



HSE Assurance Standard Overview

Purpose

To provide Assurance that the Sakhalin Energy HSE-SP Management System requirements are implemented, resourced appropriately and operating as expected and intended.

Who is this for?

- Directors, Business Assurance Committee and Board Assurance Committee;
- Managers;
- Supervisors;
- Staff who are required to implement Controls;
- HSE Professionals.

What situations are covered?

This document applies to all Sakhalin Energy Assets, Facilities, Projects and Activities, including activities undertaken by contractors on behalf of the Company. Further requirements in relation to Contractor assurance are provided in the HSES-SP Management of Contracts Standard.

Requirements

Directors, Business Assurance Committee and Board Assurance Committee are **Accountable** for implementing requirements 1 to 4 below:

1. Manage HSE Assurance activities in compliance with:
 - a. Lender and Shareholder requirements.
 - b. Requirements identified within the standards, procedures and other documentation of the HSE Management system.
 - Where specific Assurance requirements are applicable, these are documented in Assurance specifications, including Air Emissions and Energy Management ([0000-S-90-04-O-0257-00-E](#)), Water Use ([0000-S-90-04-O-0255-00-E](#)), Waste Management ([0000-S-90-04-O-0258-00-E](#)), Soil and Groundwater ([0000-S-90-04-O-0018-00-E](#)), Land Management ([0000-S-90-04-O-0254-00-E](#)), Biodiversity Management ([0000-S-90-04-O-0259-00-E](#)), and HSES-SP Management of Contracts ([0000-S-90-04-O-0013-00-E](#)).
 - c. [HSE Audit Procedure](#) (for Level 1 & Level 2 HSE Audits).
 - d. [Level 3 HSE Audit Guidelines](#).

Requirements 2 to 4 shall be established and maintained in accordance with requirement 1.

2. Sakhalin Energy executes the following Assurance activities, including HSE audits¹ and inspections:
 - a. Level 1: Audit or review activities where the Board Assurance Committee have no discretion, as they are required for external reasons.
 - b. Level 2: Audit or review activities where the Board Assurance Committee have discretion to decide whether or not to do an audit, depending on its assurance needs
 - c. Level 3: Self assurance activities managed by asset / project / department / functions, with a system or process focus.
 - d. Level 4: Self assurance activities, managed by asset / project / department / functions, to identify specific non-compliances with work instructions, procedures and controls, e.g. Level 4 Permit to Work. These are generally referred to as inspections.
 - e. Other Assurance activities as appropriate, including health checks, reviews, and verifications.

¹ The Loan CTA, HSESAP version 3, certain shareholders and others use similar audit terminology but with different definitions. For completeness, this standard overview includes a table showing the mapping between the various definitions.



3. Establish, monitor, support and execute an annual risk-based Sakhalin Energy Level 1 & Level 2 HSE Audit Plan².
 - a. The plan for the following year shall be agreed with the Business Assurance Committee and Board Assurance Committee.
 - b. The status shall be monitored by the Central HSE Department and status reported at each Business Assurance Committee meeting and at the Board Assurance Committee meeting.
 - c. Provide on a six monthly basis to the Lenders a list of HSE Audits conducted.
 - d. Provide audit reports to relevant internal stakeholders and the Board Assurance Committee.
 - e. The Company shall provide to the Lender's Independent Environmental Consultant for review copies of all environmental, social, health and safety audit reports carried out **by** or **on behalf of** a third party or Shareholder, that it has commissioned for its own purposes within 30 days of the Company receiving the final version thereof.
 - f. Upon request of the Lenders, provide a copy of any other requested HSE Audit report.
 - g. Monitor the follow-up of actions in the Fountain Assurance³ system until they are implemented and closed out.
4. Establish, monitor, support and execute Level 3 Audit and Level 4 Inspection Plans at asset / project / department / functional level.
 - a. The status of Level 3 Audits and Level 4 Inspections shall be monitored by the Line Manager of the asset / project / department / function.
 - b. Provide on a six monthly basis to the Lenders a list of Level 3 HSE audits and Lender-required Waste Storage Area Level 4 Inspections conducted.
 - c. Upon request of the Lenders, provide a copy of any requested HSE Audit report.
 - d. Monitor the follow-up of actions in Fountain Assurance or in local systems until they are implemented and closed out.

Table comparing the different definitions of level of assurance activity

	Sakhalin Energy Company Standard (adopted for use in HSESAP Revision 4)	Loan Agreement
Level 1	HSE Audit or review activities where the Board Assurance Committee have no discretion, as they are required for external reasons.	An environmental, social, health and safety audit of one of the Project Facilities or Project Expansion Facilities or of a major issue affecting the Project or any Project Expansion as a whole carried out by or on behalf of a third party or a Sponsor or Shareholder
Level 2	HSE Audit or review activities where the Board Assurance Committee has discretion to decide whether or not to do an audit, depending on its assurance needs.	An environmental, social, health and safety audit of a specific activity associated with one or more Project Facilities or Project Expansion Facilities carried out by the Company.
Level 3	Self assurance activities managed by asset / project / department / functions, with a system or process focus.	<i>Not used</i>
Level 4	Self assurance activities, managed by asset / project / department / functions, to identify specific non-compliances with work instructions , procedures and controls, e.g. Level 4 Permit to Work. These are generally referred to as inspections.	<i>Not used</i>

² The Loan CTA requires the Company to arrange a Level 0 audit by the Independent Environmental Consultant following Completion Date and once every 2 years thereafter. In addition, the Company shall, at the written request of the Lenders, arrange a Lender Site Visit on an annual basis and in case of a significant environmental incident or breach.

³ Fountain Assurance is a database tool in which audit action items are entered and monitored to closeout.