

EA BOOK

BEST PRACTICES





The innovative and pioneering Sakhalin-2 Project is well known in Russia and abroad for discovering unique engineering solutions and setting records during implementation, and for its strategic importance to the Asia-Pacific region. At home, the Project is important first and foremost because it has brought positive changes to the lives of the residents of Sakhalin Island. In just 15 years, Project activities have turned the Sakhalin Oblast from an economically depressed region into one of the fastest-growing economic centers in Russia, with an unemployment rate that is one of the lowest in the country.

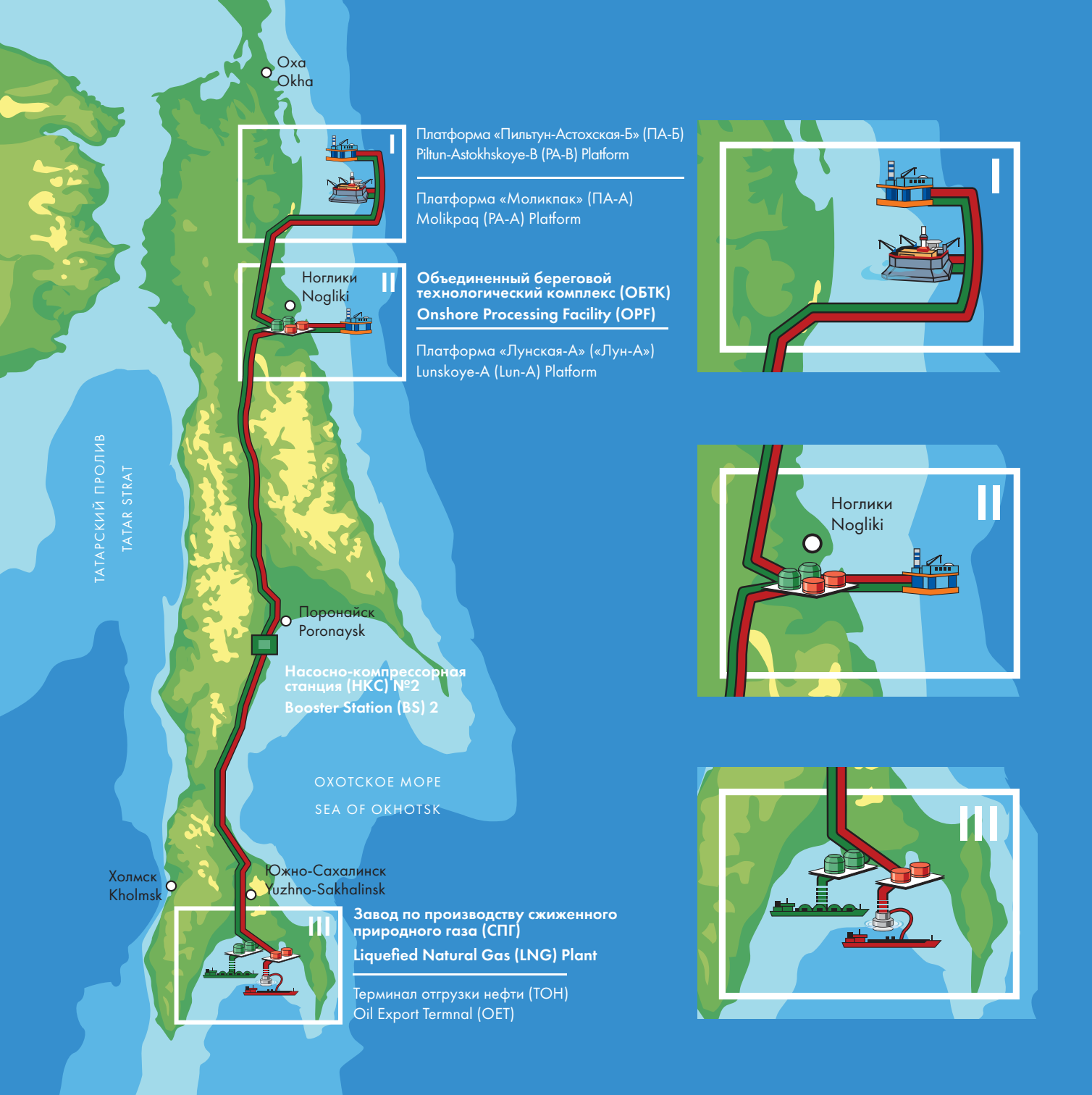
Thanks to the Sakhalin-2 Project, the general purpose infrastructure of the island has been modernised on a large scale, health care facilities have been built or renovated, the latest medical equipment has been delivered and efficiently deployed, and dozens of kilometres of highways laid or repaired.

The Company devotes a lot of attention to providing financial and organisational support for small projects and local initiatives, and projects developed or initiated by Company's employees. The main strategic goal the Company achieves with its social activities is helping to create the best conditions to sustainably develop the region.

Sakhalin Energy's sustainable development activities and social programmes have been highly acclaimed at regional and federal levels. The Company is a regular winner of the regional competition, Philanthropist of the Year, it has been ranked among the winners following the results of a Russian corporate charity ranking conducted in 2009, and it also won the Corporate Donor of Russia competition.

Over the years we have accumulated invaluable experience in managing many issues. And the key point of this book is to share our experience and findings with you.

We are happy to answer your questions and provide you with more information on each project. Please contact us at our corporate website, www.sakhalinenergy.com, or e-mail us at ask-sakhalinenergy@sakhalinenergy.ru



Sakhalin-2 and Sakhalin Energy

Sakhalin-2 is the first Russian Project to produce oil and gas offshore. To implement the Project, Sakhalin Energy, the Project operator, was founded in 1994. The shareholders of the Project are the following companies: Gazprom (50% +1 share), Shell (27.5% shares), Mitsui (12.5% shares), and Mitsubishi (10% shares).

Construction of large-scale production infrastructure within the framework of the Project continued through 2009. Project facilities include:

- three offshore oil and gas production platforms;
- an onshore production facility (OPF);
- an offshore pipeline system of 300 km;
- the Trans-Sakhalin pipeline system stretching more than 800 km from north to south of the island, up to the Prigorodnoye production complex;
- a Booster Station (BS) 2;
- an Oil Export Terminal (OET);
- the first Liquefied Natural Gas (LNG) plant in Russia.

All Company facilities are certified to comply with the requirements of the environmental management system, in accordance with international standard ISO 14001:200.

Sakhalin-2 is one of the most complicated engineering projects ever undertaken by the global oil and gas industry. Its massive scale and the technical proficiency required the enormous size of investment, the harsh environment and the varied climate and unique ecosystem of Sakhalin Island, plus the virtual lack oil and gas infrastructure on the island at the outset and the remoteness of the region from the main Russian centres of economic activity meant we had to use best industry practice, attract innovative technologies, and apply efficient managerial solutions. Implementation of Sakhalin-2 was also successful due to Sakhalin Energy's unique shareholders partnership.

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How to Act in an Emergency programme

Safety is a top priority for Sakhalin Energy. To the Company, safety includes not only operational and environmental safety, but also safety as a way of life. Following the principles of sustainable development, the Company seeks to spread a system-wide approach to safety inside and outside the Company. This is how a project originally designed for children, How to Act in an Emergency, became one of our most important social programmes.

Safety is one of the most critical of human needs. A child's safety has always been and will be a priority for the family because children are more vulnerable and helpless than adults in a dangerous situation. Child safety is essential in the Sakhalin Oblast, a region that is subject to a range of natural disasters, including earthquakes, avalanches, forest fires, blizzards, and tsunamis. Using role-playing techniques, in How to Act in an Emergency children learn correct behaviour in a range of emergencies. The programme also stresses the Company's responsibility for child safety by instilling key safety skills and concepts in the region's youth.



Senya visiting young rescuers at a cadet school training camp



The Safety Day celebration in the Gagarin Recreation Park

PURPOSE

- Enhance the Company's image as a responsible corporate entity that takes care of the present and future needs of Sakhalin's residents.
- Spread best corporate practices and create a culture of safety in society at large.

TASKS

- Form a conscious and responsible attitude to personal and public safety in society.
- Consolidate public efforts on child safety, given the natural, man-made, and criminally-induced risks on Sakhalin Island.
- Educate children on how to safeguard the environment, how to develop a responsible attitude to their own safety and the safety of others, and recognise the importance of safety in all spheres of activity.

TARGET AUDIENCE

- Preschool and primary school children (primary audience).
- Parents.
- Teachers.

PARTICIPANTS

- Sakhalin Energy.
- Chief Directorate of Russia's EMERCOM for the Sakhalin Oblast.
- Ministry of Education of the Sakhalin Oblast.

PROGRAMME CONCEPT

Help children and adolescents adopt the right attitude to personal safety and the correct response to emergencies on a conscious and a subconscious level, and in so doing reduce the daily risks and mitigate the outcomes from an emergency for children.

- Educate preschool and school-age children, using state-of-the-art technologies, suitable to the target audience.
- Use the most child-friendly educational tools to communicate to children.
- Carry out the programme in cooperation with the Chief Directorate of EMERCOM for the Sakhalin Oblast.

IMPLEMENTATION

Implementation of the programme began in 2005. Based on the primary target audience, children, a set of tools was selected that would most efficiently convey the information on the rules of behaviour in potentially hazardous conditions. The children assimilated the information best when they trusted the information source because it came from a peer or equal that the children could relate to.

The Company developed a cartoon character named Senya, an acronym of the initial letters of Sakhalin Energy. Senya is a very active, fidgety boy who plays sports, and goes backpacking and fishing. He knows the rules of safe behaviour by heart, and strictly follows them when he is rescuing himself and his friends from dangerous situations.

The programme is implemented along several lines:

Creation and dissemination of children's cartoons

The main element of the programme is social advertising: using animated cartoon clips to raise children's awareness of safe behaviour in various situations. In these clips, Senya teaches children the rules of behaviour in emergencies in a simple and understandable form.

The selection of topics and the discussion of the content was done in cooperation with the central administration of EMERCOM in the Sakhalin Oblast. A total of 30 clips on different topics have been created as of August 2010, including on road traffic safety, playing games on the ice in winter, bathing in unfamiliar water basins, and how to behave safely during an earthquake, tsunami, or snow avalanche.

The clips were subject to an expert review by the Emergency Psychological Aid Centre of Russia's EMERCOM. They are exhibited on the children's website of EMERCOM (Russia) and are used in different Russian regions. The animated cartoons are demonstrated at TV channels and are used in school lessons, and during cultural events.

Re-equipping life safety classrooms

The Company equipped classrooms in 12 districts of the Sakhalin Oblast with teaching materials and methods on the fundamentals of life safety.

The classroom equipment included training and methodological literature, visual aids and tools, posters and stands on the basics of life safety. Aids for practical skills training were also made available, including training devices, chemical protective gear, and gas masks, and a multimedia installation.



Signing of a cooperation agreement with of Russia's EMERCOM for the Sakhalin Oblast



Presentation of the 'Senya and I Go to School' project



Fragments of video cartoons 'Safety is Essential' with Senya

These classrooms were also used for outreach to parents, students from other educational institutions, teachers from the districts, and the general public.

Safety holidays

Cultural events for preschool and primary school students are held regularly to reinforce the safety information they have been taught. The cartoon clips were first shown in kindergartens and primary schools and were accompanied by lectures from EMERCOM employees.

A life-sized puppet of the cartoon character Senya uses role playing techniques to remind the young spectators of the rules and conduct of safe behaviour and the children play trivia games on safety. Senya hands out prizes to the winners with EMERCOM employees.

Special projects

- A young leader's workshop targeting senior school children. The aim was to develop children's leadership skills and drill them on their life safety knowledge and skills. For two weeks, the children learn to survive in an 'emergency' and develop teamwork throughout.
- Publication and distribution of a comic book. In October 2008, on the International Day for Natural Disaster Reduction, each first-form pupil of the Sakhalin Oblast (about 5,000 children) got a comic book of Senya's adventures. Life safety lessons were also held in all schools in the region that same day.
- Children's contest for the best script of Senya's new adventures. After the results were announced and the awards presented, the cartoon of the winning script was aired on television.
- Tourist route safety, a special project in 2009-2010. A creative children's contest, Hiking with Senya, was created to award the child who had the best recall of safety rules for hiking or on excursion. An ecological trail to Chekhov peak, the most popular tourist route for the residents of Yuzhno-Sakhalinsk was created. Every year rescue teams have to find tourists who are lost or injured on tourist route ramps.

RESULTS

- The Company conducted an analysis of the recognition scores for children of How to Act in an Emergency, as part of an independent expert review of Sakhalin Energy's social projects. In some preschools and educational institutions of the Sakhalin Oblast, recognition rates were 90%.
- A total of 12 resource and methodological 'life safety fundamentals' classrooms in the Sakhalin Oblast were retrofitted. The classrooms gather and disseminate best practices in new training technologies for teaching life safety.
- The cartoon clips created for the programme are exhibited on the children's website of the federal branch of EMERCOM (<http://www.spas-extreme.ru>).
- The Company has received numerous requests from regions to provide the cartoon clips for information campaigns. For example, Yakutia in 2008 requested information for the forest fire prevention campaign, and Kamchatka in 2009 for a tsunami awareness campaign.
- Educational clips are broadcast in all Far East federal regions on local TV channels, in cinemas, and on street screens of OKSION, the all-Russian alert and information system in densely-populated areas.
- The Company received an award in 2008 in a social projects competition organised by Corporate Donor of Russia for 'Enhancement of social climate in the surrounding community is welfare for the family'.



Fragments of video cartoons 'Safety is Essential' with Senya



APPRAISALS AND OPINIONS

... The contents and the material presented in the project are designed for senior, preschool, and primary school age children. The clips and comics are made with due allowance for the psychological makeup of children in these age groups. The topics cover the most important issues concerning the children's safety. In general, the project is an interesting and topical development in life safety.

From the review of Emergency Psychological Aid Centre of the Ministry of Civil Defence, Emergency Situations and Liquidation of Consequences of Natural Disasters, Russia Central Administration (Russian EPAC CA EMERCOM)

A topic unusual for corporate programmes - the safety of children and the promotion of rules of behaviour in emergencies, which is, however, a fairly urgent problem for the residents of Sakhalin and Kamchatka. The partnership with relevant organisations, first of all with the regional administration of EMERCOM, ensured a professional approach and high level of execution of all elements of the programme - from the cartoon clips to the life safety classroom equipment.

Conclusion of the expert for the Russian competition for best practice, in the Corporate Donor social investment competition

Implementation of the How to Act in an Emergency joint programme with the central administration of Russia's EMERCOM in the Sakhalin Oblast is one of the ways to train the population on life safety. In addition, this programme aids in increasing the efficiency of educating children - the character of the cartoon clips, Senya, and his words of advice on the rules of safe behaviour are well known to the young residents of the islands of Sakhalin and Kuril. Children are our future, and the How to Act in an Emergency programme will enable us to make them safer.

Aimuraz Kasayev, Chief of EMERCOM of Russia in the Sakhalin Oblast

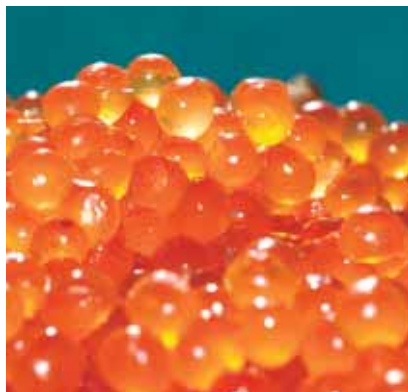




Sakhalin Salmon Initiative (SSI)

Sakhalin Oblast holds the world's second most diverse population of salmon species, after Kamchatka. The salmon catch in Sakhalin also ranks second in Russia and is an important revenue source for the remote region. Salmon is also a strong cultural symbol in the island's history, which is closely linked with the traditions of Sakhalin's indigenous minorities. Preservation and rational use of salmon and salmon ecosystems are important for the sustainable development of Sakhalin.

At the design and construction phases for the infrastructure of the Sakhalin-2 Project, representatives from non-profits and fishing organisations were at times apprehensive about possible damage to the island's fish resources from such a large-scale industrial Project. However, their concerns were allayed by the Company's systematic and consistent use of state-of-the-art technologies, and the close attention Sakhalin Energy paid to environmental protection. Since environmental protection, stakeholders engagement, and sustainable development of the operational area are listed in the corporate principles and values of Sakhalin Energy, the Company decided to pay special attention to preservation of the wild salmon and salmon ecosystems on Sakhalin Island. The Sakhalin Salmon Initiative was a follow-up activity initiated during construction of Sakhalin-2.



Salmon roe production at the Igrivaya Fish Nursery



Salmon reproduction at the Igrivaya Fish Nursery

PURPOSE

- Reinforce and maintain the image of Sakhalin Energy as a socially and environmentally responsible company.
- Support the preservation and rational use of wild salmon and salmon ecosystems and facilitate the sustainable economic and social development of Sakhalin Island.

TASKS

- Create the conditions for the population to participate in tackling environmental, economic, and social problems. Support projects aimed at inculcating environmentally responsible behaviour, facilitate the preservation of salmon and the sustainable and rational use of marine biological resources.
- Reinvigorate the activity of salmon basin councils, to develop recommendations on the use and protection of water bodies and increase the council's environmental activity.
- Develop and implement a cost-effective and comprehensive plan to monitor the abundance and biodiversity of salmon and their habitats in the major spawning rivers of Sakhalin Island.
- Preserve salmon habitats.
- Facilitate the development of sustainable salmon fishing.
- Foster the development of sport and amateur fishing and eco-tourism.

TARGET AUDIENCE

- Population of Sakhalin, including schoolchildren.
- State authorities.
- Enterprises and industry bodies of the fishing sector.
- Non-profit organisations at local, national, and international levels.
- Scientific community.
- Business.

PARTICIPANTS

- Founders:
 - Sakhalin Energy.
 - Wild Salmon Centre (USA).
 - Sakhalin Oblast government.
- Over 30 organisations representing all stakeholders.

PROGRAMME CONCEPT

Within the framework of a public-private partnership, combine the efforts of state bodies and numerous stakeholders, including the scientific community, fishery associations, environmental non-profits, and educational organisations, for the preservation and sustainable use of wild salmon and salmon ecosystems, and the environmental protection that is necessary for the sustainable economic growth of Sakhalin.

The Sakhalin Salmon Initiative is based on the principles of partnership and equality for all its participants. Financial funds are raised from different sources.

A coordinating council supervises implementation of the SSI. The council includes the founders and over 20 organisations and institutions representing the Sakhalin Oblast government, regional and federal agencies, research institutes, commercial organisations, fisheries, indigenous minority communities, and local and international NGOs.

Working groups, including business representatives, state institutions and non-governmental organisations, manage the individual projects.

IMPLEMENTATION

Starting in 2005, Sakhalin Energy together with the international non-profit, the Wild Salmon Centre, started working on the concept and strategy of the Sakhalin Salmon Initiative (SSI). An analysis of the salmon population was conducted, and meetings with all stakeholders were held. In October 2006, an international conference took place under the auspices of the Company during which approaches to sustainably preserve wild salmon and salmon ecosystems on Sakhalin were systematised, and main development themes were set, that later became the main SSI projects.

In February 2008, Sakhalin Energy and the Wild Salmon Centre concluded a four-year financing agreement that runs until 2011 to preserve the wild salmon on Sakhalin Island. Sakhalin Energy allocated half of the US\$8.8 mln budget.

An autonomous non-profit organisation was created in 2007 to implement the initiative. Today, the projects are carried out in six priority areas:

- Habitat preservation.
- Monitoring salmon rivers.
- Salmon basin councils.
- Developing sustainable fisheries.
- Education and awareness.
- Creating the salmon park, an educational and recreational zone.



Salmon spawning at the Changa River



A special trap is used to count the fingerling, Taranai River, Aniwa District



Prize-giving ceremony at the 'Live on, Salmon!' exhibition



The Seventh Salmon Festival

RESULTS

Important results have been achieved in each priority area of the SSI.

Preserving salmon habitats

Russian and foreign scientists have assigned priority status to certain rivers and water bodies of Sakhalin. The catchment areas of the Langry and Bolshaya rivers were given highest priority. Environmental protection measures there will allow not only the richest ichthyofauna and river environment species in the Red Book to be preserved, but will also facilitate an increase in the number of commercial species of Pacific salmon. Since 2008, the Langry River basin has been undergoing conservation, anti-poacher posts on roads have been erected and an anti-poacher campaign launched. A comprehensive analysis of the Langry river is conducted jointly with the biological research station.

Monitoring Sakhalin salmon

Comprehensive monitoring of the abundance and biodiversity of salmon populations and their habitats in Sakhalin rivers is conducted using best Russian and international practice. Monitoring enables new districts to be added every year. Checkpoints for water bodies are left in the districts where the monitoring is done. A special trap is used to count the fingerling bound for the sea. This equipment, new to the Russian Far East, can combine advanced fingerling accounting methods used internationally with the best Russian designs.

Salmon basin councils

Salmon basin councils are a democratic mechanism for solving social, environmental, and economic problems, and for promoting the sustainable use of biological resources in a given water body. Six salmon basin councils were created within the framework of the SSI on Sakhalin Island, to enable the public and users of natural resources, together with authorised state bodies and scientific organisations, to solve issues on conserving biological resources, introduce measures to curb illegal fishing and fish kill during spawning season, and to curb deterioration of river beds. In 2009 alone, the basin councils conducted over 100 anti-poacher raids on 20 rivers, worked on restoring the natural spawning grounds of rivers in the Aniva district, and arranged clean-up activities for the spawning rivers of the Oblast districts.

Developing sustainable fisheries

To aid salmon fisheries in raising their economic value and the value of their products on international seafood markets, the initiative works to help fisheries get certification from the Marine Stewardship Council (MSC), confirming the fishery uses the principles of rational nature management.

A preliminary appraisal of Sakhalin's fisheries started in 2008. Fishing enterprises got recommendations to enhance sustainable practices which they will apply.

Education and awareness

To develop an environmentally responsible attitude among the Island's residents that extends to marine biological resources, the SSI set up an innovative research and education centre based at Sakhalin State University. The centre was created to offer continuing science education and is outfitted with state-of-the-art equipment.

The SSI also holds an annual project competition among non-profit organisations and institutions, which has financed more than 20 projects since 2007, including support for ecological teams, and creation of a classroom to offer professional orientation for the fishery industry. A salmon educational festival was also held for children. Kapelka (Droplet) and Salmon Patrol educational programmes for children ages four to six and for pupils in the fifth to 10th forms, have also been developed. The programmes teach children about the life of salmon and include handbooks for teachers, visual aids, multimedia encyclopedias, and books. Currently the programme is taught in 30 kindergartens and 54 schools in the Sakhalin Oblast.

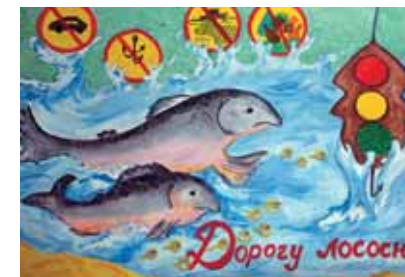
Salmon park recreational and educational centre

Salmon park will be a cultural and educational centre where visitors can see salmon in their natural habitat.

The following activities will be held in the park: continuous monitoring of the river and the salmon population; research on salmon biology; a salmon museum; and an environmental school for children. A summer environmental camp is up and running. The Life of a Salmon and Observe Salmon excursions are organised for the local population and tourists.



'Sockeye's Life cycle'
by Maxim Suleman,
Okha



'Make Way for Salmon'
by children from the Children's Art Centre,
Kholmsk



'Live on, Salmon'
by Maria Makarova,
Yuzhno-Sakhalinsk



APPRAISALS AND OPINIONS

This historical agreement will aid in protecting wild salmon in the Far East of Russia. We are glad that Sakhalin Energy, the operator of one of the world's largest integrated oil and gas projects, takes part in an important activity for the preservation and sustainable development of salmon, and decided to support the Sakhalin Salmon Initiative.

Guido Rahr, President and Chief Executive, Wild Salmon Centre (USA)



It has been many years since the higher education lost its links with production and business, and creation of a research centre is another step in restoring such links. It is sufficient to see that the participants of this project are Sakhalin Energy and the Wild Salmon Centre. Our main task is training specialists. The tools will include the latest innovative technologies, and they will not have to be 'fine tuned' when they arrive at industry's door, in particular, plants for fish breeding.

Boris Misikov, Professor, Doctor of Education, Rector of Sakhalin State University



The SSI programme won Corporate Donor of Russia 2008, a national competition for social projects, in the category, The Best Programme (Project) Illustrating Principles of Corporate Culture and Facilitating Development of Corporate Standards for Company Social Service Activities.

Other Russian regions are borrowing elements of the Sakhalin Salmon Initiative. For example, Kamchatka is following the example of Sakhalin salmon councils at district level.





Action plan for the protection and conservation of the Western Gray Whale

Not far from the Piltun-Astokh offshore field that is being developed as part of the Sakhalin-2 Project is a zone where a small population of Western Gray Whales feed in the summer and autumn. Until 1972, when several whales were spotted near Sakhalin Island, these whales were previously thought to have been completely exterminated by whalers.

This tiny population of gray whales is listed in the Red Books of Russia and the International Union for the Conservation of Nature (IUCN) and is endangered. As a result, from the very beginning, the Project and subsequent phases were developed amid an active discussion of the environmental consequences of offshore oil and gas production. Impassioned discussions took place in Russia and abroad on the possible harm that construction and operation of a major oil and gas project could inflict on these rare animals. The prolonged discussions in which international creditors of Sakhalin Energy and Company shareholders took part, was hampered by the lack of reliable information about the biology of the whales and how they would responded to any influences, so that different interpretations were made of the same facts. All that was known was that the whales come from the south and spend June to November in the northeastern part of the Sakhalin Island shelf. Breeding and wintering grounds had not been identified, and any potential threats off Sakhalin Island were unknown.

The Company has taken extraordinary environmental safety measures during all operations in the vicinity of the Piltun-Astokhskoye field in the waters where the whales swim, and special measures to establish an efficient and transparent process to check that these measures are adequate to protect the whales.



Photo ID specialists on board of the research vessel Academician Oparin



Gray whale fluke

PURPOSE

- Protect the Western Gray Whales and minimise any possible adverse effects on these animals.
- Enhance the Company's reputation as a responsible operator that ensures adequate conditions so that the Company can carry on its business activities without endangering the protected species.

TASKS

- Research and monitor the Western Gray Whales, to develop measures to prevent or minimise any impact
- Develop and implement measures to prevent or lessen any impact.
- Deploy independent international experts to verify the measures, results, and implementation.
- Distribute the data obtained to the target audience.

TARGET AUDIENCE

- International environmental community.
- Scientific community.
- Sakhalin Energy shareholders.
- Sakhalin Energy lenders.
- State and interstate environmental agencies, including IUCN and the United Nations.

PARTICIPANTS

- Sakhalin Energy, initiator and customer of the work to study and conserve the Western Gray Whale.
- Exxon Neftegas Limited, a Sakhalin Energy partner also financing the research programme.
- The panel of independent reviewers and experts working under the auspices of the IUCN for conservation of the Western Gray Whale.
- Russian and foreign researchers involved in the Western Gray Whale research programme.

PROGRAMME CONCEPT

Arrange close interaction between the Company and the global research community by acquiring data and exchanging it for the purpose of implementing measures to conserve and protect the Red Book mammals in the region. Create a mechanism to appraise Company's activity to prevent any adverse impact on the Western Gray Whale that is independent and transparent. Further involve all stakeholders in a partnership.

IMPLEMENTATION

Phase one: research and monitoring of the Western Gray Whales: acoustics monitoring, feeding studies, photo-ID and creation of a catalogue, research of the whale's habitat to determine their location and number, and whale behaviour studies.

Phase two: continuation of the research and monitoring, and implementation of the Western Gray Whale protection programme. Creation of mechanisms from the independent international scientific assessment.

- 2004: the Company stopped construction on offshore pipelines, and proposed to the IUCN an initiative to form an independent team of researchers to consider and assess the plans and engineering solutions for the work near the whale feeding grounds. The Company provided the team with all the scientific and engineering information on this part of the project, which was an unprecedented step in the interrelationship of business and the public.
- 2005: following recommendations of the independent IUCN team on the need to observe the extreme care principle, the Company changed the route of the future sub-sea pipeline and laid it 20 km south of the initial route. Although this decision delayed construction by one year and required an extra 120 km of sub-sea pipeline to be installed, it eliminated any potential negative impact on the whale population, enhanced the reputation of Sakhalin Energy as a responsible operator in the scientific community, and established good relations with the environmental community.
- 2006: IUCN made the independent panel for the conservation of the Western Gray Whales a permanent one, after the Sakhalin Energy initiative. Sakhalin Energy is the first oil and gas company worldwide to initiate this



The Okhotsk-Korean Gray Whale, or Western Gray Whale contingent of the species, is one of the smallest whales in the world. Adult whales have an average length of 11 to 13 metres and weigh approximately 30 tonnes. According to latest estimates, not more than 130 Western Gray Whales remain. In winter, the whales can be found near the shores of Japan and Korea, and in spring they migrate to the Sea of Okhotsk, near the northeast coast of Sakhalin Island.



Gray whale monitoring and behavioural research



Benthos researchers

kind of cooperation between business and the scientific and environmental communities, and openly provide massive engineering data to scientists. Sakhalin Energy provided WGWAP with an unprecedented amount of information about its action plans and design solutions. Non-profit organisations, lenders, and other stakeholders may participate in the panel's activity as observers.

- 2009: the RF Ministry of Natural Resources issued an order to form a special commission on the Western Gray Whales that included Sakhalin Energy and Exxon Neftegas Limited, and representatives of the Ministry and the scientific community. One of the members of the interagency task force is also a member of the WGWAP.

Today Sakhalin Energy is the only company participating in the WGWAP under IUCN, but IUCN is committed to involving other operators that work in the habitats of the Western Gray Whale.

RESULTS

- At the beginning of the research programme, the number of whales was estimated at less than 100. From 2004 to 2008 the number of non-calf Western Gray Whales was estimated to have increased to 130 individuals. The WGWAP has indicated that the annual population growth rate of the whales is about 2.5%.
- Most of the available data on the ecology of the Western Gray Whale was obtained due to extensive research conducted by Sakhalin Energy and Exxon Neftegas Limited with the participation of Russian research institutes and international experts.
- A necessary balance has been struck between meeting the energy requirements of the region, contributing to the economic development of Russia, and conserving the Western Gray Whale.
- The communications mechanism the Company created has become a recognised model for cooperation of the scientific community, NGOs and business and is considered the hallmark of an environmentally and socially responsible business. While in the midst of preparations for the seismic survey, Sakhalin Energy developed a detailed monitoring and migration programme. The programme was approved by WGWAP, which concluded:



A gray whale in Piltun Bay, Sakhalin Island

‘The programme is the most thorough of all the seismic survey cetaceans work which have whenever and wherever been performed’.

- In December 2008, the Company became a laureate of The Best Ecological Project of the Year award of Russian Federation Ministry of Natural Resources in the category Economy Ecological Efficiency for its work on the protection of the Western Gray Whales.



APPRAISALS AND OPINIONS

The International Union for the Conservation of Nature greatly appreciates its cooperation with the Company: the aim of such a cooperation is to elaborate recommendations for minimising risks to the Western Gray Whale and their habitat connected with Company activity. The interaction of IUCN with Sakhalin Energy is beneficial for the conservation of this marginal population.

*International Union for the Conservation of Nature (IUCN), 2010,
http://www.iucn.org/wgwap/about_the_initiative/*



Given all the other risks and unknowns, environmentalists point out, it is all the more important to make sure the whales are safe in their summer home at least. But the spur to all this research, and the funding for much of it, derives from the oil projects. It is hard to escape the conclusion that, for creatures with a lot as sorry as the western gray whale, a nearby oil project is something of a blessing.

The Economist, 6 April 2009



The history of studying the gray whale on the Sakhalin shelf reveals two educative aspects. On the one hand, it offers a sample solution of an applied environmental task in the context of implementing a large-scale oil and gas production project on the sea shelf. On the other hand, it sets a precedent for the fruitful cooperation of oil companies, the public, and scientists, aimed at obtaining new knowledge about natural objects, which require an extremely careful approach despite not being part of the business cycle.

*Evgeniy Kriksunov, Corresponding member of the Russian Academy of Sciences,
Enviabie Sea Neighbourhood, Rossiyskaya gazeta, 19 September 2006*





Interaction with indigenous peoples: from confrontation to partnership

About 3,500 members of indigenous minorities live on Sakhalin Island, approximately 0.7% of the total population. They belong to four main ethnic groups: the Nivkhs, Ulta (Orok), Evenkis, and Nanais.

Over the latest few decades, indigenous peoples have traditionally lived in the areas of intensive industrial development. During implementation of the Sakhalin-2 Project, concerns were raised that social revival, habitat conservation, and development of traditional livelihoods in these communities would become secondary.

Sakhalin Energy has had a running dialogue with Sakhalin’s indigenous minorities since the Company was founded in 1994. Since its inception, the Company has supported social projects for indigenous minorities in a range of areas. But in 2005, indigenous minorities staged a protest against oil and gas companies in Sakhalin, and were supported by international environmental groups such as Greenpeace, the World Wildlife Fund, and Pacific Environment.

Sakhalin Energy then decided to revise how it engaged with the island’s indigenous minorities and developed a comprehensive social and economic plan that complies with the best international and Russian standards.



Youth Festival 'Heirs to Tradition'



The Uilta ABC-book presentation

PURPOSE

- Enhance the image of Sakhalin Energy as a responsible member of society that responds to the social and economic development needs of the public in the territories where Company works are underway.
- Facilitate the sustainable development of Sakhalin’s indigenous minorities, develop partnerships with these groups.

TASKS

- Contribute to improving the quality of life of Sakhalin’s indigenous minorities through supporting social development programmes that take account of cultural specificity.
- Help Sakhalin indigenous minorities to develop by encouraging their involvement in managing the implementation of this plan and other related programmes.
- Prevent or minimise potentially adverse impacts from the Sakhalin-2 Project on the indigenous peoples.

TARGET AUDIENCE

- Sakhalin indigenous minorities.
- State authorities.
- Non-profit organisations in Sakhalin Island, Russia-wide, and internationally.
- Scientific community.
- Business.

PARTICIPANTS

- Sakhalin Energy.
- Regional Council of Authorised Representatives of the Sakhalin Indigenous Minorities (elected at a regional congress of indigenous minorities).
- Sakhalin Oblast government.
- A representative of Sakhalin indigenous minorities in the Sakhalin Oblast Duma.

PROGRAMME CONCEPT

Organise a well-structured and adequately documented cooperation and partner interaction on development aid for Sakhalin’s indigenous minorities.

Based on best Russian and international practices, and on World Bank Operational Directive 4.20, develop and execute the indigenous minorities development plan (2006 to 2010) for support of culture, health care, education, and the traditional economy. Also engage experts in Russia and abroad in developing the plan.

Based on the experience of carrying out the first plan, develop and implement the second phase of the development plan (2011 to 2015) and other plans for the indigenous minorities, covering the entire implementation phase for the Sakhalin-2 Project.

IMPLEMENTATION

Phase one: Consultations and development of the Plan

From 2005 to 2006, Sakhalin Energy held large-scale consultations with all stakeholders, including in areas densely populated by the indigenous minorities and in Yuzhno-Sakhalinsk. Based on a strategy developed by the indigenous minorities and suggestions on ways to implement it, the first Sakhalin Indigenous Minorities Development Plan (SIMDP) was developed and signed in May 2006. To carry out the Plan governing bodies, a supervisory board, two programme committees and a micro-grants fund were created. Representatives of the Regional Council of Sakhalin Indigenous Minorities, Sakhalin Energy, and the Sakhalin Oblast government take part in the operation of the governing bodies. Representatives of Sakhalin’s indigenous minorities hold a majority in the governing bodies.

Phase two: Implementation of the first Development Plan

The Company formed a department of indigenous peoples. The department works closely with indigenous peoples and coordinates all the operations for implementing the plan. Plan management has a number of unique features regarding decision-making formats, conflict resolution methods, and the criteria used to determine whether a social or economic programme is useful and suitable to an indigenous minority. Decisions are often made by consensus, even if it requires



There are about 3,500 members of small ethnic groups living on Sakhalin Island. These indigenous communities are the Nivkhs, Uilta, Evenkis, and Nanais. Their basic occupations are fishery, hunting, gathering, and reindeer breeding. Tribal enterprises and communities catch sea and river fish, hunt sea animals, and gather wild herbs for sale and for their own use on traditional sites.



Zakanga guimbarde, a traditional musical instrument



Dog sled, a traditional means of transportation

some additional time but not by voting. The parties seek to understand and respect their different ways of perceiving the world and set priorities and values.

The first SIMDP foresees financing of US\$300,000 annually over five years.

Since the Plan was launched, Sakhalin Energy has financed some 270 projects as of August 2010 in education, health care, the preservation and study of indigenous languages, support for national households, and the preservation of traditional culture. Some funds under the Plan are given to representatives of indigenous peoples for secondary and higher education, to purchase equipment for remote medical and obstetric centres, and for the purchase of a mobile dentist's office. Multi-disciplinary teams of doctors from the regional centre are flown into areas that are densely populated by indigenous minorities to conduct medical checkups for the early detection and treatment of diseases.

The annual mini-grant competition is very popular and is aimed at encouraging and supporting proposals from indigenous peoples.

Projects to revive traditional economic activities are also crucial for preserving these age-old traditions. Programmes that receive support under the plan include a project to revive Nivkhi dog breeding and one to assist the Uilta reindeer herders.

Another critical area of support under the Plan is to keep the languages and culture alive of the indigenous peoples. The Company supported Voices of Tundra and Taiga Russian-Holland project. The scientific programme answered many questions raised by ethnologists and linguists on how Sakhalin's indigenous languages developed, and made possible the studying of changes in the cultural traditions of the island's aboriginal inhabitants.

One of the most acclaimed projects was a multi-year undertaking to assemble the first book of ABCs on the Uilta language which was published in the spring of 2008. Before then, the language was on the brink of extinction: there was only a maximum of 30 native speakers. A large team of scientists and native speakers worked for years to prepare the text. Including a Uilta-Russian dictionary, issued in 2003 also with the support of Sakhalin Energy, the two books are the only teaching aids available on the Uilta language.

An important step in broadening understanding of the national culture was the academic publication of Nivkhi Myths and Fairy Tales, which received support under the Plan and financial and organisational aid from Sakhalin Energy.

The Plan is also subject to a regular review by an external independent monitor. The monitoring reports are available to the public in Russia and internationally, in libraries located in areas of Sakhalin Island and on the Company website in Russian and in English.

Next phases: the second development plan and future efforts

The 2006-2010 SIMDP is the first of a series which will last for the duration of the Sakhalin-2 Project. Drafting began in 2010 of the second plan, which covers 2011-2015 and will take into account lessons learned from the first Plan.

RESULTS

Development and implementation of the Plan caused a breakthrough in the relationship between the oil and gas company and the indigenous inhabitants of the island, which can be seen by the following developments:

- The relationship went from conflict to collaboration, with greater trust between representatives of Sakhalin's indigenous minorities and Sakhalin Energy.
- Prevention or reduction of the potentially adverse impacts of the Sakhalin-2 Project on the indigenous peoples.
- Improvement in the life quality of Sakhalin's indigenous minorities.
- The model used to develop and implement the Plan has been recommended by constituent entities of the Russian federal authorities following the results of hearings by the RF Federation Council in 2008.



Traditional crafts of indigenous people



Reindeer herding, a traditional local business



OPINIONS AND FEEDBACK

The International Finance Corporation (IFC), a department of the World Bank Group for operations with private sector, in 2007 included the experiences of developing and implementing the SIMDP in the latest edition of Stakeholders Engagement: a Guide of Successful Practices.



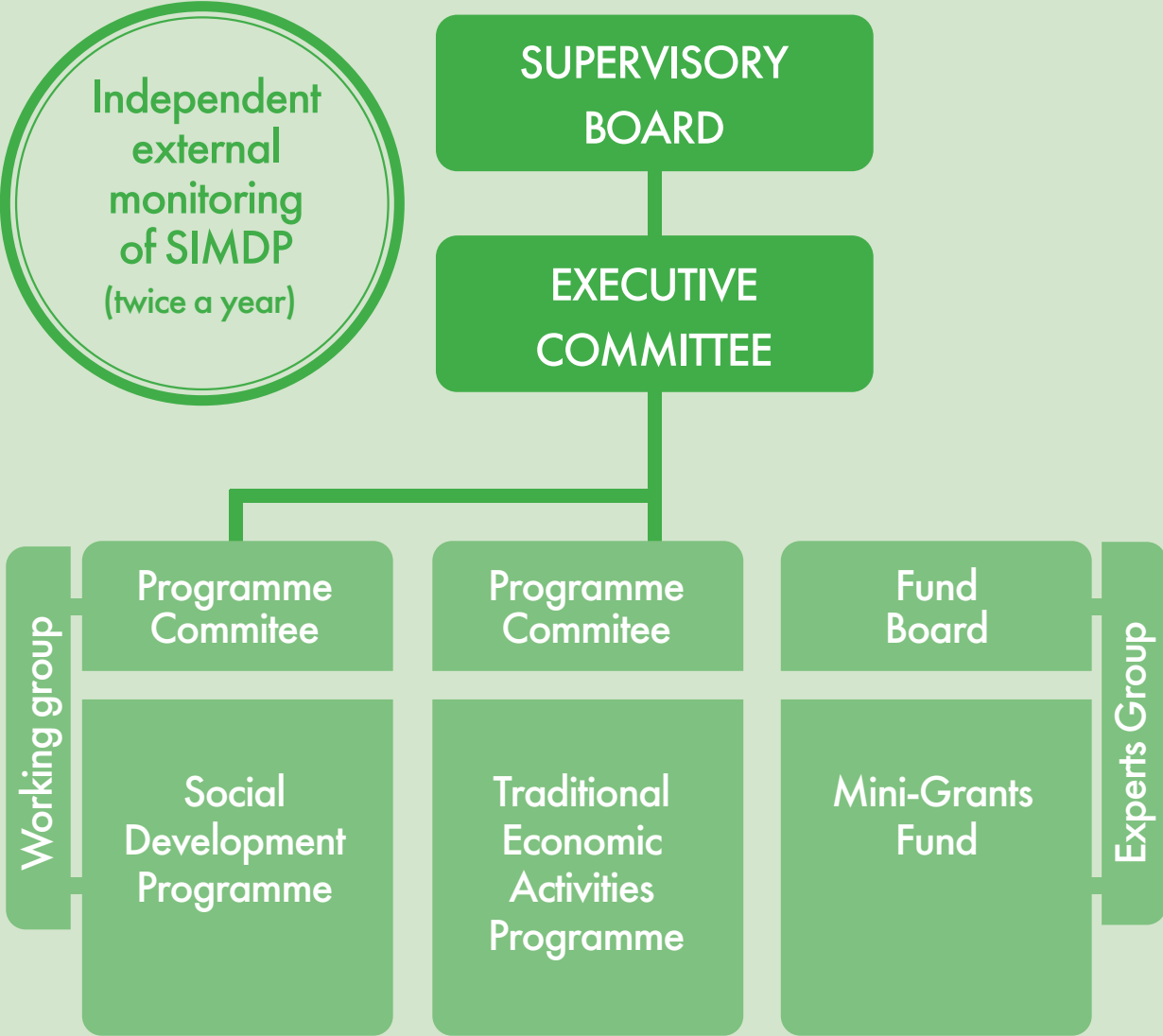
The experience of the Sakhalin Indigenous Minorities Development Plan should be widely spread in corporate social responsibility practices.

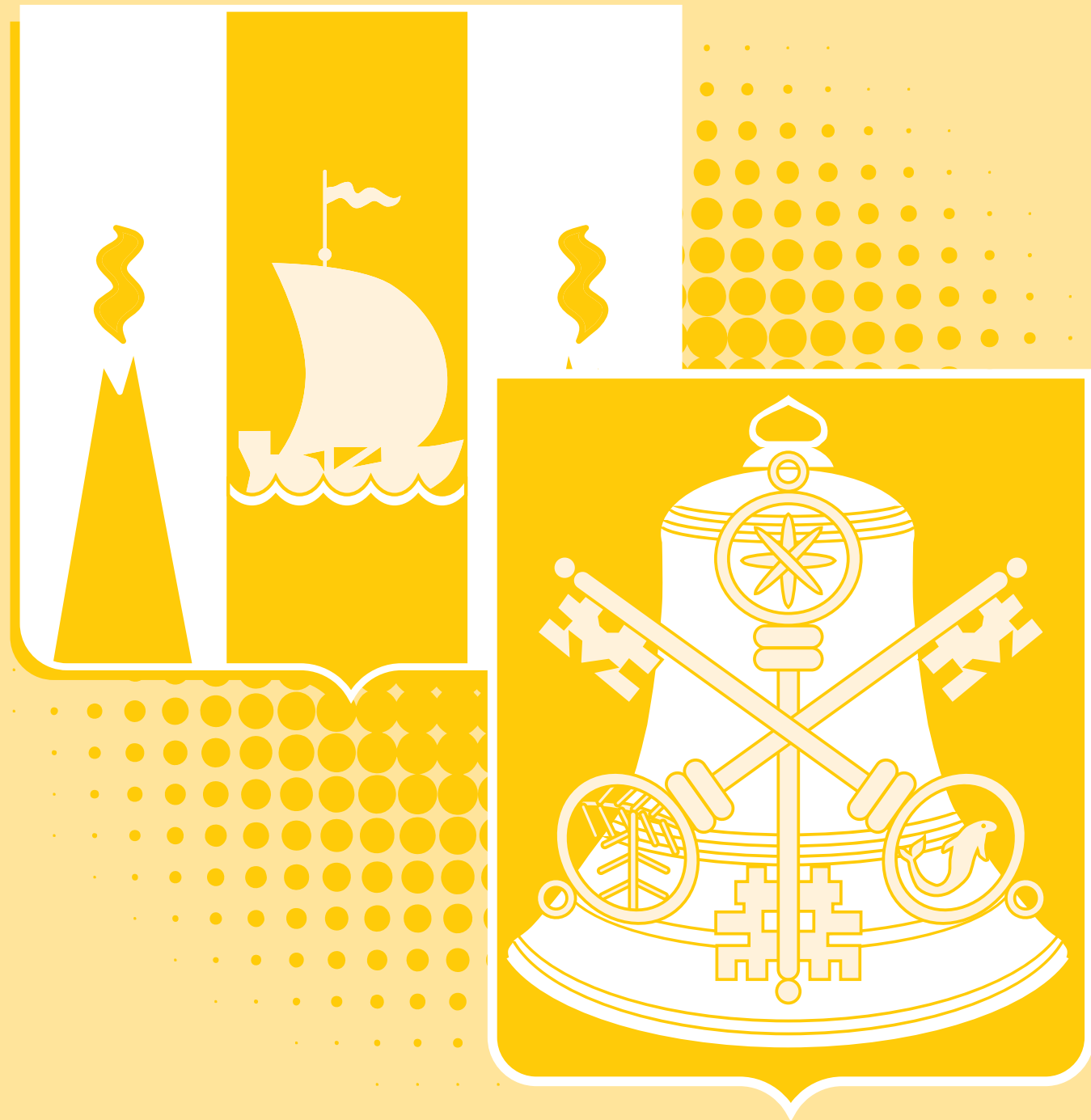
Gennadiy Oleynik, The Chairman of the Federation Council Committee on the North and Indigenous Peoples



The 6th Russian Congress of Indigenous Minorities of the North, Siberia and the Far East in April 2009 awarded Sakhalin Energy the international prize named after Vitus Bering in the category, Best Industrial Company. This prestigious award was established by the Association of Indigenous Minorities of the North, Siberia and the Far East of the Russian Federation (RAIPON) and the Batani Russo-Danish Foundation. The goal of the award is to comment and express appreciation for partners of Sakhalin's indigenous minorities that have made the greatest contribution to the socioeconomic and cultural development of these peoples.

SIMDP Management Structure





Experience of the Korsakov Partnership Sustainable Development Council

The Korsakov district in the Sakhalin Oblast includes Korsakov city and 17 villages and has a population of about 44,000. The main industry of the district is fishing. The largest ice-free seaport in Sakhalin is also located there.

Sakhalin Energy started construction of the first liquefied natural gas (LNG) plant in Russia in 2003. During construction, which lasted five years, the Prigorodnoye production complex including an LNG plant, the oil export terminal (OET), and a tanker loading unit (TLU) were built in the Korsakov district. The main oil and gas pipelines to these facilities were also laid in district territory. This was the largest construction site on Sakhalin territory. At the peak of operations, about 10,000 people worked at the LNG plant, increasing the Korsakov district population by almost a third.

The construction of a production complex on this massive a scale was new to Russia, and provoked anxiety and many questions among the local residents. To allay their concerns and to safeguard the Company's reputation, Sakhalin Energy formed the Korsakov Partnership Sustainable Development Council in 2004 as a means to set up social projects in Korsakov in the most efficient and transparent manner possible.



Memorandum of Cooperation signing ceremony



Korsakov Clinic opening ceremony

PURPOSE

- Build mutual trust between the Company and the local community, and consolidate the Company's reputation, by organising an efficient way to interact with district authorities.
- Implement social and sustainable development programmes in the territory where large-scale activity is carried out.

TASKS

- Tackle social problems by integrating the efforts of authorities, business, and the public.
- Strike a balance of economic, social and environmental development.
- Involve the local community in the development and implementation of social projects.
- Ensure the public gets maximum benefit from social projects by deploying best international practices on sustainable development.
- Ensure transparency on expenditures and assets for social projects.

TARGET AUDIENCE

- Population of Korsakov district.
- Korsakov district administration.
- Korsakov district assembly.
- Non-profit organisations.
- Business.

PARTICIPANTS

The following member entities have served as partners with the Korsakov Council:

- Sakhalin Energy.
- CTSD, the general contractor for the LNG plant.
- Korsakov district administration.
- Korsakov district assembly.
- 'Knowledge is Power' initiative.
- Charity and Health non-profit organisation.
- Korsakov district Business club.
- Self-management of Russia non-profit organisation.

- Korsakov commercial port.
- Representatives from Korsakov, Dachnoye, Ozerskoye, Solovyovka and Chapayevovo.

PROGRAMME CONCEPT

To create an efficient and transparent mechanism for implementing social programmes satisfactory to all stakeholders, the Korsakov Partnership Sustainable Development Council was established, including representatives from governmental authorities, civil society, and business, on the territory of the municipality where the large-scale work of the Project was underway. The interaction among the council's membership was based on the following principles:

- Programme financing provided by Sakhalin Energy.
- The right to first consideration of the proposed projects goes to Council members; a project is only submitted to the Company for consideration after the Council has approved it. This mechanism ensures transparent decision-making and project support, since they are based on approval by a Council majority.

The operating life of the Korsakov Council was initially set to coincide with the construction phase of the Sakhalin-2 Project, from 2004 to 2008-2009, but the Council was deemed so successful by the stakeholders and according to an expert assessment that a decision was taken for it to continue after a reorganisation.

IMPLEMENTATION

Today, the Korsakov Council is the only district council of its kind in the Sakhalin Oblast. In its five-years of operation, it has supported more than 50 projects with a collective value of over US\$3.5 mln. The projects mainly target the following categories:

- Redevelopment and ecology.
- Medicine and sports.
- Education.

Thanks to the participation of Sakhalin Energy and the work of the Korsakov Council, urban redevelopment has continued post-construction of Sakhalin-2 facilities. Equipment was purchased, such as road graders and front-end loaders which not only facilitates urban redevelopment, but also boosts the development of enterprises that use it.



Playground opening ceremony in the Korsakov city centre



'New Year: Give Happiness to People' project, Korsakov



The handing over of a Komatsu grader to Korsakov



Korsakov Central District Hospital, a reliable long-time partner

In addition to large health care projects Sakhalin Energy has undertaken in Korsakov, the Council purchased expensive modern medical equipment, which has raised the level of medical care in the district

Many projects are aimed at teaching the youngest residents of the district by equipping general education classrooms, athletic schools, and kindergartens.

The Korsakov Initiatives grant programme has been in place since 2005. This competition, held several times a year, finances small but socially significant projects by initiative groups, non-profits, and other organisations in Korsakov district.

RESULTS

- An efficient tool for interacting with the public and authorities.
- Public opinion of the Company improved, and the Company's credibility was enhanced.
- The Korsakov Council was re-organised into the Korsakov Partnership under the auspices of the United Nations Development Programme in 2010.

APPRAISALS AND OPINIONS

Over many years, Sakhalin Energy has supported the initiatives of the Korsakov district administration aimed at improving the lives of the local residents.

... Thank you for your significant contribution to the social, economic, and cultural development of the Korsakov district, and for your understanding of its problems and needs.

Lada Mudrova, Mayor of the Korsakov City District

The work of the Korsakov Partnership Sustainable Development Council is a unique experience, not only for the Far East, but for the Russian Federation as a whole.

Aleksey Kostin, Executive Director of the not-for profit partnership, the Russian Center for Corporate Social Responsibility

Korsakov Central District Hospital expresses its sincere gratitude for cooperation and implementation of the projects aimed at the improvement of medical care of the population in the Korsakov district.

Alik Obholtz, Chief Doctor of the Korsakov Central District Hospital





Experience of engaging the people of Sakhalin Oblast

Forecasting social risks and minimising potentially negative consequences when implementing a large-scale industrial project have become a regular part of conducting a well-run business.

A social impact is something that can be measured and can be ‘touched with one’s hands’. For example, a social impact could be extra dust on the road due to increased traffic, limited access to a popular recreation spot, or a crowded train because of guest workers. A more intangible social impact would be the stress caused by an unusual situation or a sudden change in one’s way of life.

When a common understanding cannot be reached over the project, which may cause discontent and strife among the local population, compensation may be necessary. There are cases where a multi-billion-dollar project has been frozen for years because of antagonism with a local group, in an area which has never experienced industrial development before.

It was also the case for the Sakhalin-2 Project, which stretches the entire length of the island, crossing territories where there had never been oil production or intensive industrial development, even though oil and gas facilities have been operating for more than a century in the northern districts. Therefore, the Company chose a strategy of openness and constant engagement in the early phases of the Project. Because the Company has a presence in all the districts where its facilities are located, the Company is able to forecast any possible difficulties and respond quickly to any complaints and concerns while a problem is at an early stage.



*Community Liaison Office opening ceremony
in Nogliki*



*Information Centre opening ceremony
in Dolinsk*

PURPOSE

- Create and reinforce a positive image of the Company at the local level, and establish and preserve cooperation with local communities.
- Ensure compliance with stakeholder engagement standards in accordance with the requirements of the Project's lenders and best international practice.
- Create an efficient mechanism to engage the public and receive their feedback.
- Protect Company interests at the local level.

TASKS

- Prevent or resolve any potential existing issues and official community complaints.
- Inform the public about the progress in implementing the Sakhalin-2 Project, the complaints resolution procedure and the rules of safe behaviour on the route of onshore pipeline, and employment opportunities.
- Implement social commitments that Sakhalin Energy has undertaken.
- Ensure real-time interaction with the local authorities.
- Hold consultations with the population on the Company's social programmes and grant projects and enlist their support.

TARGET AUDIENCE

- Population of the island.
- National and municipal authorities.
- Social institutions.
- Non-governmental organisations.
- Local business.
- Lenders to the Sakhalin-2 Project.

PROJECT CONCEPT

Creation of the comprehensive three-level system of interaction with the population of the districts covered by the Project, including ensuring an uninterrupted community grievance resolution procedure. Ensure compliance of the system with the international standards, which was one of the necessary conditions for obtaining credit necessary for implementing the Project.

IMPLEMENTATION

Work started on the Sakhalin-2 Project in 2003 when the decision was made to proceed with full-scale implementation. Now interaction between the Company and the public in the districts takes place through three channels.

Company management

Management holds regular working meetings with administration heads, and if necessary management attends meetings with the public. Public meetings are held once or twice a year in all the districts where the Project is being carried out.

Community liaison specialists

Community liaison specialists hold regular working meetings with the community. The community liaison team consists of a coordinator and four specialists. Each specialist is responsible for one zone into which Sakhalin Island is provisionally divided. An office where a specialist is based is open in each zone and in one district centre.

The main responsibilities of the specialist includes:

- Arrange and carry out visits with the public.
- Supervise the grievances resolution procedure to the community.
- Meet regularly with municipal officials and other stakeholders.
- Coordinate operation of the information centre in the district.
- Arrange annual meetings with the public.

Company information centres

The network of 20 information centres was set up at district and village libraries in communities along the route of the TransSakhalin pipeline system and at Company facilities.

The centres were provided with information stands, office automation software, office equipment, and Internet access. Visitors are served by library employees, who have received special training, during library hours.

The information centres offer the following activities:

- Inform the local people about the Sakhalin-2 Project and the Company's activities.
- Help local people to prepare and submit applications to the Company, according to the grievance resolution procedure.
- Aid the local public in preparing grant applications for Company projects.
- Help perform Company events on site, such as the St. George Ribbon campaign.
- Provide Company information and help individuals conduct information searches on the Company website.



Information Centre in Troitskoye



Information Centre in Dolinsk



The community grievances resolution procedure

A critical pathway to building trust in the local population in an industrial project is an efficient grievance resolution procedure, due to its swiftness and responsiveness in making decisions.

The main principles of the community grievances resolution procedure developed by Sakhalin Energy are simplicity and accessibility. All complaints, including anonymous applications, can be submitted by any means: letter, e-mail, telephone, a dedicated web-page that could be accessed confidentially, or by contacting a community liaison specialist.

Filing a grievance is not something everybody has the courage to do. Some people do not know how, while others do not believe in the result, and still others are afraid to do it. As a result, Sakhalin Energy has embarked an extensively awareness-raising effort on the procedure. The Company publishes information about the grievances resolution procedure in the local newspapers, and on public notice boards in communities. This information can also be obtained in the local administration office or during regular public meetings. The Company also organised a mailing campaign, sending a postcard with a description of the grievance resolution to each home in small towns and villages.

Grievances can also be received from the employees of numerous contracting organisations. At the peak of construction work about 25,000 workers were employed, many from distant countries. To make the information accessible, brochures about the procedure were published in Russian, English, Japanese, Korean, and Turkish.

Sakhalin Energy has set a short deadline for notifying the person filing the grievance that it has been registered and is under consideration and when a response can be expected. An analysis of the grievance is conducted to help eliminate any reason for its recurrence.

To remove any human bias, all incoming complaints are added to an electronic database so that any failure to meet the deadline by the responsible person will automatically notify upper management. This and other measures have significantly accelerated the processing and resolution of grievances.

RESULTS

- An efficient system to interact with the population in the districts covered by the Project is set.
- An efficient community grievance resolution system is established.
- A tool for enhancing the Company's image in the Oblast districts is in place.
- Lender's demands have been met.
- Public opinion polls have confirmed Sakhalin Energy is well known in Oblast districts and its reputation as a socially responsible company has been further enhanced.

A community meeting in Yuzhno-Sakhalinsk





APPRAISALS AND OPINIONS

When companies develop and consistently apply the procedures for grievance processing, it is a significant contribution to respecting human rights in the world. We are glad that Sakhalin Energy is a stakeholder in this project.

John Ruggie, Special Representative of the UN Secretary-General on Human Rights, Transnational Corporations and other Business Enterprises



Sakhalin Energy is a positive example of interaction with the local authorities and the community in settling complex issues of an economic and social nature.

Viktor Sereda, Mayor of the Nogliki City District



The joint project for the development of information centres brought the interaction with the local community to a new level, since it is now possible to get information about Sakhalin Energy and the Project not only in the regional centre, but also in small communities.

Svetlana Kan, Director of the Smirnykh Library System





Hurry up to Do Good programme to support the charitable initiatives of company’s employees

Charitable activity of non-profit organisations, business and individuals, volunteering activity are very important for social development of the society. Development of compassion, enabling ‘doing good’ are very important. People are involved in charity and volunteering activity in different way.

In recent years social programmes that encourage employee efforts to benefit society have become an integral part of the practices of many companies.

Participation in this programme gives employees an opportunity to take part in one of the key corporate social programmes, better understand the Company’s approaches and principles in this sphere of social activity and, what is equally important, apply their knowledge and skills in their own project, acting as initiators and creators of charitable ideas, using their communication and managerial skills. And vice versa, volunteering and participation in charitable projects enable the employees to master new skills and display and develop leadership skills and feel the involvement into society.

Charitable programmes such as these consolidate the Company’s reputation as a socially responsible entity in society. The Company supports the social involvement of employees as a vital part of the corporate culture.



'Books as Gifts' event at Oduvanchik kindergarten, Yuzbno-Sakhalinsk



A New Year party in the Preodoleniye rehabilitation centre for disabled children

PURPOSE

- Consolidate corporate culture and develop the social responsibility of employees by supporting their charitable activities.
- Create an atmosphere of trust in the Company within the general public.

TASKS

- Develop a spirit of collaboration between the Company and its employees surrounding charitable activities.
- Increase the size of the Company's social investment programmes and its support for local community groups that are rarely targeted for funding by large corporate social programmes.
- Attract additional financial help to solve pressing social problems.

TARGET AUDIENCE

- Sakhalin Energy's employees.
- Sakhalin Oblast community.

PARTICIPANTS

- Sakhalin Energy's employees.
- Sakhalin Energy.
- Social service institutions of the Sakhalin Oblast.

PROGRAMME CONCEPT

The basic principle of the Hurry up to Do Good programme is to co-finance small charitable projects initiated by employees.

An employee or a group of employees initiates a project, independently determines the charity beneficiary, develops the project based on the needs of the charity, and determines the funds needed, which the Company will match. The employees organise the fundraising and implement the initiative. If required, a social investment group helps identify the charity beneficiary, develops the application for the project and organises fundraising and project implementation.

The model helps instil a charity culture, and encourages and supports the participation of Company's staff in social activities. In addition, this approach helps increase social investment and attract additional financing to aid the neediest citizens, including children, the elderly, and the disabled.

PROGRAMME IMPLEMENTATION

The Hurry up to Do Good programme has been in place since 2003. Since then Company's employees have implemented over 40 charitable projects and raised more than 4 mln roubles, an amount the Company doubled.

Sakhalin Energy's employees who take part in charitable projects focus on the most socially disadvantaged groups: children at children's homes and social shelters, children left without parental care, physically challenged children, and the elderly.

The Company prefers co-financing projects where the assets will be used for long-term purposes, and for project expansion. Charitable contributions to buy consumer goods, make individual gifts, or sponsor one-time activities are a lower priority.

Over 150 people or about 14% of the entire staff have participated in the programme, a level which corresponds to developed countries where from 10 to 13% of the staff is involved in a charitable activity. When fundraising events are held, up to 40% of the Company staff has participated.

The Company promotes the programme through various communication tools and Sakhalin Energy's management supports it.

RESULTS

- Employees raised over 4 mln roubles in personal contributions. Over 40 charitable projects have been implemented.
- A strong corporate culture of charitable giving is now underway, and over 14% of the staff participated in a strategic corporate social programme and now understand the approaches and principles to use for community activities.
- Aid was administered to vulnerable population groups and to welfare organisations in the Sakhalin Oblast. Small programmes helped deliver aid to people not covered by major corporate programmes.
- Developed employees' skills in launching projects.
- Enhanced community trust in the Company and its employees.



Regional contest Philantropist 2009, prize-giving ceremony



'Le Tour de Sakhalin' sports festival at the Skazka kindergarten, Kholmsk



APPRAISALS AND OPINIONS

When I was a kid I had serious eyesight problems, so I suggested devising something that could warm children’s hearts. I am very glad my colleagues and friends supported me.

Aleksander Zykov, Head of the Information Security Department, Sakhalin Energy



125 disabled children live in the Aniva and Dolinsk districts. A play by the regional theatre is a real miracle, a fairy land, as many of them have never travelled beyond their home town. So we decided to give this present to the children on New Year’s Eve.

Olga Shpagina, Corporate Social Responsibility Adviser, Sakhalin Energy



...we understand that the Company trusts us to select socially-important projects (everything depends on the degree of our own confidence in the importance of our project) and in getting the extra 50% for project implementation, you know the Company’s aim is to make our help more solid and effective.

Extract from a reference in the assessment of the Company’s social programmes





Promoting safety rules with internal communications

Implementing and operating large industrial projects, especially in the oil and gas industry, requires special attention to the rules of safety, and their non-observance can lead to loss of human life, the destruction of ecosystems, and financial losses.

During construction a large number of specialists from dozens of countries (25,000 were employed at the peak of construction) were involved with the Sakhalin-2 Project. They not only varied in their professional duties, but they spoke many languages and came from many cultures, which caused additional challenges to the organisation for safe operation and meant that strict corporate standards had to be applied. In 2005, Sakhalin Energy introduced the ‘golden safety rules’, mandatory for all employees and contracting organisations.

As the construction phase came to an end and the Project moved into the operations phase, the areas of risk shifted, but the level of risk was not reduced. Because production safety will require greater attention, in 2008 the Company amended its corporate safety rules to suit this new phase of activity. The Company introduced 10 life saving rules to identify the most critical hazards to human life.



Road safety is Sakhalin Energy's priority



Road Safety event, Korsakov

PURPOSE

- Achievement a maximum level of human safety in the Sakhalin-2 Project.
- Achievement the very highest, health and safety targets, on par with world standard.

TASKS

- Change employee attitudes to observe safety rules and to understand the importance of strict observance.
- Swiftly implement and distribute updated safety rules, the 10 life saving rules, to Company employees.
- Strengthen the culture of labour safety in the Company.

TARGET AUDIENCE

- All Company staff of about 2,500 people, the majority who worked at remote Company facilities when the programme was launched.
- Contracting and subcontracting staff who numbered about 5,000 when the programme was launched.
- All visitors to Company facilities, which included representatives of regulatory bodies, shareholders, and journalists of about 5,000 people per year.

PROJECT CONCEPT

To efficiently implement the updated safety rules, organise ways to quickly familiarise employees of the Company and contractors with the rules. Afterwards, regularly promote safety practices, reinforcing changes in worker motivation and the need for them to strictly observe the new rules.

IMPLEMENTATION

Familiarising employees with the updated rules had to be done on a tight timetable. Each employee had not only learn these rules, but understand the reason why the rules have been introduced, what measures would be applied if these rules were not observed, and how safe behaviour would be encouraged.

Implementation of the project was a joint effort with the production directorate, which developed and introduced the rules and the controls used for observing the rules, and the external affairs department, which launched an information campaign.

A poll of employees revealed what were the most efficient methods of communication on health and safety issues: a message from their manager, team discussion, and simple, illustrated hand-outs. The poll was one of the components based on which the set of information materials was developed. Information and instruction were performed using a 'cascade' method.

Several information channels were used for the Chief Executive Officer (CEO) to communicate with Company's employees.

These communication efforts, done on behalf of the CEO, or with his participation, are listed here in chronological order:

- **Personal communication** – a presentation on life saving rules, with top management and senior management answering questions on the introduction of the rules. All meeting participants confirmed in writing they agreed and would observe these rules.
- **An email message was sent to all Company's employees** about the introduction of the rules, and then posted on the home page of the corporate website.
- Information about the new rules was delivered during **staff engagement sessions of Company's employees.**¹
- **An email message was sent to all Company's employees** with information about the status of implementing the rules one month after the rules were announced.
- The status of observing all the life saving rules was given at all quarterly general meetings of employees and published in monthly electronic mailings sent to employees about the status of project operations.
- A monthly award for safety achievements is presented, and applications for the award are ongoing. The decision to present a certificate or a souvenir is made by the committee of executive directors. The CEO presents the award to the winner, and the information is distributed to all Company's staff.

The following information resources were used to promote the life saving rules:

- **Intranet.** A page on the life saving rules was erected on the Company website. In addition to general information about this project, such as goals, tasks, and measures for non-observance of the rules, the materials included visual aids Company employees could use to conduct a briefing on the life saving rules, links to all associated documents (procedures, instructions), and answers to frequently asked questions.



CEO Safety Award presentation



Seat Belt campaign

¹ The staff engagement sessions are conducted in the Company quarterly as a meeting of the staff with the management which is broadcast held with all the Company facilities (offshore platforms, onshore processing facility, liquefied natural gas plant, etc.) in on-line and bidirectional videoconference mode.



Life saving rules posters

- **Daily pop up news screen².** The status for distribution of the rules was regularly reported through the articles on the screen.
 - **Face-to-face communication.** The Company managers held briefings on the rules with their subordinates, using specially developed recommendations for these briefings.
 - **Safety days.** Safety days were held in all offices and facilities of the Company on one pre-selected, pre-announced day. Safety days are held once a year. Nine months after the rules were announced, in July 2009 the rules were the topic for the Safety day and the measures used to observe them. Managers could use the presentation which included recommendations to conduct the discussions and a video accompanying the CEO’s address, as well as crosswords and trivia games on the new rules, a non-formal, and creative approach to the topic and the meeting format.
 - **Posters, booklets, and pocket cards.** Booklets and pocket cards with the life saving rules in Russian and in English were published and distributed among all Company employees. In addition, posters illustrating the need to observe the rules and the list of measures to be taken in cases of non-observance were and still are posted in Company offices and facilities.
 - **Vesti corporate monthly newspaper.** The newspaper wrote about the progress on introducing the new rules.
 - **Energy corporate weekly TV programme.** The programme is broadcast on a Sakhalin channel that regularly seen by Company’s employees and Sakhalin Oblast residents.
- Research was conducted with employees six months after the main phase of the information campaign. The research gauged the efficiency of the information campaign and took into account employee feedback on ways to improve such campaigns.

² The daily pop up news screen is one of the most efficient information channels. The page of the news screen with articles in Russian and in English is automatically launched when each employee’s computer is switched on. It is used by the Company as a daily corporate mass medium. According to the results of the employee poll, it is the most efficient employee informing channel.

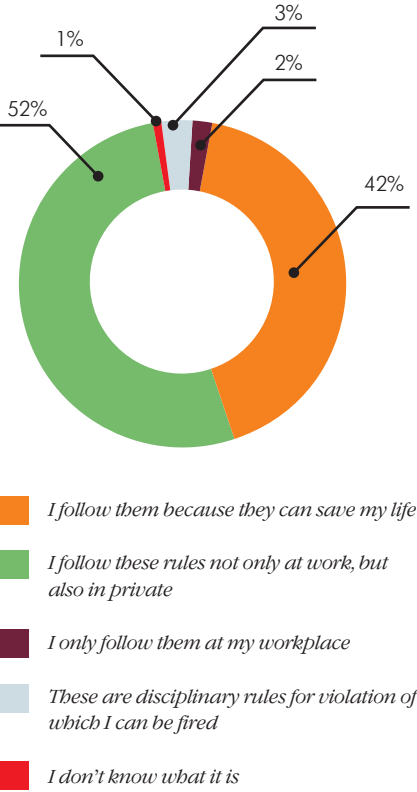
RESULTS

Life saving rules were introduced in October 2008. According to a poll of 1,275 employees of the Company and its contracting organisations conducted just six months later, only 1% said they were unaware of the rules, while more than half or 52% confirmed they followed the rules – on and off the job.

Labour safety significantly improved. Not a single fatal industrial accident was registered in 2009, while the number of lost-time work accidents fell from 23 in 2008 to 7 in 2009.

In road traffic safety, from February 2009 to February 2010, there were no injuries or time lost from road accidents from more than 500 vehicles operated by the Company or its contractors that travelled 18 mln km. At the time of publication of this brochure (August 2010), the Company was still operating without injuries in road accidents.

Life saving rules





APPRAISALS AND OPINIONS

Introduction of ten life saving rules by Sakhalin Energy has created a foundation for increasing the awareness and observation of safety rules. Actually these rules are not absolutely new; the most of them are a part of the Russian legislation. However, these simple and comprehensible rules help in improving the culture of safety in Sakhalin-2 Project and, most crucially, rescue human lives.

Andrei Galayev, Chief Executive Officer, Sakhalin Energy



The programme 'Road without Danger' which was conducted for residents of our city and district was developed mainly by the employees of Sakhalin Energy and was implemented with the financial support by the Company. The lessons which were conducted with the assistance of Sakhalin Energy in schools, kindergartens and motor vehicle companies, the books we were provided will made a contribution to ensuring the road traffic safety.

Yuri Shishmentsov, Chief of the Department of State Traffic Safety Inspectorate of the Department of Internal Affairs for Korsakov City District (2003 to 2008)



Sakhalin Energy gives priority to issues of health, safety and environment. We have developed some innovative methods and procedures and will be glad to share our accumulated experience in this sphere.

Richard Evans, HSE General Manager, Sakhalin Energy





Celebrating Oil and Gas Workers Day

Before the start of development of the oil and gas deposits of the Sakhalin shelf pioneered by the Sakhalin-2 Project fishing was the main industry of the Island. This is why Fisherman's Day has been one of the favourite informal holidays of the residents. Even though the oil and gas industry of the island dates back to 1928, the hydrocarbons share of exports was as little as 20% until recently, and the oil was produced mainly in two districts in the north where only 10% of the population lives. Development of the oil and gas industry over the latest decade has fundamentally altered the island's economy, and put the Oblast on the global energy map. The oil industry has firmly become the driver of the economic development of the island. An immense oil and gas infrastructure for the Sakhalin-2 Project covers nine out of 15 oblast districts where almost 64% of the population live.

Until recently, the community viewed oil and gas production as taking an extra toll on the environment, and the construction works connected with the Project as causing headaches to residents.

To change the view of the community to see the many benefits from the Project, the Company needed to change the community's perception of the oil and gas industry. The Company needed to inform the residents that the future of the region lies in oil and gas exploitation and that Sakhalin has become a new centre for the hydrocarbons industry. To achieve this goal, the Company introduced Oil and Gas Workers Day, which is observed the first Sunday in September in Russia.



Poster inviting to attend the Oil and Gas Workers Day show staged by Sakhalin Energy



The Oil and Gas Workers Day show staged by Sakhalin Energy’s staff

PURPOSE

Create the most favourable conditions for the Company by the following means:

- Form a positive attitude among Oblast residents to the industry as a whole and to the Sakhalin-2 Project.
- Develop resident’s understanding of the strategic importance of oil and gas industry for the region and the country.
- Make residents feel involved in the changes in the region thanks to project development of the shelf.
- Make Company employees and residents feel proud of the advances and innovative approaches Sakhalin Energy is taking.

TASKS

Organise a big celebration of Oil and Gas Workers Day to include the following:

- Show each Oblast resident the importance of and promising outlook for oil and gas industry.
- Emphasise the Company’s role in turning the Sakhalin Oblast into one of the world’s oil and gas centres.

Simultaneously with the main goals the other ones were also implemented. Other goals were achieved alongside the main objectives. The image of Sakhalin Energy as a Russian company was reinforced by its association with a Russian professional holiday. The day also became a way for the Company to remind people about its innovative achievements and its efforts on social and environmental responsibility.

TARGET AUDIENCE

- Sakhalin Oblast community.
- Company’s employees and members of their families.
- National and municipal authorities.
- Journalists.

PROJECT IMPLEMENTATION

Sakhalin Energy organised the first large-scale celebration of the Day of Oil and Gas Workers in 2008. The Company gave a media tour of the Lunskeye-A off-shore platform to 11 journalists from local and regional media outlets in 2008.

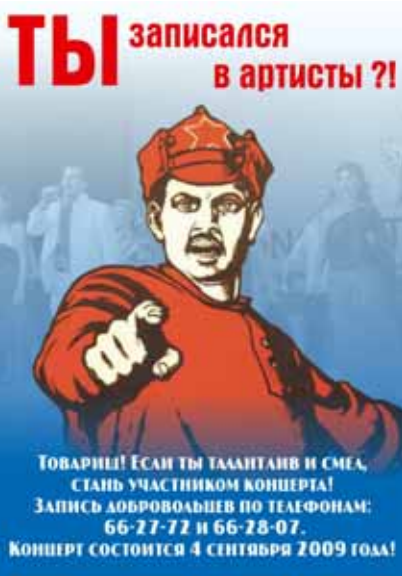
An exhibit of employee art work, the Palette of Sakhalin Shelf opened in the Sakhalin Oblast Arts Museum in 2008. Journalists and representatives of the clergy, the Oblast administration and journalists were invited to the opening ceremony. An album devoted to the exhibition was later published and given as a gift to Company’s partners.

Activity	Target Audience
The children’s holiday in Yuzhno-Sakhalinsk Central City Park for Recreation and Leisure	Children up to 14 years old, their parents, and park visitors
A football match between the teams of oil and gas companies Sakhalin Energy and Exxon Neftegas Limited on Spartak stadium in the city park	Adults of the city, visitors, football fans
Holiday fireworks	Residents and guests of Yuzhno-Sakhalinsk city
Photo contest	Company’s employees
Ceremonial concert organised by Company’s employees and presentation awards of the Company, the Sakhalin Oblast administration, the RF Ministry of Fuel and Energy, an outdoors holiday for all Company’s employees and members of their families	The Company’s employees and their family members, representatives of the governmental bodies and mass media, partners and the main contractors of the Company

Based on this experience, in 2009 the Company broadened the range of activities and the composition of the target audiences.

The advertising campaign informing residents of the day in local and regional mass media was organised in advance. Young employees of Sakhalin Energy were featured in all the promotion materials to form positive associations of the Company. Print and video campaigns were harmonised to build synergies and raise awareness.

In 2009, the presentation of the ART Point project, performed jointly with the Sakhalin Oblast Arts Museum, coincided with the celebration of Oil and Gas Worker Day: first Yuzhno-Sakhalinsk street installation About You, Our Sakhalin was organised: a show of reproductions of well-known canvases by Sakhalin artists.



Poster inviting the Company’s employees to participate in the Oil and Gas Workers Day show



The Oil and Gas Workers Day show staged by Sakhalin Energy’s staff



Poster inviting the Company's staff to participate in the photo contest



Award ceremony, photo contest

The Company launched an extensive information campaign to inform and involve Sakhalin Energy's employees and their families six months before the event with the original idea to participate in the photo contest and the holiday concert. Elements of the external information campaign were used in this internal communications effort.

The celebration of Oil and Gas Workers Day has generated some regular events. Three months before the event, an employee's photo contest is held. An event for employees and main stakeholders is held on the eve of the celebration, the first Friday in September. Awards are presented to the best employees of the Company, and they are given diplomas and honour certificates from the Ministry of Fuel and Energy of Russia, the Sakhalin Oblast, OAO Gazprom and Sakhalin Energy. The ceremony is held during the concert, which is organised by the employees.

On the next day, a barbeque for Sakhalin Energy and their family members is held, and the Company stages an outdoor holiday.

On Sunday, the day of the professional holiday, the Company holds extensive holiday activities for residents and guests from the regional capital: a football match between Sakhalin Energy and Exxon Neftegas Limited; a holiday with free amusement rides for children, and a concert and entertainment programme in the city park. The geography of the holiday has been expanded. In 2009, the holiday activities were arranged for the residents of Korsakov simultaneously with a programme in Yuzhno-Sakhalinsk.

According to unofficial figures, in 2009 up to 15,000 citizens of the Sakhalin Oblast took part in celebrating Oil and Gas Workers Day. For several days, the holiday remained one of the most talked-about news items on TV, in print and in Sakhalin discussion forums.

RESULTS

The first two holidays in 2008 and 2009 were implemented by the Company, but the event now continues on its own. Government officials commended Sakhalin Energy for setting up the celebration. Other oil and gas companies have joined in the preparations, while the Oblast administration gives out information and participates in activities.

The event has also given the Company an opportunity to create closer links with employees. The Oil and Gas Workers Day is now the largest event where employees and their families participate, and the number of employees attending has grown several times in the two years of its staging. The holiday is also increasingly popular outside the Company. According to the results of a poll conducted in September 2009 during the event, the residents of Yuzhno-Sakhalinsk appreciate the holiday and are grateful to Sakhalin Energy for setting it up. There is every reason to believe that in the next few years the holiday will be as popular among residents as Fisherman's Day.

Generating a positive attitude towards the Company in the community is a long and painstaking process that certainly goes beyond organising Oil and Gas Workers Day. However, based on the analysis of the results and the trends which have already been identified, the event has generated a new view towards Sakhalin Energy in general among residents in the south of the island where the events take place.



Barbeque for Sakhalin Energy's employees and their families



Football match between Sakhalin Energy and Exxon Neftegas Limited



APPRAISALS AND OPINIONS

According to the opinion poll which was conducted in 2009 on the celebration day, the 6th of September in the Sakhalin town park for recreation and leisure, the overwhelming majority of the pollees (over 89%) expressed their positive attitude to the holiday. The good organisation and atmosphere of the holiday Sakhalin Energy managed to create was the thing the respondents liked most of all.

Opinion survey was conducted by the specialists of Sakhalin State University



Organisation of the events within the framework of the Oil and Gas Workers Day is a complicated task. We began celebrating the holiday at a large scale in 2008, and now it is looked forward to not only by the Company’s employees and their family members, but also the island inhabitants. We want residents of Sakhalin to be proud of their island and its traditions, both old and new ones.

Oleg Sapozhnikov, External Affairs Manager, Sakhalin Energy



I was very pleased to take part in the concert devoted to celebration of the Oil and Gas Workers Day. Performance on stage in front of colleagues is not only responsible and exciting, but also a very honourable experience. It was very pleasant to work with those who create a holiday for a big company.

Alyona Absushina, HSE Group Manager in Logistics Department, Sakhalin Energy





Organising Russia's first LNG plant inauguration ceremony

History was in the making in February 2009 in the oil and gas industry in Russia and worldwide. Sakhalin Energy started up the first liquefied natural gas plant (LNG) in Russia on Sakhalin Island. Attending the inauguration ceremony were the President of the Russian Federation, Dmitry Medvedev, the Prime Minister of Japan, Taro Aso, and many high-ranking public officials, and business and community leaders. The event generated a far-reaching response in Russia and all over the world.

The event was widely reported by the local, national, and international press, who covered the ceremony in the context of growing concerns over security of global energy supplies and the growing geopolitical role of Russia, as well as the importance of the Sakhalin-2 Project for Russia. The success of the inauguration was due to the organisation of the event and a well-timed media campaign, and further consolidated the corporate image of Sakhalin Energy.

Russia has supplied natural gas to Europe for decades by pipeline. But with the start up of the LNG plant, developed within the framework of the Sakhalin-2 Project, which included the transfer of liquefaction technologies to Russia, the country entered a new market in the Asia-Pacific region. What is more, the Company opened up a new opportunity to supply LNG to customers anywhere in the world, which consolidates Russia's role in enhancing the security of the world's energy supplies.



RF President Dmitry Medvedev, Prime Minister of Japan Taro Aso, Minister for Economic Affairs of The Netherlands Maria van der Hoeven, HRH The Duke of York



LNG plant inauguration ceremony, Prigorodnoye

PURPOSE

- Aid in forming and consolidating the positive image and reputation of the Company as a new player on the global LNG market.
- Strengthen international public opinion on the mutually beneficial cooperation of Russia with other countries in power engineering, and announce Russia's entry as a gas supplier into the Asia-Pacific market.
- Enhance the image of the Company among shareholders, buyers, contractors, and other stakeholders and world opinion.

TASKS

- Hold the event at the highest international level, with heads of the state, government representatives, heads of the companies and key stakeholders participating.
- Generate the most efficient and the widest possible media coverage of the ceremony.
- Strengthen relationships with authorities and key stakeholders.

TARGET AUDIENCE

- General public in Russia and worldwide.
- LNG buyers (countries).
- Company's employees.

PROJECT CONCEPT

The start up of LNG production is a landmark in the history of the oil and gas industry in Russia. The country is to become an LNG producer and a new energy supplier to the Asia-Pacific region.

Implementation of the Project will stimulate economic growth in the Sakhalin Oblast. In the eyes of the world, Sakhalin-2 can help enhance Russia's reputation as a reliable economic and political partner.

Despite these notable achievements and the success of information campaigns surrounding them, some have used the Project to advance narrow and at times purely corporate aims. This stymied relations with Russian authorities, and impeded relationships with LNG buyers and international financial organisations, not to mention with the local community and the administration of the Sakhalin Oblast.

The Company therefore decided to use the start up ceremony in February 2009 to consolidate its corporate reputation with Russian state bodies, the international community and the residents of Sakhalin. A campaign was developed to remove the negative views of the Project and to illustrate the opportunities the LNG plant would offer. The results of the ceremony, at which heads of state would attend, was targeted to achieve these goals:

- Leaders of the Russian Federation, the Sakhalin Oblast administration, and shareholding countries would express their support for the Project.
- Discover how the Project would open new perspectives for Sakhalin and for Russia.
- Consolidate the positive image of the Company among the general public.

Major press coverage of the inauguration ceremony was the vehicle selected to achieve these goals.

IMPLEMENTATION

Project implementation required a comprehensive plan that included liaising with government agencies, the community and the press, and a thorough and comprehensive organisational effort to work with federal agencies and the administration of the Sakhalin Oblast.

Event planning: logistics and protocol

A large part of the organisation for the ceremony required a very thorough co-ordination with the security services of the federal government, the state protocol service, the Oblast administration, and the office of the Russian President. A huge part of the logistics was done before and during the ceremony: coordinating the lists of hundreds of invited guests, and organising transport, supplies, hotel accommodation, information materials, and meetings and farewell ceremonies.

In the initial stage there was the possibility of conducting a simultaneous teleconference of the event in Moscow and Yuzhno-Sakhalinsk. Once the Russian President confirmed he was coming to Sakhalin Island on a working visit, preparations began to hold the ceremony on the territory of the plant during his stay.

Holding a ceremony on Sakhalin posed certain risks, given the Island's weather and logistics. In addition, there were safety requirements to uphold on the territory of the plant and the lack of suitable premises for the ceremony.

The offshore operations base of the LNG plant was reequipped for the ceremony, the proper safety requirements were obtained for the room, and podiums installed for the press. Special rooms for heads of state were also set up



President of the Russian Federation, Prime Minister of Japan, HRH The Duke of York and Minister for Economic Affairs of The Netherlands on board the Grand Aniva LNG carrier



The signing of the Grand Aniva guest book



*LNG Plant inauguration ceremony,
Prigorodnoye*



*Minister for Economic Affairs of The Netherlands
Maria van der Hoeven addressing the LNG plant
inauguration ceremony*

and equipped. The hall for the ceremony was divided into zones where guests were seated according to an approved seating chart: VIP, press, and so forth. Special lighting and acoustic equipment were installed for simultaneous translation, photo and video transmission, and teleconferencing, equipment weighing 40 tonnes.

About 400 guests confirmed their attendance, half of them from elsewhere in Russia and half from other countries. Several high-ranking guests arrived by charter flights, and due to the restrictions in available space, some aircrafts were relocated at an alternative military aerodrome.

Welcome stands were installed at the airport and at hotels in Yuzhno-Sakhalinsk, and special services were organised at the airport. Guests were ferried to their hotels by transport that was arranged and coordinated by Company's employees.

Almost all hotel rooms were booked for the guests and their accompanying parties. Guests were greeted at the hotel by welcome banners, and registration desks were set up. Employees greeting the arriving guests provided information packages, which included checklists on personal and general safety, a booklet about the plant and the event, and an invitation to the ceremony and welcome reception.

On the day of the event, Company transport delivered the guests from their hotel to the ceremony. Two access routes were planned, one for government delegations, the second for other guests. A detailed schedule of the ceremony was planned and approved in advance, which included the following elements:

- Opening address and congratulatory speeches; the order of the speeches was developed and agreed with the protocol service of the RF President.
- Ceremony finale: a symbolic start up of the plant.
- A visit of the plant and the Grand Aniva LNG tanker.
- Welcome reception.

Departure of the guests was also coordinated by Company's employees, so that from arrival to leaving the Company was in charge of the situation fully and continuously, which greatly simplified coordination and management of the event.

Information and advertising campaigns

The information campaign plan included publishing materials, broadcasting special programmes on local TV, developing information materials, shooting a special film, meeting with the press to explain the event's importance, holding briefings, and conducting media tours. The information campaign,

targeting the community, emphasised the success of the Project and its positive influence on the economy.

The following resources were deployed to get the word out:

- Billboards and posters promoted the start-up of Russia's first LNG plant and were installed in Yuzhno-Sakhalinsk, Korsakov, and along the highway leading to the plant.
- 'Special memo' brochures talked about the LNG plant and the ceremony.
- Short-length film used at the inauguration ceremony.
- 60-minute documentary about Sakhalin Island and Sakhalin-2 Project (broadcasted on TV right after the inauguration of the LNG plant).
- Photo album on Sakhalin-2 Project.
- Commemorative medal with a logo of the ceremony.

Sakhalin Energy developed a logo for the ceremony, which was used in all information and advertising materials.

Mass media

Planning for the information and media campaigns and the ceremony began more than two years before the event in May 2007.

Based on the Company principles of honesty, openness, respect, and mutual understanding, the Company met with and delivered ongoing information to members of the Russian and international press to explain the Company's view on a range of issues, issued press releases and press packs, and organised press briefings and tours. The Company constantly reminded the press that the start up of the LNG plant would provide Russia with new technologies, open new markets, and strengthen the security of the world's energy supplies.

The opening of the LNG plant was an important news event in the coverage of the Sakhalin-2 Project in 2009. Special activities were held for the press:

- Two journalist briefings, with the Chief Executive Officer of the Company and specialists of the LNG plant.
- Press tour of the LNG plant where journalists witnessed experiments that demonstrated the physical properties of LNG.
- Tours of the plant for representatives of local and national TV channels.
- Preliminary tour of the Grand Aniva LNG tanker for representatives of local and national TV channels.
- Press conference with Company's management and chairpersons of shareholding companies.
- Specially prepared information materials about the Project, its technological achievements and facilities, and CDs with photos and videos.



*Chief executives of the Sakhalin Energy's
shareholders starting the LNG plant*



*Information desks specially arranged for
the inauguration ceremony of the first LNG
plant in Russia*

Information and promotion materials for the inauguration ceremony of the first LNG plant in Russia



The information campaign was launched long before the ceremony through a well-organised journalist pool. The Russian press reported on the critical importance of the start up, prospects for the Project, and the international role Russia plays in power engineering. After the ceremony more than 350 publications wrote about it, 200 reports appeared in the national press 130 in the regional press, and reports were also filed on international newsires and in the electronic editions of leading international newspapers. Television reports, some of them live, appeared on federal and Sakhalin TV channels, and the main news programmes featured the plant start up ceremony as their lead news story. The common theme in the Russian reports was pride for the Project and a sense of involvement.

As planned, this successful communications campaign generated coverage later. The national, regional, and international press reported on the first LNG shipment from Sakhalin. Interest in the region and in the Project in particular, is as great as ever.



RESULTS

The start up ceremony with Russian President Dmitry Medvedev in attendance became the most important opportunity for media coverage in the history of the Project, and consolidated the positive image of the Company and the Sakhalin-2 Project.

Public opinion was also favourable about the mutually beneficial cooperation between Russia and other countries on power engineering, as a result of the campaign.

The campaign helped build greater trust in the Project in the long term by Russian and international government agencies and the international financial community. In many ways, getting additional financing was simpler afterwards for Sakhalin Energy, which was provided by a consortium of international commercial banks and insured by Nippon Export and Investment Insurance (NEXI). As a result, the total sum of the Project financing of Phase 2 of the Sakhalin-2 Project amounted to US\$6.7 bln, a new Russian record in project finance lending, which sets a new benchmark for future Russian and foreign oil and gas projects.

Protocol and scheduling of the ceremony were impeccable, an important achievement for Sakhalin Energy and a 'reputational dividend' in building relations with various stakeholders, made possible due to a well-coordinated effort and an efficient engagement with all contractors and stakeholders.



The inauguration of the first LNG plant in Russia, reception



A commemorative gift from the Sakhalin Oblast government



APPRAISALS AND OPINIONS

Sakhalin-2 is one of the most hi-tech intensive projects in the world. It has strategic significance for the country and for a number of other states, primarily for our foreign partners.

Dmitry Medvedev, the President of Russia



The Sakhalin-2 Project is an example of integrating Russia and its Far East into the Asia-Pacific Region.

Taro Aso, the Prime Minister of Japan



I congratulate all the participants of the international consortium, Sakhalin Energy, on the creation of a remarkable project. On behalf of the United Kingdom, I will say that we are deeply satisfied that we are a part of this consortium.

HRH The Duke of York





SAKHALIN ENERGY

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