female	588	456	78	21	2.7

Sakhalin Energy’s unique training resources include Russian and foreign training service providers. Employees themselves, their line managers, the HR Directorate, and the company’s senior management monitor the implementation of training plans.

The company determines the types of personnel training, resources for the training, competence examination, certification, and professional development of employees in the following areas:

1. Mandatory HSE Training in Accordance with the Requirements of RF Laws and Internal Standards

The company’s activities are a good example of full compliance with RF laws and the internal standards of the company in terms of HSE competence assurance and HSE training provision. Timely provision of mandatory training is an integral part of the Goal Zero Programme implementation.



The main objective in this field of training is to organise training, certification, and testing of the knowledge of managers, specialists and technicians in the field of labour, industrial and process safety, special types of work, etc. As a result of effective and timely mandatory training, employees receive relevant certificates, necessary knowledge and required work permits, which ensures safe performance of work, the safety of other employees, the environment and company assets, meeting the requirements of RF laws and regulations, the HSE standards of the company, the requirements of international standards and certification bodies.

Mandatory HSE training is implemented with the involvement of both internal company resources and external licensed educational organisations, including the OPITO (the Offshore Petroleum Industry Training Organisation—an international organisation for training personnel engaged in oil and gas production on the continental shelf), accredited educational institutions capable of providing training in accordance with approved personnel safety programmes at offshore oil and gas assets. A significant part of compulsory training as per internal HSE standards is carried out by the company with the involvement of experts in HSE disciplines.

EXPANDING THE BOUNDARIES OF THE TOOLKIT FOR MONITORING COMPLIANCE WITH THE REQUIREMENTS FOR COMPULSORY TRAINING AND HSE COMPETENCIES

In 2019, the company completed a project to automate a portfolio of HSE training courses on the SAP HCM electronic system platform. Based on automated requirements, mandatory certification profiles were created for all positions and roles, giving each employee an opportunity to independently monitor their compliance with compulsory training requirements, and to plan their compulsory training in a timely manner. The profile is a convenient tool for self-enrolment in training courses, which additionally enables users to undergo mandatory training online. Specially developed automatic SAP HCM notifications remind employees about upcoming training; notifications for new employees contain complete lists of required training courses applicable to their positions and roles. In 2020, an automatic planning tool was developed on the basis of already available automated data. The new tool allows employees to compile a training plan, taking into account the expiration dates of mandatory certifications.

In 2020, HSE competencies were automated and integrated with the existing mandatory certification profiles in SAP HCM. Along with mandatory training, a single tool for monitoring passing competence assessments will significantly improve the preparation of consolidated reporting and increase compliance with applicable HSE requirements.

Both employees and managers of the company point out a positive effect from the implementation of the above projects.

2. Professional Training

The main goal in this area is to increase professional competence in order to achieve safe, reliable, and efficient operation of all structural units and production facilities of the company by ensuring that the qualifications of each employee correspond to the level of complexity of the work performed. The company’s employees are designated for professional training in accordance with the qualification requirements for the position occupied to fill gaps in functional competences, and in the case of production necessity.

Professional training of personnel is divided into the following areas:

- advanced training of managers and specialists, including advanced training courses, participation in workshops, conferences, and round tables dedicated to professional issues;

- professional training and retraining in technical and non-technical areas;
- further training of technicians, obtaining a second/related profession;
- obtaining international professional qualifications (IWCF, CIMA,CIPS, ACCA, NEBOSH);
- vendor training (training in engineering support and maintenance of equipment, organised by the manufacturer).

Together with providers of educational services, the programmes were adjusted to the unprecedented conditions. A number of international professional certification processes were transferred to distance or blended learning formats with an increased availability of e-courses, adjustment of group sizes and adherence to social distancing norms.

3. In-House Technical Training

The growth of the company and the use of advanced technologies in constructing and operating production facilities require technicians to have a particular level of knowledge and skills within the framework of their technical competences and the ability to safely and efficiently perform work tasks of any complexity.

- The technical competences of technicians are developed through the in-house technical training system. The Technical Training Centre effectively implements and improves the system of continuous technical training for company technicians and major personnel. The centre is staffed with trainers and experts in teaching methodologies of relevant disciplines, who have extensive production and teaching experience.
- The trainers implement various targeted programmes, including the Traineeship

Programme (see Section 9.1.7.4. Traineeship Programme) aimed at developing technicians for the company’s production facilities, the Internship Programme for students of secondary vocational education institutions, and the Competence Assurance Programme. The portfolio of programmes offered by the centre includes more than 180 targeted training courses in the following disciplines: Natural Gas Liquefaction Technology, Equipment Repair and Maintenance, Safe Operation of Production Facilities. They are essential for the development of the technical competence of company technicians in accordance with the agreed progression schemes based on the employee competence assessment, as well as for the major contractors, whose personnel work in relevant areas at the company’s facilities.

The systematic development of training programmes ensures uniform implementation of the competence standards at the production facilities. The programmes reflect the specific features of the assets related to workflow, material handling, and operation of equipment. Further, the training programmes include the requirements and practices in the field of HSE/technology and personal safety, which allows using them as guidelines in the performance of any work tasks and the implementation of initiatives at the production assets.

The company has made it a priority to study the best practices of in-house technical training, the integration of Russian and international approaches, the use of modern technologies in the educational process, as well as further development of training portfolios and training facilities.

The Technical Training Centre is actively expanding its portfolio of e-learning and distance learning

courses. In cooperation with the Gazprom Training Simulator Computer Centre (TSCC), the centre developed nine electronic training modules; the development of another three courses is currently at the completion stage. The possibilities of transferring technical training courses from in-person to electronic format continue to be explored. Due to the pandemic-related restrictions, 34 training courses were transferred to an online format (webinars), which made it possible to continue the training process in the most popular areas, to store information about the advanced technologies and practices used by Sakhalin Energy and transfer it to Russian specialists and contractor personnel at any remote site.

Particular attention is paid to the standardisation of educational materials for target courses included in the portfolio of in-house technical training courses, taking into account the experience of the Gazprom Training Simulator Computer Centre.

TECHNICAL TEACHING AIDS AND DIGITALISATION OF THE LEARNING PROCESS

The company has been actively using various technical and digital training tools, including Operation Training Simulators, which accurately simulate the technological processes of the offshore oil and gas production facilities and the LNG plant. The simulators help control panel operators to practise and improve their skills not only during normal operations, but also in the event of emergency situations. In 2020, the implementation of the project to update the LNG plant simulator continued. Further, it is planned to update the simulators of the offshore oil and gas platforms.

Currently, two projects are underway to develop and introduce virtual/augmented reality simulators into the training process in the following areas: training of electrical personnel in operational switching in electrical installations, training of maintenance and technical personnel in the maintenance of General Electric gas turbines.

4. Training in The Development of Leadership, Business, and Personal Effectiveness Skills

The development of general business skills is carried out within the framework of the internal training system, taking into account the existing competences, internal assessment, and using electronic resources.

The company recommends that its employees engage in self-education to develop these skills.

The leadership qualities development framework is specified in Section 9.1.7.6. Leadership and Management Development Programmes.

9.1.7.4. TRAINEESHIP PROGRAMME

The company's personnel strategy prioritises filling vacancies for technicians with candidates from among the Traineeship Programme graduates. The main goal

of the programme is to create and maintain a pool of technicians for the production facilities of the company. In total, 323 people have participated in the programme since its launch in 2003. At the end of 2020, 50 people continued their traineeship.

The programme focuses on the professional development of young Sakhalin Oblast residents with occupations relevant to the company, as well as their further employment. The programme participants are graduates of secondary vocational education institutions, in particular, the Polytechnic College of Sakhalin State University.

The programme graduates are in demand at all production facilities of the company. When working at the assets, they demonstrate a high level of knowledge and skills acquired during the programme, steady motivation for further professional development, and commitment to the principles of industrial safety culture.

Company managers at the corporate and asset levels consistently highly value the importance of the programme for the company.



Feedback from the LNG/OET/TLU Assets Manager: "Thanks to the well-established and stable operation of the Technical Training Centre (TTC), the implementation of the Traineeship Programme ensures constant and even advanced staffing of the LNG plant. At the end of 2020, more than 43% of the company's technicians were graduates of the programme. The share of programme graduates in the total number of technicians at the Prigorodnoye production complex is more than 70%. A considerable number of former trainees have been progressed to specialists and engineers, and currently occupy key positions in the company. There have been cases when trainees made a brilliant career and became managers at the corporate level."

A vivid example of such career growth is the professional path of one of the trainers, formerly an electrician at the Technical Training Centre:

"In 2004, I received an invitation to participate in the Traineeship Programme. We studied technical English, production processes, company standards, and improved our skills in the maintenance and repair of the latest electrical equipment. Thanks to the programme, we realised how important it was to maintain a safety culture both at work and at home. The slogan of our company – Safety Above All! – became our personal motto as well. Training under the programme served as a launchpad in my professional development. In July 2010, I was appointed as an electrical equipment repairman at the Prigorodnoye production complex. In 2015, when I had gained sufficient experience in my technical discipline, I made a decision to change jobs and work as an in-house technical trainer at the TTC. I am glad that I can contribute to training young workers – the company's technical personnel."

The key components of traineeship are the development of practical skills and gaining work experience by trainees. The practical part of the programme ensures that trainees develop their skills and learn the material so that they reach the required competence level.

Different training methods are actively used, such as:

- participating in the development of projects;
- independent developing and delivery of presentations on various topics;
- simulating various production scenarios followed by analysis.

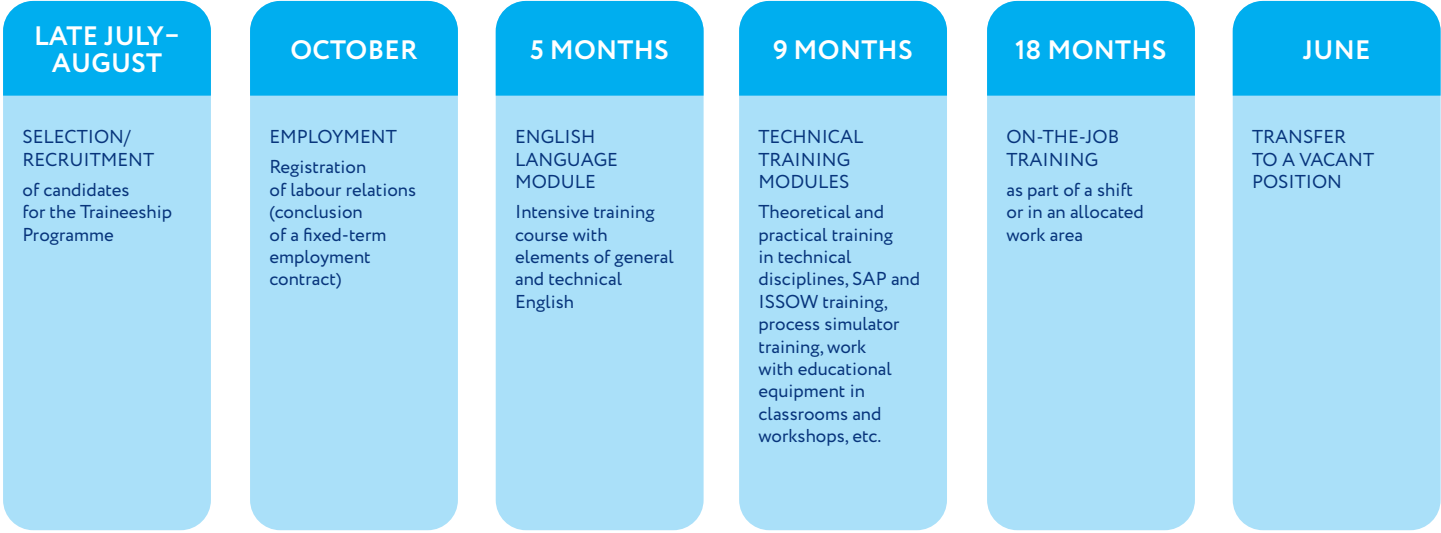
At all stages of the Traineeship Programme, much attention is paid to fostering a production culture, including a culture of industrial and personal safety when performing various types of work.

The first part of the programme lasts 14 months and includes:

- English language module (5 months) – an intensive training course with elements of general and technical English;
- general technical training modules (9 months), including theoretical and practical training in the relevant discipline, SAP and ePTW, training using computer training systems, work with the training equipment in classrooms and workshops, etc.

The second part of the Programme lasts 18 months, and includes on-the-job training as part of a shift, or in an allocated work area.

Traineeship Programme



9.1.7.5. SUCCESSOR POOL PLANNING AND DEVELOPMENT

Successor pool planning and development is a high priority activity for further development of the personnel capacity of the company. The key stages of the process are as follows:

- selection of potential candidates from among Russian personnel to replace foreign specialists and also Russian employees holding key engineering and executive positions;
- assessment of potential successors’ readiness to succeed the positions according to the Successors Matrix;
- a potential successor’s development in accordance with the job requirements for the positions planned for succession.

During the succession planning process for 2021–2022, potential successors (in the short- and long-term) were identified for 645 of the 684 positions within the succession planning scope (94%). For all employees included in the successor pool, Individual Development Plans were developed, incorporating training and development activities to be taken under the company’s learning and development framework (professional training, leadership and management skill development, developmental assignments, coaching, project management, etc.).

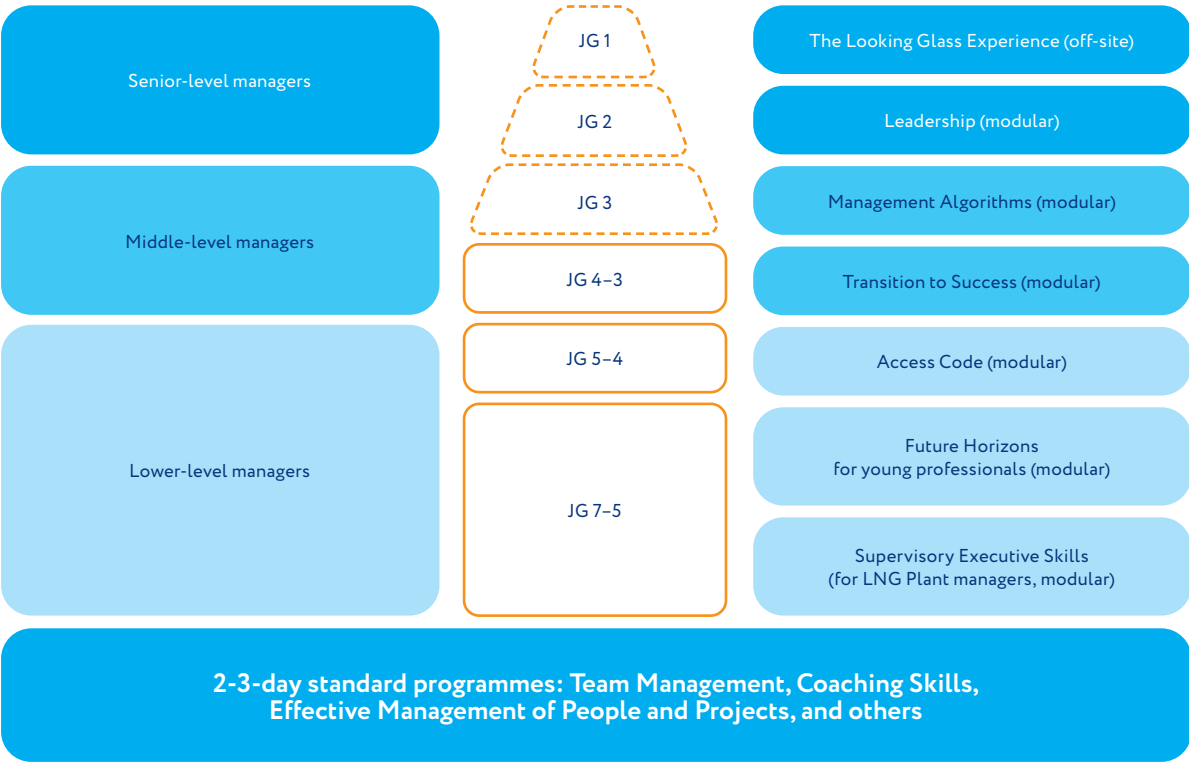
In 2020, 91 vacant positions out of the 102 included in the Successor Matrix were filled by internal candidates from among Russian personnel (89%), including 7 out of 7 positions occupied by foreign specialists.

9.1.7.6. LEADERSHIP AND MANAGEMENT DEVELOPMENT PROGRAMMES

The formation and development of employees’ management and leadership skills through developmental classroom and online training courses, as well as on-the-job training (coaching and mentoring) is an important component of training highly skilled leaders and strong managers at all management levels of the company.

For managers of all Job Groups (JG), there are leadership and management development programmes, prepared on the basis of the Nine Planets Leadership Competency Model (see the Leadership and Management Development Programmes chart).

Leadership and Management Development Programmes



As of the end of December 2020, 242 Russian company employees (83 women and 159 men) holding leadership positions at various levels completed training programmes in the field of leadership and management skills development, including through the use of Skillsoft (e-learning portal).

The company also develops its leaders through the implementation of the Mentoring Programme,

which includes individual mentorship—a relationship, during which an experienced manager (Mentor) shares his/her knowledge, experience and skills with an employee (Mentee) to facilitate the personal and career advancement of the latter. As of the end of December 2020, more than 100 employees of the company were engaged in individual mentorship under the Mentoring Programme.

9.1.7.7. GRADUATE DEVELOPMENT PROGRAMME

Since 2010, the company has been implementing the Graduate Development Programme, aimed to meet Sakhalin Energy’s needs for talented staff. Pursuant to the Memorandum on Cooperation in Personnel Management, signed by Gazprom and Shell, representatives of shareholder companies have been involved in the programme since 2016.

The company organises systematic work with graduates in accordance with the three-year development programme (see the Stages of the Graduate Development Programme chart).

Stages of the Graduate Development Programme

18

young specialists were employed in 2020



In 2020, the company hired 18 graduates under the programme. Since 2010, 168 young specialists, including 43 residents of the Sakhalin Oblast, have

participated in the programme. At the end of 2020, there were 44 programme participants, including 11 residents of Sakhalin.

Young Energy Graduates Club

The Young Energy Graduates Club has been functioning in the company since 2012. Its purpose is to facilitate the quick adaptation of graduates and to develop their business and leadership skills. In 2020, young professionals participated in an online marathon to adapt to work in the unprecedented conditions. The marathon consisted of several stages. The first

stage was the How to Properly Deal with Professional Burnout. A Recipe for Long-Term and Effective Work workshop, the second – How to Present Material in a Remote Format Effectively and Efficiently workshop. At the third stage, the marathon participants were offered individual personal and/or career counselling.

9.1.7.8. PERSONNEL DEVELOPMENT ASSIGNMENTS

Having company employees complete personnel development assignments at shareholder enterprises is an integral part of Sakhalin Energy’s HR strategy. Personnel development assignments are organised on the basis of relevant agreements signed between Sakhalin Energy and shareholders. This form of cooperation allows trainees to study the practical aspects and specific features of work in corresponding units of the host company and to organise more effective interaction in the implementation of joint projects.

While participating in development assignments, employees gain extensive experience in project work and receive additional opportunities to use their knowledge and skills in various organisational environments, as well as to acquire new skills and experience in solving challenging tasks.

In 2016–2020, personnel development assignments in shareholder companies were organised for 18 employees of Sakhalin Energy. In turn, 15 employees of shareholders completed their personnel development assignments at Sakhalin Energy.

9.1.7.9. DEVELOPING SCIENTIFIC POTENTIAL

Sakhalin Energy makes every effort to promote the development of the scientific potential of its employees. The company cooperates with universities and research institutes in the development of joint technical projects. The company’s specialists are involved in the work of scientific student societies, in the preparation and delivering of lectures, and other activities.

Once every two years, the company holds a scientific and practical conference of young specialists.

In 2020, the XI Sakhalin Energy Young Professionals Scientific and Practical Conference was postponed until the epidemic situation caused by the coronavirus disease improved.

9.1.7.10. INTERNSHIP PROGRAMME

In order to form an external successor pool for “Graduate” positions, the company has been implementing the Internship Programme since 2000.

Working alongside highly qualified professionals, students of Russian universities and vocational schools get acquainted with advanced production technologies and the best international and domestic business practices, as well as gain unique practical experience.

In 2020, despite the unfavourable epidemic situation caused by the coronavirus and entailing restrictions on travel between the regions of the Russian Federation, 32 students of higher education and sec-

ondary vocational education institutions underwent on-the-job training and pre-graduation internships at the company in compliance with WHO recommendations. All trainees were residents of the Sakhalin Oblast.

In addition, the company introduced a distance format for practical training in certain areas to expand the opportunities for students to undergo on-the-job training and pre-graduation internships during the period of restrictions related to COVID-19.

The company has a successful partnership with the Polytechnic College of Sakhalin State University

in the area of vocational education, annually accepting 20 to 30 third- and fourth-year students studying disciplines relevant to Sakhalin Energy’s operations to receive on-the-job training and pre-graduation internships at the Prigorodnoye production complex. Extending the programme to cover secondary vocational education students allows the company to ensure the continuity of the system for the training and development of technicians from among the residents of the Sakhalin Oblast. After practical training, when trainees have decided that they made the correct career choice, they can continue their professional development through participation in the Traineeship Programme. In the future, they can be hired by the company to fill vacancies for technicians.

In 2020, 18 fourth-year students of the Polytechnic College – representatives of all occupations relevant for the company – were accepted for on-the-job

training at the Prigorodnoye production complex (subject to all anti-COVID precautions).

The Director of the SSU Polytechnic College S.S. Sharov highly appreciates the cooperation with the company, in particular, the Internship Programme: “Internship at Sakhalin Energy is a great opportunity for young people to immerse themselves in the work in the oil and gas industry while they are still college students, to learn more about their future occupation and the career they have chosen. Thanks to the professionalism of the company’s employees, students are able to improve their theoretical knowledge and gain valuable practical experience. During the internship, students are assigned experienced mentors, who help them navigate the production process and adapt to the conditions in the workplace. This increases the chances of our graduates getting jobs in large oil and gas companies.”

9.1.7.11. SCHOLARSHIP PROGRAMME

The Scholarship Programme was launched by Sakhalin Energy in 2003.

The Scholarship Programme is open to students of secondary comprehensive schools who are finishing their course of study under the complete general secondary education programme and students of secondary vocational education institutions who are finishing their course of study for the first post-secondary degree (full-time), are residents of the Sakhalin Oblast and are willing to get a university degree in oil and gas engineering or engineering in related industries. The purpose of the programme is to provide financial

support (scholarships) for gifted Sakhalin youth during their studies at the country’s universities in disciplines that are relevant for the company, with the prospect of further employment at Sakhalin Energy.

In 2020, the competition was held in a remote format due to the difficult epidemic situation. Four talented Sakhalin high school graduates were granted scholarships to study at higher education establishments.

As of the end of 2020, 26 participants of the Scholarship Programme were studying at RF universities with the financial support of the company.

9.2.

LABOUR, ASSETS SAFETY AND PROTECTION

9.2.1. GENERAL INFORMATION

In order to successfully implement major projects and operate production assets, the main focus must be on health and safety. Sakhalin Energy is committed to industrial safety and preventing harm to people’s health.

At present, there are ten mandatory Life Saving Rules applied by the company. These rules are associated with high-risk activities.

Life Saving Rules

Life Saving Rules



Do not appear at work to work under the influence of alcohol or drugs.



Do not smoke outside of designated smoking areas. Do not carry or use unauthorised ignition sources in hazardous areas.



Do not walk under a suspended load.



While driving, do not use communication devices and do not exceed the speed limit.



Work with a valid work permit when required.



Verify isolation before work begins.



Obtain authorisation before entering a confined space.



Protect yourself against a fall when working at height.



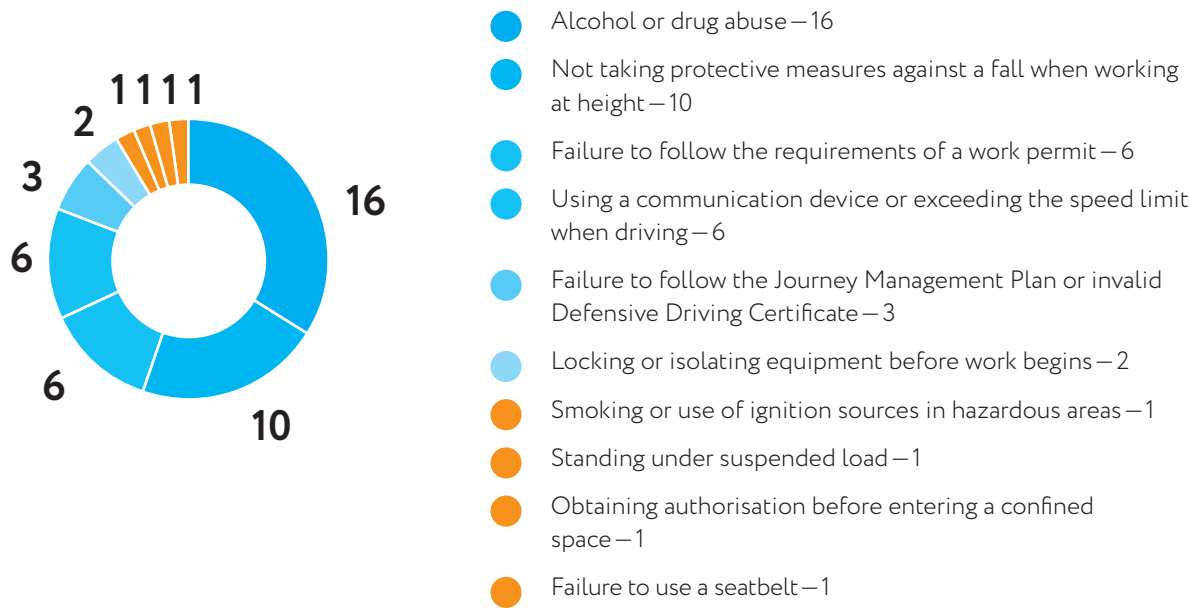
Wear your seatbelt.



Follow the prescribed journey management plan and have valid defensive driving certificate.

Statistics on violations of Sakhalin Energy’s Life Saving Rules by company and contractor staff in 2020 are presented in the Violations of Sakhalin Energy’s Life Saving Rules table.

Violations of Sakhalin Energy’s Life Saving Rules in 2020, number of cases



Any violation of the Life Saving Rules leads to serious consequences, including potential dismissal.

The company uses a consistent approach when handling HSE issues (see Section 3.5. HSE and Social Performance Management). This approach complies with both legal requirements and risk management so as to ensure continuous improvement in this area. The company also requires contractors to manage HSE issues in compliance with this approach and international standards adopted by the company.

The company’s main fields of activity in the area of safety are:

- leadership and commitment at all levels of the company;
- industrial safety;
- road safety;
- preventive work with contractor organisations;
- learning from incidents in the industry and awareness-raising campaigns.

Injury Rates for the Company and Contractor Organisations in 2017–2020

Parameter	2017	2018	2019	2020
Number of people injured in workplace accidents, total people	4	4	8	17
including fatalities	0	0	0	0
Number of accidents for contractor organisations at company assets, total people	4	4	5	17
including fatalities	0	0	0	0
Total registered incidents (per 1 mln man-hours)	0.26	0.23	0.46	0.77
Number of people injured in road traffic accidents (per 1 mln man-hours)	0	0	0	0

The rise in injury rates for 2020 is primarily connected with a significant increase in construction activities and manpower at the OPFC project (for comparison: in 2020 two million more man-hours were worked than

in 2019). For all incidents, the company held an investigation involving management, HSE and technical specialists from both the company and contractors and specific corrective measures have been taken.

9.2.2. INDUSTRIAL SAFETY

The company’s industrial safety goal is to ensure that vital interests of individuals and society are protected from accidents at hazardous production facilities (hereinafter referred to as HPF) and to mitigate their effects.

The company’s leadership team is strongly committed to this goal and promotes actions aimed at achieving it. The industrial safety requirements are defined as fundamental for further development of the company.

To achieve the above goal, the company has approved the Industrial Safety Policy. Its key principles are the recognition and assurance of the life and health of employees as a priority over the results of the company’s production activities, and the promotion of understanding by employees that industrial safety requirements are an integral part of their daily work.

Each employee of the company has the right and obligation to intervene if they identify unsafe conditions or actions, or when activities are being carried out in violation of the Industrial Safety Policy.

Also, pursuant to legal requirements of the Russian Federation, the company has an Industrial Safety Management System (hereinafter the ISMS). Industrial control over compliance with industrial safety requirements has been organised and is implemented at all company HPFs.

Industrial control (hereinafter, IC) over compliance with industrial safety requirements is one of the most important elements of the company’s ISMS.

The purpose of IC is to carry out a set of activities aimed at ensuring the safe operation of HPFs,

as well as preventing accidents at these facilities, and ensuring the company’s preparedness for emergency containment and response, via the implementation of a set of organisational and technical activities, in the event of accidents at HPFs.

The main principle that the company is guided by in organising and implementing IC is regular and scheduled inspections of the company’s HPFs, timely examination, diagnostics and expert examination of the equipment operated at HPFs.

The company submits production control data to Rostekhnadzor annually as required by law.

The company operates explosive and fire hazardous and chemically hazardous production facilities, as well as facilities that use pressurised and hoisting equipment in compliance with Federal Law No. 116-FZ On Industrial Safety of Hazardous Production Facilities of 21 July 1997.

11 HPFs (Hazard Classes I, II and IV) have been included in the State Register of Hazardous Production Facilities.

For Hazard Class I and II facilities, it is mandatory to develop industrial safety declarations. The company has developed such declarations for all hazardous production facilities.

These facilities are staffed with qualified personnel, trained and certified in industrial safety, who do not have medical contraindications to work. Sakhalin Energy has created all necessary conditions for the continuous improvement and professional development of its staff.

The company conducts industrial safety training and certification for employees working at the company’s hazardous production facilities in compliance with law and the ISMS. Managers and specialists undergo industrial safety certification, while HPF vocational workers take an annual knowledge test in this area.

Information on Industrial Safety Certification of Sakhalin Energy Managers and Specialists in 2020

Number of meetings of the Industrial Safety Certification Committee		106
Managers and specialists certified in industrial safety, total persons		646
Employees certified by type of supervision, persons		
Supervision over oil and gas production facilities		406
Surveying control and safety supervision over subsoil use		7
Supervision over pressurised equipment		106
Supervision over hoisting facilities		48
Production supervision at the place of use, storage, application of explosive materials		10
Supervision over chemically hazardous production facilities		69



The company has taken measures to ensure the preparedness of HPFs for containment and response in the event of possible accidents at the facilities; warning, communication and support systems have been arranged to be used in case of an emergency; there are non-professional emergency response teams at the company’s assets; emergency response training sessions and exercises are regularly held with staff; the company has a reserve of funds and material resources for the containment of and response to possible accidents.

Following the decision of the company’s senior management, safety justifications were developed and implemented at seven of Sakhalin Energy’s HPFs. As required by the legislation of the Russian Federation, the safety justifications passed an industrial safety expert review.

To maintain high industrial safety performance, the company takes certain measures, in particular:

- using uniform approaches by the company’s organisational units in their activities to ensure

- compliance with industrial safety requirements for HPFs;
- monitoring the status of industrial safety in the company’s organisational units;
- coordinating the industrial safety activities of the company’s organisational units;
- planning measures aimed at ensuring industrial safety at the company’s HPFs and monitoring their implementation;
- organising industrial safety expert examination;
- organising interaction with supervisory and executive authorities on industrial safety issues;
- registering and re-registering HPFs and entering new data in the State Register of Hazardous Production Facilities;
- ensuring the availability and operation of tools and systems for control of production processes in accordance with the established requirements;
- developing and updating industrial safety declarations for HPFs in operation in a timely manner;
- analysing the industrial safety status annually;
- providing information support for the implementation of the company’s industrial safety activities.

The implementation of all above-listed measures and tools in line with the world best practices guarantees the company’s compliance with industrial safety regulations at all stages of its production activities – from the designing of each new well through the shipment of hydrocarbons from the Prigorodnoye production complex.

Due to the restrictions taken by the company to prevent the spread of the COVID-19 disease, Level 5 industrial control inspections of the hazardous production facilities are being carried out remotely, without site visits. Inspections are desk-top and consist of control over the availability, completeness and quality of documents as established by the legislation of the Russian Federation on industrial safety, which are mandatory for the operation of hazardous production facilities.



9.2.3. SAFETY CULTURE

Occupational health and safety is one of the company’s core values. Sakhalin Energy sets high standards and expects all employees of the company, contractor and subcontractor organisations to comply with them.

Continuous improvement of the corporate safety culture aimed at achieving Goal Zero is one of the priority tasks of Sakhalin Energy.

Goal Zero is a mindset that actively promotes no leaks, spills, harm or injury, both at work and in daily life. Employees’ personal responsibility for compliance with HSE rules and intervention in unsafe situations (as one of the elements of safety culture) help the company to reach its safety targets as well as production goals.

Since the launch of the programme:

- over 8,000 company and contractor employees have been trained in Goal Zero awareness sessions;
- 300 mid-level managers attended Safety Leadership workshops;
- over 600 company and contractor top and mid-level managers attended Goal Zero commitment and alignment workshops;
- over 100 volunteers amongst employees and contractors trained to be Goal Zero trainers.

Sakhalin Energy pays particular attention to developing HSE leadership among all company and contractor employees.

Implementation of the Goal Zero Programme has been an integral part of developing safety culture in the company.

The company supports leadership development at all levels to ensure the creation of a Goal Zero safety culture and continuous improvement. A safety culture is a system of values, beliefs, and ideologies adopted in an organisation. It depends on many factors, in particular:

- commitment of top managers to HSE principles;
- company priorities;
- company policies, procedures, and standards;
- employee engagement and motivation;
- availability of feedback, information exchange;
- safety awareness among employees, their behaviour;
- employee competency.

Key objectives of Goal Zero are shown in the Goal Zero Culture model.



Goal Zero Culture Model



Sakhalin Energy promotes its HSE good practices accumulated during 27 years of the Sakhalin-2 project, not only within the company but also among contracting organisations and other external stakeholders.

The commitment of the company’s senior managers to safety culture is of vital importance, since it strongly influences the prevailing attitude towards HSE issues and safe behaviour patterns in the company. The HSE Leadership Site Visit Programme



is one of the company’s tools to achieve visible HSE leadership. In 2020 managers at all levels (directors, asset managers, and heads of subdivisions) visited the company’s and contractors’ production facilities 101 times. After the introduction of strict quarantine restrictions related to the COVID-19 pandemic, some of these visits were made online.

The company continues to promote the Effective Observation and Intervention Programme. The programme aims to implement a systematic approach to the identification, assessment, and prevention of unsafe practices and conditions in the workplace, as well as to continuously improve safety culture and safe behaviour.

All company and contractor organisation employees can take a training course in Effective Observation and Intervention. In 2020 this course was taken by more than 900 company and contractor employees. The purpose of this course is to build a conscious

attitude towards safety among employees through observation, communication, and concrete actions, as well to teach them effective intervention methods.

Exceptional HSE behaviours, achievements and initiatives are encouraged by the CED in the framework of the programme.

The company has been holding Summer and Winter Safety Days for the last 13 years. All company and contractor organisation employees gather to discuss the ever-topical safety issues: how people’s actions and behaviour influence the safety of others, and how to improve work safety. They also discuss following safety rules both at the workplace and outside working hours.

Safety Days topics in 2020 included human performance; care for people; dynamic risk assessment; safety leadership; teamwork; personal resilience; and fatigue management.

In 2020, the Winter Safety Day was transformed into the Winter Safety Marathon. The Marathon included a series of activities dedicated to reducing industrial injuries by raising employee awareness of occupational safety guidelines in winter and restrictions aimed at preventing the spread of the COVID-19 disease.

The activities included team discussions, quizzes, art contests on topics such as winterisation, winter driving, healthy lifestyles, harsh weather conditions, and outdoor safety. All company units, as well as contractor and subcontractor staff took part in the Marathon.

The success of these activities is measured and feedback from the front-line to managerial level is obtained via regular anonymous online surveys, leadership visits and line-management listening tours, which ensure better understanding of personnel

perceptions and concerns, allow timely identification of emerging issues and better involvement of personnel in decision making related to safety improvement initiatives.

The results of the staff survey conducted as part of the programme in 2020 demonstrated a high level of commitment to Goal Zero. Encouragingly positive responses were given to the following key questions:

- 96% responded “I am aware of my role in ensuring occupational safety”;
- 95% responded “I’m not afraid and do not hesitate to report problems related to occupational safety that I have identified”;
- 92% responded “I always consistently adhere to the principles of the Goal Zero Programme while at home or outside the workplace”.

9.2.4. ROAD SAFETY

Road safety is of particular importance for Sakhalin Energy.

More than 700 vehicles with a total annual mileage over 10 million km are engaged in project activities. Sakhalin Energy’s management and the Road Safety Steering Committee emphasise strict compliance with the norms of Russian transport legislation and the company’s Road Safety Standard.

To maintain and improve its road safety performance, the company continues to implement the following actions:

- Meetings of the Road Safety Steering Committee chaired by the Chief Executive Officer of the company;
- Monitoring of the company’s and contractors’ drivers compliance with road safety (RS) requirements. Compliance with RS requirements is monitored by the In-Vehicle Monitoring System (IVMS) and the company’s own RS inspection service (RS Monitoring Team). IVMS monitors driver behaviour, identifies non-compliance, and allows the company to take steps to prevent situations that may lead to road traffic accidents. The monitoring system covers about 1,700 drivers. Every day,

four RS Monitoring Teams inspect roads in different districts of the region;

- Defensive driving training. All professional drivers, and also non-professional drivers required to drive on company business, take defensive driving courses. In 2020, the Training Center’s activities were reorganised in accordance with the temporary recommendations of Rospotrebnadzor to combat the coronavirus pandemic. Over 1,700 drivers of various categories take the courses annually;
- Monitoring compliance of vehicles with the requirements of the company and Russian legislation. All company and (sub-)contractor vehicles used in production activities are inspected. In 2020, in line with temporary recommendations of Rospotrebnadzor to minimise spread of COVID-19, a remotely issued electronic vehicle condition conformity certificate with a QR-code was developed;
- Interaction with other organisations. The company initiated cooperation with Gazprom Dobycha Shelf, which develops the Kirinskoye Field, in order to jointly solve road safety issues at the south access road to Lunsky Bay. The RS Monitoring team patrols the south access road together with the traffic police;

over
1700
drivers
are covered
by the In-Vehicle
Monitoring System



- Active participation in various forums, where the company shares its experience in ensuring road safety under the project. The company holds an Annual Road Safety Conference for Contract Holders and contractors. Sakhalin Oblast Traffic Police representatives take part in the conference. In 2020, despite temporary restrictions on face to face meetings, the RS Department took an active part in international and domestic online forums;
- Implementation of the Safe Journey Management Programme at the company's assets. Each of Sakhalin Energy's production assets has appointed persons responsible for road safety who monitor the daily operation of all vehicles

within the asset, including journey management and inspections of the technical state of vehicles and transported cargoes;

- Cargo Securing and Vehicle Transportation training course. Sakhalin Energy's operations involve the transportation of materials and heavy equipment using the roads of the island. Statistics show that improperly secured cargoes are one of the main reasons behind a significant number of road traffic accidents. It became apparent that a training course had to be introduced when it was discovered that non-compliant cargo transportation had risen under the project and that there were no clear recommendations in the regulations of the Russian Federation on proper securing of cargo. More than 200 drivers and responsible persons take this course annually. All oversize and heavy cargoes within the project are transported under the control of the company's Road Safety Department.
- Safe Journey Management training course. In 2020, an online Safe Journey Management training course was developed for remote learning.
- Road Safety Management System automation. An automatic RS data collection and analysis system, which applies a new approach to driver performance evaluation, was developed.

Under the Road Safety Programme the company has committed to promote and disseminate robust corporate safety standards outside of its and contractors' area of responsibility, especially in those communities and locations in Sakhalin where Sakhalin Energy has its operations. This is implemented through cooperation with the Sakhalin Oblast Government, Yuzhno-Sakhalinsk Administration and Sakhalin Oblast Traffic Police.

9.3.

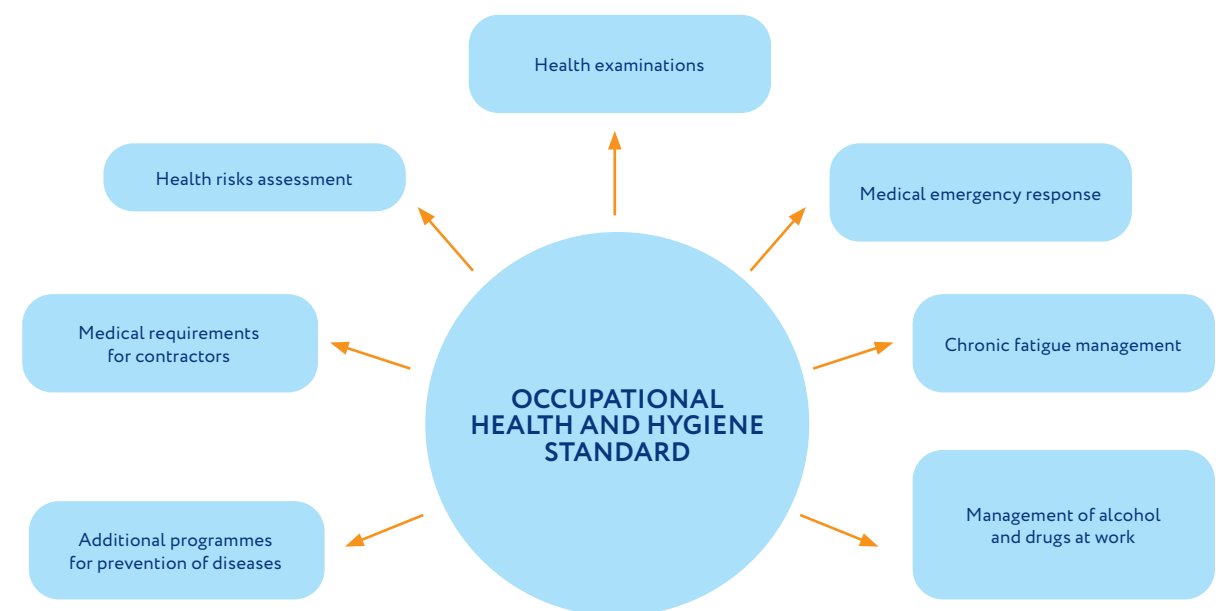
OCCUPATIONAL HEALTH

9.3.1. GENERAL INFORMATION

The company uses a systematic approach in protecting the health of its personnel. Sakhalin Energy has developed and approved a corporate occupational health and hygiene standard, which includes the following sections:

- medical emergency response;
- medical requirements for occupational fitness;
- occupational hygiene: health risk assessment and chemicals handling;
- personnel health and wellness;
- chronic fatigue management;
- management of alcohol and drugs at work;
- public health.

Sakhalin Energy's Occupational Health and Hygiene Standard



As required by the corporate occupational health and hygiene standard, an assessment was made of the health status of company employees working in hazardous and/or arduous conditions.

In 2020, 87.3% of the company's employees engaged in work under these conditions underwent a mandatory periodic health examination. More than 46% of the office personnel were covered by a clini-

cal screening due to restrictions associated with COVID-19 pandemic.

The company has continued to focus on preventing employee fatigue and has developed fatigue management plans to assess and control the risk of employee fatigue. The company’s employees also have access to an interactive online programme that provides awareness on how to manage risks associated with fatigue.

Health risks are assessed at all company assets. A system for monitoring harmful occupational factors is employed within the asset industrial monitoring programmes. The results are fed into a single database

to increase the visibility of information on harmful factors and allow for efficient assessment.

An analysis of cause-and-effect relationships between indicators obtained by measuring various factors in the working environment (air, vibration, noise, microclimate, ionising radiation, etc.) and data on the health status of personnel is carried out on a regular basis. Corrective measures are subsequently developed to minimise any risks, and an electronic database is used to track that the measures are implemented. The rate of reported occupational diseases are provided in the table Reportable Occupational Illness Frequency for 2017–2020.

Reportable Occupational Illness Frequency for 2017–2020

Total reportable occupational illness frequency (TROIF)	2017	2018	2019	2020
Company only	0	0	0.27	0.52
Company and contractors	0.20	0.40	0.50	0.41
With temporary disability (company only)	0	0	0.27	0.26
With temporary disability (company and contractors)	0.10	0.40	0.50	0.05

An increase of TROIF is connected with several cases of gastrointestinal deceases at the company’s asset in 2020. The company immediately implemented all required measures for employee’s treatment.

Occupational illness frequency indicators are analysed on a regular basis in order to develop and implement measures to improve working conditions, prevent illness, and promote a healthy lifestyle.

In 2020 the use of best practices in calculating body mass index and assessing cardiovascular disease risks allowed us to effectively monitor personnel with the highest risk of developing acute coronary syndrome. The company uses software to ensure that only employees who meet the prescribed fitness to work criteria are admitted working at remote assets.

In addition to implementing mandatory health programmes, in 2020 the company continued to encour-

age employees to take care of their own health and fitness and take personal actions for the prevention of diseases.

To this end, additional measures were taken such as:

- activities to prevent acute respiratory viral infections and influenza, including health education and vaccination campaigns;
- annual anti-smoking campaign. On 31 May, World No Tobacco Day, Sakhalin Energy traditionally holds employee meetings to discuss tobacco addiction. Employees who smoke are offered free medical consultations and smoking cessation therapy. An extensive information campaign with the use of posters and leaflets is carried out on an ongoing basis;
- continuing to implement high standards for medical emergency response. In 2020, 300 employees of Sakhalin Energy and its contractors received first-aid training.



Company and contractor employees at remote assets of the Sakhalin-2 project, as well as company employees on business trips abroad are provided with high-quality medical support guaranteed by AEA International (Sakhalin). The company’s employees also receive medical services from other healthcare facilities included in the list of the SOGAZ Insurance Company under the voluntary medical insurance programme (see Section 9.1.5. Social Benefits and Compensations).

In 2020 the company had to respond to the emergence of the global coronavirus pandemic. The company’s response to protecting the health of its employees and contractors from the impacts of the global coronavirus pandemic is covered separately in section 9.3.2.

9.3.2. OCCUPATIONAL HEALTH AMID COVID-19

In the challenging epidemic and economic situation created by the global COVID-19 pandemic it was critically important to arrange efficient and effective response measures to ensure uninterrupted production and safeguard the health of the workforce. These measures were implemented under control by General Coordinating Committee (GCC) three task forces, which included the specialists in epidemiology and occupational health and hygiene of Corporate Health Section, as well as representatives of the Facilities Management and Development Division, HSE Department, Human Resources Directorate and IT and IM Department, Communications and Media Relations Subdivision, etc.

In the early phases of the spread of the virus the company’s Health Section specialists analysed Russian COVID-19 control regulations and the best international prevention and control practices, and carefully assessed the company’s preparedness for a flu pandemic. Based on the results, a number of actions were implemented to reduce the potential for the coronavirus infection to spread to the offices and assets of the company. The required actions were embedded into company processes and procedures, and several task force teams mobilised to support their implementation.

To prevent the spread of the infection, ensure early and effective detection of positive COVID-19 cases, and create barriers to the coronavirus spreading in the company, the following actions were implemented:

- health monitoring of employees;
- mandatory notification of the company (Health Section) about employees’ and/or their household members’ respiratory disease symptoms or fever; tracing of possible contacts with sick people;
- reducing numbers of personnel working in the offices and transitioning to remote working;
- enhanced hygiene measures; wearing of masks; limiting meetings with more than ten attendees; holding meetings preferably online;
- restricting business travel; recommendation to limit private trips;
- mandatory isolation and COVID-19 testing for employees prior to work rotations at production assets;
- ceasing sports and recreational activities at Zima Highlands Residential Complex;
- medical aid under voluntary health insurance policies;
- keeping personnel regularly informed about the statutory and corporate measures taken and the need to comply with preventive measures such as personal and public hygiene rules, etc.



To protect the company's production facilities against COVID-19, it was decided to arrange the delivery of employees to the facilities only after a 14-day observation period, subject to the absence of clinical symptoms of the coronavirus infection and two negative COVID-19 tests. For this purpose, the company organised temporary accommodation facilities (TAFs) for the 14-day observation period of company and contractor personnel before entering the company's sterile facilities. Since there were no sites or facilities in the Sakhalin Oblast which were ready for use as observation facilities, the company arranged its own facilities.

The company, together with TAF building owners, divided indoor areas according to epidemiological requirements (clean zones and dirty zones), introduced a disinfection regime (air and surface disinfection every time the doors to the residential rooms were opened, as well as waste treatment).

The rules for residing, catering, household chores (washing, cleaning), waste disposal, medical supervision and other activities at the TAFs were established and communicated to all TAF residents before their arrival at the facilities (the rules are also available on the company's website).

In total, 10 TAFs were organised by the company. At the end of 2020, four TAFs (two in the south and two in the north of the island) with a total capacity of about 700 people were used to accommodate rotational employees for the mandatory observation period. In addition, two isolation wards were arranged in the north and south of Sakhalin for infected employees and those who had been in contact with COVID-19 patients. The TAFs and the isolation wards were arranged and provided with accommodation essentials according to the regulations of government authorities and corporate standards. All relevant costs were borne by the company.

9.4.

HUMAN RIGHTS

9.4.1. HUMAN RIGHTS: PRINCIPLES AND MANAGEMENT SYSTEM

Sakhalin Energy's key business principles include running its business in a socially responsible manner, compliance with the laws of the Russian Federation, and also respect for fundamental human rights within the legal business framework.

This integrated approach to human rights has several interconnected components, in particular:

- Human Rights Policy commitment;

- incorporation of commitments into the company's strategy;
- human rights risks and impact assessment;
- stakeholder engagement in connection with human rights issues;
- efficient grievance mechanism;
- training of company and contractor personnel;
- human rights monitoring and reporting.

The company's human rights standards are laid out in corporate documents to ensure they are implemented on a day-to-day basis. These include:

- Human Rights Policy;
- Code of Conduct, including the Statement of General Business Principles;
- Business Management System;
- Commitment and Policy on Health, Safety, Environment, and Social Performance;
- Security Policy;
- Contracting and Procurement Policy;
- Whistle Blowing / Grievance Procedure;
- Sustainable Development Policy.

The Human Rights Policy sets forth the human rights commitments and discusses managing risks associated with potential or actual violations of human rights resulting from the company's activities (www.sakhalinenergy.com).

Sakhalin Energy has adopted standards for observing human rights in all situations in which there is a potential for violating these rights, namely:

- employee relations;
- working in communities;
- contracting and procurement;
- asset security.



Company Human Rights Activities



The company holds training courses and information sessions on human rights (see Section 9.4.4. Human Rights Training). Security contractors in particular are informed about the company’s human rights standards.

9.4.2. GRIEVANCE MECHANISMS

The company’s stakeholder engagement strategy is focused on minimising impacts on human rights. It is obvious, however, that it is impossible to eliminate all adverse impacts of a project as large as Sakhalin-2. This is why the company adopted a grievance mechanism at the start of construction to effectively address grievances raised in connection with the project. The mechanism includes the following:

Whistle Blowing Procedure to address violations of the Statement of General Business Principles, Code

of Conduct, or other company procedures (related to conflict of interest, bribery, corruption, etc.).

Human Resources Inquiries Procedure, which concerns labour and employment issues raised by company personnel (violations of the labour laws of the Russian Federation and other regulatory legal acts of the Russian Federation containing labour laws, local regulations of the employer related to employee labour activities, as well as violations of the terms of employment contracts concluded with employees);

Community Grievance Procedure to address grievances from the public and contractor/subcontractor employees in connection with the Sakhalin-2 project. In addition to the Community Grievance Procedure, the company established a separate procedure for addressing grievances related to the Sakhalin Indigenous Minorities Development Plan in 2011 (see Section 9.5. Social Investment and Contribution to the Sustainable Development of the Host Region).

These mechanisms can help resolve grievances quickly and efficiently; they thoroughly document grievances and corrective measures, and reduce the likelihood that similar situations will reoccur, thereby contributing to building strong, long-term relationships with everyone that the company’s activities have an impact upon.

- To ensure maximum efficiency of the community grievances procedure, the company relies on a number of principles to conduct these activities, including:
- legitimacy, and incorporation into the corporate system;
 - accessibility;
 - transparency and openness;
 - stakeholder engagement and ensuring dialogue during the grievance process;
 - setting target dates and taking concerted actions to address grievances;
 - confidentiality;
 - applicability for both the company and contractors;
 - using accumulated experience in taking preventive measures and proactive steps.

9.4.3. GRIEVANCE HANDLING IN 2020

In 2020, 81 grievances and requests were received from company personnel and external stakeholders via various corporate grievance mechanisms, including:

- 31 grievances under the Whistle Blowing Procedure;
- 1 grievance from a company employee under the Human Resources Inquiries Procedure;
- 49 grievances from the public and employees of contractor and subcontractor organisations.

Grievances related to violations of the General Business Principles, the Code of Conduct, or other company procedures were handled under the Whistle Blowing Procedure. These grievances concerned material and services procurement, conflicts of interest, and unethical behaviour.

As of the end of 2020, 31 grievances were received through the company’s hotline, operating under the Whistle Blowing Procedure. 26 grievances were reviewed, reported to the Business Integrity Committee and settled within the established time frame. The remaining five grievances are being handled by the Internal Audit Subdivision and the Corporate Security Department.

In 2020, one grievance related to labour relations in the company and the application of the employ-

er’s local regulations was received from a company employee. It was registered and handled in accordance with the Human Resources Inquiries Procedure and was settled within the time frame established by the Procedure.

The grievances from communities and employees of contractor and subcontractor organisations were addressed in compliance with the Community Grievance Procedure. These grievances were related to labour relations (in contractor and subcontractor organisations), impacts on settlements, construction camp management, compliance with the Code of Conduct, and the implementation of the Sakhalin Indigenous Minorities Development Plan.

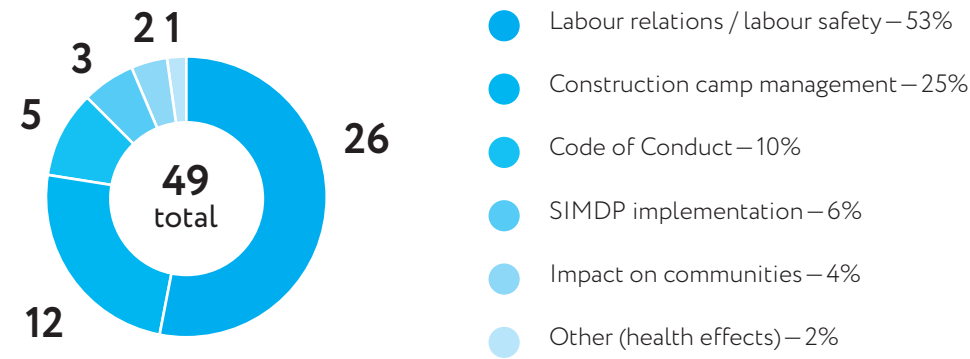
15 of the grievances received were related to the COVID-19 pandemic. The company received grievances from contractor and subcontractor employees regarding inconveniences related to their stay at the

temporary accommodation facilities (TAFs), changes in rotational work schedules, non-compliance by contractors with contractual obligations to pay remuneration to employees for the time spent under observation at the TAFs. Information on such grievances, as well as updates on how they were being handled, were regularly reported to the General Coordinating Committee (see Section 4.4).

By the end of 2020, 44 out of 49 grievances from the community, contractor and subcontractor employees had been settled within the time frame established by the Grievances Procedure (less than 45 working days). In addition, nine grievances received in late 2019 had also been settled.

At the end of 2020, five grievances remained unsettled. Information on the status of these grievances will be presented in the 2021 Sustainable Development Report.

Categories of Public Grievances in 2020



9.4.4. HUMAN RIGHTS TRAINING

A certain level of employee awareness is required to incorporate human rights standards into the daily operations of the company and its contractors. Therefore, the company offers systematic training and awareness sessions for Sakhalin Energy personnel, contractors, and other stakeholders.

The company’s requirements in the area of human rights are included in a number of educational briefings and courses that all company employees and contractors are required to take.

Examples of this training are:

- general instruction;
- Code of Conduct training;
- health, safety, environmental, and social performance training.

The company conducts specialised courses for specific personnel that have a higher risk of violating

human rights. The process of appropriate training selection is shown in the Appropriate Training Selection chart.

In 2020, in addition to its regular Human Rights Training Programme, the Corporate Security Department developed information materials on compliance with voluntary security and human rights principles and distributed them to all contractors providing security services. Following the company’s example, some of the security contractors (Mintrans of Russia Departmental Security Service Directorate (Federal State Unitary Enterprise) and Non-Governmental Security Agency (Private Security Organisation)) developed and adopted their Human Rights policies. This means that the human rights principles applied by the company in the implementation of the Sakhalin-2 project are becoming part of the corporate culture of its contractors, and are embedded in their policies and procedures.

Appropriate Training Selection



The Community Grievance Procedure training course is offered to employees whose scope of work includes receiving or resolving grievances from the general public (e.g., subdivision heads, reception desk employees, and the company’s representatives who

directly supervise the work of contractor organisations). In 2020, such training was offered to managers of four Pipeline Maintenance Depots and OPFC construction site.

9.4.5. MONITORING HUMAN RIGHTS

Monitoring is important for ensuring human rights are observed. Human rights are monitored both internally and externally. In 2020, the company conducted the following controls:

- surveying contractor and subcontractor personnel. Due to the COVID-19 restrictions, the survey was conducted online in the format of an electronic questionnaire;
- feedback meetings with internal and external stakeholders, including representatives of contractors. Due to the COVID-19 restrictions, the meetings with representatives of contractors and subcontractors were held in the format of videoconferences;
- reviewing contracts to make sure they contain human rights provisions.

Internal monitoring is done at the subdivision level as well as by the Internal Monitoring Department. External monitoring includes regular audits by lenders, shareholders, and independent experts. In 2020, the audit was conducted online due to restrictions related to the COVID-19 pandemic.

The Business Integrity Committee, which includes the Chief Executive Officer and a number of other directors, oversees compliance with the established Grievance Procedure.

Conclusions on the application of human rights standards are included in regular internal reports for the senior management and shareholders of Sakhalin Energy, as well as in the company’s annual Sustainable Development Reports.

9.5. SOCIAL INVESTMENT AND CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT OF THE HOST REGION

In 2020, Sakhalin Energy was recognised with the highest A+ (Leaders) category in the rating of the Leaders of Corporate Philanthropy 2020 project, implemented by the Donors Forum Association of Grantmakers in partnership with EY Russia and the Kommersant publishing house. Only two Russian companies, Sakhalin Energy being one of them, were distinguished in this category.

Two of the company’s initiatives were recognised as the winning projects in the Leaders of Corporate Philanthropy 2020 programme competition. They are the Preservation, Development and Promotion of the Linguistic Heritage of the Sakhalin Indigenous Minorities project, one of the best corporate projects designed to support culture and art in Russia; and the project aimed at protecting the health of personnel and the community, which was included in the top three projects in category of The Best Programme Contributing to the Implementation of the UN Sustainable Development Goal to Ensure Healthy Lives and Promote Well-Being for All at All Ages.

In 2020, Sakhalin Energy was announced the winner in the Corporate Charitable Activities category of the competition for the best socially oriented company in the oil and gas industry, held by the RF Ministry of Energy.

9.5.1. SOCIAL INVESTMENT AND SUSTAINABLE DEVELOPMENT: SAKHALIN ENERGY’S PRINCIPLES AND APPROACHES

Since its establishment in 1994, the company has paid close attention to the implementation of social programmes in the territory of the Sakhalin Oblast. The significant and consistent investments in the social sphere, as well as the long-term policy focused on addressing topical social issues are in line with the principles of sustainable development that the company is committed to. Sakhalin Energy pursues

a policy of mutual investments of resources and mutual benefits of all stakeholders.

In 2020, the company’s total investment in the implementation of external social programmes in the Sakhalin Oblast amounted to about 92 mln roubles, which is almost by 28% more than in 2018.

In accordance with the company’s Social Investments Strategy, Sakhalin Energy is implementing projects that:

- result from consultations with the public and meet the identified needs of those communities impacted by the company’s activities;
- relate to issues that affect the company’s reputation;
- may not directly relate to the company’s activity, while contributing to the economic, envi-

ronmental, and social development of Sakhalin Island;

- contribute to the sustainable social, economic, and environmental development of Sakhalin and demonstrate the company’s commitment to sustainable development to stakeholders.

Sakhalin Energy’s social investment programmes are aligned with the company’s long-term goals in its host region, Sakhalin.

Key social investment programmes and projects



Safety is Important!



Sakhalin Indigenous Minorities Development Plan



Korsakov Sustainable Development Partnership Council



Energy Social Initiatives Fund



Development of Charity Initiatives and Volunteering of the Company’s Employees



Volunteering and Safety Development at the Mountain Air Sports



Preservation of the Sakhalin Indigenous Minorities Languages and Culture



75th Anniversary of the Victory Projects



Projects for Supply of Medical Equipment



Digital Transformation of Educational and Social Services Competition

The company is focused on implementing strategic long-term partnership projects with the engagement of external stakeholders, company and partner resources, and on using various tools and techniques to implement social programmes, including competitive funding distribution. Governing bodies and expert councils have been established to make decisions under key programmes. These are collegial coordinating and advisory bodies that involve the company’s representatives, government authorities,

partners, and members of non-governmental organisations in the territory where the company operates.

Striving to achieve lasting social changes in the region, the company is implementing a number of projects within priority areas defined through public consultations. These are:

- environmental protection and biodiversity conservation;
- safety;

- education;
- culture and art;
- healthcare;
- promoting the development of the Sakhalin indigenous minorities.

The company’s approach to the development of the host region is a targeted policy of participating in the life of the community. This includes support for the initiatives aimed at the development of the region (funds for this activity are allocated by shareholders), as well as the involvement of company employees in corporate social programmes, the development of charity and volunteer activities in the region, and participation of the company in discussing issues that are vital to the territory where it operates.

Over the years that it has been developing the Social Investment Programme, Sakhalin Energy has built its own model for managing external social programmes, which is based on the company’s policies and the best international charity practices. Not only does the company seek to adapt and use the best international practices, but it has become an example of corporate philanthropy.

The company carries out its social investment activities in line with a number of documents. They identify the objects and principles of the charity activities and social investments, and outline how to manage these issues, e.g., planning, decision making, and financing procedures. These documents include the Social Investment Strategy as a part of the Social Performance Management Standard. Pursuant to the Strategy and in accordance with the company’s internal audit requirements, Sakhalin Energy conducts continuous internal monitoring and a triennial independent external evaluation of its social investment projects. The results of the evaluation conducted in 2019 show the effectiveness of social investments and their significance for the region. Respondents note that the company’s social programmes “are aimed at solving important problems”, “supplement rather than duplicate the budget programmes”, “make it possible to support people’s initiatives and involve them in resolving important issues”, “are long-term, that is, designed for an extensive period into the future, and aimed to address current issues”, “the company does not just give out resources, but invests in obtaining social outcomes”, “does not just give out money, but stimulates the professional development of the social sector”.

9.5.2. COVID-19 SOCIAL INVESTMENT PROGRAMME

In 2020, the world faced the COVID-19 pandemic. The resulting restrictions produced an impact on all aspects of social, economic and cultural life. It was a period of uncertainty and challenges not only for individuals, but also for businesses.

Sakhalin Energy made significant efforts to mitigate the impact of the coronavirus pandemic within the host region. The company did not suspend any of its charity programmes. Sakhalin Energy ensured the most comfortable conditions for its grantees so that all current grant projects financed by the company under existing programmes (the Energy Social Initiatives Fund, the Korsakov Sustainable Development Partnership Council, and others) would be successfully realised.

For this purpose, the effective period of the grant was extended as necessary, the project plan and formats of events were changed, and changes in the budget were agreed upon. The company prepared a list of useful links with information on available training resources, which allowed company partners and grant receivers to develop their knowledge and increase their potential. In addition, Sakhalin Energy assessed demands through the monitoring of mass media, consultations with regional government departments (the Ministry of Healthcare, the Ministry of Education, and the Ministry of Social Protection) and an analysis of opportunities and sources of support. As a result, the company identified key demands and potential areas for support, and then developed three

key initiatives, which were eventually implemented under the COVID-19 Social Investment Programme, namely:

- the Prevention and Treatment project: supply of equipment and consumables to healthcare institutions;
- the Digital Transformation of Educational and Social Services grants competition;
- the Help Children Get Ready for School corporate charity campaign to support disadvantaged children.

Prevention and Treatment Project

In the challenging epidemiological situation, when the load on the medical institutions in the region had increased significantly, the company initiated, as part of its cooperation with the Ministry of Healthcare of the Sakhalin Oblast, the Prevention and Treatment project – a comprehensive programme aimed at providing support to the healthcare sector of the island.

At the request of Sakhalin Energy, the company’s shareholders agreed to allocate funds for the purchase of specialised equipment for medical institutions. The list of equipment was compiled by representatives of the Sakhalin Oblast Ministry of Healthcare. Five healthcare institutions (Sakhalin Regional Hospital, Yuzhno-Sakhalinsk Municipal Hospital, Korsakov and Nogliki District Hospitals, and Diagnostic and Treatment Centre) received equipment and materials for preventing the spread of infection, protecting people’s health and delivering quality care to COVID-19 patients. The equipment and materials donated include oxygen concentrators, a thermal cyclor and test systems for it, an oxygen inhalation station, air recirculators, consumables for respiratory and infusion therapy, and so on. Therefore, all necessary conditions were created in those hospitals to deliver timely and efficient medical care.

The total amount of funds allocated for the project was about 34 mln roubles.

Digital Transformation of Educational and Social Services Competition

In 2020, Sakhalin Energy announced a new special grants competition – Digital Transformation of Educational and Social Services – in order to mitigate the adverse effects of the coronavirus pandemic and develop innovation in the activities of non-profit organisations. The competition was held within the framework of the Energy Social Initiatives Fund and was aimed at introducing online formats into the activities of educational and social support organisations, as well as at mitigating the adverse effects of the pandemic. Both public and budget-funded institutions could participate in the competition. A competition committee was set up to evaluate the bids. It consisted of employees of the Sakhalin Oblast Ministries of Education, Social Protection, Information and Technology Development, as well as independent experts representing non-profit organisations and employees of different units of the company, including the Information Technology and Information Management Department and the Intellectual Property Section. The winners, determined on a competitive basis, received up to 600 thousand roubles to implement their project ideas. The competition was held for four months, and the winners were determined on a monthly basis. From June to October, 25 bids were received. 12 projects were approved for financing. They include:

- Theatre. Home Reading. The Sakhalin Puppet Theatre team intends to create a series of videos based on works of literature for 5th–7th form students. The goal of the project is to teach children to reason, develop their imagination and creative skills, and also their ability to empathise with the characters of literary works.



- Digital Boundaries of Education. According to the initiative, a platform will be created on Sakhalin for the online and offline implementation of educational programmes and project activities. To achieve this goal, the Regional Centre for Education Quality Assessment intends to train teachers to use the Trello platform. Trello helps project teams to work collaboratively and organise information from any location.
- Education without Borders. A distance learning system with various educational programmes will be created in the village of Solovyovka to streamline the online learning process for students regardless of their location. This will require a special network infrastructure to be created in the village school with a high-speed internet connection and additional workstations for teachers. This initiative will enable online classes, including Financial Awareness lessons for 3rd–4th form students in other remote villages.
- Now I Know! The academic online education project initiated by Sakhalin State University will be its first Massive Online Open Course project. The university staff will create an open access series of interactive video lectures, covering

a wide range of topics in physics, mathematics, Russian, literature, social science, foreign languages and tourism. The topics will be chosen based on an online survey. The lecturers will be given by the professors of the university and representatives of its partners.

The Help Children Get Ready for School Corporate Charity Campaign

The Help Children Get Ready for School special charity campaign was organised by Sakhalin Energy to provide assistance to disadvantaged children, including those from families affected by the coronavirus pandemic.

The campaign was part of the Hurry Up for Good Deeds programme, designed to support charity initiatives of company employees and develop corporate volunteering. The beneficiaries of the project were 207 schoolchildren from four districts of the Sakhalin Oblast – the Nogliki, Poronaysk and Korsakov Districts, and Yuzhno-Sakhalinsk. These are the municipalities where Sakhalin Energy has its key production facilities. The total cost of all school supplies collected by company employees was more than 636 thousand roubles.

9.5.3. ENERGY SOCIAL INITIATIVES FUND

Along with special charity projects aimed at mitigating the adverse effects of the COVID-19 pandemic, the company continued the implementation of its key charity programmes.

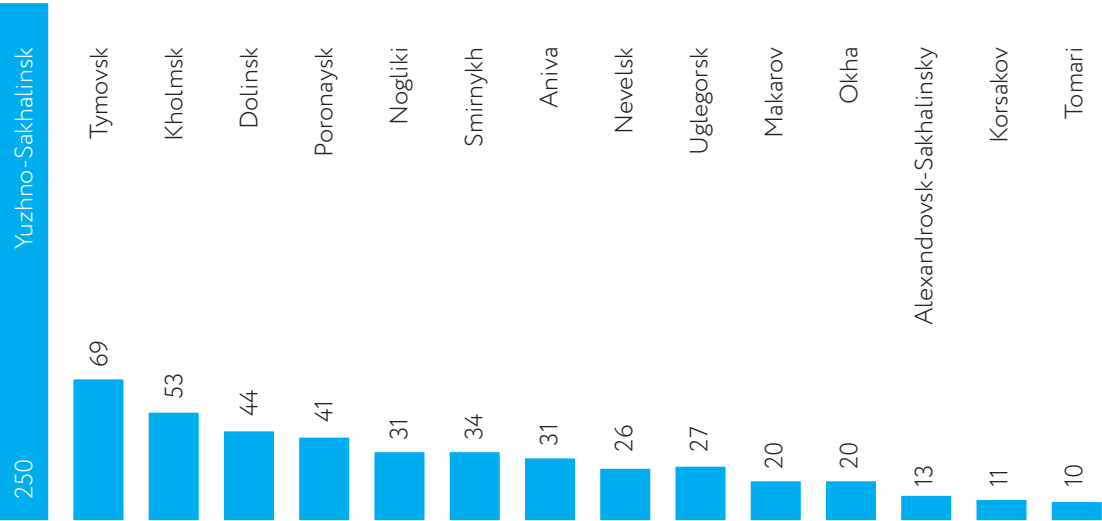
The Energy Social Initiatives Fund is one of Sakhalin Energy’s charity programmes demonstrating the company’s integrated and consistent approach to social transformation in the host region, and its commitment to addressing topical issues of local communities. Launched in 2003, the grant programme allows the company to support the most interesting and effective solutions to community problems proposed by local non-profit organisations and institutions. Targeted efforts can make a substantial contribution to the handling of issues which are small in scale, but relevant for certain target groups, and boost

the confidence of active citizens and organisations in their ability to make a difference. When selecting projects, the company was traditionally guided by the principles of openness and transparency. The Expert Council, consisting of representatives of the company, NGOs and government authorities, evaluates proposals and selects the winning projects. Information on the terms and conditions for participation in the competitions, as well as the selection criteria is available on the website of the Energy Social Initiatives Fund (www.fondenergy.ru).

Financing is provided for projects in several focal areas, including education, environmental protection, art, culture, social support, sports, and promoting a healthy lifestyle.

Since 2003, more than 335 non-profit organisations and social institutions in 66 settlements across Sakhalin have received financial support as part of the Energy Social Initiatives Fund. In total, 680 projects have been implemented in the years of the programme.

Number of Projects That Received Funding in 2003–2020 (by District)



In 2020, financial support was granted to 40 projects, including:

- Sakhalin: Man and the Sea (North). In 2020, classroom and practical training continued for volunteers of the marine mammals rescue group in the north of Sakhalin as well as for the volun-

- teers of the group working in the south of the island. Further work was carried out to create a grey whale entanglement response team in northern Sakhalin. The permanent group of volunteers consists of 15 people.
- Oh, on the Spinning Wheel I Spun! The participants of the Patchwork Island quilt studio created textile panels based on Russian spinning patterns. In their work, 13 craftswomen used the appliqué technique. An exhibition of the textile works of art was held at the Sakhalin Regional Art Museum.
- So How Old Are You, Okha? A series of local history events were held in the city library of Okha. They were dedicated to the study of various historical materials, the purpose of which was to find out when exactly Okha was founded. Previously, this issue had caused much controversy among historians.
- From Tourism to a Safe Life. Under the project, demonstrations and training seminars on applied tourism, safety in nature and first aid were held in the schools of the Dolinsk District. The project activities culminated in applied tourism competitions among Dolinsk District students, which included a Water Area Rescue Operations stage.

9.5.4. SAFETY IS IMPORTANT PROGRAMME

Safety is one of Sakhalin Energy’s top priorities. In 2005, the company initiated the Safety Is Important Programme, and has been implementing it in partnership with the Sakhalin Oblast Chief Directorate of the Emercom and the Sakhalin Oblast Ministry of Education ever since.

Projects under the programme are implemented with the participation of public organisations and state institutions such as the Sakhalin Search and Rescue Team named for V. A. Polyakov, the Department of the State Road Safety Inspectorate of the Ministry of Internal Affairs of the Russian Federation for the Sakhalin Oblast, the Sakhalin Branch of the

All-Russian Voluntary Fire Organisation, the Rossoyuzspas Sakhalin Regional Public Organisation, the Regional Extracurricular Educational Centre, and others. The Sakhalin Regional Branch of the School of Safety All-Russian Children and Youth Public Movement, launched in 2019, also joined in the programme and became an active participant.

The programme is developing in several key areas, one of which is the creation of educational cartoons about safe behaviour in various situations. Senya, the main character of the cartoons and a constant participant in all programme events, is the symbol of the programme. Comic books are published based on the



cartoons which are then distributed among Sakhalin children. The collection of educational videos totals 40 episodes, each of which is devoted to a relevant topic in the field of safety.

In 2020, practical safety lessons with Senya were held in six districts of the Sakhalin Oblast. They were organised with the participation of the Sakhalin Branch of the School of Safety All-Russian Children and Youth Public Movement. The safety lessons were conducted in the form of a game, which made it easy for 5th form students to learn the rules of safe behaviour. The children were assisted by a group of experts from the State Inspection of Small-Sized Vessels, the Fire and Rescue Squad of the Chief Directorate of the Emercom of Russia for the Sakhalin Oblast, Rossoyuzspas, the All-Russian Student Rescue Corps, and representatives of Sakhalin State University. Similar lessons will continue in 2021.

The year 2020 was an anniversary year for the Safety is Important programme. In May, the Happy Birthday, Senya! regional birthday greetings art contest was announced as part of the celebration. In five months, 134 entries were submitted by contest participants from 10 districts of the Sakhalin Oblast. The winners were selected in five categories: Best Postcard, Best Poster, Best Video Greeting, Best Birthday Poem and Best Song. Birthday greetings were accepted for the contest without any age restrictions. The jury, comprised of professional writers, artists, philologists and documentary film makers, selected 43 award and diploma winners.

The coronavirus pandemic caused changes in the formats and schedules of several events and campaigns held as part of the programme. In 2020, the traditional annual regional Safety Day was replaced by the Safety Is Important! online quiz. The quiz covered all key safety topics, including first-aid skills, the best course of actions in the face of a natural disaster, including fires, safe behaviour in the forest, in the water, in everyday life, in transport, and on the Internet. 150 sixth-form students from 15 districts of Sakhalin took part in the quiz. They also had the privilege of being the first viewers of Senya's new cartoon about the use of fire detectors. The winners of the quiz were awarded with prizes.

Senya, the main character of the programme, took an active part in all events held at the Mountain Air Sports and Tourist Complex throughout the ski season. The opening of the 2020/2021 season was also held with his participation.

Creating and distributing various educational materials by programme partners and participants, holding activities for different target groups improves the quality of teaching Life Safety to schoolchildren and develops a culture of safe behaviour.

Information about the programme, as well as its materials are available on the website (www.senya-spasatel.ru) and on Instagram.

 ([senya_spasatel](https://www.instagram.com/senya_spasatel))

9.5.5. HURRY UP FOR GOOD DEEDS PROGRAMME (SUPPORT FOR CHARITY INITIATIVES OF EMPLOYEES)

Corporate volunteering is one of the forms of corporate social responsibility fulfilment, which expands the scope and range of the company's charity programmes. Sakhalin Energy creates favourable conditions for charitable activities and supports volunteer initiatives, thereby uniting its employees and strengthening the corporate culture.

The programme was launched in 2003 as a grant competition to support employees' charitable initiatives, and has undergone a number of changes since.

The programme currently offers various volunteering options:

- participate as a volunteer in preparing and holding corporate campaigns designed to raise funds for social institutions selected by employees during a survey via the Intranet;
- participate in Volunteer Days – Voluntary Community Work Days;
- initiate and implement their own charity projects with the participation of colleagues;
- provide professional assistance (pro bono) on their own initiative, or participate in company projects aimed at developing the potential of the company's charity programmes participants (NGOs and state-funded institutions).

The various participation formats make it possible attract those who are ready to act as initiators and organisers and involve them in volunteering, as well as those who are willing to join them during a charity event. According to the evaluation of the social programmes, almost 30% of the company's employees participate in the programme. Employees can also invite members of their families, including children, to join in the charity activities under the programme.

In summer 2020, the Help Children Get Ready for School corporate charity campaign was organised

to support disadvantaged children, including those from families which were affected by the coronavirus pandemic (see Section 9.5.2. COVID-19 Social Investment Programme).

In 2020, the Sakhalin Oblast art schools, whose students include children with disabilities, received new equipment. It had been purchased with the funds raised during a charity event dedicated to Sakhalin Energy's anniversary. According to the rules of the Hurry Up for Good Deeds programme, the company matched the amount donated by its employees. As a result, more than 3 mln roubles were raised to support the development of the island's nine art schools. The schools are located in the Smirnykh, Tymovsk, Poronaysk, Makarov, Dolinsk, and Kholmsk Districts, as well as in Yuzhno-Sakhalinsk. The list of required supplies had been compiled by the teachers of the art schools. It included about 50 items.

On New Year's Eve, company employees acted as winter magicians – for the 13th time already – for 109 disadvantaged children and children with disabilities. These included boys and girls attending three social rehabilitation centres and patients of the Preodoleniye Rehabilitation Centre for children and adolescents with disabilities.

Sakhalin Energy employees use their professional knowledge and skills to contribute to the development of partner organisations. In 2020, specialists from the Intellectual Property Section delivered a lecture on copyright and related rights for non-profit institutions and organisations. Employees of the company also lectured students and schoolchildren on topics related to oil and gas business, developed career guidance games, worked as members of examination boards at local universities, and participated in the implementation of the Pristine Russia: Bound for Sakhalin cultural and educational project.

9.5.6. KORSAKOV SUSTAINABLE DEVELOPMENT PARTNERSHIP COUNCIL

The Social Investment and Sustainable Development Programme implemented in the Korsakov Municipal District of the Sakhalin Oblast was initiated by Sakhalin Energy in 2003. As part of this programme, the company renders financial assistance to social projects. In February 2019, Sakhalin Energy and the administration of the Korsakov Municipal District of the Sakhalin Oblast signed a cooperation agreement to implement the new phase (2019–2021) of the Sakhalin Energy Sustainable Development and Social Investment Programme in the municipal district.

The programme is managed by the Korsakov Sustainable Development Partnership Council. The Council consists of nine members, three representatives of each party: Sakhalin Energy, the government authorities, and the community of the Korsakov Municipal District.

In 2019, an expert council was created to work within the framework of the Programme. Its members—representatives of the community and Sakhalin Energy—evaluate projects submitted for the competition according to specially set criteria. The final decision on project financing is made by the members of the Korsakov Sustainable Development Partnership Council, taking into account the preliminary rating of the project, determined as the sum of the points assigned by the competition experts. In addition to being a stakeholder engagement tool and an independent structure to review projects for social investments, the Korsakov Partnership Council also plays a role in monitoring the population's social activity in the district.

The project selection competition for the Korsakov Sustainable Development Partnership Council has existed since 2004. In 2020, the Council supported eight projects proposed by local non-profit organisations and state-funded institutions. In particular, the Active Longevity project initiated by the Flagman sports school in the Korsakov city district aims at engaging as many elderly people as possible in playing table tennis. Free strength fitness training was organised for adolescents, including those in difficult life situations, under the Healthy Generation project implemented by the Sakhalin Oblast Powerlifting Sports Federation, a regional public organisation. The School for Junior Assistants, a project of Romashka Kindergarten No. 3 in Korsakov, was another initiative that was supported by the Korsakov Partnership Council and financed by Sakhalin Energy in 2020. The main idea of the project is to provide opportunities for preschoolers of the senior and preparatory groups to be assistants (tutors) for children with disabilities, attending the same kindergarten, after a series of classroom and practical lessons with the use of modern didactic equipment.

Materials on the activities of the Council are available on the website www.korsakovsovet.ru.



9.5.7. SAKHALIN INDIGENOUS MINORITIES DEVELOPMENT PLAN

9.5.7.1. GENERAL

The Sakhalin Indigenous Minorities Development Plan (hereinafter referred to as SIMDP or the Plan) is a partnership programme that has been jointly implemented by Sakhalin Energy, the Regional Council of Authorised Representatives of the Sakhalin Indigenous Minorities (SIM), and the Sakhalin Oblast Government since 2006. The programme has been divided into five-year phases, with the period of 2016–2020 being SIMDP 3.

Every year, consultations are held as part of the Plan in all areas of SIM traditional residence. In 2020, 14 public meetings, attended by 200 people, were held in 12 communities. The main objectives of the consultations were to inform the public about the results of the 2019 Plan and the tender programmes for 2020, as well as to discuss issues related to the development of SIMDP 4, including a questionnaire-based public opinion survey.

Decisions on the allocation of funds under SIMDP are made by programme committees that consist exclusively of SIM representatives, specially elected at meetings in the districts. The programme committees are supported in their work by Expert Groups and District Committees. In 2020, all meetings of the SIMDP programme committees and coordinating bodies were held online in order to prevent the spread of COVID-19 infection.

In March, experts from the Resource Centre for National Relations Autonomous Non-Profit Organisation held training events in all districts of SIM traditional residence dedicated to social design. They included master classes on Successful Project Technology, discussions of social design basics and a workshop on filling in applications. The decision to hold these events directly in the areas of SIM

residence proved to be correct and effective, since it allowed for an increased number of participants, expansion of the scope of the topics discussed from social design issues to the prospects for the development of SIM settlements, identifying urgent problems, and discussing options to solve them. The workshops were attended by more than 120 people in 10 settlements of the region—Aleksandrovs-Sakhalinsky, Okha, Poronaysk and Yuzhno-Sakhalinsk, Smirnykh and Nogliki, Val, Viakhtu, Nekrasovka and Chir-Unvd.

In 2020, the final assessment of SIMDP 3 was conducted, which included analysing the fulfilment of tasks and the implementation of the Plan's projects and programmes; recommendations for the development of SIMDP 4 (2021–2025) were also prepared. The final assessment group included Gregory Guldin, an international expert and President of Cross-Cultural Consulting Services, Gulyaya Kutsenko, a representative of Indigenous Peoples of the Russian Federation and President of Interregional NGO Lyioravetlyan Informational and Educational Network of Indigenous Peoples, and Alexander Konkov, Chair of the Sociology Department at Sakhalin State University.

Due to the coronavirus pandemic restrictions, online, video- and audio- monitoring meetings were organised for assessment participants. For this purpose, company specialists prepared all necessary resources, including equipment and software. The monitoring was conducted in 10 settlements of traditional SIM residence; 79 meetings were held with 89 participants in the SIMDP programmes.

The final programme assessment report is available on the Plan's website at www.simdp.ru.

SIMDP 4: PREPARATION

In early 2020, the final year of SIMDP 3, a Working Group was formed to develop SIMDP 4 for 2021–2025. The Working Group includes representatives of the Regional Council of Authorised SIM Representatives, the Sakhalin Oblast Government, Sakhalin Energy, a SIM Representative to the Sakhalin Oblast Duma, a representative of the Sakhalin Oblast Public Chamber, a representative of the Federal Agency for Ethnic Affairs of Russia (FAEA), a representative of the Russian Association of Indigenous Peoples of the North, Siberia and Far East (RAIPON), and an external expert. The main goal of the Working Group is to jointly prepare consultations with the indigenous population of the Sakhalin Oblast, respond to the concerns and wishes of SIM representatives regarding the new SIMDP, and to draft the document. Like previous SIMDPs, the new Plan is based on international standards pertaining to indigenous peoples, and is implemented in strict compliance therewith.

To ensure that the views of the SIM are taken into account in the new Plan, the first round of consultations was held in 12 settlements across all SIM districts. The objectives of the meetings with community representatives were to collect relevant suggestions and determine priorities in the development of the SIMDP 4 governing structure and programmes.

In addition, an opinion survey was conducted from 10 February through 31 July 2020, with 117 respondents taking part. The Working Group analysed the results of the first round of consultations as well as the survey and came up with suggestions that will be discussed with the population and stakeholders during the second round of consultations in all SIM districts. Further measures to be implemented as part of the SIMDP 4 preparation have been postponed until the epidemic situation improves.

Information on the preparation of SIMDP 4 is available on the programme website (www.simdp.ru).



9.5.7.2. TRADITIONAL ECONOMIC
ACTIVITIES SUPPORT PROGRAMME OF
SIMDP

The funds of the Traditional Economic Activities Support Programme were distributed among its constituent elements: business planning, self-sufficiency, and capacity building.

In 2020, the Programme Committee approved 40 projects aimed at supporting clan and family enterprises, communities and other associations of the Sakhalin Indigenous Minorities. The funds allocated under the programme were used to purchase fishing net and tackle materials, vehicles, consumables, certain types of household appliances necessary for traditional economic activities and improving the living conditions of SIM population.

9.5.7.3. SOCIAL DEVELOPMENT FUND PROGRAMME OF SIMDP

The funds of the Social Development Fund were distributed among its constituent elements: Education, Healthcare, SIM Capacity Building, Culture, and Sports. In 2020, funding was granted to 24 projects. The Social Development Fund’s projects were implemented in partnership with the Poronaysk District Local Public Organisation of the Sakhalin Indige-

nous Minorities. As part of the educational projects, 48 students of secondary vocational and higher education institutions received financial support, and two people were provided with aid for medical reasons.

Detailed information on the implemented projects is available on the SIMDP website (www.simdp.ru).

In September 2020, with the support of Sakhalin Energy, the Sakhalin Regional Folk Arts and Crafts Centre organised a leadership development workshop for the leaders and participants of folk ensembles of the region. The workshop ended with a theatrical performance titled “As Long as Earth and Water Remain in Endless Time”. The performance was preceded by a week of intensive classes and rehearsals with the participation of the leading experts of the region. The eventful programme covered three key areas: the basics of acting and stage speech, the theory and practice of playing national musical instruments, and the art of national northern dance.



9.5.8. 75TH ANNIVERSARY OF THE VICTORY PROJECT

In 2020, the company supported a number of projects dedicated to the anniversary of the Victory in the Great Patriotic War. These projects included the following:

The Women at War exhibition

The main topic of the exhibition was the role of women in the life of the country during the war and in post-war years, the contribution of women to the Victory and the restoration of the Motherland after the war. The exhibition was opened at the Sakhalin Regional Art Museum, which presented various exhibits from its collections, such as paintings, works of graphic art and sculptures by famous Soviet and Russian artists. The exhibition in Yuzhno-Sakhalinsk was visited by more than 2 thousand people. Due to restrictions caused by the coronavirus pandemic, the exhibition went online, on the museum's social media accounts. In autumn 2020, the exhibition was also presented in the Nogliki and Poronaysk Districts. In 2021, the exhibition will

be taken to other areas of Sakhalin – the Korsakov, Nevelsky and Kholmsk Districts.

The Heart Remembers exhibition project

The exhibition featured more than 70 exhibits from the collections of the Far Eastern Art Museum (Khabarovsk). Visitors had an opportunity to admire paintings, sculptures, works of arts and crafts, original and printed graphics, created by Russian artists during the Great Patriotic War, as well as in the second half of the 20th century. The exhibition was open to the public in Yuzhno-Sakhalinsk from March to July. Then it was transformed into two travelling exhibitions: The Heart Remembers. Oath; and The Heart Remembers. Let Us All Defend Our Motherland!, which were open in four Sakhalin museums in Nevelsk, Kholmsk, Korsakov and Poronaysk throughout the summer. In Yuzhno-Sakhalinsk alone, the exhibition was visited by 2.4 thousand people. In addition, online tours of the exhibition were also available.

The Victory Spring project

The Victory Spring project was implemented in partnership with the Sakhalin Oblast Association of Museums and the Sakhalin Regional Art Museum. The latter was the venue for most project activities, which included issue-related events that combined different kinds of art – music, dance, song, poetry, cinema, visual and decorative arts. All events were dedicated to one general topic: the culture and art of the war and post-war times. The project activities included workshops for different age groups and categories of the public.

Due to the COVID-19 restrictions, some of the events were held online.

The culmination of the Victory Spring was the Meeting Place Is the Dance Floor festive event, which was held outdoors near the Sakhalin Regional Art Museum. The organisers did their best to create the atmosphere of the victorious May of 1945. There was a military brass band playing music for residents and guests of the city, the Fierce August of 1945 book exhibition, and an exhibition dedicated to World War II. Young guests of the event were invited

to workshops, where they had a unique opportunity to try on military uniforms. The Meeting Place Is the Dance Floor event ended with an open-air showing of A Second for a Heroic Deed – a war film from the collection of Mosfilm.

In addition to the above activities, Sakhalin Energy acted as a partner of the White Dove military history festival and the Lest There Be a War literary and art contest, organised by the Pobeda Museum and Memorial Complex.

9.5.9. FESTIVAL – PRISTINE RUSSIA: BOUND FOR SAKHALIN

Environmental protection is an integral part of the corporate culture and social responsibility policy at Sakhalin Energy. Projects aimed at involving the general public in the environmental agenda play an important role in achieving this goal. The Pristine Russia: Bound for Sakhalin nature festival, initiated by Gazprom, a Sakhalin Energy shareholder, as part of the Pristine Russia All-Russian Nature Festival, proved to be an excellent platform for the interaction of stakeholders in the area of pristine nature preservation – from environmental scientists to residents and guests of the region.

The first multidisciplinary nature festival on the island was organised by Sakhalin Energy, the Pristine Russia All-Russian Nature Festival Organising Committee, and the Literary and Art Museum of Chekhov's Book Sakhalin Island with the support of the Ministry of Culture and Archives of the Sakhalin Oblast.

The key objective of the festival was to remind people about the beauty of nature and bring their attention to the issue of its preservation, which is especially relevant for Sakhalin Island as a treasury of unique flora and fauna. The exhibition was divided





into two sections by topic. The first one was a selection of photographs of rare animals and protected areas throughout Russia, taken by the country's best nature and wildlife photographers. The second one was a display of the works of Sakhalin photographers and 13 Sakhalin Energy employees, which showed the unique nature and biodiversity of the Sakhalin Oblast.

The festival's programme included guided tours, lectures, master classes, film screenings, quizzes,

contests, performances, artistic meetings, a festive procession and a photo cross-country race. A number of cultural institutions as well as Sakhalin artists and musicians joined in the implementation of the project. The partners of the festival numbered more than 20 organisations and 50 enthusiasts from Yuzhno-Sakhalinsk, Poronaysk, Vladivostok and Moscow. More than 100 festival events were attended by over 4 thousand people.

9.5.10. SPECIAL PROJECTS FOR CAPACITY BUILDING OF THE SAKHALIN OBLAST NON-PROFIT SECTOR AND DEVELOPING VOLUNTEERING IN THE REGION

9.5.10.1. PROJECT – MY CONTRIBUTION TO THE DEVELOPMENT OF THE ISLAND

During the Eastern Economic Forum held in September 2018, Sakhalin Energy and the Sakhalin Oblast Government signed a Memorandum of Intent, which serves as a basis for partnership in the field of socio-economic development of the region within the framework of the Mountain Air Sports and Tourist

Complex project. The document provides for cooperation in the development and support of the My Contribution to the Development of the Island volunteer movement and the improvement of safety culture at the Mountain Air Sports and Tourism Complex. The Memorandum was signed to continue cooperation

after the pilot phase of the project launched in late 2017 and is aimed at the development of volunteering.

The company provided financial support to the sports complex to equip the volunteer team, a special training programme for volunteers, as well as guidance and organisational assistance. Sakhalin Energy specialists helped volunteers, most of whom were high school students, to prepare and conduct special

activities. The company's HSE specialists held workshops devoted to safety culture issues. Due to the coronavirus pandemic, the 2019–2020 season was closed ahead of schedule. In autumn 2020, a new team of volunteers was formed, which included about 150 people. The volunteers took an active part in the opening of the 2020–2021 ski season, all public events and competitions held at Mountain Air, and also provided information support to its visitors.

9.5.10.2. #IVOLUNTEER MEDIA PROJECT

Sakhalin Energy continued its partnership with the Third Sector Social Cinema Laboratory. In 2020, the film #IVOLUNTEER. At the Edge of the World was included in the programme of the Edge of the World Sakhalin International Film Festival.

The new documentary series contains five stories featuring Sakhalin, two of which are about projects

supported by Sakhalin Energy. One of the documentaries is dedicated to the Free Musicians movement, which regularly donates all proceeds from its performances to charity. Another documentary film tells the story of children who attend the VAF cartoon studio in the village of Dachnoye (VAF stands for a phrase in Russian that can be translated as 'the art of making animations using a still camera').

9.5.10.3. SOCIAL PROJECT MANAGER SCHOOL: CAPACITY DEVELOPMENT OF NON-PROFIT ORGANISATIONS

In developing grantees and partners within the framework of various social programmes, Sakhalin Energy by no means limits its support to the provision of grants. Organising and conducting seminars on topics relevant to non-profit organisations and institutions is one of the areas of activities implemented for this purpose. The Garant Centre of Social Technologies — a charity organisation in Arkhangelsk, which engages representatives of leading Russian NPOs in conducting training and development events, is the company's partner in these endeavours.

As part of the project, seminars were held on topics such as evaluation of projects and programmes, informational support of projects, social advertising and information campaigns, organisation and conduct of interesting and notable events, useful tips

on accounting and financial accounting in NPOs, and working with volunteers.

In early 2020, seminars on the development of social projects and preparation of grant applications were held in nine settlements of the Sakhalin Oblast. They were attended by more than 160 people. According to the results of the 2019 external assessment of social programmes, the seminars were organised using a differentiated approach: short-term information seminars were held for a wide range of participants and advanced practical workshops — for organisations that were considered as potential managers of targeted and partner projects. The project participants, as well as representatives of all NPOs and state-funded institutions had access to the Entertaining Project Management series of books, which had been updated with a new book on team management.

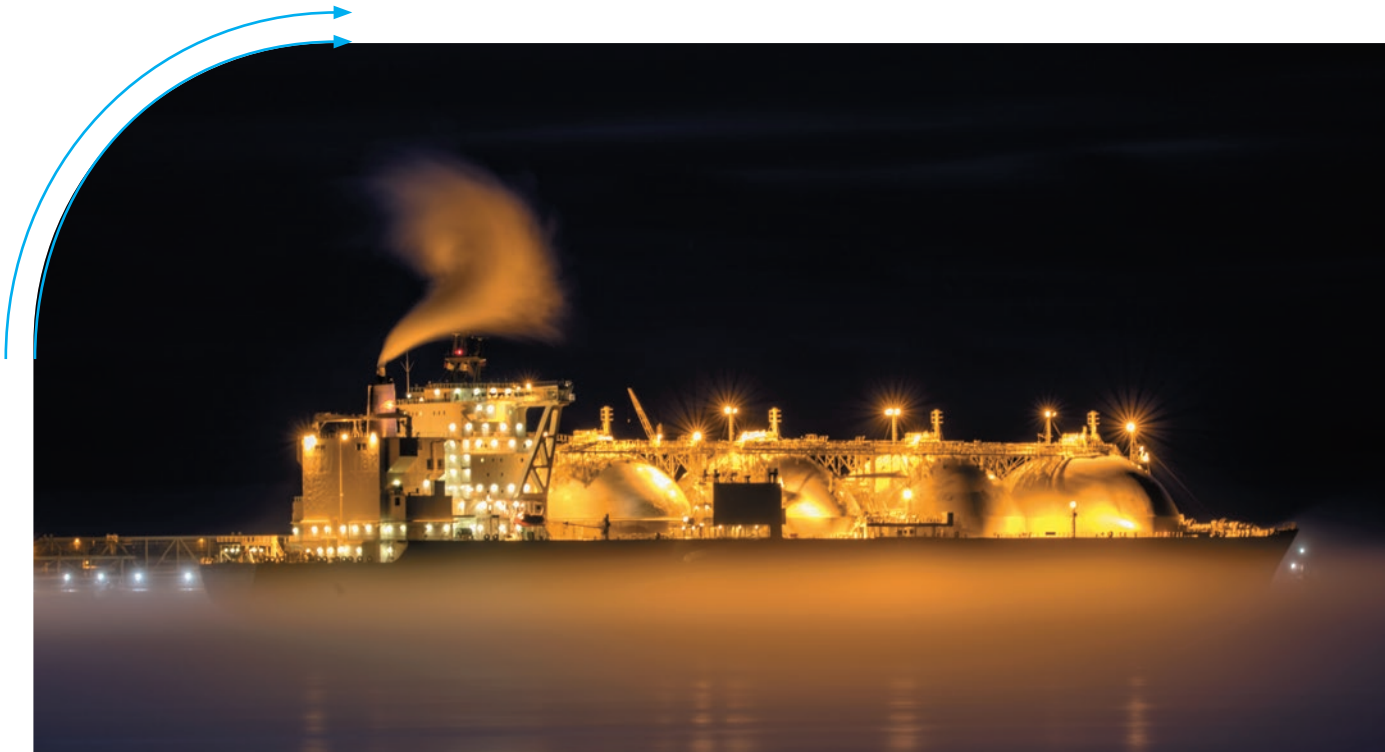
10

THE COMPANY'S PLANS FOR 2020. DEVELOPMENT STRATEGY UP TO 2024

The company's development in 2021 and subsequent years will be based on a growth strategy. In particular, Sakhalin Energy will pursue activities in the following key areas:

- develop its mineral resource base;
- achieve high production efficiency;
- assure good corporate governance.





Sakhalin Energy will continue to strengthen its position in accordance with its mission and vision.

The company’s development in 2021 and subsequent years will be based on a growth strategy. In particular, Sakhalin Energy will pursue activities in the following key areas:

- develop its mineral resource base;
- achieve high production efficiency;
- assure good corporate governance.

The company’s priorities for the coming years are the same as before – health, safety and environment (HSE), as well as Goal Zero commitments.

As part of the HSE strategy, the company has adopted and included in the 2021–2025 plans the following main objectives:

- work safely, not because we are forced to, but because we want to;
- support development of leaders at all levels so that they will be able to make the right decisions, particularly in challenging circumstances, and to build safety and continuous improvement culture;

- work as one team, both within the company and jointly with customers, suppliers, contractors, and subcontractors;
- demonstrate leadership and commitment to HSE, and develop trusted relationships at all levels;
- inspire and support people to be proactive and open-minded, recognise personal examples of effective intervention and responsibility;
- sustain a culture of conscientious accountability and fairness;
- inspire and support the health, fitness, and well-being of our people for their productive life;
- ensure the HSE and industrial safety competence of people to support safe project implementation, contract execution, and asset operation;
- bring significant risks down to as low as reasonably practicable, following the principle of “Our assets are safe and we know it”;
- focus on controls to save lives, prevent injuries, and protect the environment;
- focus on transportation and worksite hazards in major projects and operations.

The company applies a systemic approach to HSE management to ensure compliance with the regulatory and international requirements and promote industry best practices.

Particular attention will be paid to:

- preventing the spread of coronavirus disease and providing effective medical aid in the event of infection with COVID-19, creating conditions for maintaining good health, ensuring adequate sanitary and living conditions for personnel;
- further exploration of opportunities under the Green LNG strategy (see Section 8.2.7. Green LNG Strategy).

In 2021, key performance indicators in this area (progress towards SDGs 3, 6, 8, 12, 14, 15) include the implementation of industrial environmental control, environmental monitoring and biodiversity conservation programmes, the achievement of planned total recordable case frequency (no more than 0.7 incidents per million man-hours) and total recordable occupational illness frequency (no more than 1 case per million man-hours).

In 2021 and subsequent years, the main production activities will be related to (for more detail, see Section 4.2):

- enhancing safety and equipment reliability through proactive equipment condition monitoring and analytics;
- optimisation of oil extraction, LNG production, and operation of production assets;
- increasing production and mining capacity;
- development and implementation of key projects.

A separate scope of work planned for 2021 results from the inclusion of infrastructure expansion projects (terminals to transfer gas to the Russian party) in the inter-asset interaction and integrated production planning system, as well as from development of a plan for gas supply to the new gas transfer terminals, taking into account gas supplies to the LNG plant.

One of the priority areas for the development of Sakhalin Energy in 2021 and subsequent years will be the implementation of the digital strategy (digital transformation) which includes:

- aligning the digital strategy with the growth strategy, smooth-running operations, and effective corporate governance;
- establishing solid processes for digital culture and knowledge growth in the company;
- aligning company’s strategies, in particular business divisions, digital, information management, information technology and security strategies;
- establishing the processes of screening, selection, planning, and further implementation of opportunities coming from digital technologies;
- establishing robust cybersecurity protection adequate for new digital era;
- utilising the experience gained in 2020 in arranging for remote work to introduce and improve new and efficient forms of the company’s activities.

To ensure the company’s leading position on the hydrocarbons market, the strategy includes the following objectives:

- maintain the existing portfolio of LNG and Sakhalin Blend oil buyers, seek opportunities to increase competitive advantages and expand the customer portfolio;
- increase the company’s revenues through the sale of oil and LNG at the best prices;
- seize the opportunity to enter the market and be the first Russian oil and gas company to ship carbon-neutral LNG using third-party carbon credits; develop a standard offer for the carbon-neutral LNG supply with a positive economic effect;
- ensure the necessary conditions to provide customers with safe, environmentally friendly, reliable, and cost-effective LNG and oil transportation services;
- ensure the transportation capabilities to support marketing;

- explore and develop growth opportunities in monetising Sakhalin hydrocarbon resources via Sakhalin Energy.

Sakhalin Energy plans to focus more on ethics issues and compliance with legal norms and requirements in terms of business integrity. In this area, the company pursues the following strategic objectives:

- develop and improve the corporate culture by introducing a business ethics and compliance programme into the business strategy;
- enhance the company’s ethics and compliance culture in a way similar to the company’s safety culture;
- have members of the Committee of Executive Directors and managers focused on promotion and enhancement of the organisational culture, values, and models of conduct by their taking responsibility for ethics and compliance indicators.

In 2021, key performance indicators in this area (progress towards SDG 16) include introduction of the ethics and compliance roadmap, update of target specialised face-to-face training programmes (with a 99% training completion rate), as well as development of a compliance monitoring programme for contractors.

As part of the HR management strategy implementation, in 2021 and subsequent years, Sakhalin Energy will continue to:

- recruit and develop highly qualified specialists;
- create priority opportunities for the comprehensive development of the potential of local personnel including through cooperation with the higher and secondary vocational education institutions of Sakhalin Oblast;
- meet the company’s manpower needs in key roles with a focus on the internal skill pool as well as shareholders’ resources and external candidates;
- implement the succession plan by investing in professional training and development of Russian personnel capable of taking technical authority and managerial roles;

- deliver an attractive and competitive employee value proposition (EVP);
- introduce digital HR technologies and deliver cost-effective HR processes based on continuous improvement in the face of the new reality;
- maintain our unique corporate culture and strengthen our image as an employer of choice.

In 2021, key performance indicators in this area (progress towards SDGs 4 and 8) include reaching the workforce targets (filling at least 95% of key positions), filling of existing vacancies with internal candidates (within a succession planning scope of at least 87%), and achieving the planned indicator of personnel engagement (at least 80%).

Stakeholder engagement remains a critical component of Sakhalin Energy’s successful operations and corporate social responsibility (CSR). The key elements of the strategy are as follows:

- apply a systematic and structured approach to open, regular, and constructive engagement with stakeholders in relation to Sakhalin-2 activities and growth projects;
- maintain the company’s good reputation with its employees;
- maintain effective communication across company functions, particularly in the face of the new reality;
- use digital technologies and solutions to manage the company’s reputation;
- make sure the company complies with the established Russian and international standards governing corporate social responsibility and sustainable development.

The plans for engaging the public for 2021 have been included in the Public Consultation and Disclosure Plan (see the company’s website www.sakhalinenergy.com).

In 2021, key performance indicators in this area (progress towards SDGs 8 and 16) include ensuring satisfaction of public meeting participants (at a level of at least 75% of the total number of meeting partic-



ipants who filled in the questionnaires), and resolving grievances within the established time frame (at least 90% of the total number of resolved grievances).

In its social investment and sustainable development programmes, in 2021 and subsequent years, Sakhalin Energy will continue to give priority to partnerships with external stakeholders and to long-term social programmes. The company’s objectives in social investments include:

- developing new strategies aimed at supporting the development and growth of the company and increasing the effectiveness of its contribution to solving regional problems, as well as reaching the UN Sustainable Development Goals, implementing Russian National Projects, and applying the Guiding Principles on Business and Human Rights;
- identifying and supporting new partnership initiatives and developing existing partnerships;

- maintaining a dialogue with stakeholders aimed at the creation of a sustainable social basis for the company’s initiatives;
- improving social programmes efficiency by:
 - involving stakeholders in the development and implementation of external social programmes;
 - expanding collaboration with state authorities, business partners, expert and public organisations when implementing social projects;
 - replicating effective models of social programmes in the region and at the federal level;
 - managing knowledge in the field of corporate social responsibility (CSR), developing the advanced training system to improve skills of employees engaged in social investment programmes;
 - ensuring high-level information transparency.

In 2021, key performance indicators in this area (progress towards SDGs 3, 4, 9, 11, 16, 17, and others) include development and implementation of social investment strategies and engagement of employees in various charitable and volunteer activities, initiatives, and projects (at least 30% of employees).

Sakhalin Energy will continue to conduct its business in compliance with the adopted General Business

Principles, Code of Conduct, Sustainable Development Policy, and corporate social responsibility standards. Sakhalin Energy will make every effort to further improve its work and conduct its business on the basis of efficient, reliable, and safe production, digital transformation, and a responsible attitude towards social and environmental issues, thereby contributing to the implementation of the UN Sustainable Development Goals and National Projects.

VISION AND MISSION

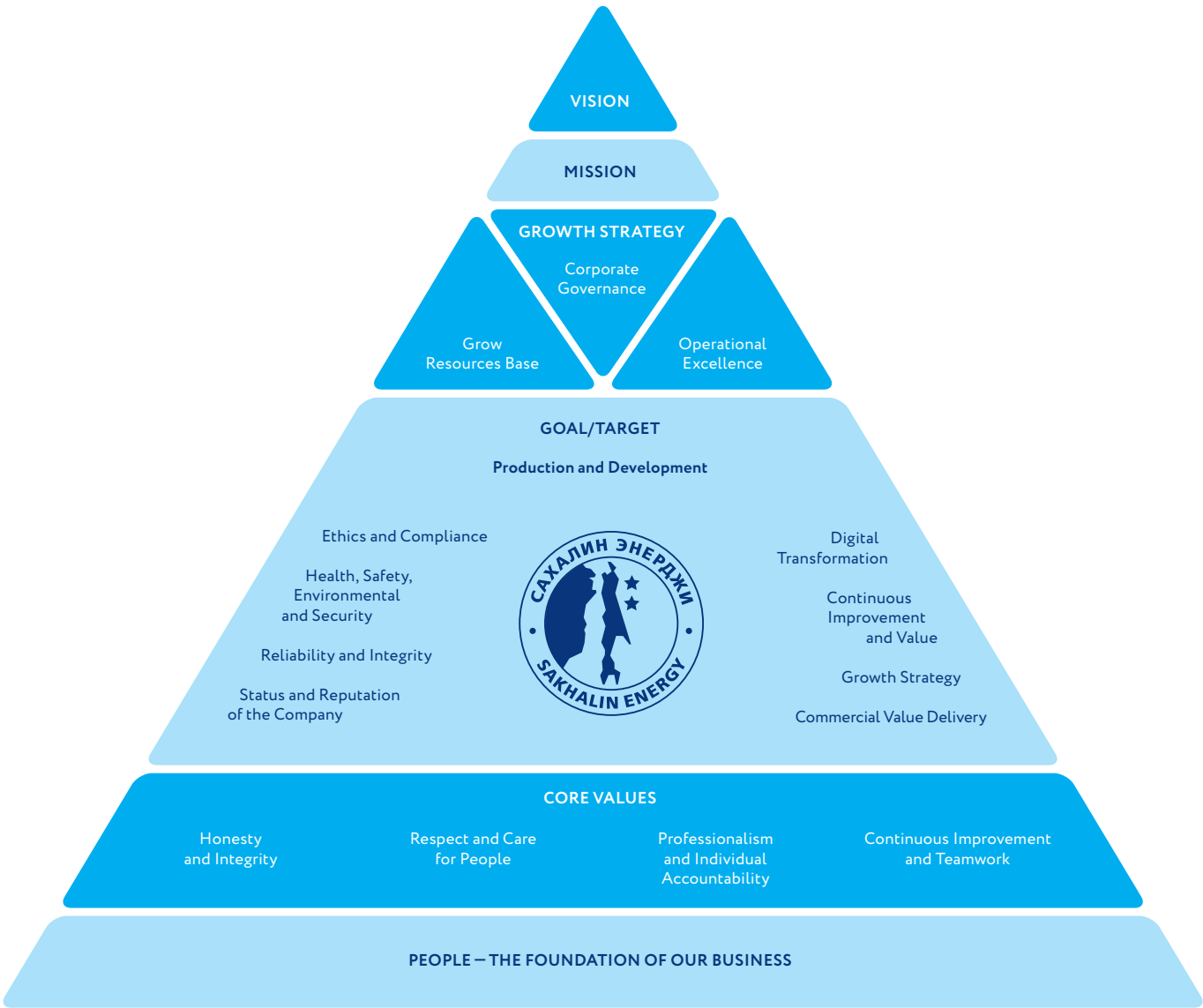
Our people, whilst living our core values and delivering our targets, drive the company strategy to achieve our mission and vision.

VISION

TO BE THE PREMIER ENERGY SOURCE FOR ASIA-PACIFIC.

MISSION

SAKHALIN ENERGY IS COMMITTED TO BEING A PREMIER ENERGY SUPPLIER IN THE GLOBAL MARKET. WE CONDUCT OUR BUSINESS IN AN ETHICALLY, SOCIALLY, AND ENVIRONMENTALLY RESPONSIBLE MANNER.



11

APPENDIX



APPENDIX 1

GRI Standards Compliance Table

For explanation of the material topics and their boundaries, see Section 2. Defining Material and Priority Topics to Be Included in the Report.

General Standard Disclosures

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
1. ORGANISATIONAL PROFILE				
102-1	Name of the organisation	About the Company	50	
102-2	Primary brands, products, and services	About the Company	64-70	
102-3	Location of organisation’s headquarters	http://www.sakhalinenergy.ru/ru/contactus.asp		
102-4	Number of countries where the organisation operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the Report.	About the Company	50 64-70	
102-5	Nature of ownership and legal form	Corporate Governance	87-88	
102-6	Markets where the organisation operates	About the Company	64-70	
102-7	Scale of the organisation	About the Company Economic Impact Management Personnel: Management and Development	50-51 128-129 179	
102-8	Total number of employees by employment type, gender, employment contract and region	General Information	128	8
102-9	Organisation’s supply chain	Supply Chain Management	138-139	8 12
102-10	Significant changes during the reporting period regarding the organisation’s size, structure, ownership, or its supply chain	No significant changes in 2020		
102-11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Sakhalin Energy’s CSR System Sustainable Development Policy Risk Management System Impact Assessment	29-30 33 92-93 45-46	3 6-8 11-16

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
102-12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	Performance Standards	31-32	3 6-8 11-16
102-13	Memberships of associations (such as industry associations) and national or international advocacy organisations	Performance Standards International and Regional Cooperation In November 2009, the company joined the UN Global Compact. In 2020, the company is a member of: Global Compact LEAD; International Business Congress (IBC); Russian Union of Industrialists and Entrepreneurs (RUIE); Donors Forum; Association of Managers; Association of organisations performing engineering surveys in the gas and oil industry Engineer-Surveyor; Self-regulatory organisation Interregional Association of Builders; Self-regulatory organisation Association of organisations performing design work in the gas and oil industry Design Engineer; Society of Petroleum Engineers SPE	31-32 122-125	
2. STRATEGY				
102-14	Statement from the most senior decision-maker of the organisation	Message from the Chairman of the Committee of Executive Directors and the Chief Executive Officer	7-9	
102-15	Description of key impacts, risks, and opportunities	Message from the Chairman of the Committee of Executive Directors and the Chief Executive Officer Risk Management System HSE and Social Performance Management Economic Impact Management Environmental Impact Management Social Impact Management 2021 Plans and Development Strategy up to 2025	7-9 92-95 42-47 128-131 142-173 176-247 250-255	1-16
3. ETHICS AND INTEGRITY				
102-16	Organisation’s values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Corporate Social Responsibility and Sustainable Development Corporate Governance	28-36 93-101	16
102-17	Internal and external mechanisms for advice and concerns about ethics and matters related to lack of integrity in the organisation	Corporate Governance System and Structure Corporate Culture Stakeholder Engagement Management Human Rights		16

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
4. GOVERNANCE				
102-18	Governance structure of the organisation, including committees of the highest governance body	Corporate Governance Model	87-91	
102-20	Executive-level position or positions with responsibility for economic, environmental and social topics	Corporate Governance Model	87-91	
102-21	Consulting stakeholders on economic, environmental, and social topics	Impact Assessment Sakhalin Energy's CSR System Stakeholder Engagement Management	45-46 30 106-25	16
		Use the link specified in Appendix 4. Public Consultation and Disclosure Report in 2020		
102-22	Composition of the highest governance body and its committees	Corporate Governance Model	87-90	5 16
102-23	Whether the Chair of the highest governance body is also an executive officer	The chairperson of the highest governance body is not an executive officer		16
102-26	Highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	Corporate Social Responsibility and Sustainable Development Corporate Governance	28-30 84-87	
102-30	Highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics	Risk Management System	92-93	
102-32	Highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material aspects are covered	About the Report	13-14	
5. STAKEHOLDER ENGAGEMENT				
102-40	List of stakeholder groups engaged	About the Report Stakeholder Engagement Management	18 106	12 16
102-42	Basis for identification and selection of stakeholders with whom to engage	Stakeholder Engagement Management	106-107	12 16

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
102-43	Organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the Report preparation process	About the Report Stakeholder Engagement Management	12-18 106-107	12 16
102-44	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. Stakeholder groups that raised each of the key topics and concerns	About the Report Stakeholder Engagement Management Grievance Handling in 2020 Appendix 2 Use the link specified in Appendix 4. Public Consultation and Disclosure Report in 2020	16-24 106-121 228-229	12 16
6. REPORTING PRACTICE				
102-45	Entities included in the organisation's consolidated financial statements or equivalent documents	About the Report Economic Impact Management	25 128	12 16
102-46	Process for defining the Report content and the Aspect Boundaries. Reporting Principles for Defining Report Content	About the Report	17-24	12 16
102-47	List of all the material Aspects identified in the process for defining the Report content	About the Report	20-24	12 16
103-1	Material topic and its boundary	About the Report	23-25	12 16
102-48	Restatements of information provided in previous reports, and the reasons for such restatements	No restatements of information		12 16
102-49	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	No significant changes in the scope and aspect boundaries		12 16
102-50	Reporting period (such as fiscal or calendar year) for information provided	2020		12 16
102-51	Date of most recent previous report (if any)	April 2020		12 16
102-52	Reporting cycle (such as annual, biennial)	About the Report Annual	12	12 16
102-53	Contact point for questions regarding the Report or its contents	Appendices 5–6	288-289	12 16

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
102-54	Claims of reporting in accordance with the GRI Standards	About the Report	15	12 16
102-55	GRI Content Index. Reference to the External Assurance Report	This Appendix Appendices 7-8	258-270 293-297	12 16
102-56	Organisation's policy and current practice with regard to seeking external assurance for the Report	About the Report	25	12 16

Specific Standard Disclosures

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
CATEGORY: ECONOMIC				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	About the Company Economic Impact Management Remuneration and Bonus System Grievance Handling in 2020 Social Investment and Sustainable Development: Sakhalin Energy's Principles and Approaches	50 128-139 191-192 228-229 231-231	1 16
GRI 201: Economic Performance (2016)				
201-1	Direct economic value generated and distributed	About the Company Economic Impact Management Remuneration and Bonus System	50 128-131 191-192	2 5 8 9 13
201-3	Coverage of the organisation's defined benefit plan obligations and other retirement plans	Social Guarantees, Benefits and Compensations	192-194	
201-4	Financial assistance received from government	The company received no financial assistance from the government in 2020		
GRI 202: Market Presence (2016)				
202-1	Ratio of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Remuneration and Bonus System	192	1 5 8

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
202-2	Proportion of senior management hired from the local community at significant locations of operation	General Information Recruiting Personnel and Onboarding New Employees	180-181 190	8
GRI 203: Indirect Economic Impacts (2016)				
203-1	Development and impact of infrastructure investments and services supported	Importance of the Sakhalin-2 Project for the Russian Federation and the Sakhalin Oblast Social Investments and Contributions to Sustainable Development of the Host Region Natural Gas	128 231 70	2 5 7 9 11
203-2	Significant indirect economic impacts, including the extent of impacts	Economic Impact Management Natural Gas	128 70	1 2 3 8 10 17
GRI 204: Procurement Practices (2016)				
204-1	Proportion of spending on local suppliers at significant locations of operation	Russian Content	131-132	8
GRI 205: Anti-Corruption (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Anti-Bribery and Corruption	100-101	16
205-2	Communication and training on anti-corruption policies and procedures	Anti-Bribery and Corruption	100-101	16
205-3	Confirmed incidents of corruption and actions taken	No cases of corruption were registered in 2020		16
CATEGORY: ENVIRONMENTAL				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	HSE and Social Performance Management System Environmental Impact Management Grievance Handling in 2020 Environmental Protection Costs and Payments for the Negative Impact	42-45 142-173 228-229 155-156	12 13 14 15 16
GRI 302: Energy (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Energy Production and Consumption Green LNG Strategy	149-150 153-154	7 8 12 13

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
302-1	Energy consumption within the organisation	Energy Production and Consumption	149-150	7 8 12 13
302-3	Energy intensity	Energy Production and Consumption	149-150	7 8 12 13
GRI 303: Water and Effluents (2018)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Impact on Water Bodies Environmental Protection Costs and Payments for the Negative Impact	145-146 155-156	6
303-2	Management of water discharge-related impacts	General Information Impact on Water Bodies	143	6
303-3	Total water withdrawal by source	Impact on Water Bodies	145-146	6
303-4	Total water discharge by quality and destination	Impact on Water Bodies	145-146	6
GRI 304: Biodiversity (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Environmental Monitoring and Biodiversity Conservation Environmental Protection Costs and Payments for the Negative Impact	157-168 155-156	6 14 15
304-1	Operational sites on, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environmental Monitoring and Biodiversity Conservation	157-168	6 14 15
304-2	Significant impacts of activities, products, and services on biodiversity on protected areas and areas of high biodiversity value	Environmental Monitoring and Biodiversity Conservation There are no significant impacts of activities, products or services on biodiversity	157-168	6 14 15
304-4	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations	Environmental Monitoring and Biodiversity Conservation	157-168	6 14 15
GRI 305: Emissions (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Greenhouse Gas and Ozone-Depleting Substance Emissions Environmental Protection Costs and Payments for the Negative Impact	151-153 155-156 153-154	12 14 15
305-1	Direct greenhouse gas (GHG) emissions	Greenhouse Gas and Ozone-Depleting Substance Emissions	151-153	3 12 13 14 15

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
305-2	Energy indirect greenhouse gas (GHG) emissions	Greenhouse Gas and Ozone-Depleting Substance Emissions	151-153	3 12 13 14 15
305-6	Emissions of ozone-depleting substances (ODS)	Greenhouse Gas and Ozone-Depleting Substance Emissions	151-153	3 12
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	Impact on Atmospheric Air	143-144	3 12 14 15
GRI 306: Effluents and Waste (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Impact on Water Bodies Waste Management Oil Spill Prevention and Response Preparedness Environmental Protection Costs and Payments for the Negative Impact	145-146 147-148 170-171 155-156	12 14 15
306-2	Total weight of waste by type and disposal method	Waste Management	147-148	3 6 12
306-3	Total number and volume of significant spills	Oil Spill Prevention and Response Preparedness	170-171	3 6 12 14 15
GRI 307: Environmental Compliance (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	HSE and Social Performance Management System Environmental Impact Management Grievance Handling in 2020 Environmental Protection Costs and Payments for the Negative Impact	41-47 142-173 228-229 155-156	12 14 15
307-1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Environmental Protection Costs and Payments for the Negative Impact	155-156	16
GRI 308: Supplier Environmental Assessment (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Supply Chain Management	138-139	12
308-1	Supplier Environmental Assessment	100%		12

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
CATEGORY: SOCIAL				
GRI 401: Employment (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Approaches to HR Management and HR Policy Grievance Handling in 2020	177-179 228-229	
401-1	New employee hires and employee turnover by age group, gender, and region	General Information Recruiting Personnel and Onboarding New Employees	182 190	5 8
401-3	Return to work and retention rates after parental leave, by gender	General Information	181	5 8 10
GRI 402: Labour/Management Relations (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Engagement with Personnel Approaches to HR Management and HR Policy Grievance Handling in 2020	110-111 177-179 228-229	
402-1	Minimum notice periods regarding operational changes	In accordance with the effective Labour Code of the Russian Federation, federal laws, and other regulatory legal acts containing norms of labour law, agreements and employment contracts		8
GRI 403: Occupational Health and Safety (2018)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Labour, Assets Safety and Protection Occupational Health Grievance Handling in 2020	211-220 221-224 228-229	
403-1	Occupational health and safety management system	Labour, Assets Safety and Protection Occupational Health	211-220 221-224	3 8
403-2	Hazard identification, risk assessment, and incident investigation	Risk Management System HSE and Social Performance Management System General Information	92-95 42-46 211-213	3 8
403-3	Occupational health services	Occupational Health	221-224	3 8
403-5	Worker training on occupational health and safety	Personnel Training Labour, Assets Safety and Protection Occupational Health	200-201 211-220 221-224	3 8
403-6	Promotion of worker health	Occupational Health	221-224	3 8

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	HSE and Social Performance Management System Labour, Assets Safety and Protection Occupational Health	42-46 211-220 221-224	3 8
403-9	Work-related injuries	Labour, Assets Safety and Protection	213	3 8
403-10	Work-related ill health	Occupational Health	222	3 8
GRI 404: Training and Education (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Personnel Training and Development Grievance Handling in 2020	196-210 228-229	
404-1	Average hours of training per year per employee by gender, and by employee category	Personnel Training	199-200	4 5 8 10
404-2	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Personnel Training and Development	196-210	8
404-3	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Individual Performance Review	195-196	5 8 10
GRI 405: Diversity and Equal Opportunity (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Approaches to HR Management and HR Policy Grievance Handling in 2020	177-179 228-229	
405-1	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	General Information	180-181	5 8
405-2	Ratio of basic salary and remuneration of women to men by employee category	Basic salaries of men and women of all personnel categories do not differ		5 8 10
GRI 406: Non-Discrimination (2016)				
406-1	Total number of incidents of discrimination and corrective actions taken	No cases of discrimination on any grounds were registered in 2020		5 8 16
GRI 407: Freedom Of Association And Collective Bargaining (2016)				

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
407-1	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	No operations in which the right to exercise freedom of association and collective bargaining may be at significant risk		8
GRI 408: Child Labour (2016)				
408-1	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	No operations risk of involving child labour		8 16
GRI 409: Forced Or Compulsory Labour (2016)				
409-1	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	No operations risk of involving forced or compulsory labour		8
GRI 410: Security Practices (2016)				
410-1	Percentage of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations	100%		16
GRI 411: Rights Of Indigenous Peoples (2016)				
411-1	Total number of incidents of violations involving rights of indigenous peoples and actions taken	No registered cases of violation of rights of Indigenous Peoples in 2019		2
GRI 412: Human Rights Assessment (2016)				
412-2	Employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Human Rights Training	229	
GRI 413: Local Communities (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Corporate Social Responsibility and Sustainable Development Engagement Strategy, Principles, Mechanisms and Tools Social Investment and Sustainable Development: Sakhalin Energy's Principles and Approaches Grievance Handling in 2020	28-29 106-107 231-233 228-229	

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
413-1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Impact Assessment Engagement Strategy, Principles, Mechanisms and Tools Social Investment and Contribution to the Sustainable Development of the Host Region 100%	45-46 106-107 231-247	
413-2	Operations with significant actual and potential negative impacts on local communities	Impact Assessment In 2020, the company did not carry out operations with significant actual or potential negative impacts on local communities	45-46	1 2
GRI 415: Public Policy (2016)				
415-1	Total value of political contributions by country and recipient/beneficiary	As per the company's Code of Conduct, Sakhalin Energy does not support any political parties, organisations, or their representatives financially and does not participate in political activities		16
GRI 416: Customer Health And Safety (2016)				
416-2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	No incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services in 2020		16
GRI 417: Marketing And Labelling (2016)				
417-2	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	No incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling in 2020		16

Sector Disclosures (in Addition to General and Specific Standard Disclosures)

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
CATEGORY: ENVIRONMENTAL				
OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored	Environmental Monitoring and Biodiversity Conservation	157-168	6 14 15
OG5	Volume and disposal of formation or produced water	Impact on Water Bodies	157-168	3 6 8 12 14
OG6	Volume of flared and vented hydrocarbon	Impact on Atmospheric Air Greenhouse Gas and Ozone-Depleting Substance Emissions Utilisation of Associated Gas in Production	143-144 151-153 154	3 7 8 12 13 14
OG7	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal	Waste Management	147-148	3 6 12
CATEGORY: SOCIAL				
OG9	Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place	Engagement with the Sakhalin Indigenous Minorities Sakhalin Indigenous Minorities Development Plan www.simdp.ru	115-117	1 2
OG10	Number and description of significant disputes with local communities and indigenous peoples	In 2020, there were no significant disputes with local communities and indigenous minorities		1 2
OG12	Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process	In 2020, there was no activity due to which involuntary resettlement took place Use the link specified in Appendix 4. Resettlement: Experience of Sakhalin Energy brochure		1 2 11

APPENDIX 2

Comments and Suggestions of Stakeholders on Individual Aspects, Indicators and/or Programmes and the Company’s Response and Commitments

Detailed information on the results of stakeholder engagement activities, including dialogue meetings, questionnaires, etc., carried out as part of the preparation of this Report is set out in Section 2. About the Report.

In addition to identifying material topics, stakeholders have made comments and suggestions on individual aspects, indicators and/or programmes of the company for inclusion in the 2020 Report.

In October 2020, Sakhalin Energy held the first dialogue meeting as part of the 2020 Report preparation. At this meeting, the company provided stakeholders with information on its activities and achievements during the reporting period. In February 2021, a second dialogue meeting was held to provide responses to the comments, suggestions, and questions received during the first meeting. During this meeting, additional comments were received from the participants. In addition to the dialogue meetings in November–December 2020, the company conducted an elec-

tronic survey of internal and external stakeholders (see Section 2.3. Defining Material and Priority Topics to Be Included in the Report).

Stakeholders’ comments and suggestions, as well as the relevant responses and commitments of Sakhalin Energy, are listed in the table below.

On the left side of the table are the questions, comments or suggestions that were voiced during the above-mentioned events. If they were expressed at the dialogue meetings, the participant’s name, position, and organisation are indicated. In other cases, the event format aimed at collecting stakeholders’ opinions (electronic questionnaires, interviewing, etc.) is specified.

The right column contains the responses that the company provided either during the meetings or soon thereafter (in the event that a question required additional time for examination and/or response preparation).

Comment, Question, Critical Remark or Suggestion	Company's Response and/or Commitment
Event: first dialogue meeting	
Alexey Knizhnikov, FES Environmental Policy Officer, World Wildlife Fund (WWF)	
I would like to draw everyone's attention to a topic that may not have been raised in our dialogue before. The latest Sakhalin Oil and Gas conference, which was held in late September, was an impetus for all of us to discuss this topic actively. It concerns the contribution we can make together to the new energy sector, which is becoming a reality all over the world, including Russia. My first question is: What actions is the company taking in the area of LNG? We are all talking about the importance of gasification, but it seems to me that it is Sakhalin Energy that should provide assistance in achieving the new goals set by the Sakhalin Oblast Government for the gasification segment. The second question also concerns the future of the energy sector. We have been discussing with one of the company's shareholders (Shell) the remarkable progress in the area of new energy types and alternative energy demonstrated by Shell at the global level – not only in Europe, but also on other continents. It is clear that one should probably not expect a quick entry into the new energy segment within the framework of the Sakhalin-2 project. Nevertheless, some actions taken in this area, such as the presentation of some estimates or training materials, could be included in your activities in the area of environmental and social responsibility. I believe that it was the year 2020 that brought new opportunities and realities to Russia in this respect. Therefore, we would like you to begin disclosing these topics, one way or another, in your next report, based on the discussions that were held at the conference	Sakhalin Energy contributes to the gasification of the Sakhalin Oblast, using its own resources and infrastructure for this purpose, in particular, the Trans-Sakhalin pipeline. The main gas pipeline crosses the entire island and creates opportunities both for supplying gas to the inhabitants of the region and for using it in other spheres. At the end of 2020, the company ensured the commissioning of a gas distribution station (GDS) built by Gazprom in the Tymovsk District under the Sakhalin Oblast Gas Supply and Gasification Programme. Sakhalin-2 project gas will be supplied from the gas distribution station to the housing and communal services facilities and to residential buildings of the district. Sakhalin Energy intends to continue this work, including by providing gas for small-scale LNG production (see Section 4.2. Main Production Results in 2020, and Section 10. The Company's Plans for 2021. Development Strategy up to 2025). Sakhalin Energy is committed to contributing to global efforts aimed at meeting the challenges related to climate change. In 2020, the company developed the Green LNG strategy designed to reduce its carbon footprint and identify opportunities for production and supply of carbon-neutral products to customers. The strategy includes four main areas: solutions based on natural potential, further improvement of energy efficiency of the Sakhalin-2 project production technologies, commercial activities related to the use of carbon credits, and alternative technologies (see Section 8.2.7. Green LNG Strategy)
Alexey Limanzo, representative of Sakhalin Indigenous Minorities at the Sakhalin Oblast Duma, Chairman of the Communities of Indigenous Minorities of the North, Siberia, and the Far East	
First, I would like to thank Sakhalin Energy for the opportunity to participate in this very important event. The Report describes the successful projects being implemented jointly with the company, and we want to thank you for the long-term cooperation. We look forward to its continuation. This year is the beginning of the next five-year period (of the SIMDP. – Editor's note). Active preparations are under way, discussions are being held with SIM representatives on how we can jointly improve this process. And indeed, we are developing very constructive, positive solutions. Today, the pandemic is the key phenomenon that affects the sustainable development of the territories where Sakhalin Energy, along with other companies, is conducting its operations. Could you please tell me whether any monitoring is being carried out as to how many employees of the company and contractor organisations have actually been infected with the coronavirus, in particular, in the Nogliki District? This is the area with the highest concentration of workers. What is the number of infected people today? How are you cooperating with the local government authorities to prevent the spread of the disease and, at the same time, to ensure the effective use of the resources available in the district to respond to the epidemic, so as to create favourable conditions for the treatment of the local population? This is exceptionally important. Should the district face a major outbreak of the disease, the local population will have difficulty in obtaining medical care	The company closely cooperates with the Rospotrebnadzor Department for the Sakhalin Oblast and the local healthcare institutions at the leadership level, providing all necessary information about the situation at the facilities located in the region in a timely manner, including in the Nogliki District. Sakhalin Energy has taken a number of measures to reduce the load on the Nogliki Central District Hospital and the Nogliki Infectious Disease Observation Hospital. The company has arranged temporary accommodation facilities in the district, as well as an isolation unit, where, along with notification sent to Rospotrebnadzor and the Nogliki Central District Hospital, patients with confirmed COVID-19 cases, patients with symptoms of COVID-19 disease, and people who were in contact with these patients are accommodated, to include cases where they do not need hospitalisation (see Section 9.3. Occupational Health). From March 2020 until the end of 2020, a total of 509 COVID-19 cases were detected among Sakhalin-2 project personnel, in particular: 148 cases among the company's employees; 361 cases among contractor employees. It should be pointed out that less than 5% of all detected COVID-19 cases were admitted to medical institutions for treatment

Comment, Question, Critical Remark or Suggestion	Company's Response and/or Commitment
Ekaterina Koroleva, member of the Public Chamber of the Sakhalin Oblast and Vice-President of Slow Food in Russia NGO	
This year is a kind of anniversary for me: I have had good relationship with Sakhalin Energy for 15 years already. For me, this is a concrete milestone. Over these 15 years, I have participated in dialogue meetings dedicated to your non-financial reports many times. The key words associated with the company are "dialogue", "sustainability", "development". The most important thing that sets it apart from other companies, in my opinion, is its support for public initiatives. You are able to look at things strategically: to figure out how to tackle them and predict the result. I am talking about the interaction between Slow Food in Russia and Sakhalin Energy. We have held two festivals in Moscow, thanks to the financial support of the company. This year, the festival was called Mother Earth. Indigenous Peoples. Fish. It was held in Russia for the first time. Your company was the co-founder of the event. Representatives of the company were also included in the jury of the ethnic food contest. In addition, Sakhalin Energy made an excellent presentation at the conference. Thanks to the support of the company, we also held the Ark of Taste international contest and published the Ark of Taste book, as part of the Mother Earth. Indigenous Peoples. Fish project. The book contains many traditional recipes in which the Russian Federation peoples take pride. It includes the recipe for mos, a traditional Nivkh dish, and this makes me really proud, because I am a representative of this Sakhalin indigenous ethnic group. I am also happy that the Sakhalin bilberry project which I prepared last year was also included in Ark of Taste. These are remarkable examples of engagement with the community and support for public initiatives. I suggest that information about Mother Earth. Indigenous Peoples. Fish festival and Mother Earth. Indigenous Peoples. Wild Plants festival (which was held last year) should be included in the Report. Please add this, because it was our joint initiative aimed at preserving the traditional knowledge of the indigenous ethnic groups of the Russian Federation. Now that we are facing the coronavirus pandemic, the UN is paying particular attention to this aspect: the national cuisine of indigenous ethnic groups helps strengthen the human immune system. I would also like to ask two questions. The first one concerns the SIMDP. Is there any other possible format of engagement with the indigenous community, apart from the SIMDP? I know that, in addition to the SIMDP, the company implements many projects aimed at supporting the traditional culture, the native language of SIM, so my second question is about the company's further plans to support preservation of traditional knowledge. In conclusion, I would like to express my gratitude to the company for the last 15 years of fruitful cooperation. Thank you so much!	The company is grateful for the comment. Preservation of the intangible cultural heritage of the Sakhalin Indigenous Minorities, including traditional knowledge and languages, is an important area of the company's social investment activities. This work is carried out as part of the SIMDP, as well as other projects and activities, and will be continued in 2021 and subsequent years. See also Section 6.5. Engagement with Sakhalin Indigenous Minorities, and Section 9.5. Social Investment and Contribution to Sustainable Development of the Host Region

Comment, Question, Critical Remark or Suggestion	Company's Response and/or Commitment
Natalya Novikova, Senior Researcher of the Department for the North and Siberia at the RAS Miklouho-Maclay Institute of Ethnology and Anthropology	
I also hold the company's social responsibility policy and the implementation of the SIMDP in high esteem. This project is unique for our country, it has been implemented at the international level and has been in place for many years already. Next year, a new stage of the work will begin. In this respect, I have a question to ask and a comment to make. At the 2019 Sakhalin Oil and Gas conference, a special section was devoted to the discussion of engagement with indigenous peoples. One of the issues discussed was the company's contribution to providing employment opportunities for indigenous people residing in the districts where the company conducts its operations. The conference participants expressed different opinions. Over the years, I have often heard Sakhalin Energy representatives say that the company does not consider it necessary to provide special assistance to indigenous peoples in this matter. This year, however, the Federal Law On State Support for Business Activity in the Arctic Zone of the Russian Federation was adopted, which contains an article on social responsibility. Although the company does not conduct its operations in the Arctic, the possibility of extending the standards of successful work to the entire Far East (which is under the jurisdiction of the Ministry for the Development of the Russian Far East and Arctic) is currently under discussion. The standard has passed all stages of discussion, including final vote, and now is awaiting signature. I think your company has received a draft of this standard for review. I would like to draw your attention to the fact that, under this standard, the lion's share of social responsibility was transferred to the area of providing employment opportunities for the indigenous population and organising vocational training and retraining for them. I am sure you are aware of these trends. I would like to know if this will change the company's position on this issue, in the SIMDP that is being developed, and whether any special measures will be taken	Sakhalin Energy respects the human rights of its employees and job applicants, as provided for in the Declaration of the International Labour Organisation, and adheres to the principles of business ethics and corporate culture. Therefore, the company provides equal opportunities for all job applicants and employees in accordance with the well-defined and generally accepted recruitment rules and labour standards, and prevents any discrimination. The priority areas of SIMDP3 included SIM capacity-building and an educational programme for students of universities and secondary vocational education institutions. The development of SIMDP4 is coordinated by a specially appointed Working Group. Decisions regarding the Plan structure, objectives, and components will be made by the indigenous community in accordance with the principle of free, prior, and informed consent. See also Section 6.5. Engagement with Sakhalin Indigenous Minorities, and Section 9.5.7. Sakhalin Indigenous Minorities Development Plan

Comment, Question, Critical Remark or Suggestion	Company's Response and/or Commitment
Marina Ozeryanskaya, Advisor at the Corporate Responsibility, Sustainable Development and Social Entrepreneurship Division, Russian Union of Industrialists and Entrepreneurs (RUIE)	Public non-financial reporting – the Sustainable Development Report – is the main tool used by the company to demonstrate progress towards the implementation of the SDGs. The company has analysed the global SDG indicators to identify and systematise corporate indicators that correspond to each SDG target and global indicator. At the same time, corporate indicators demonstrate the efforts that the company makes to achieve global benchmarks for the corresponding SDG targets. A summary of the analysis results is presented in Section 3.4 of the Sustainable Development Policy, as well as in the Goals and Objectives of Sakhalin Energy with Examples of Areas of Activity, Projects, Programmes or Activities That Correspond to Specific SDGs and Their Targets, as well as the Key Corporate Indicators table including links to the relevant sections of the Report, which contain indicators for periods of at least three years. Section 10. The Company's Plans for 2021. Development Strategy up to 2025, includes target key performance indicators with the relevant SDGs specified
Nadezhda Nikitina, Head of the Production Sharing Agreements Implementation Department, Ministry of Economic Development of the Sakhalin Oblast, Sakhalin Oblast Government	
What steps is the company taking to engage Sakhalin Oblast business organisations and residents in the work under the Sakhalin-2 project?	See Section 9.1.7. Personnel Learning and Development, and Section 7.3. Russian Content
Mikhail Todyshev, Expert in legislation on indigenous minorities' rights	
The implementation of SIMDP3 is nearing completion. A lot of projects have been supported directly within its framework, but did they include any projects for conducting historical research to identify sacred sites of the indigenous peoples of Sakhalin? If such work has not been done yet, it should be included in the next SIMDP	The work to assess Sakhalin Energy's social impact began in 2001 and was carried out not only in accordance with Russian legislation but also in line with international standards (e.g., standards established by the World Bank, International Finance Corporation, and other organisations) which, among other things, regulate the issues of cultural heritage, including sacred sites of indigenous peoples. According to the assessment results, no sacred sites of Sakhalin Indigenous Minorities were identified in the areas of potential impact of the Sakhalin-2 project. Documents that confirm this fact have been published on the Sakhalin Energy's website
Alexander Apasov, Deputy Director for Far Eastern Federal District Development at Samara Electrical Installation Works	
There were plans to build warehouses at the OPF. Will this project be implemented? If so, when does the company plan to implement it?	The company is developing a strategy and an implementation schedule for a project to build additional storage areas for spare parts at the OPFC
When is the start and completion of the construction of the Sakhalin Industrial Park planned for?	See Section 7.3.3. Sakhalin Energy Maintenance and Repair Facility in Sakhalin Industrial Park

Comment, Question, Critical Remark or Suggestion	Company's Response and/or Commitment
Event: second dialogue meeting	
Alexey Knizhnikov, FES Environmental Policy Officer, World Wildlife Fund (WWF)	
Can the company carry out the gasification of Sakhalin not only by means of pipeline gas, but also with gas from small-tonnage LNG production facilities?	On the sidelines of the Sakhalin Oil and Gas Conference in 2020, Gazprom and the Sakhalin Oblast Government signed an agreement on the gasification of the region, according to which gas from the Sakhalin-2 project is planned to be used for this purpose. Sakhalin Energy performs its obligations in full by supplying gas to various facilities under the gasification programme. See Section 4.2.3.3. Natural Gas, and Section 10. The Company's Plans for 2021. Development Strategy up to 2025. Decisions on the further use of gas, including its processing into small-tonnage LNG shipments, are made by the Sakhalin Oblast Government and Gazprom
The company has described long-term solutions related to possible use of alternative energy. Why is the company planning for long-term, rather than immediate solutions?	Long-term planning does not exclude possible use of renewable energy sources by the company in the short term. Sakhalin Energy is already implementing certain pilot projects in alternative energy and considering launching more projects in this area. The road traffic monitoring system which is installed at the zero kilometre of the Nysh–Lunsky Bay motorway is one of such projects. The system is powered by solar panels and a wind turbine. The company intends to assess the feasibility of using similar technologies at its other assets. To make a final decision, however, it is necessary to prepare a comprehensive cost estimate. See Section 8.2.7. Green LNG Strategy
Dinara Gershinkova, Representative of the Sakhalin Oblast Governor	
Please explain the company's position regarding the assessment of climate risks	Climate risks are considered from two points of view: direct physical impact factors associated with climate change and socio-economic factors, or so-called risks of the transition period. All production facilities of the company were designed and built so as to withstand extreme natural and climatic phenomena, such as storms, ice and snow loads or earthquakes. At present, there is no need to develop any additional technical modifications to counteract the effects of climate change in the form of realised risks of potential impact of physical factors during the period of the Sakhalin-2 project implementation. Nevertheless, the company keeps such factors under control, for instance, by monitoring pipeline river crossovers and carrying out repair and restoration activities, if necessary. The accounting and monitoring system used by the company confirms a high efficiency of energy resource utilisation and low specific indicators of greenhouse gas emissions, as compared to industry indicators. The company tracks international initiatives in greenhouse gas management, as well as relevant changes in the legislation of the Russian Federation. In the event that any new regulatory mechanisms are introduced in this area, the company will be ready to study this issue further, in order to assess not only the impact of realisation of socio-political and economic risks but also the effects of the use of alternative technologies and energy sources. See also Section 8.2.7. Green LNG Strategy

Comment, Question, Critical Remark or Suggestion	Company's Response and/or Commitment
Ekaterina Koroleva, a member of the Public Chamber of the Sakhalin Oblast and Vice-President of Slow Food in Russia NGO	
	The company's key programme for engagement with the indigenous community is the Sakhalin Indigenous Minority Development Plan. This programme has already proven its effectiveness, and the programme partners intend to continue improving it. Following consultations, it was proposed that the new SIMDP should focus on the creation of sustainable, relevant, socially significant SIM projects with a long-term positive effect, focus on the development of local communities, while taking into account the necessity for their adaptation to the new conditions and requirements, and the introduction of online/remote work, as well as on providing assistance in conducting training events for the use of digitalisation tools in the work under the SIMDP. After the second round of consultations, during which various proposals will be discussed with the SIM community, the Working Group will take into account the new suggestions aimed at further improvement of the SIMDP (see Section 9.5.7. Sakhalin Indigenous Minorities Development Plan).
What new activities is the company planning in the area of engagement with the indigenous community in terms of the continuous improvement strategy?	In addition to this programme, the company implements other initiatives focused on the preservation of the intangible cultural heritage of the indigenous peoples of the North, not only in Russia, but also abroad. Sakhalin Energy has received the status of National Project Partner for its contribution to the implementation of the goals and objectives of Ecology, Culture, Demography, and Education national projects. The Culture national project is aimed, in particular, at strengthening the cultural identity of the society, based on the cultural values of the peoples of Russia. Sakhalin Energy will continue its efforts to preserve the culture and languages of the indigenous minorities of the North, in line with the national project. In 2020, Development of the Linguistic Heritage of Sakhalin Indigenous Minorities, the company's programme, was recognised as one of the best projects aimed at the promotion of culture and art in Russia. The UN General Assembly has declared the years of 2022–2032 as the International Decade of Indigenous Languages. Sakhalin Energy is planning a number of events involving indigenous peoples and stakeholders to effectively support, revitalise, and develop indigenous languages

Comment, Question, Critical Remark or Suggestion	Company's Response and/or Commitment
Maria Ganchenkova, Acting Rector of Sakhalin State University	
Does the company have a plan for the implementation of climate projects?	Being an environmentally responsible company, Sakhalin Energy strives to comply with all Russian and international regulations and standards, as well as to constantly seek further effective solutions. It should be stressed that natural gas – the most environmentally friendly type of fuel – accounts for 95% of energy resources used by the company. For ten years, the company has been implementing measures aimed at reducing energy consumption, greenhouse gas emissions, and pollutant discharges. The company has been implementing modern organisational and technical solutions to ensure trouble-free operation of equipment, to optimise and automate technological processes. Based on global benchmarking indicators, Sakhalin Energy ranks among the world's best companies in terms of the GHG emission index (the index is calculated taking into account the ratio of the amount of greenhouse gas emissions to the amount of products produced). The company is ready to cooperate with the Sakhalin Oblast Government in the implementation of a climate programme and an experiment to regulate GHG emissions and absorption. In 2020, the company developed the Green LNG strategy designed to reduce its carbon footprint and identify opportunities for production and supply of carbon-neutral products to customers. The strategy includes four main areas: solutions based on natural potential, further improvement of energy efficiency of the Sakhalin-2 project production technologies, commercial activities related to the use of carbon credits, and alternative technologies. See Section 8.2.2. Impact on Atmospheric Air, Section 8.2.5. Energy Production and Consumption, Section 8.2.6. Greenhouse Gas and Ozone-Depleting Substances Emissions, and Section 8.2.7. Green LNG Strategy

Comment, Question, Critical Remark or Suggestion	Company's Response and/or Commitment
Yuri Blagov, Director of the PWC Centre for Corporate Social Responsibility at St. Petersburg University Graduate School of Management	Since its inception, Sakhalin Energy has pursued the Sustainable Development Policy by incorporating the relevant principles into the company's business strategies, plans, and processes. Many years of experience in its application show that continuous improvement in this area is not only important but absolutely necessary for the company's sustainable growth and solid business reputation. The current situation in the world caused by the COVID-19 pandemic is vivid proof of this. In particular, there have been significant changes in the criteria for business success – focus only on achieving production and financial targets is no longer sufficient for a modern company to be successful. The benefits that a business company brings to mankind and the protection of the environment are becoming equally important. Therefore, Sakhalin Energy has committed itself to contributing to the achievement of the UN Sustainable Development Goals, which are enshrined in the company's Sustainable Development Policy (see Section 3.4. Sustainable Development Policy) and supports their integration into its daily activities. Constant improvement in the application of CSR and sustainability standards is of particular importance today (see Section 3.3. Performance Standards). For example, in 2010, Sakhalin Energy started the practice of conducting regular self-assessments of its application of ISO 26000:2010 Guidance on Social Responsibility. Such self-assessments allow the company to determine the extent to which the principles and topics of the standard are adhered to in its policies and procedures, as well as the extent to which the company actually follows them. In addition, self-assessments make it possible to plan the activities that contribute to the improvement of the company's performance in the area of corporate social responsibility and sustainable development
Electronic survey	
Participation of employees in the life of local communities (corporate volunteering)	See Section 9.5. Social Investment and Contribution to the Sustainable Development of the Host Region
Establishing effective engagement between various units of the company	See Section 6. Stakeholder Engagement Management
The structure of the company's income and expenses	See Section 7.1. Sakhalin-2 Project Importance for the Russian Federation and the Sakhalin Oblast
Participation of local residents in the personnel pool	See Section 9.1.3. Recruiting, Hiring and Onboarding New Employees, and Section 9.1.7. Personnel Learning and Development
Support for indigenous peoples	See Section 6.5. Engagement with Sakhalin Indigenous Minorities, and Section 9.5. Social Investment and Contribution to Sustainable Development of the Host Region
Local Communities Engagement Through the Company's Information Centres	See Section 6.4. Engagement with Local Communities Through the Company's Information Centres

Comment, Question, Critical Remark or Suggestion	Company's Response and/or Commitment
COVID-19 response actions	See Section 4. About the Company, Section 6. Stakeholder Engagement Management, and Section 9. Social Impact Management
Work with young specialists (mentoring)	See Section 9.1.7. Personnel Learning and Development
Unification of approaches to similar processes carried out in various units of the company	See Section 4.3.1. Digital Transformation
Onshore processing facility	See Section 4.2.1. Assets
Organisation and staffing	See Section 5.3. Corporate Governance Model, and Section 9.1.2. General Information
Company plans, including LNG Train 3	See Section 4.2.2. Growth Projects
Mental health of personnel	See Section 9.3. Occupational Health
Recommendations of the RUIE Council for Non-Financial Reporting Following the Review of the Sakhalin Energy Investment Company Ltd. 2019 Sustainable Development Report for the Purpose of Public Endorsement	
The Report contains information on the company's plans and objectives for 2020 and its development strategy up to 2024. It is recommended that the subsequent report includes clear target indicators for the coming year and the mid-term, describes specific achievements that reflect the goals set, to paint a fuller picture of the correspondence of the plans, targets, and results	See Section 10. The Company's Plans for 2021. Development Strategy up to 2025
The information on the company's performance of its obligations to contribute to the achievement of the UN SDGs for 2030 appears relevant and important for the stakeholders. However, we would advise the company to expand the coverage of this topic in future reports, use specific quantifiable indicators to reflect the goal achievement metrics adopted in the company, and highlight them in the relevant sections of the Report	See Section 3.4. Sustainable Development Policy, and Section 10. The Company's Plans for 2021. Development Strategy up to 2025
The Report contains plenty of indicators reflecting the economic, social, and environmental performance of the company, many of which are presented for periods of not less than three years. It seems advisable to apply this approach, in the future, to all aspects and results of the company's activities, in particular, to covering the results of long-term social programmes and projects in the area of sustainable development, the indicators of the impact of social investments on the territory of Sakhalin Energy's operation (improvement of the labour force quality, more work opportunities, rise in the island residents' living standards and income, development of transport and social infrastructures, etc.)	See Section 9. Social Impact Management, and Section 10. The Company's Plans for 2021. Development Strategy up to 2025

Comment, Question, Critical Remark or Suggestion	Company's Response and/or Commitment
According to the document, in this reporting year, Sakhalin Energy conducted the latest in a series of self-evaluation cycles to assess the application of the ISO 26000:2010 Standard of Social Responsibility. This information appears to be useful to the company stakeholders and deserves more detailed coverage. It is advisable that the next Report include information about the main deliverables of completed work, its importance for the company, and the management decisions made on the basis of the results obtained. This information serves as additional proof of the company's responsibility and its commitment to the principles of sustainable development	See Section 3.3. Performance Standards
It is reported that Sakhalin Energy is developing a unified digital strategy, seeing digitalisation as a form of strategic management and a way to create new business opportunities. This topic should be covered more extensively in the future; more attention should be paid to the role of innovations in the implementation of the company's strategy and to individual significant projects in this area. It would be useful to describe the economic benefits of innovations, energy saving efforts, and digital transformation	See Section 4.3. Innovation and Continuous Improvement
We advise the company to consider supplementing the Report sections with feedback from representatives of stakeholder groups on the social, economic, and environmental impact of the reported information on the development of the Sakhalin Island, to enhance its positive perception by stakeholders	See this appendix and Section 9.1.7. Personnel Learning and Development

APPENDIX 3

List of Participants in the Dialogues with Stakeholders as Part of Preparation of the 2020 Sustainable Development Report

UN Global Compact Network Russia, L. E. Ovchinnikova, Sustainable Development Expert.	Korsakov Partnership Council for Sustainable Development.
Russian Managers Association, V. Yu. Kovalev, First Deputy Executive Director.	Sakhalin Oblast Ministry of Education, Yu. M. Domra, Specialist.
World Wildlife Fund (WWF), A. Yu. Knizhnikov, Fuel and Energy Complex Environmental Policy Programme Manager.	Sakhalin Oblast Ministry for Effective Governance of the Region, O. E. Popov, Minister for Effective Governance of the Region.
Chekhov Sakhalin International Theatre Centre, K. Dedukhina-Sadruk, Head of the Literature and Drama Department.	Yuzhno-Sakhalinsk City Urban District, A. V. Romanov, Head of Yuzhno-Sakhalinsk Environmental Protection and Landscaping Directorate Municipal Institution.
Sakhalin Regional Art Museum, S. N. Sangi, Senior Researcher of the Regional Art Project Department, member of the Regional Council of Authorised SIM Representatives.	Yuzhno-Sakhalinsk City District Municipality, I. L. Vovk, Deputy Director of the Economic Development Department.
Preodoleniye Rehabilitation Centre for Children and Adolescents with Disabilities, N. V. Komisarov, IT Specialist.	Yuzhno-Sakhalinsk City District Municipality, N. E. Samarina, Deputy Head of the Yuzhno-Sakhalinsk Environmental Protection and Landscaping Directorate Municipal Institution.
Far Eastern Interregional Directorate of Rosprirodnadzor for the Sakhalin Oblast, Yu. S. Kolmakova, Specialist-Expert of the State Supervision Department for the Sakhalin Oblast.	Yuzhno-Sakhalinsk City District Municipality, P. I. Pavlenko, Director of the Economic Development Department.
RAS Miklouho-Maclay Institute of Ethnology and Anthropology, L. I. Missonova, Curator of the Peoples and Cultures multi-volume ethnological series.	Dolinsk City District Municipality, A. F. Yakuba, Deputy Mayor.
RAS Miklouho-Maclay Institute of Ethnology and Anthropology, N. I. Novikova, Lead Researcher of the North and Siberia Department.	Nogliki City District Municipality, A. S. Fomina, Administration Office Manager.
Regional state institution Apparatus of the Public Chamber of the Sakhalin Region, O. V. Santalova, Director.	Korsakov City District Municipality, G. P. Golodnikov, Deputy Mayor, Director of the Social Development Department.
Dachnoye Secondary School, A. S. Smolyanova, Deputy Director for Education, member of the	Poronaysk City District Municipality, V. S. Frolova, Lead Specialist-Expert of the Economic Development Subdivision of the Financial and Economic Department.

Poronaysk City District Municipality, S. S. Gavrilin, Head of the Economic Development Subdivision of the Financial and Economic Department.	Mitsui Representative Office in Yuzhno-Sakhalinsk, Sakuma Hiroshi, Director.
Public Chamber of the Sakhalin Oblast, E. A. Koroleva, Chamber member, Vice-President of Slow Food in Russia.	Russian Union of Industrialists and Entrepreneurs, G. A. Kopylova, Advisor to the Department for Corporate Responsibility, Sustainable Development and Social Entrepreneurship.
PAO Gazprom, E. S. Erokhina, Deputy Head of Department 106/2/2.	Russian Union of Industrialists and Entrepreneurs, M. N. Ozeryanskaya, Advisor, Centre for Corporate Social Responsibility and Non-Financial Reporting.
Sakhalin Oblast Government, V. V. Epifanov, First Deputy Head of the Governor's Office and Sakhalin Oblast Government.	Russian Union of Industrialists and Entrepreneurs, N. I. Hoffman, Advisor to the Labour Market and Social Partnership Directorate.
Sakhalin Oblast Government, D. A. Gershinkova, Representative of the Sakhalin Oblast Governor.	Samara Wiring Accessories Plant, A. M. Apasov, Deputy Director for Far Eastern Federal District Development.
Sakhalin Oblast Government, L. Yu. Ustinovskaya, Ombudswoman for Children's Rights in the Sakhalin Oblast.	Sakhalin Oblast Duma, A. G. Limanzo, representative of Sakhalin Indigenous Minorities at the Sakhalin Oblast Duma, Chairman of the Union of Communities of Indigenous Minorities of the North, Siberia, and the Far East.
Sakhalin Oblast Government, Sakhalin Oblast Ministry of Sports, I. E. Ryabkina, Director of the Department for Physical Culture and Sports.	Sakhalin State University, M. G. Ganchenkova, Acting University Rector.
Sakhalin Oblast Government, Sakhalin Oblast Ministry of Ecology, M. P. Larionova, Advisor.	PWC Centre for Corporate Social Responsibility of the Graduate School of Management at St. Petersburg State University, Yu. E. Blagov, Director.
Sakhalin Oblast Government, Sakhalin Oblast Ministry of Ecology, N. S. Koltunovich, Director of the Environmental and Water Resources Protection Department.	Shell Russia, N. O. Sharapova, Social Performance Advisor.
Sakhalin Oblast Government, Sakhalin Oblast Ministry of Economic Development, M. I. Farkhutdinov, Deputy Minister.	Shell Russia, Kh. E. Vezirov, Communications Advisor.
Sakhalin Oblast Government, Sakhalin Oblast Ministry of Economic Development, N. V. Nikitina, Head of the PSA Implementation Department.	Expert on SIM legislation, M. A. Todyshev.
Sakhalin Oblast Government, O. Kutaybergey, Advisor to the Sakhalin Indigenous Minorities Department.	
Representative of the Sakhalin Indigenous Minorities, G. N. Egorova, member of the Council of Sakhalin Indigenous Minorities Representatives under the Administration of Yuzhno-Sakhalinsk.	

APPENDIX 4

Useful links

Official website of the company	http://www.sakhalinenergy.ru/en/
Jobs and Career	http://www.sakhalinenergy.ru/en/ (section Jobs and Career)
Vesti newsletter	(section Media Centre)
About the company	http://www.sakhalinenergy.ru/en/ (section About the Company)
Information for contractors	http://www.sakhalinenergy.ru/en/ (section Contracting with us)
Media Centre	http://www.sakhalinenergy.ru/en/ (section Media Centre)
Sustainable Development Principles	http://www.sakhalinenergy.ru/en/ (section Social Performance)
Whistle Blowing / Grievance Procedure	http://www.sakhalinenergy.ru/en/ (section About the Company – Our Principles)
Grievance Procedure	http://www.sakhalinenergy.ru/en/ (section Social Performance)
Company Documents and Materials Referenced in the Report	
Sakhalin Energy Investment Company Ltd. Statement on the Application of ISO 26000:2010 Guidance on Social Responsibility 2019	http://www.sakhalinenergy.ru/en/ (section Social Performance – Sustainable Development Principles)
Code of Conduct	http://www.sakhalinenergy.ru/en/ (section About the Company – Our Principles)
Commitment and Policy on Health, Safety, Environment, and Social Performance Policy	http://www.sakhalinenergy.ru/en/ (section Safety and Environment – HSE and Social Performance Management System)
Reports on information campaigns and public consultations (annual)	http://www.sakhalinenergy.ru/en/ (section Library – Social Aspects / Stakeholder Engagement)
Lenders’ independent consultant’s environmental and social monitoring reports	http://www.sakhalinenergy.ru/en/ (section Safety and Environment – Health, Safety, Environment and Social Action Plan)
Sustainable Development Reports (annual)	http://www.sakhalinenergy.ru/en/ (section Media Centre)
Health, Safety, Environment and Social Performance Action Plan; company policies and standards in health, safety, environment and social performance, human rights (Note: set of documents)	http://www.sakhalinenergy.ru/en/ (section Safety and Environment – Health, Safety, Environment and Social Action Plan)
Biodiversity Action Plan	http://www.sakhalinenergy.ru/en/ (section Library – Environmental Documents)
Public Consultation and Disclosure Plan (updated annually)	http://www.sakhalinenergy.ru/en/ (section Social Performance – Community Awareness and Community Liaison Organisation)

Oiled Wildlife Response Plan	http://www.sakhalinenergy.ru/en/ (section Library section – Environmental Documents – Oil Spill Response Documentation)
Oil Spill Prevention and Response Plans	http://www.sakhalinenergy.ru/en/ (section Library – Environmental Documents)
Contracting and Procurement Policy	http://www.sakhalinenergy.ru/en/ (section Contracting with Us)
Human Rights Policy	http://www.sakhalinenergy.ru/en/ (section About the Company – Our Principles)
Sustainable Development Policy	http://www.sakhalinenergy.ru/en/ (section About the Company – Our Principles)
Social Performance Standard	http://www.sakhalinenergy.ru/en/ (section Safety and Environment – Health, Safety, Environment and Social Action Plan)
Websites of Projects and Programmes	
Korsakov Partnership Council for Sustainable Development	http://www.korsakovsovet.ru/
Sakhalin Indigenous Minorities Development Plan	http://www.simdp.ru/eng.php
The Safety is Important Programme	http://senya-spasatel.ru/
The Energy Social Initiatives Fund	http://www.fondenergy.ru/
Printed Materials	
Archaeological Heritage of Sakhalin Island brochure	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Steller’s Sea Eagle (photo album)	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
The Energy Social Initiatives Fund brochure	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Sakhalin Indigenous Minorities Development Plan booklet	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
The Universal Declaration of Human Rights in the Nanai Language	http://simdp.ru/eng.php (section Multimedia – Other Materials)
The Universal Declaration of Human Rights in the Nivkh Language	http://simdp.ru/eng.php (section Multimedia – Other Materials)
The Universal Declaration of Human Rights in the Uilta Language	http://simdp.ru/eng.php (section Multimedia – Other Materials)
Nivkh Dif (Nivkh Word) newspaper	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
To the 80 th Anniversary of Vladimir Sangi, a Patriarch of Nivkh Literature	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Calendar Sakhalin: a Fairytale Island	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Calendar 2016 – 12 Months on the Island of Sunrise	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)

Calendar 2017 – Safety Is Important!	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Calendar 2018 – Hurry Up For Good Deeds	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Calendar 2019 – The Nivkh Year from A to Z	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Calendar 2019 – Sakhalin Energy: 25 Years of Energy for Growth	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Calendar 2020 – Sakhalin Fairy Tales	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Uiltadairisu	http://simdp.ru/eng.php (section Multimedia – Other Materials)
Family Delicacies Cookery Book	http://www.sakhalinenergy.ru (section Library – Published Editions – List of Publications)
Comics	http://www.senya-spasatel.ru/ (Comics section)
Indigenous Peoples and Industrial Companies: Best Practices of Cooperation in the Russian Federation	http://simdp.ru/eng.php (section Multimedia – Other Materials)
Uilta Legends	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Environmental Protection at the Prigorodnoye Production Complex	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Environmental Protection at Northern Assets of Sakhalin Energy	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Resettlement: Experience of Sakhalin Energy	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Human Rights: Experience of Sakhalin Energy	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Self-Assessment of the Application of ISO 26000:2010 Guidance on Social Responsibility	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Birds of Sakhalin Island (photo album)	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Flora of Sakhalin	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Rivers of Sakhalin Island	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Russian Content: Success Stories and New Opportunities	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Collection of Materials of the Second International Symposium in the Languages of the Indigenous Minorities of the Russian Far East	http://simdp.ru (section Multimedia – Other Materials)
Collection of Materials of the Folklore of Paleo-Asiatic Peoples III International Scientific Conference	http://simdp.ru (section Multimedia – Other Materials)

Basics of Life Safety. Collection of Methodological Developments	http://www.senya-spasatel.ru/ (Media section)
EA Best Practices Book, volumes 1–3	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
EA Best Practices Book, volume 4 (Work During the COVID-19 Pandemic)	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Gray Whales. The Sakhalin Story	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Liquefied Natural Gas (Digest of Interesting Facts)	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Sakhalin Fairy Tales	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Sakhalin Energy Trans-Sakhalin System: Environmental Protection	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
The World Through the Lens photo album	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Sakhalin-2 Encyclopaedia	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Poisonous Plants and Fungi	http://www.sakhalinenergy.ru/en/ (section Library – Published Editions – List of Publications)
Reference Materials and Other	
IUCN Western Gray Whale Advisory Panel (WGWAP)	https://www.iucn.org/western-gray-whale-advisory-panel
UN Global Compact	www.unglobalcompact.org
Mapping the Oil and Gas Industry to the Sustainable Development Goals: an Atlas	https://www.ipieca.org/resources/awareness-briefing/mapping-the-oil-and-gas-industry-to-the-sustainable-development-goals-an-atlas/
SDG Compass	https://sdgcompass.org/
SDG Industry Matrix	www.unglobalcompact.org
Global Initiative Sustainability Reporting Guidelines	http://www.globalreporting.org
Decent Work – Sustainable Business. Collection of Corporate Practices, 2020	http://rspp.ru/activity/social/
Russian Business and Sustainable Development Goals. Collection of Corporate Practices of the Russian Union of Industrialists and Entrepreneurs	http://media.rspp.ru/document/1/b/2/b24091d44c9660fcf3a9fdad6551b88f.pdf
Sustainable Development Goals	http://www.un.org/sustainabledevelopment/ru/sustainable-development-goals/
UN Sustainable Development Goals: Sakhalin Energy’s Measures	http://www.sakhalinenergy.ru/en/social/sdg/

APPENDIX 5

Company’s Information Centres List

District	Locality	Organisation	Address
Aniva	Troitskoye	Rural library, Branch No.7, Sub-division of the Municipal Institution Aniva Municipal Centralised Library System	13, Sovetskaya St.
Dolinsk	Vzmorye	Rural library, Branch No.6, Sub-division of the Municipal Institution Dolinsk Municipal Centralised Library System	22, Pionerskaya St.
	Sovetskoye	Rural library, Branch No.10, Sub-division of the Municipal Institution Dolinsk Municipal Centralised Library System	127a, Tsentralnaya St.
	Dolinsk	Dolinsk Central City Library, Sub-division of the Municipal Institution Dolinsk Municipal Centralised Library System	31, Lenina St.
	Sokol	Rural library, Branch No.5, Sub-division of the Municipal Institution Dolinsk Municipal Centralised Library System	14, Shirokay St.
Kholmsk	Kholmsk	Central Regional Library named after Yury Nikolayev, Sub-division of the Municipal Institution of Culture Kholmsk Centralised Library System of Kholmsk Municipality	124, Sovetskaya St.
Makarov	Vostochnoye	Rural library, Branch No.2, Sub-division of the Municipal Institution Makarov Municipal Centralised Library System	8, Privokzalnaya St.
	Makarov	Makarov Central Library, Sub-division of the Municipal Institution Makarov Municipal Centralised Library System	9a, 50 Let Oktyabrya St.
	Novoye	Rural library, Branch No.4, Sub-division of the Municipal Institution Makarov Municipal Centralised Library System	11a -7, Tsentralnaya St.
Poronaysk	Poronaysk	Poronaysk Central Library, Sub-division of the Municipal Institution of Culture Poronaysk Municipal Centralised Library System	45, Gagarina St.
	Gastello	Rural library, Branch No.4, Sub-division of the Municipal Institution of Culture Poronaysk Municipal Centralised Library System	42-2, Tsentralnaya St.
	Vostok	Rural library, Branch No.13, Sub-division of the Municipal Institution of Culture Poronaysk Central Library System	13a, Gagarina St.

District	Locality	Organisation	Address
Smirnykh	Onor	Rural library, Branch No.3, Sub-division of the Municipal Institution of Culture Smirnykh Centralised Library System	21, Sovetskaya St.
	Pobedino	Pobedino Rural Library-Museum, Branch No.4, Sub-division of the Municipal Institution of Culture Smirnykh Centralised Library System	60, Tsentralnaya St.
	Smirnykh	Smirnykh Central Library, Sub-division of Municipal Institution of Culture Smirnykh Centralised Library System	12, Lenina St.
	Roschino	Rural library, Branch No.6, Sub-division of the Municipal Institution of Culture Smirnykh Centralised Library System	44, Shkolnaya St.
	Buyukly	Rural library, Branch No.7, Sub-division of the Municipal Institution of Culture Smirnykh Centralised Library System	1, Kosmonavtov St.
Tymovsk	Molodezhnoye	Rural library, Branch No.17, Sub-division of the Municipal Institution of Culture Tymovsk Centralised Library System	14a, Sovetskaya St.
	Tymovskoye	Central District Library, Sub-division of the Municipal Institution of Culture Tymovsk Centralised Library System	77, Kirovskaya St.
	Yasnoye	Rural library, Branch No.13, Sub-division of the Municipal Institution of Culture Tymovsk Centralised Library System	2, Titova St.
	Kirovskoye	Rural library, Branch No.8, Sub-division of the Municipal Institution of Culture Tymovsk Centralised Library System	70, Tsentralnaya St.
Nogliki	Nogliki	Nogliki District Central Library, Sub-division of the Municipal Institution of Culture Nogliki Centralised Library System	5a, Pogranichnaya St.
Korsakov	Korsakov	Korsakov city Youth Library, Branch No.13, Sub-division of the Municipal Institution of Culture Korsakov Centralised Library System	7, Molodezhny Per.

APPENDIX 6

Feedback Form

DEAR READERS,

You have just read 2020 Sakhalin Energy Sustainable Development Report (hereinafter – Report). Your opinion on this Report is very important to us and we would really appreciate if you help us improve the quality of reporting by answering questions stated in this Form.

1. After reading the Report, do you have a better idea and understanding of Sakhalin Energy activities in sustainable development?

- ☐ Yes
- ☐ Mostly Yes
- ☐ Equal
- ☐ Mostly No
- ☐ Unsure

Please provide comments in support of your answer

2. What is your impression on information contained in this Report?

- ☐ Very interesting
- ☐ Mostly interesting
- ☐ Equal
- ☐ Mostly uninteresting

- ☐ Greatly uninteresting
- ☐ Unsure

3. How do you rate this Report in terms of credibility and unbiasedness of information provided?

- ☐ Very favourable
- ☐ Mostly favourable
- ☐ Equal
- ☐ Mostly unfavourable
- ☐ Very unfavourable
- ☐ Unsure

Please provide comments in support of your answer

4. How do you rate the Report in terms of how easy is it to find required information?

- ☐ Very easy
- ☐ Mostly easy
- ☐ Equal
- ☐ Mostly uneasy
- ☐ Very uneasy

- ☐ Unsure

Please provide comments in support of your answer

5. What Section of the Report was most interesting and valuable to you?

6. What aspects of Sakhalin Energy activity, in your opinion, are to be improved in order to enhance its social responsibility?

7. What other information would you like to have in the next Sakhalin Energy Sustainable Development Reports?

8. Please provide general comments on the Report:

9. Are you or your organisation interested in participating in dialogues about preparation of 2021 Sustainable Development Report?

- ☐ Yes (please provide your contact information)
- ☐ No

10. What other organisations in your opinion may be invited to take part in subsequent dialogues about preparation of the Sustainable Development Report?

11. Which group of parties or persons concerned do you belong?

- ☐ Sakhalin Energy employee
- ☐ Sakhalin Energy management
- ☐ Investor/Lender
- ☐ Shareholder
- ☐ Customer
- ☐ Contractor/Supplier
- ☐ Authorities
- ☐ Business/industry representative
- ☐ Public organisation
- ☐ Community
- ☐ Representative of scientific community/expert
- ☐ Mass media
- ☐ Other stakeholder groups (please specify)

Please indicate your contact information below:

Name:

Job title:

Telephone:

Organisation:

Fax:

Address:

E-mail:

What type of communication is preferable?

- ☐ By mail
- ☐ By E-Mail

Please return the completed Form on the 2020 Sustainable Development Report to:

35 Dzerzhinskogo St., Yuzhno-Sakhalinsk, Sakhalin Oblast, Russian Federation, 693020

You may also send this Form by e-mail: ask@sakhalinenergy.ru or leave it at the cvompany’s Information Centre

List and addresses of information centres are given in Appendix 5 to the Report. Fill the online questionnaire (<http://www.sakhalinenergy.com>, page: MediaCentre, “Sustainable Development Report”)

Thank you for your feedback!

APPENDIX 7

Certificate of Public Endorsement



APPENDIX 8

Conclusion on the Results of the Review of Sakhalin Energy 2020 Sustainable Development Report by the RUIE Non-Financial Reporting Council for the Purpose of Public Endorsement

The Non-Financial Reporting Council (the Council) of the RUIE (Russian Union of Industrialists and Entrepreneurs), established by the Bureau of the Board (Resolution dated 28 June 2007), has reviewed the 2020 Sustainable Development Report (the Report) at the request of Sakhalin Energy Investment Company Ltd. (Sakhalin Energy, or the company).

The company requested the RUIE to arrange the process of public endorsement by the Council. The Council issues its opinion on the relevance and completeness of information disclosed in the company's Report in accordance with responsible business principles, which are set out in the Social Charter of Russian Business and are in line with the provisions of the UN Global Compact, as well as Russian and international social responsibility standards.

During the period from 14 to 30 March 2021, the Council's members reviewed the company's Report and prepared this Conclusion based on the Council-approved Rules for Public Endorsement of Non-Financial Reports. The Council's members possess the required competencies in areas of corporate responsibility, sustainable development, and non-financial reporting; they abide by ethical requirements for making independent and objective assessments; and they express their personal opinions as experts, but not the opinions of their respective organisations.

The relevance and completeness of the Report were assessed based on the following criteria:

- The information is deemed substantive, since it demonstrates Sakhalin Energy's compliance with responsible business principles as set forth in the Social Charter of Russian Business (www.rspp.ru).

- Complete information means that the company's Report provides integrated information on all the main aspects of the company's activities — the underlying values and strategic goals, management systems and structures, major achievements and key performance indicators, stakeholder engagement processes.
- The fact that the company has applied international reporting principles is taken into account as part of the public endorsement process. However, it is outside the scope of this Conclusion to assess the extent of the compliance of the Report with international reporting principles. However, it is outside the scope of this Conclusion to assess the extent of the compliance of the Report with international reporting principles.
- Sakhalin Energy bears all responsibility for the information and declarations in the Report. The authenticity of the factual data provided in the Report is outside the scope of the public endorsement process.

This Conclusion is issued for Sakhalin Energy. The company may use this Conclusion for internal purposes, as well as for its engagements with stakeholders, provided the Conclusion is published as is, without any changes.

CONCLUSIONS

Based on the review of the Report and the public information published on the company's website and following a subsequent discussion of the results of the independent review of the Report by the RUIE Non-Financial Reporting Council, the Council confirms the following:

The 2020 Sustainable Development Report of Sakhalin Energy Investment Company Ltd. contains sub-

stantive information and covers key areas of responsible business practices in accordance with the Social Charter of Russian Business. It provides sufficiently detailed information on the company's activities in these areas.

The 2020 Report addresses the Council's recommendations upon public endorsement for the 2019 Sakhalin Energy Report. Thus, information on the priority of the UN Sustainable Development Goals to be achieved by 2030 (SDGs 2030) for Sakhalin Energy and target indicators reflecting the company's contribution to the achievement of the SDGs was supplemented, the number of indicators presented in dynamics for at least three years was expanded, the results of self-assessment of the application of the ISO 26000:2010 Guidance on Social Responsibility were presented more exhaustively.

The company's 2020 Report contains substantive information regarding the following aspects of responsible business practices:

- **Economic Freedom and Responsibility:** The Report presents the company's strategic objectives for the development of oil and gas fields in the Sea of Okhotsk offshore Sakhalin Island, the structure of the company's share capital and its contribution to the economy of the Sakhalin Oblast and the Russian Federation in accordance with the Production Sharing Agreement. The document describes the company's vision as a key energy supplier for the Asia-Pacific region. Key financial and operational performance indicators for the reporting year are presented in detail, including the results of the 2017–2020 Enhanced Oil Recovery Programme implementation and production indicators by field. The Report gives an account of the key upgrade and development projects, including in digital transformation of the company, process automation, implementation of artificial intelligence, and others. The document highlights the role of digital technologies in organising the company's smooth operations during the pandemic. It also outlines the system of corporate governance and organisational structure

of the company, as well as its risk management system. It is stressed that business ethics and compliance, anti-bribery and corruption are integral parts of the corporate culture. The Report assures that the company's goals and objectives are correlated with the SDGs 2030, shows the areas of activity corresponding to the SDG targets, and indicators for assessing performance results. It is emphasised that the health, safety, environment and social performance management systems comply with international standards, as evidenced by the regular certification. In particular, it is pointed out that the company conducts self-assessments with respect to the application of the ISO 26000:2010 standard.

- **Business Partnership:** The Report describes the strategy, principles, mechanisms and tools for stakeholder engagement, and relevant corporate documents. It also specifies the main groups of stakeholders and the corresponding engagement formats used in 2020. The document provides statistics on visits to the company's information centres, public meetings and dialogues with stakeholders, as well as the topics discussed. There is a detailed description of the personnel policy and approaches to personnel management; information is provided on the training and development, remuneration and motivation of employees. The Report covers the company's actions taken to respond to the challenges of the coronavirus pandemic, in particular, measures aimed at protecting the health of employees and providing comprehensive support to them in this difficult period. Information is presented about the company's approaches to cooperation with its suppliers and contractors, the extension of its sustainable development requirements to them, and the Vendor Development Programme. The document contains information on the company's interaction with customers and shipowners, measures taken to ensure uninterrupted supply of LNG and oil to the countries of the Asia-Pacific region in the conditions of the pandemic. It also offers details about the company's contribution to the work of the leading Russian

expert platforms on the development of the oil and gas sector and sustainability issues, the participation of the company’s representatives in specialised public associations and organisations.

- **Human Rights:** The Report presents information about the company’s approaches to human rights assurance, its commitments and current regulatory documents in the areas of labour relations, industrial safety, respect for the rights of the Sakhalin Indigenous Minorities and the population of the region in general. The document explains how the company handles grievances and requests, and contains relevant statistics by grievance categories. It is reported that systematic human rights training has been organised for the company’s personnel and that awareness in these matters has been considerably raised among contractors staff.
- **Environmental Protection:** The Report emphasises that the Environmental Policy is part of the company’s General Business Principles, Sustainable Development Policy, Commitment and Policy on Health, Safety, Environment and Social Performance, which is reflected in different corporate documents. Information is provided on environmental impact management in accordance with the ISO 14001 and OHSAS 18001 international standards, on industrial environmental control, including the impact on the air and water bodies, and waste management practices. Gross and specific indicators are presented in dynamics by type of impact. The document contains information on energy production and consumption, including broken down by type of activity, measures to increase energy saving and energy efficiency. The Report focuses on the climate agenda, and gives an account of measures taken to reduce greenhouse gas emissions. It covers the development of the Green LNG strategy in 2020 and the introduction of innovative transport solutions to further reduce the company’s carbon footprint. It also specifies the company’s costs for environmental protection and the amounts paid for its negative environmental impact. The document provides

a description of the environmental monitoring system adopted by the company, gives an account of measures taken to preserve biodiversity, including the preservation of endangered species of plants and animals. It also informs about regular monitoring of the ROW of the onshore pipelines and measures to prevent accidental oil spills.

- **Local Community Development:** The Report presents information about the company’s contribution to the development of the region, including data on the volume of social investments. It is stressed that external social projects of the company are developed with the participation of representatives of the local community. The document highlights measures to adapt the company’s programmes so that they can be successfully implemented in spite of the restrictions related to COVID-19. Particular attention is given to the implementation of the topical initiatives – the Prevention and Treatment project, aimed at equipping regional medical institutions with critical equipment, and the Digital Transformation of Educational and Social Services grant competition. The activities of the Energy Social Initiatives Fund are outlined, the success of the Safety Is Important! and the Hurry Up for Good Deeds programme, designed to support charity initiatives of the company’s employees, are described. An account is given of the work of the Korsakov Partnership Council for Sustainable Development. The Report also contains information on the implementation of the Sakhalin Indigenous Minorities Development Plan, as well as special projects for building the capacity of the non-profit sector and developing volunteering in the region.

FINAL PROVISIONS

Overall, the Sakhalin Energy’s Report provides information on the business practices of the company, which are based on the principles of corporate social responsibility and sustainable development. It provides adequate details about the company’s impact on society and the environment, the management

of said impact, and about the strategy, policies and results of the economic, social and environmental activities. The company’s goals and objectives reflect the UN SDGs for 2030; the commitments to their achievement are included in the corporate policy. The document illustrates the key areas and formats of stakeholder engagement.

The Report was prepared with due regard for the recommendations used in the domestic and international reporting practice (GRI Standards as the blueprint), which allows for comparability of information with that provided by other representatives of the industry from Russia and abroad. When preparing the Report, the company also took into consideration the UN Global Compact, the UNCTAD Guidance on Core Indicators for Entity Reporting on Contribution Towards Implementation of the UN SDGs for 2030, and other documents. It is noted that the material subjects to be included in the Report were decided taking into account the opinions of the stakeholders.

The 2019 Sustainable Development Report is Sakhalin Energy’s twelfth annual report of this kind, which confirms the continuity in the development of non-financial reporting process and the company’s adherence to the transparency and openness.

RECOMMENDATIONS

Recognising the merits of the Sakhalin Energy’s 2020 Sustainable Development Report, the Council would like to bring to the company’s attention a number of aspects related to the informational relevance and completeness of disclosure that are essential for the stakeholders. We advise the company to consider these recommendations in subsequent reporting cycles.

The Council would like to point out that the recommendations made following the analysis of the company’s previous report for 2020 are still relevant and can be used in future reporting.

In particular, the recommendation on the necessity to define targets for the coming year and the medium

term more clearly, reflect them in the appropriate sections and present actual achievements against the tasks set in order to better correlate plans, targets and performance results, remains relevant.

Information on the company’s performance of its obligations to contribute to the achievement of the UN SDGs for 2030 appears topical and important for the stakeholders. It is also recommended to present the results of the company’s activities in the context of the national development goals and national projects, which are significant for the stakeholders of the company.

A considerable number of indicators reflecting the economic, social and environmental performance of the company are presented in dynamics over four years. In the future, it is advisable to extend this approach to all aspects of the company’s activities, disclosing data for a period of at least three years.

The key topic of the Report is the Continuous Improvement Programme, which, as indicated above, covers all areas of the company’s activities. It would be appropriate to support the data on the programme’s performance with information about the economic effects of the company’s innovative projects and initiatives, including the digitalisation strategy and energy efficiency programmes.

Given the production and geographical specifics of the production, transportation and processing of hydrocarbons by the company, it is recommended to include all environmental performance indicators with a breakdown by the main process facility.

The Report highlights the focus of the social programmes that are in demand and are realised in partnership with the local communities and government authorities, many of which are designed for long-term implementation. This information, exceptionally important for stakeholders, will be more complete and meaningful if the company includes, in its future sustainable development reports, an analysis of the impact of these programmes, positive changes and sustainable improvements in the living conditions

in the host region that have occurred as a result of their implementation, and progress in resolving topical issues. This will show the company’s contribution to the sustainable development of local communities more clearly.

The RUIE Non-Financial Reporting Council expresses a positive opinion on the Report and, sup-

porting the company in its adherence to responsible business principles and noting the consistency of the reporting process development, confirms that the 2020 Sustainable Development Report of Sakhalin Energy Investment Company Ltd. has received public endorsement.

RUIE Non-Financial Reporting Council



APPENDIX 9

Abbreviations and Definitions

PMD	Pipeline Maintenance Depot
ANPO	Autonomous Non-Profit Organisation
RAIPON	Russian Association of Indigenous Peoples of the North
APR	Asia-Pacific Region
RS	Road Safety
IVMS	In-Vehicle Monitoring System
RES	Renewable Energy Sources
TLU	Tanker Loading Unit
UNGC	UN Global Compact
Rosnedra State Commission for Mineral Reserves	State Commission for Mineral Reserves of the Federal Agency for Mineral Resources
GCC	General Coordinating Committee
OPFC	Onshore Processing Facility Compression Station
BSS	Bottom Seismic Stations
RTA	Road Traffic Accident
EBRD	European Bank for Reconstruction and Development
IC	Information Centre
WGWAP	Western Gray Whale Advisory Panel
CED	Committee of Executive Directors
SIM	Sakhalin Indigenous Minorities
KPCSD	Korsakov Partnership Council for Sustainable Development
CSR	Corporate Social Responsibility
KChS	Committee for Emergency Situations
OSR	Oil Spill Response
LUN-A	Lunskoye-A Platform
MBIC	Municipal Budgetary Institution of Culture
IBC	International Business Congress
IMO	International Maritime Organisation
ISO	International Organisation for Standardisation
ILO	International Labour Organisation

MNR	Ministry of Natural Resources
IUCN	International Union for the Conservation of Nature
MSH	Minimum Standards for Healthcare
IFRS	International Financial Reporting Standards
SCM	Supply Chain Management
IFC	International Finance Corporation
MChS	Ministry of Emergency Situations
NERT	Non-Professional Emergency Response Team
OGCM	Oil and Gas Condensate Mixture
BS 2	Booster Station 2
NPO	Non-Profit Organisation
CI	Continuous Improvement
OR	Oil Refinery
Gazfond NSPF	Gazfond Non-State Pension Fund
RTD	Regulatory Technical Document
STC	Scientific and Technical Council
OPF	Onshore Processing Facility
ESHIA	Environmental, Social and Health Impact Assessment
Gazprom TSCC	Gazprom Training Simulator Computer Centre
UN	United Nations
HPF	Hazardous Production Facility
HSES	Health, Safety, Environment and Security
HSE	Health, Safety, and Environment
HSES-SP	Health, Safety, Environment, Security and Social Performance
TPH	Total Petroleum Hydrocarbons
SPZ	Sanitary Protection Zone
BCMS	Business Continuity Management System
ISMS	Industrial Safety Management System
PA-A	Molikpaq Platform (Piltun-Astokhskoye-A Platform)
PA-B	Piltun-Astokhskoye-B Platform

PERT	Professional Emergency Response Team
TAF	Temporary Accommodation Facility
GG	Greenhouse Gases
MPE	Maximum Permissible Emissions
MPC	Maximum Permissible Concentrations
BAP	Biodiversity Action Plan
MMPP	Marine Mammal Protection Plan
Prigorodnoye PC	Prigorodnoye Production Complex
RPM	Reservoir Pressure Maintenance
DP	Delivery Point
UNDP	United Nations Development Programme
HLPF	High-Level Political Forum on Sustainable Development
ALARP	As Low As Reasonably Practicable
RAS	Russian Academy of Sciences
RUIE	Russian Union of Industrialists and Entrepreneurs
BWEG	Biodiversity Expert Working Group
SSU	Sakhalin State University
BoD	Board of Directors
SPZ	Sanitary Protection Zone
SSIP	Sakhalin Salmon Initiative Programme
Media	Mass Media
Stroitel GNCP	Stroitel Gardeners’ Non-Profit Partnership
LNG	Liquefied Natural Gas
IEC & LMS	Industrial Environmental Control and Local Monitoring System
PSA	Production Sharing Agreement

Gorny Vozdukh STC	Gorny Vozdukh Sports and Tourism Complex
BCMS	Business Continuity Management System
ISMS	Industrial Safety Management System
APC System	Advanced Process Control System
OET	Oil Export Terminal
FES	Fuel and Energy Sector
FS	Feasibility Study
FAI	Federal Autonomous Institution
FSBI	Federal State Budgetary Institution
CREO	Centre of Rescue and Environmental Operations
ES	Emergency Situation
Rosnedra Central Commission for the Development of Mineral Reserves	Central Commission for the Development of Mineral Reserves of the Federal Agency for Mineral Resources
CCR	Central Control Room
SDG	Sustainable Development Goals
UNEP	United Nations Environment Programme
DES	Delivered ex ship
FOB	Free on board
HSESAP	Health, Safety, Environment, and Social Performance Action Plan
GRI	Global Reporting Initiative
ISO	International Organisation for Standardisation
PERC	Pacific Environment and Resources Centre
WGWAP	Western Gray Whale Advisory Panel
WWF	World Wildlife Fund