

# **HUMAN RIGHTS: EXPERIENCE OF SAKHALIN ENERGY**



2018

УДК 342.7  
ББК 67.400.3

H91 Human Rights: Experience of Sakhalin Energy. Issue 2./ V. Zhovtun with participation of M. Ee, N. Gonchar – Yuzhno-Sakhalinsk, Eikon, 2018. – 40 pages: illustrated

The brochure summarizes Sakhalin Energy practices with regards to human rights standards implementation, reviews the respective company's policies, procedures and programmes, and demonstrates how these documents are transformed into particular actions and daily practices. In addition, the brochure contains relevant provisions of the Guiding Principles on Business and Human Rights and describes their application in the company's activities. It also highlights Sakhalin Energy efforts towards promotion of the human rights standards in Russia and worldwide.

## CONTENT

I. INTRODUCTION.....	4
II. SAKHALIN ENERGY AND SAKHALIN-2 PROJECT.....	5
III. RUSSIAN AND INTERNATIONAL HUMAN RIGHTS-RELATED STANDARDS.....	7
IV. SAKHALIN ENERGY HUMAN RIGHTS INTEGRATED APPROACH .....	8
1. HUMAN RIGHTS POLICY COMMITMENT .....	9
2. COMMITMENTS' INCORPORATION INTO THE COMPANY STRATEGY .....	10
3. HUMAN RIGHTS RISK AND IMPACT ASSESSMENT .....	12
3.1 Risk Management .....	12
3.2 Impact Assessment.....	14
3.3 Human Rights Risk and Impact Management.....	15
4. STAKEHOLDER ENGAGEMENT.....	19
4.1 Three-Level Structure of Direct Communication with the community .....	20
4.2 Partnerships .....	22
5. GRIEVANCE MECHANISM .....	23
6. HUMAN RIGHTS TRAINING .....	28
7. CONTROL AND REPORTING.....	30
V. FROM RESPECT TO PROMOTION OF HUMAN RIGHTS.....	31
Sustainable Development Goals: Sakhalin Energy Contribution.....	34
APPENDIX 1. EXAMPLES OF RISK MANAGEMENT AND HUMAN RIGHTS IMPACT MITIGATION .....	36
APPENDIX 2. REFERENCES .....	39

## I. INTRODUCTION

Nowadays observance of and respect for human rights became an indicator determining the society development level.

For many years, people have believed that issues pertaining to human rights stay within the area of responsibility of government, referring them to observance of key constitutional rights. It is now becoming increasingly evident that businesses as much as governments may have an impact on human rights.

The oil and gas industry is not an exception. On the one hand, a distinctive feature of this industry is a great number of stakeholders whose rights may be affected. The stakeholders include personnel of these business enterprises, communities, business partners (contractors and vendors, clients) and variety of non-profit organisations.

On the other hand, nowadays civil society, investors, international and national institutions are more vigorously urging business enterprises to demonstrate how they make provision for potential impact from their activities on human rights and whether these businesses are capable of timely risk management and addressing the issues that may arise in this area. In this regards the United Nations Human Rights Council endorsed the Guiding Principles on Business and Human Rights in 2011. The Guiding Principles have become the fundamental document which incorporated the best human rights standards to be followed by business enterprises regardless of their activity.

In 2015 the UN General Assembly adopted Sustainable Development Goals – the 2030 Agenda for sustainable development. Respect and promotion of human rights have become a crucial topic for each of these Goals.

The brochure summarizes the best practices of Sakhalin Energy Investment Company Ltd. (Sakhalin Energy or the company) related to compliance with the Russian and international human rights standards, reviews the respective key company's policies, procedures and programmes, and demonstrates how these documents are transformed into particular actions and daily practices.

The brochure contains the information of Sakhalin Energy's work towards promotion of the human rights standards in Russia and worldwide.

## II SAKHALIN ENERGY AND SAKHALIN-2 PROJECT

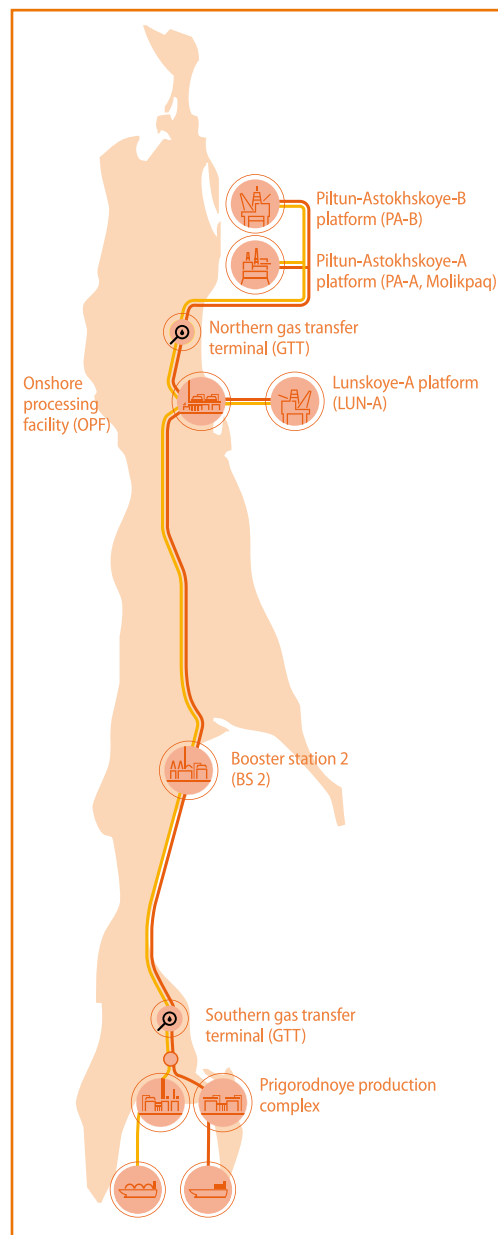
Sakhalin Energy was established in 1994 for implementation of the Sakhalin-2 project. This is one of the world's largest integrated oil and gas projects implemented on the basis of the Russia's first ever Production Sharing Agreement (PSA).

Sakhalin Energy develops Piltun-Astokhskoye and Lunkoye offshore oil-and-gas fields in the north-east of the Sea of Okhotsk. The company produces and exports oil and liquefied natural gas (LNG).

For the above purposes the company has built a large-scale oil and gas infrastructure including three offshore platforms, trans-Sakhalin pipeline system (about 280 km of offshore and 1,600 km of onshore pipelines), onshore processing facility as well as Prigorodnoye production complex consisting of oil export terminal and Russia's first liquefied natural gas plant. Also, the company has initiated construction of the onshore processing facility compression under the Sakhalin-2 project.

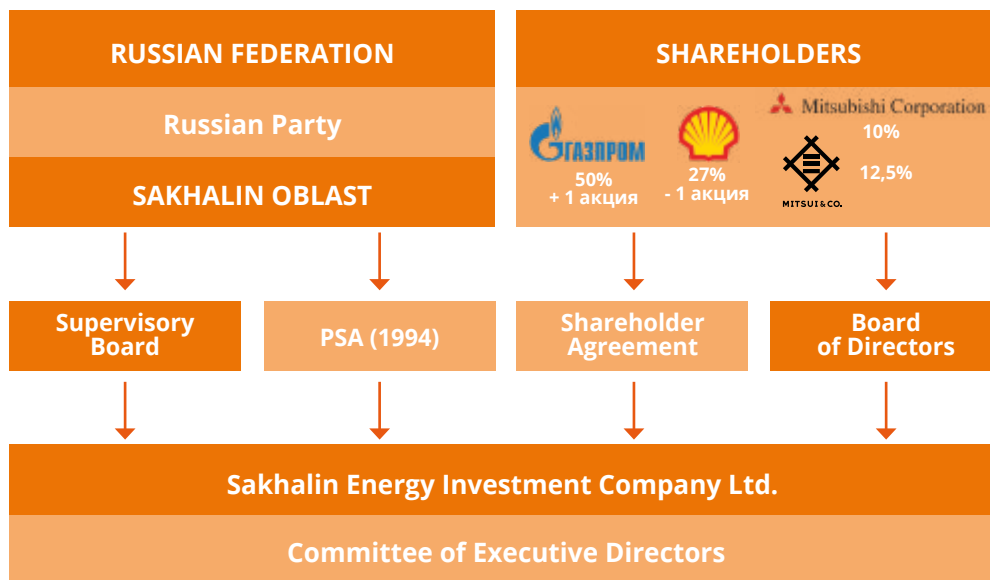
Sakhalin Energy employs more than 2300 people\* from 32 countries. Over 90 % of employees are Russian nationals. In the area of human resources management the company not only complies with Russian Federation labour legislation, International Labour Organisation (ILO) and other international standards, but provides additional social benefits and guarantees and makes every endeavour to develop professional skills of its employees. It allows Sakhalin Energy to be one of the most attractive employers in Sakhalin Oblast and the Russian Federation.

From the very beginning, Sakhalin Energy has been pursuing continuous improvement and development of its corporate social responsibility. Such approach includes strict compliance with the financial institutions' requirements based on the international standards, application of the shareholders' best practices and ongoing enhancement of stakeholder engagement, as well as promotion of corporate social responsibility principles (CSR) at the federal and international levels.



***Sakhalin-2 project assets***

\* As of 31 December 2017



*The Corporate Governance Model*

More detailed information of the company and the project including company's annual sustainable development reports can be found on the Sakhalin Energy's website ([www.sakhalinenergy.com](http://www.sakhalinenergy.com)).

*The responsibility of business enterprises to respect human rights refers to internationally recognized human rights — understood, at a minimum, as those expressed in the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. UN Guiding Principles on Business and Human Rights, Chapter 12*

The Code of Conduct, one of the company's fundamental documents, recognizes Sakhalin Energy's commitment to do business with social responsibility observing the law of the Russian Federation and other countries where the company operates, and support fundamental human rights in line with the legitimate role of business. Sakhalin Energy is committed to comply with the highest international standards of respect, support and promotion of human rights at all stages of its business activities.

These standards are based on both the laws of the Russian Federation and international laws.

#### **Russian law**

- Legislation of the Russian Federation incorporating the entire spectrum of human rights.

#### **Codes and standards endorsed by the UN**

- Universal Declaration of Human Rights.
- Sustainable Development Goals.
- UN Global Compact principles.
- Guiding Principles on Business and Human Rights.
- International Covenant on Economic, Social and Cultural Rights.
- International Labour Organisation core conventions.

#### **Other international standards**

- Guidance on Social Responsibility ISO 26000:2010\*.
- Voluntary principles on Security and Human Rights.
- Performance Standards on Social and Environmental Sustainability of the International Finance Organisation.

#### **Codes and standards on human rights applied by the company**

\* ISO 26000:2010 Guidance on Social Responsibility is the first comprehensive international standard on social responsibility. Respect of human rights is one of the core principles and topics of this standard.

The standard GOST R ISO 26000:2012 identical to the international standard ISO 26000:2010 Guidance on Social Responsibility was endorsed in Russia in 2013. In 2012 Sakhalin Energy was the first company in Russia to complete comprehensive self-assessment of its activities under social responsibility principles based on ISO 26000 standard.

#### IV. SAKHALIN ENERGY HUMAN RIGHTS INTEGRATED APPROACH

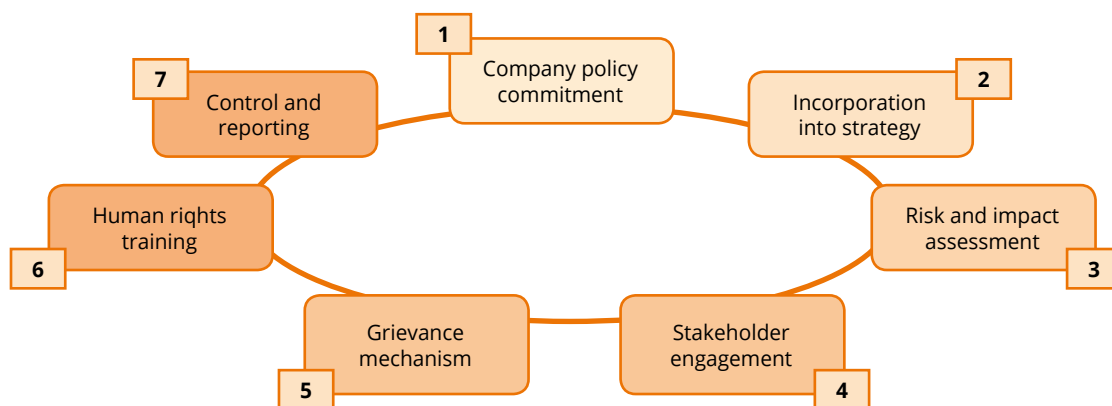
*In order to meet their responsibility to respect human rights, business enterprises should have in place policies and processes appropriate to their size and circumstances, including:*

- a) a policy commitment to meet their responsibility to respect human rights;*
- b) a human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights; and*
- c) processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute.*

*UN Guiding Principles on Business and Humans Rights, Chapter 15*

The company's human rights integrated approach consists of a number of inseparably linked components:

- Human rights policy commitment (see Section 1);
- Incorporation of commitments into the company's strategy (see Section 2);
- Human rights risk and impact assessment (see Section 3);
- Stakeholder engagement in connection with human rights-related issues (see Section 4);
- Efficient grievance mechanism (see Section 5);
- Company and contractor personnel training (see Section 6); and
- Human rights control and reporting (see Section 7).



*Integrated approach to human rights applied by the company*



# 1. HUMAN RIGHTS POLICY COMMITMENT

*As the basis for embedding their responsibility to respect human rights, business enterprises should express their commitment to meet this responsibility through a statement of policy.*  
*UN Guiding Principles on Business and Human Rights, Chapter 16*

Sakhalin Energy's commitments to respect and support fundamental human rights are set forth in the corporate Code of Conduct.

The Code of Conduct is a consolidated corporate document, which defines the company's basic standards and rules, including those applied in the area of human rights, and gives guidance on their observance.

The corporate Human Rights Policy sets forth Sakhalin Energy's approaches towards the respect for, support to and promotion of human rights, as well as its approaches to the management of risks associated with actual or potential human rights infringements as a result of the company's activities.

All these documents were endorsed by the Committee of Executive Directors and approved by the Chief Executive Officer, to be communicated to the personnel of the company and contractors, integrated into the training programmes (for more details see Section 6) and put in the public domain.



Key corporate policies regarding human rights

## 2. COMMITMENTS' INCORPORATION INTO THE COMPANY STRATEGY

---

*The means through which a business enterprise meets its responsibility to respect human rights may also vary depending on whether, and the extent to which, it conducts business through a corporate group or individually. However, the responsibility to respect human rights applies fully and equally to all business enterprises.*

*UN Guiding Principles on Business and Human Rights, Chapter 14*

---

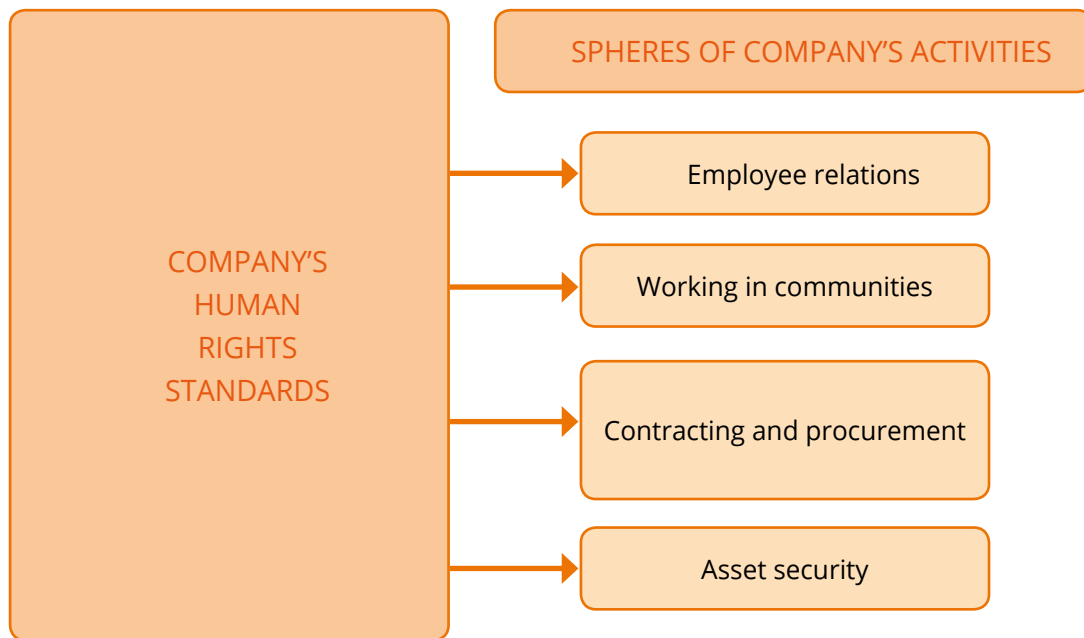
The practical value of any human rights commitment obviously depends on the degree of such commitment's embedment in the organisation's business processes.

To ensure that human rights commitments are put into practice, Sakhalin Energy has embedded them into policies and procedures such as:

- Business Management System;
- Commitments and Policy on Health, Safety, Environment and Social Performance;
- Sustainable Development Policy;
- Contracting and Procurement Policy;
- Security Policy;
- Whistle Blowing / Grievance Procedure and others.

Sakhalin Energy incorporates the human rights standards into its core business areas with high human rights risks, namely:

- employee relations;
- working in communities;
- contracting and procurement; and
- assets security.



Section 3 features main policies, procedures and measures of the company that are designed to manage risks of human rights' infringement in each of the above-mentioned areas.

### 3. HUMAN RIGHTS RISK AND IMPACT ASSESSMENT

*In order to identify, prevent, mitigate and account for how they address their adverse human rights impacts, business enterprises should carry out human rights due diligence. The process should include assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed.*

*UN Guiding Principles on Business and Human Rights, Chapter 17*

#### 3.1 Risk Management

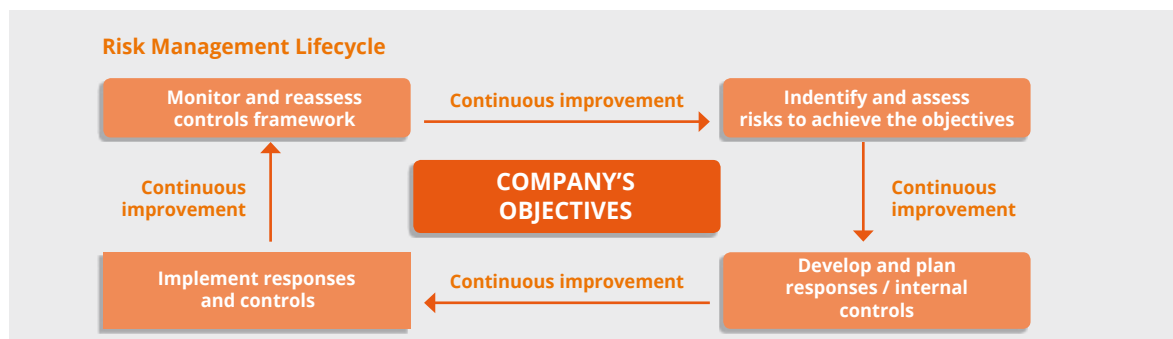
Sakhalin Energy regards human rights risk assessment as part of the integrated risk management process.

This process is focused on the maximisation of opportunities or minimisation of effects from the risks that have been identified, including the risks of losses or failure to achieve goals, as well as risks of adverse factors in such areas as safety, production efficiency, environment, social performance, respect for human rights, labour relations, occupational health and safety, anti-bribery and corruption, etc.

Due diligence is the guiding principle the company applies for risk management.

Due diligence is a comprehensive pro-active effort to identify risks through the Company's life to avoid or minimise risk's impacts.

The company's risk management process includes risk identification and assessment, development and planning of response actions and control procedures, their implementation, performance monitoring and risk reassessment carried out on a regular basis in order to identify the areas for improvement and improvement measures' implementation (see the Risk Management Process diagramme).



Sakhalin Energy risk management process

### Risk Assessment Matrix

For systemic and consistent assessment of impacts from its activities on various areas, including human rights, the company applies risk assessment matrix.

According to the risk assessment matrix, consequences of any incident are subject to analysis according to five categories: people, social, assets, environment and reputation. The company then identifies the actual and/or potential severity and likelihood of each such category of risk. After that, the incidents are rated to the above criteria and based on such rating the company decides what kind of personnel would be required to address the problem. Impacts on human rights are assessed as part of the social impact assessment.

Severity	CONSEQUENCES					INCREASING LIKELIHOOD				
	People	Social*	Assets	Environment	Reputation	A	B	C	D	E
						Never heard of in the industry	Heard of in the industry	Has happened in the company or more than once per year in the industry	Has happened at the location or more than once per year in the company	Has happened more than once per year at the location
0	No injury or health effect	No impact	No damage	No effect	No impact					
1	Slight injury or health effect	Slight impact	Slight damage	Slight effect	Slight impact		Blue			
2	Minor injury or health effect	Minor impact	Minor damage	Minor effect	Minor impact					
3	Major injury or health effect	Moderate impact	Moderate damage	Moderate effect	Moderate impact			Low	Amber	
4	PTDor up to 3 fatalities	Major impact	Major damage	Major effect	Major impact		High	Amber		
5	More than 3 fatalities	Massive impact	Massive damage	Massive effect	Massive impact					Red

### Company's risk assessment matrix

\*Impacts on human rights are assessed as part of the social impact assessment.

### 3.2 Impact Assessment

Impact assessment is an integral part of the risk management system.

The company performs impact assessment prior to any new activities or changes to existing projects. This approach allows the company to accommodate the interests of all stakeholders and efficiently manage potential risks.

When doing impact assessment, the company is primarily focused on the stakeholders that are deemed likely to be affected by the Sakhalin-2 project. Among the stakeholders, special attention is paid to vulnerable groups, which are identified according to international standards.

#### **Vulnerable population groups (according to the Human Rights Policy):**

- individuals with disabilities and their care-givers;
- low-income households (with average income below the minimum subsistence level) and people on welfare;
- non-registered land users;
- reindeer herders and their families;
- indigenous people;
- children;
- migrants, migrant workers;
- elderly people, war veterans; and
- single mothers with children under 18.



Meeting with reindeer herders during impact assessment

### 3.3 HUMAN RIGHTS RISK AND IMPACT MANAGEMENT

As mentioned in Section 2, the company is evaluating human rights risks in the following areas:

- employee relations;
- working in communities;
- contracting and procurement;
- asset security.

Tables 3.3.1-3.3.4 demonstrate how the company manages the risks in each of the above areas, including:

- key specifics of the company's activities potentially carrying major human rights risks;
- key human rights risks which may arise due to the company activities;
- human rights that may be impacted by the project;
- key regulatory policies, procedures and measures developed and applied by the company to minimise respective risks.

Table 3.3.1

Business area: employee relations			
Corporate principle: respect the rights of the employees; offer them decent and safe working conditions and competitive employment conditions.			
Key specifics of the company activities — risk factors	Human rights risks	Human rights which may be infringed	Key risk management policies, procedures and measures
Multinational staff Predominantly male staff Working with machinery Working in a severe climate/ environment Employing a significant number of non-resident personnel	Discrimination due to nationality and culture Discrimination on the grounds of gender identity Hazardous job / non-conformance to health and safety standards	Equal rights (non-discrimination) Right to life Right to fair and favourable working conditions Right to healthcare Right to education	Code of Conduct* Health, Safety, Environment and Social Performance Commitments and Policy* Health, Safety, Environment, and Social Performance Action Plan Health, Safety, Environment, and Social Performance Standards and Procedures Learning and Development Programmes Human Resources Inquiries Procedure* Whistle Blowing / Grievance Procedure

\* information marked with an asterisk (\*) is explained in Appendix 1.

Table 3.3.2

Business area: working in communities			
Corporate principle: to provide support for the fundamental human rights within the legal framework of business.			
Key specifics of the company activities — risk factors	Human rights risks	Human rights which may be infringed	Key risk management policies, procedures and measures
Over 60 settlements across the whole Sakhalin Island in the vicinity of the project facilities	Adverse impacts on communities (for example noise and dust caused by traffic, damage to roads)	Right to life	Code of Conduct *
Involvement of a significant number of incoming workers	Limitation of access to recreation areas, gardens and other land plots	Right to security	Public Consultation and Disclosure Plan
Construction camps near a number of settlements	Impact on fishing and gathering areas, air pollution, etc.	Right to privacy	Community Grievance Procedure *
Use of local infrastructure during construction	Various impacts on IP's traditional areas of residence/ economic activities	Right to healthy environment	Resettlement Action Plan *
Acquisition of land plots for temporary and permanent company needs	Deterioration of land users' condition as result of physical or economic resettlement	Right to authentic information about environmental conditions	Contractors' Code of Conduct *
Heavy traffic during construction	Insufficient / lack of information	Right to private property	Fishing, Hunting and Gathering Policy during Construction*
		Right to freedom of movement and residence	Sakhalin Indigenous Minorities Development Plan *
			Construction Camp Management Procedures *

\* information marked with an asterisk (\*) is explained in Appendix 1.



Table 3.3.3

Business area: contracting and procurement			
Corporate principle: ensure human rights respect, observance and promotion by contractors.			
Key specifics of the company activities — risk factors	Human rights risks	Human rights which may be infringed	Key risk management policies, procedures and measures
Working with about 900 direct contractors	Risk of human rights impacts from contractors, if the company lacks controls (for list of potential human rights impacts see Tables 3.3.1 and 3.3.2)	Right to fair and favourable working conditions  Right to life  Right to healthcare  Right to security  Right to privacy  Right to healthy environment  Right to authentic information about environmental conditions  Right to private property  Right to movement and choice of domicile	Contracting and Procurement Policy and Procedures*  Code of Conduct *  Contractors' Code of Conduct * Fishing, Hunting and Gathering Policy during Construction*  Construction Camp Management Procedures *  Community Grievance Procedure *  Health, Safety, Environment, and Social Performance Action Plan  Whistle Blowing / Grievance Procedure*

\* information marked with an asterisk (\*) is explained in Appendix 1.

Table 3.3.4

Business Area: Asset Security			
Corporate Principle: To ensure asset security without infringing on human rights.			
Key specifics of the company activities — risk factors	Human rights risks	Human rights which may be infringed	Key risk management policies, procedures and measures
Protection of company's assets (outsourced security services)	Infringement upon the rights of local residents or the company / contractor personnel due to security measures	Right to life  Right to security  Right to privacy  Right to private property	Security Policy *  Code of Conduct *  Construction Camp Management Procedures *  Community Grievance Procedure*  Whistle Blowing / Grievance Procedure*

\* information marked with an asterisk (\*) is explained in Appendix 1.

In each of the above areas of activity, the company provides appropriate trainings for own/contractors personnel (see Section 6), and monitors compliance with the corporate risk management policies, procedures and measures (see Section 7).

Appendix 1 presents brief description of some of the measures listed in the tables above.

## 4. STAKEHOLDER ENGAGEMENT

*In order to gauge human rights risks, business enterprises should identify and assess any actual or potential adverse human rights impacts with which they may be involved either through their own activities or as a result of their business relationships. This process should:*

- a) Draw on internal and/or independent external human rights expertise;*
- b) Involve meaningful consultation with potentially affected groups and other relevant stakeholders, as appropriate to the size of the business enterprise and the nature and context of the operation.*

*UN, Guiding Principles on Business and Human Rights, Chapter 18*

Systematic stakeholder engagement is one of the company's key corporate social responsibility commitments. Such engagement allows to timely identify the stakeholders' concerns and attitudes and exercise the internationally recognised fundamental human rights (e.g. the right of access to information).

Sakhalin Energy employs the following stakeholder engagement principles:

- constructiveness, focused approach and transparency;
- robust engagement mechanisms.

In order to ensure efficient stakeholder engagement, the company applies the mechanisms which have proven their effectiveness and practicability throughout the Sakhalin-2 project lifetime.

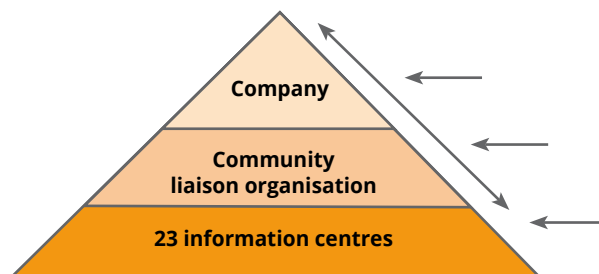
Such mechanisms include integrated impact assessment (see Section 3.3), three-level structure of direct communication with the community, partnerships when implementing social projects, and grievance mechanism.

ENGAGEMENT MECHANISMS			
Social impact assessment	Three-level system of direct communication	Partnerships	Grievance mechanism
Applied during whole period of the project implementation			

*Mechanisms of engagement with the community*

#### 4.1 THREE-LEVEL STRUCTURE OF DIRECT COMMUNICATION WITH THE COMMUNITY

The company maintains a three-level structure of direct communication with the community. The purpose of the system is to ensure continuous communication with the communities geographically located near the Sakhalin-2 project assets.



*Three-level structure of direct communication with the community*

This structure is comprised of three levels — Sakhalin Energy information centres, community liaison specialists, and the company head office. Information exchange with stakeholders takes place both at each level and across them.

##### **Company's information centres**

The company maintained an extensive network of community liaison officers during the construction phase. With the project moving on to the operations phase, their number reduced. In 2008-2011, Sakhalin Energy established information centres at the local libraries in 23 settlements in order to ensure consistent communication with the community.

The main task of the employees working at the information centres is to provide the community with the information about the company, and receive any questions or grievances related to the company's or contractors' activities.

On the average, the company's information centres are visited by about 5,000 people per year.

The main task of the community liaison specialists is to maintain engagement between the company and stakeholders immediately in the settlements. From 2003 till 2018, the company specialists have held about 300 meetings with the communities attended by about 8,000 people.



Project information stands at the information centres



Meeting with residents regarding pipeline construction

For details on stakeholder engagement, please refer to the annually updated Public Consultation and Disclosure Plan available on the company's website ([www.sakhalinenergy.com](http://www.sakhalinenergy.com)) in the Social Performance section. In addition, the company annually publishes and distributes reports on the implementation of this Plan in the communities (through information centres).

## 4.2 PARTNERSHIPS

Establishment of partnerships focused on key aspects of the company's social investment activities are yet another mechanism of external stakeholders engagement.

The target-oriented long-term social policy of Sakhalin Energy provides basis for multiple projects and long-term programmes.

A partnership-based approach to these programmes creates an environment where interests and efforts of various parties are combined to enhance their potential for sustainable development.

In addition, the parties of the partnerships share risks in the course of cooperative programmes implementation and bear joint responsibility for their success.

The priorities of the company's social investment initiatives are identified in the course of public consultations and include:

- environmental protection and conservation of biodiversity;
- education;
- safety;
- healthcare;
- culture and art; and
- support to Sakhalin indigenous minorities development.

The figure below presents information on the company's main partnerships.

By the nature of its goals and objectives, each of these partnerships is aimed at promoting human rights: the rights to life, healthcare, information, etc. For more details on the partnerships, please refer to the company's Sustainable Development Reports available on the company's website ([www.sakhalinenergy.com](http://www.sakhalinenergy.com)) in the Media Centre section, as well as partnership programmes websites (see links in Appendix 2).



Main partnership programmes of Sakhalin Energy

## 5. GRIEVANCE MECHANISM

*To make it possible for grievances to be addressed early and remediated directly, business enterprises should establish or participate in effective operational-level grievance mechanisms for individuals and communities who may be adversely impacted.*  
*UN Guiding Principles on Business and Human Rights, Chapter 29*

Sakhalin Energy's stakeholder engagement strategy is focused on minimisation of impacts on the local population. It is obvious, however, that it is hardly possible to eliminate all risks and adverse impacts with a project as large as the Sakhalin-2.

In order to effectively address community grievances raised in connection with the project, the company adopted the Community Grievance Procedure (which is also intended to handle grievances from contracting and subcontracting organisations) as early as at the starting point of the construction in 2003.

That procedure was developed as part of the social impact assessment process.

Community grievance is a concern or discontent expressed and submitted by an individual, a group, or an organisation in relation to operation of Sakhalin Energy or any of its contractors. The grievance may be associated with either a real issue or a potential problem.

The procedure is based on the following guiding principles:

- **Legitimacy and incorporation into management system** (Community Grievance Procedure provides the elements and mechanisms which allow to ensure trust on the part of respective stakeholders).

Grievance assessment and addressing are controlled by the Sakhalin Energy social performance team.

The grievance handling process is supervised by the company's executives and is audited both externally and internally. The process is recorded and tracked via Fountain computer system.

The Fountain system is an automated system used by the company for incident logging and tracking.

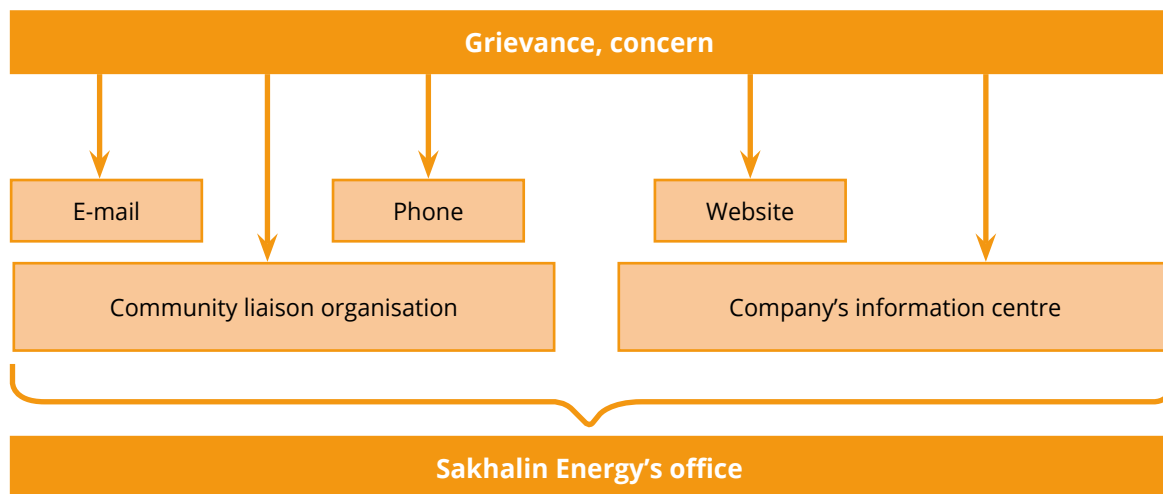
Sakhalin Energy has a pattern in place that allows the Fountain system to be used for logging community grievances among the other incidents and for tracking the grievance addressing process.



Automated Fountain System

- **Accessibility (ensuring awareness of all affected stakeholder groups)**

There are different channels for lodging grievances, thus making the company maximum accessible in communicating with complainants. Grievance submission channels include the company information centres (see Section 4), the community liaison specialists, hot line, e-mail, an electronic form of grievance registration, etc.



Channels for lodging grievances





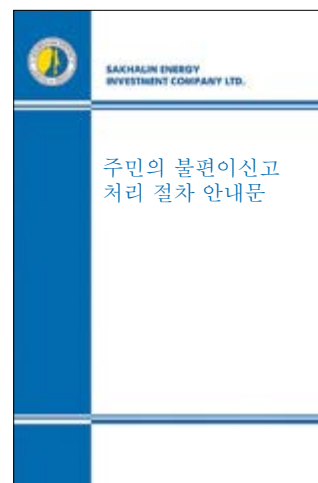
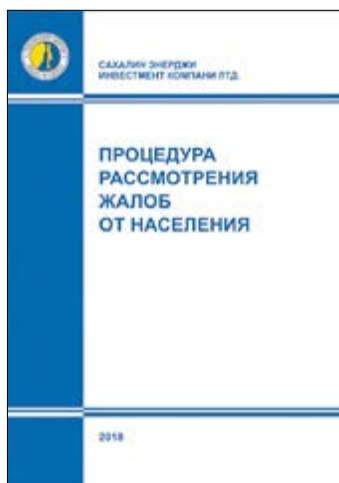
***Community Grievance Procedure poster placed in the communities***

Information about the Community Grievance Procedure is always available on the company's website and in the company information centres. In addition, the company regularly informs communities and other stakeholders about the procedure. For example, a block of detailed information about the Community Grievance Procedure is published yearly in local newspapers. Besides, posters and booklets are available in the company information centres and assets. Appropriate training is provided for contractors and subcontractors. Awareness sessions are arranged for certain vulnerable community groups to explain how the Grievance Procedure is applied and how to raise a grievance.

- ***Transparency and openness***

The company informs stakeholders on a regular basis about the grievance investigation and resolution progress. In addition, the grievance information is included into the annual sustainable development reports and public consultations and disclosure reports.

In order to provide the information about this procedure in a simple and a comprehensible format, the company developed dedicated leaflets translated into several languages.



***Company's leaflets about the Community Grievance Procedure***

- **Stakeholder engagement and ensuring dialogue during the grievance process**

Sakhalin Energy conducts regular consultations with stakeholders regarding the efficiency of the grievance process. Such consultations are held as part of the meetings with the communities and stakeholder groups and during internal social monitoring visits.

- **Assignment of target-dates and ensuring concerted actions to address grievances**

(providing a clear and comprehensible procedure with expected completion dates at every stage to ensure predictability of the process)

The procedure sets precise timeframes for addressing each grievance and communication with complainants during the grievance resolution process.

Grievance addressing steps	
45 business days	Step 1 — receipt
	Step 2 — preliminary assessment and assignment of action party — <b>2 business days</b>
	Step 3 — written acknowledgement of grievance receipt to the complainant — <b>7 business days</b>
	Step 4 — investigation, resolution, communication with the complainant
	Step 5 — finalisation
	Step 6 — follow-up (if required)
	Step 7 — reporting

### Grievance addressing steps and deadlines

- **Confidentiality**

All grievance-related aspects are treated with confidentiality. The complainant's identity is not to be disclosed to third parties without the complainant's written consent.

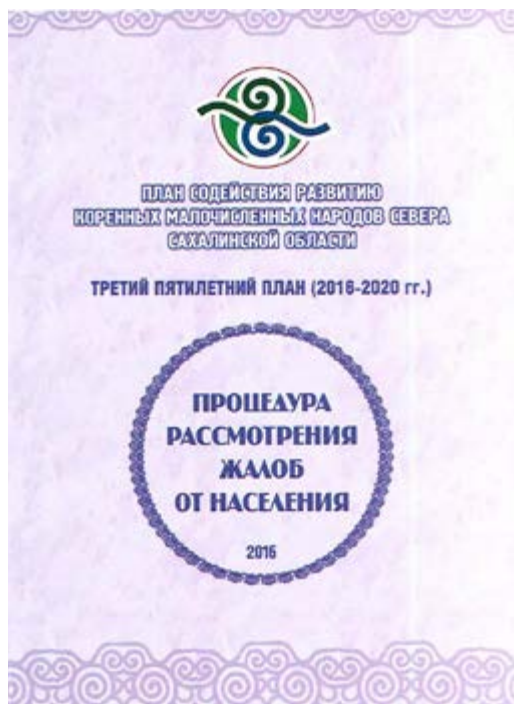
- **Applicability for both the company and contractors**

The company Community Grievance Procedure is mandatory for all company departments, contractors, and subcontractors.

- **A source of continuous learning: preventive and pro-active measures based on lessons learned**

All grievances lodged to Sakhalin Energy are tracked on a regular basis and all grievance tendencies are analysed. Based on such analysis, the company issues recommendations to its functions and contractors/subcontractors for mitigation of adverse impacts. Improvements are introduced to the procedure based on lessons learned.

In addition to the Community Grievance Procedure, in 2011 the company developed a dedicated grievance procedure aimed to address the issues associated with the implementation of the Sakhalin Indigenous Minorities Development Plan.



*Grievance procedure within the framework  
of the Sakhalin Indigenous Minorities Development Plan*

## 6. HUMAN RIGHTS TRAINING

Certainly, for human rights standards to be incorporated into the daily practice of the company and its contractors, a relevant level of employees' awareness is required. For that purpose, the company arranges regular training and awareness sessions for the company personnel, contractors and other stakeholders.

The Sakhalin Energy requirements with regard to human rights are covered by a range of general and special trainings and inductions that are mandatory for all employees of the company and contractors.

Examples of such inductions are:

- general induction; and
- HSE and social performance induction.

In 2017, Sakhalin Energy developed and produced a video vividly demonstrating the human rights standards that the company adheres to. This video has been included in the induction briefing, and is shown to every new hire.



*Business and Human Rights video released by Sakhalin Energy*

Special trainings for certain employees are provided by the company based on human rights risks severity. The process of selecting such trainings is presented below as Selection of special trainings diagramme.



### Selection of special trainings

Examples of special trainings are presented in the table below:

Course description	Target audience
Corporate Social Responsibility	Company's senior leadership and personnel involved with coordination/ resolution of social issues
Sakhalin-2 project social requirements	Contractors' senior leadership and personnel involved with coordination/resolution of social issues
Community Grievance Procedure operation	Company's and contractors' personnel involved with the grievance receipt and/or addressing process
Security Policy operation	Personnel of the corporate security department and respective departments of contractors
Application of RF Labour Code and employer rights protection	HR directorate personnel and senior leadership
Labour safety and occupational safety course	All company and contractor employees



*Human rights observance training  
under the Security Policy*



*Corporate Social Responsibility training  
for contractor employees*

## 7. CONTROL AND REPORTING

---

*The responsibility to respect human rights requires that business enterprises have in place policies and processes through which they can both know and show that they respect human rights in practice. Showing involves communication, providing a measure of transparency and accountability to individuals or groups who may be impacted and to other relevant stakeholders, including investors.*

---

*UN Guiding Principles on Business and Human Rights, Chapter 21*

---

Control and reporting are significant components of human rights due diligence. Human rights control and reporting are established in the company both internally and externally.

As a rule, control process includes:

- community visits;
- meetings with internal and external stakeholders including local communities and contractors to receive feedback;
- verification of human rights provisions in contracts.

Internal control is ensured across the company functions and by Internal Audit department. External control includes regular audits by lenders, shareholders, and independent experts.

In addition, some specific measures are in place to monitor such processes as engagement with Sakhalin indigenous minorities, resettlement, labour practices, grievance addressing, etc.

Furthermore, the company has initiated annual public opinion surveys within Sakhalin communities to explore positive or adverse effect of the Sakhalin-2 project. Also, such surveys enable the company to get feedback from communities on efficiency of the company's engagement mechanisms.

Information about the implementation of the human rights standards by the company is included in the regular internal reports for the management board and shareholders, as well as reports for external stakeholders (sustainable development reports produced in accordance with the Global Reporting Initiative requirements and UN Global Compact reporting).

The company applies key performance indicators regarding its commitments associated with human rights. For example, such indicators are used by the company to assess occupational safety and health performance, stakeholder engagement, grievance addressing process, implementation of social partnership programmes, etc.

## V. FROM RESPECT TO PROMOTION OF HUMAN RIGHTS

The following three stages have been conventionally set for businesses in dealing with human rights: respect, support and promotion.



### *Business and human rights: social responsibility levels*

**Respect for human rights** for Sakhalin Energy means compliance with the fundamental human rights prescribed by the Russian law and international norms and standards (see Chapter III).

**Human rights support** is understood by the company as voluntary activities beyond the national legislation or international standards and regulations. Such actions may include, inter alia, development and implementation of procedures and work patterns that facilitate respect for human rights. Thus, human rights support complements respect for human rights and as such is a higher level of the company's social responsibility.

Among examples of the Sakhalin Energy human rights support activities are partnership programmes listed in Section 4.

Another example is the support by the company of the linguistic rights of indigenous peoples. In this area, the company initiated a range of projects to translate the Universal Declaration of Human Rights and the UN Declaration on the Rights of Indigenous Peoples into the languages of Sakhalin indigenous minorities\*. The company also supported the publication of other materials and books dedicated to the preservation of the linguistic heritage of indigenous ethnic groups: The Epic of the Sakhalin Nivkhs, the Uilta ABC book and dictionaries, and others.

\*These projects have been successfully completed with support by the Office of the UN High Commissioner for Human Rights.

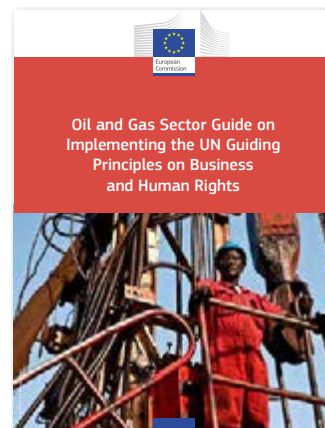
**Human rights promotion** means to Sakhalin Energy an active involvement in discussion of experience and application of best practices in the area of human rights at local, national, and international levels, as well as participation in development and promotion of new human rights related standards and policies, etc.

- Sakhalin Energy has become one of the five companies worldwide selected for testing the so-called Ruggie Principles related to the corporate grievance mechanisms.

The Ruggie Principles were developed in 2009 by Professor John Ruggie under the mandate of Special UN Representative Secretary-General for Business and Human Rights. The principles were spelled out in the United Nations “Protect, Respect and Remedy” Framework. The company’s experience in its grievance procedure implementation was highly recognised by the project participants. In June 2011, the UN Guiding Principles were endorsed by the UN Human Rights Council, providing – for the first time – a global human rights standard for business community with effective grievance mechanisms included.

- The company participated in the development of the Oil and Gas Sector Guide on implementing the UN Guiding Principles on Business and Human Rights.

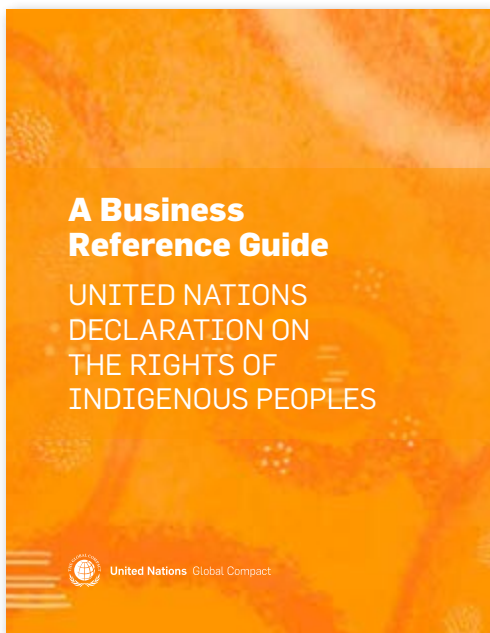
*In 2012, the company was invited to the advisory group of a project initiated by the European Commission. As part of this project, which brought together business communities, general public and NGOs, guidelines were developed for the oil and gas industry spelling out the rules of operating in compliance with the “UN Guiding Principles on Business and Human Rights”. The project information and the Guide are available on the website [www.ihrb.org](http://www.ihrb.org).*



- Sakhalin Energy is a member of the UN Global Compact, as well as the UN Global Compact Network Russia).
- Sakhalin Energy joined the UN Global Compact in November 2009. By joining the UN Global Compact, companies and organisations undertake to abide by the Ten Principles in the fields of human rights, labour standards, environment, and anti-corruption. The main purpose of the Global Compact is to incorporate the Ten Principles into the business process and facilitate achievement of global UN goals in a wider sense.
- In 2010 the company became a member of the UN Global Compact Human Rights Working Group.
- Since 2011 the company has been among the UN Global Compact Lead companies\*.
- The company actively participates in the annual UN Forum on Business and Human Rights in Geneva, presenting its experience and best practices in the area of human rights.
- For many years, the company’s experience has been included in the Human Rights section of the UN Global Compact International Yearbook.
- The company actively supports the promotion of the UN Sustainable Development Goals and includes information on its work towards achieving these goals in sustainable development reports (see Chapter VI, Sustainable Development Goals and Human Rights: Sakhalin Energy Contribution)

\* Global Compact LEAD is the UN Global Compact platform, initiated by the UN Global Compact to support its leading participants in their quest to achieve a higher level in the field of CSR and sustainable development through the implementation of activities in this area, as well as the creation of new CSR standards.





*United nations declaration  
on the rights of indigenous peoples  
A Business Reference Guide*

- Sakhalin Energy initiated and actively participated in the development of The Business Reference Guide to the UN Declaration on the Rights of Indigenous Peoples (joint project of the UN Global Compact, the UN Permanent Forum on Indigenous Issues, the International Labour Organisation, etc.).
- The objective of this Guide is to demonstrate the relevance of indigenous peoples' rights in business context and provide businesses with practical recommendations concerning respect and support of indigenous peoples' rights in the area of their operations and influence.

## Sustainable Development Goals: Sakhalin Energy Contribution


At the 70<sup>th</sup> session of the UN General Assembly in September 2016, a new global agenda was adopted — Transforming Our World: the 2030 Agenda for Sustainable Development, which includes 17 Sustainable Development Goals (SDGs), which replaced the Millennium Development Goals. One of the specific features of the new Goals is that each of them is based on respect for and promotion of human rights. Another feature of the new SDGs is the chosen approach to achieve them: SDGs are addressed not only to governments, but also to all other players in sustainable development such as businesses, community, and all individuals.

In this connection, Sakhalin Energy initiated work to study the SDGs and to define the company's contribution to their achievement. The analysis has proved most of the company's corporate social responsibility programmes and practices to an active work contributing to achievement of the SDGs.

In order to promote the SDGs in the business community, the company translated into Russian and distributed the SDG Compass, which is a practical tool providing guidance for establishing SDG work in any organisation (for more information, go to [sdgcompass.org](http://sdgcompass.org); for Russian translation of the SDG Compass, go to [www.globalcompact.ru/upload/iblock/f83/Kompas-TSUR.pdf](http://www.globalcompact.ru/upload/iblock/f83/Kompas-TSUR.pdf)).

Examples of the company's programmes and practices are presented in the table below, indicating the relevant SDGs, as well as key human rights that these SDGs are designed to promote.

Human Rights	Sustainable Development Goals	Company Activity
Right to education Right to an adequate standard of living Right to participate in cultural life	   	Social investment programmes (Safety Is Important, Sakhalin Indigenous Minorities Development Plan, and other partnership programmes)
Access to non-state based remedy Right to information Equality and non-discrimination	  	Grievance mechanisms adopted by Sakhalin Energy Stakeholder engagements (open public consultations, information centres, public reporting on sustainable development, etc.)

<p>Right to life</p> <p>Right to health</p> <p>Right to just and favourable conditions of work</p>	<div> <div>3 GOOD HEALTH AND WELLBEING</div>  </div> <div> <div>8 DECENT WORK AND ECONOMIC GROWTH</div>  </div> <div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div>  </div>
--	---

## APPENDIX 1

### EXAMPLES OF RISK MANAGEMENT AND HUMAN RIGHTS IMPACT MITIGATION

As part of the impact assessment (see Section 3), Sakhalin Energy develops measures aimed to reduce adverse social impacts, including impact on human rights. Some examples of such measures across the areas of the company's activity are listed below.

#### Employee relations

- A set of measures to ensure compliance with HSE and social performance standards and procedures (including providing employees with personal protection equipment, regular audits of compliance with standards at all company's assets, training and certification, etc.);
- Implementation of the Human Resources Grievance Procedure and Whistle Blowing Procedure, according to which personnel can confidentially raise grievances related to discrimination or other violations of the employees' rights. The information about the procedures is always available at all offices and assets of the company (as posters on information boards) as well as the Sakhalin Energy intranet site. Besides, the company regularly reminds/informs the personnel of the procedures.
- Introducing the construction camp management procedures that provide accommodation standards for such camps, compliance with the Code of Conduct, access regulations, attitudes towards environment and local communities, and respect to personnel rights, etc.

#### Working in communities

- Local infrastructure upgrades, including:
  - ✓ construction of by-pass roads to reduce the load on the local infrastructure;
  - ✓ maintenance of the roads used for the project needs.
- Safety assurance, including:
  - ✓ setting speed limits for vehicles of the company and contractors to ensure road safety.
- Introducing the construction camp management procedures that provide accommodation standards for such camps, compliance with the Code of Conduct, access regulations, attitudes towards natural environment and local communities, and respect to personnel rights, etc.
- Working in communities, including:
  - ✓ regular awareness campaigns and public consultations at every stage of the project (see Section 4);
  - ✓ running the company information centres (see Section 4).
- Implementation of the Community Grievance Procedure (see Section 5).
- Management of resettlement, including:
  - ✓ minimisation of land withdrawal/acquisition if feasible;
  - ✓ development of the Resettlement Action Plan.

To carry out the construction of infrastructure facilities under the Sakhalin-2 project, which began in 2002-2003, and their subsequent operation, the company had to obtain rights to more than 4,700 hectares of land. Acquisition of land titles affected 125 households (430 people) and 66 businesses in nine municipalities. To minimise risks associated with land withdrawal/acquisition, including impacts on the rights of land users/owners, the company developed a Resettlement Action Plan.

**Resettlement Action Plan** is a set of measures that address impacts on groups affected by the process of land withdrawal / acquisition for construction and operation of the Sakhalin-2 assets, including payment of compensation for any property or land loss. When implementing its Resettlement Action Plan, the company strictly complied with the requirements of the RF legislation and the World Bank principles and policy, which, at the time of the Resettlement Action Plan preparation (2003–2005) provided the best international practices pertaining to involuntary resettlement. More details about the implementation of the Resettlement Action Plan are available on the company's website ([www.sakhalinenergy.com](http://www.sakhalinenergy.com)).

- Management of issues related to indigenous people, including:
  - ✓ engagement with indigenous people, development and implementation of impact mitigation measures;
  - ✓ elaboration of the Sakhalin Indigenous Minorities Development Plan (Development Plan, SIMDP) — a partnership programme implemented jointly by Sakhalin Energy, Sakhalin Oblast Government, and the Regional Council of Authorized Representatives of Sakhalin Indigenous People. The latter is an elected body representing all Sakhalin indigenous minorities.

The five-year Development Plan, which is being implemented from 2016 to 2020, is the third of a series of similar Plans designed for the entire duration of the Sakhalin-2 project. The third SIMDP, just as the previous one, was prepared and is being implemented based on the principle of “free and prior informed consent (FPIC)”, which is described in the United Nations Declaration on the Rights of Indigenous Peoples (2007) and new Performance Standard 7: Indigenous Peoples, issued by the International Financial Corporation (IFC). More details about the Sakhalin Indigenous Minorities Development Plan are available on the website ([www.simdp.ru/eng.php](http://www.simdp.ru/eng.php)).



*A conference held as part of discussion of the third SIMDP. At this conference, representatives of the Sakhalin indigenous minorities — elected delegates from all seven districts of Sakhalin indigenous minorities traditional residence — authorized the Chairman of the Regional Council of Sakhalin Indigenous Minorities Authorized Representatives to sign a statement of consent to the third SIMDP and the new trilateral agreement on its implementation.*

### Contracting and procurement

- introducing provisions for compliance with social responsibility standards (including respect to human rights) into contracts;
- pre-qualification of potential contractors for compliance with social responsibility standards (including respect to human rights);
- regular monitoring of contractors for compliance with Sakhalin Energy social responsibility standards (including human rights);
- systematic training for vendors and implementation of vendor development programme.

### Assesses security

- mandatory trainings for the company's and contractor's security personnel on Human Rights and Security issues;
- introducing the construction camp management procedures that provide accommodation standards for such camps, compliance with the Code of Conduct, access regulations, attitudes towards natural environment and local communities, and respect to personnel rights, etc.;
- putting human rights provisions into contracts with security service providers.

## REFERENCES

RF Constitution	<a href="http://www.constitution.ru/">www.constitution.ru/</a>
<b>International Documents</b>	
Universal Declaration of Human Rights	<a href="http://www.un.org/ru/documents/decl_conv/declarations/declhr.shtml">www.un.org/ru/documents/decl_conv/declarations/declhr.shtml</a>
UN Global Compact Principles	<a href="http://www.unglobalcompact.org/languages/russian/ten_principles.html">www.unglobalcompact.org/languages/russian/ten_principles.html</a>
Guiding Principles on Business and Human Rights	<a href="http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_RU.pdf">www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_RU.pdf</a>
Sustainable Development Goals	<a href="http://www.un.org/ru/documents/decl_conv/conventions/pactecon.shtml">www.un.org/ru/documents/decl_conv/conventions/pactecon.shtml</a>
International Covenant on Economic, Social and Cultural Rights	<a href="http://www.ohchr.org/EN/ProfessionalInterest/Pages/CESCR.aspx">www.ohchr.org/EN/ProfessionalInterest/Pages/CESCR.aspx</a>
Basic Conventions of the International Labour Organisation	<a href="http://www.ilo.org/public/russian/region/eurpro/moscow/areas/gender/iloconv.htm">www.ilo.org/public/russian/region/eurpro/moscow/areas/gender/iloconv.htm</a>
ISO 26000:2010 Guidance on Social Responsibility	<a href="http://www.iso.org/iso/ru/home/standards/iso26000.htm">www.iso.org/iso/ru/home/standards/iso26000.htm</a>
Voluntary Principles on Security and Human Rights	<a href="http://www.voluntaryprinciples.org">www.voluntaryprinciples.org</a>
IFC Performance Standards on Environmental and Social Sustainability	<a href="http://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/home">www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/home</a>
<b>Sakhalin Energy Documents</b>	
Code of Conduct, including Statement of General Business Principles	<a href="http://www.sakhalinenergy.ru/ru/company/principles/">www.sakhalinenergy.ru/ru/company/principles/</a>
Human Rights Policy	<a href="http://www.sakhalinenergy.ru/ru/company/principles/">www.sakhalinenergy.ru/ru/company/principles/</a>
Sustainable Development Policy	<a href="http://www.sakhalinenergy.ru/ru/company/principles/">www.sakhalinenergy.ru/ru/company/principles/</a>
Health, Safety, Environment, and Social Performance Commitments and Policy	<a href="http://www.sakhalinenergy.ru/ru/safety/plan/action_plan.wbp">www.sakhalinenergy.ru/ru/safety/plan/action_plan.wbp</a>

Health, Safety, Environment and Social Action Plan	<a href="http://www.sakhalinenergy.ru/media/user/library/plan_deistvia_ohrana_zdorovja/2015/1-0000-S-90-04-P-7070-01-R.pdf">www.sakhalinenergy.ru/media/user/library/plan_deistvia_ohrana_zdorovja/2015/1-0000-S-90-04-P-7070-01-R.pdf</a>
Whistle Blowing Procedure / Grievance Procedure	<a href="http://www.sakhalinenergy.ru/en/social_responsibility/protzedura.wbp">www.sakhalinenergy.ru/en/social_responsibility/protzedura.wbp</a>
Contracting and Procurement Policy	<a href="http://www.sakhalinenergy.ru/media/fe993007-602b-40f7-bc95-7bf9b6646843.pdf">www.sakhalinenergy.ru/media/fe993007-602b-40f7-bc95-7bf9b6646843.pdf</a>
Security Policy	<a href="http://www.sakhalinenergy.ru/en/library/folder.wbp?id=b173086e-4129-494c-a13a-6ac664c0759c">www.sakhalinenergy.ru/en/library/folder.wbp?id=b173086e-4129-494c-a13a-6ac664c0759c</a>
Public Consultation and Disclosure Plan	<a href="http://www.sakhalinenergy.ru/en/library/folder.wbp?id=af6ce7b7-6662-47f3-bd84-bf1c9c8f0d93">www.sakhalinenergy.ru/en/library/folder.wbp?id=af6ce7b7-6662-47f3-bd84-bf1c9c8f0d93</a>
Sustainable Development Reports	<a href="http://www.sakhalinenergy.ru/en/media-centre/reports.wbp">www.sakhalinenergy.ru/en/media-centre/reports.wbp</a>
Sakhalin Indigenous Minorities Development Plan	<a href="http://www.simdp.ru">www.simdp.ru</a>
Safety Is Important programme	<a href="http://www.senya-spasatel.ru">www.senya-spasatel.ru</a>
Korsakov Sustainable Development Partnership Council	<a href="http://www.korsakovsovet.ru">www.korsakovsovet.ru</a>
Resettlement Brochure	<a href="http://www.sakhalinenergy.ru/media/0d42c984-6f3f-42ec-9477-316ad8025599.pdf">www.sakhalinenergy.ru/media/0d42c984-6f3f-42ec-9477-316ad8025599.pdf</a>
EA Best Practices	<a href="http://www.sakhalinenergy.ru/media/ad5ac7fa-300a-46e7-94fc-b3ee65190379.pdf">www.sakhalinenergy.ru/media/ad5ac7fa-300a-46e7-94fc-b3ee65190379.pdf</a>
ISO 26000 Self-Declaration	<a href="http://www.sakhalinenergy.ru/media/documents/SakhalinEnergy_ISO26000_Self_Declaration2016-signed.pdf">www.sakhalinenergy.ru/media/documents/SakhalinEnergy_ISO26000_Self_Declaration2016-signed.pdf</a>
Sustainable Development Goals	<a href="http://sustainabledevelopment.un.org/?menu=1300">sustainabledevelopment.un.org/?menu=1300</a>