



Sakhalin Energy Investment Company Ltd.

**OPF COMPRESSION PROJECT
Public Consultation and Disclosure Plan, 2016**

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1 INTRODUCTION

Sakhalin Energy Investment Company Ltd. (Sakhalin Energy) considers regular and meaningful engagement with the public and other key stakeholders, as well as the public disclosure of relevant project information, to be important elements for the successful development of the Sakhalin-2 project. To this end, since the very beginning Sakhalin Energy has actively sought to engage with stakeholders and provide information about its activities. This will continue throughout the life of the project.

Sakhalin Energy's general business principles state a clear commitment to transparent and open stakeholder engagement and the company takes this into consideration in the following objectives and approaches towards this engagement:

- it should be meaningful, purposeful and open, as inclusive as possible and practicable, and should incorporate as diverse range of views and interests as possible;
- it should aim to build strong, positive relationships with community and other stakeholders, to provide effective mechanisms for the exchange of views about previously identified issues and the ways in which Sakhalin Energy manages them, and to create conditions where emerging issues of concern are brought to its attention and addressed in a timely manner;
- it should be documented and the records or summary of the records made public where possible, with the exception of those issues relating to personal information and privacy of individuals.

The company's strategy for public consultation and disclosure of information has evolved over 20 years of engagement with Sakhalin communities and other interested parties. It has been shaped by their feedback to provide what we intend to be a meaningful approach to ensure they are suitably informed of project activities and that the company has an effective means for hearing their concerns. Further to this direct feedback, Sakhalin Energy fulfils the legal requirements of the Russian Federation for public consultation as well as International Finance Corporation (IFC PS 1, 2012 revision) on the preparation of a public consultation and disclosure plan (PCDP).

This PCDP describes Sakhalin Energy's plans for public consultation and the disclosure of information for the OPF Compression Project (the Project or OPFC Project) executed by Sakhalin Energy.

This PCDP has been developed to ensure that adequate and timely information is provided to Project affected people and other stakeholders, and that these groups are given sufficient opportunity to voice their opinions and concerns. The Project aim is to conduct open and regular communication with stakeholders in order to fulfill the following:

- to build trust and understand and address stakeholders concerns;
- develop and maintain positive relationships with stakeholders that may be affected by or have an interest in the Project;
- be informative so that stakeholders are fully aware of the Company's activities and maximize acceptance of the Project, as well as develop realistic expectations of the Project in terms of both the benefits and impacts;
- provide a continuous mechanism to receive and respond to feedback from communities and to incorporate such feedback into the Project decision making;
- develop measures to mitigate the potential for negative publicity and thus avoid reputation damages;
- assess the effectiveness of impact mitigation measures through regular monitoring and make improvements where deemed necessary.

This Plan is a dynamic document that will be continuously analysed and updated to accommodate changes occurring in the Project through all the stages of its implementation. Subsequently, at the operation stage, the Plan will be incorporated into the Company's Public

Consultations and Disclosure Plan c which is the subject for annual review, update and approval by lenders.

2 PROJECT DESCRIPTION

2.1 Introduction

Sakhalin Energy is developing the Sakhalin-2 project under a Production Sharing Agreement (PSA) concluded in 1994 between the Russian Federation Government, the Sakhalin Oblast Administration and Sakhalin Energy. The contract was the first agreement of its kind to be signed in Russia. The project has two licence areas offshore of the northeast coast of Sakhalin Island: Piltun-Astokhskoye (predominantly oil) and Lunskeye (predominantly gas).

Sakhalin-2, being one of the world's largest integrated oil and gas projects, comprises the following infrastructure:

- three offshore ice class platforms;
- some 300 km of the offshore pipelines;
- some 1600 km of the onshore pipelines;
- onshore processing facility (OPF);
- booster station 2;
- oil export terminal;
- LNG plant.

Detail information about the Sakhalin-2 project can also be found at www.sakhalinenergy.ru and www.sakhalinenergy.com.

The scope of the OPFC Project is as follows:

The OPF is the main facility to process the liquid and gaseous hydrocarbons coming from the LUN-A platform and to prepare them for further transportation via the onshore main pipeline system to the Prigorodnoye production complex.

Due to the gas and condensate production, the Lunskeye reservoir pressure will decline to below the level required for maintaining >86.5 bara pressure at the Joule-Thompson (JT) valve inlet. For the purpose of compensating a future reservoir pressure drop and the resulting pressure drop at the inlet of the dew point control unit, the Company plans to construct an OPF Inlet Compression Facility.

Infrastructure facilities under the OPFC Project will include:

- temporary beach landing facility (BLF) to supply and offload a large-size equipment during the OPFC construction period;
- construction Camp to accommodate construction personnel;
- OPF Compression facility.



Figure 1. OPF large scale map

2.2 Project implementation area

The OPF Inlet Compression Facility will be constructed close to the OPF within the Nogliki Urban District of Sakhalin Oblast which is located along the north-eastern coast of Sakhalin Island.

The nearest residential area to the OPFC Project site is the village of Nysh. It is located at a distance of 8 km from the Nysh railway station and at a distance of 45 km from the OPF straight or 70 km away by the road.

The center of the District is the urban-type settlement of Nogliki (since 1960). More than 10 thousand residents are living in Nogliki. The settlement is located 110 km away from the OPF. The capital of Sakhalin Oblast, Yuzhno-Sakhalinsk is located 659 km from Nogliki and is connected with Nogliki by the federal road.

The lands surrounding the OPF (including the OPF Inlet Compression Facility site) are the forest fund lands. No agricultural lands are located within a range of 10 km from the OPF.

In 2012 Gazprom has launched gas production from the Kirinskoye gas and condensate field under the Sakhalin-3 project and is now operating the Kirinskoye OPF, which is located 8 km to the north-west from the Sakhalin-2 OPF/OPFC Project site. No other types of the economic activities are conducted within a reasonable range of 10 km from the OPFC Project site.

The Nogliki District has been traditionally inhabited and used by indigenous minorities of the North of the Sakhalin Region: the Nivkh, Nanaj, Evenki, Uilta (Orochen), and others. According

to information provided by the Administration of the Nogliki District, 1138 persons of indigenous minorities were living in the Nogliki district in 2013. There are no areas of traditional activities of indigenous minorities, including pasture or encampments of reindeer herders close to the OPFC Project site.

2.3 Project schedule

The company completed FEED works on the OPF Compression project in 2015.

In 2015, a contract with REP Holding was signed for manufacturing and supplying drivers/compressors for the OPF compression project.

Site preparation works will be commenced in Q3 2016 by ZapolarPromGrajdanStoy contractor.

It is anticipated that the Early Works contract and Engineering, Procurement and Construction contract will be awarded in Q3 and Q4 2016 accordingly. The start of construction (major works) is planned since Q3 2017 and start of commissioning in Q3 2019.

2.4 Key ESHIA conclusions

In 2015 the Company finalised Integrated Environmental, Social and Health Impact Assessment (ESHIA) for the OPFC project. The ESHIA was developed in conformity with the international standards as well as the Russian Legislation in the area of protection of the environment, health, safety and social performance, and in consultations with stakeholders (see Section 4).

The following components/resources of the natural environment, recipients of the social sphere and human health:

- ambient air, physical factors;
- surface waters;
- geological environment and ground waters;
- soils and soil cover;
- plant and animal communities, terrain;
- the living and working conditions of the OPF/construction contractor staff;
- the social environment in the Nogliki Municipal District.

Key conclusions on the the impacts to be expected from the Project are as follows:

The most sensitive recipients will be Steller's sea eagles and the protected species of lichens, but the project envisages a number of environmental measures to mitigate/eliminate the impacts.

Impacts and risks are generally limited to a small area and a relatively short duration of construction, the Company's similar experience during construction of the OPF, and the existing system of environmental protection, social policy and safety standards.

During the operation phase, the OPF Compression project will be a process part of the existing OPF, therefore some impacts and risks will be reduced as also confirmed by the long-term monitoring data of the OPF impact area.

As regards the social sphere, the implementation of the OPF Compression Project will have an overall positive effect on the social sphere resulting from increased tax deductions and new workplaces. An overall positive effect is expected not only in Nogliki, but in the entire Sakhalin Oblast.

The project is expected to have virtually no adverse impact on the inhabitants. This is due to the fact that the nearest settlements (including the utilities and social infrastructure of Nogliki) are very remote from the Company's site.

No significant risk of impact on the health of the inhabitants or the Company's/contractor personnel is expected.

In general, the project will have minor / light effects and carry negligible risks to the

environment, social sphere and people's health.

The detail findings of the assessment of the impact and risks for individual components of the environment, social sphere and human health as well as relevant mitigation and control measures are shown in ESHIA Sections 9-15 (publicly available). The full list of impacts and their risk assessment are shown at table 15-1 of ESHIA. In addition non-technical note with results of ESHIA will be delivered to public during meetings and at Sakhalin Energy's information centres in Q2 2016.

3 LEGAL REQUIREMENTS AND STANDARDS

Sakhalin Energy aims to ensure that the Sakhalin-2 project (including project expansions) complies in all respects with the Russian law and the regulatory requirements for public consultation. Sakhalin Energy's objective is also to comply with the 2012 IFC Performance Standards (IFC PS) which serve as an international benchmark for good practice. It also takes into account the consultation and disclosure commitments made publicly in the company's Statement of General Business Principles, Sustainable Development Policy, Human Rights Policy, Commitments and Policy on Health, Safety, Environment and Social Performance (the HSE and SP Policy).

Furthermore, as per the Health, Safety, Environmental and Social Action Plan (HSESAP), the company seeks to act in keeping with key conventions and treaties which are not yet ratified by the Russian Federation. The Russian and English versions of HSESAP Rev. 1 were published on the company website in January 2006. In 2014 the company finished revision 4 of HSESAP accommodated recent changes to the Russian laws and regulations, as well as the updated international requirements and the company's hands-on experience. Revision 4 of the HSESAP was uploaded to the company's website in 2015. For more details on legal requirements and standards applied by Sakhalin Energy see the corporate PCDP, Section 2 (<http://www.sakhalinenergy.ru/en/library/folder.wbp?id=af6ce7b7-6662-47f3-bd84-bf1c9c8f0d93>).

4 STAKEHOLDER ENGAGEMENT

4.1 Introduction

Stakeholders are persons or groups who have an interest in the company's activity, are directly affected by, or are in a position to influence Sakhalin Energy's activities.

Sakhalin Energy has been informing and consulting a range of stakeholders about the Sakhalin-2 project since 1994. Stakeholders addressed in this document include:

- directly affected communities¹;
- vulnerable community groups²;
- stakeholders in Japan, particularly on Hokkaido Island;
- community initiative groups/associations and other non-governmental organisations (local, regional, international);
- media (local, regional, national, international) and other interest groups such as academic institutions and research foundations;
- wide public of Sakhalin.

Sakhalin Energy has programmes of engagement with all of these stakeholder groups, and these are discussed in the corporate PCDP, Section 6 (<http://www.sakhalinenergy.ru/en/library/folder.wbp?id=af6ce7b7-6662-47f3-bd84-bf1c9c8f0d93>).

The following key stakeholder groups have been identified for the OPFC Project:

- potentially project affected communities (primary Nysh and Nogliki, fishing company(ies) operating in the future BLF area);
- NGOs (NGOs that have raised interest regarding the Project as of May 2016 is given in Section 3.7);
- media;
- wide public of Sakhalin.

There are other stakeholder groups with whom Sakhalin Energy engages in the course of the OPFC Project. For example, it works closely with representatives of the Russian federal, regional and local authorities. Mechanisms for engagement with government authorities, customers, employees, contractors, shareholders and lenders, with which Sakhalin Energy has regular contact in the course of its business, are not addressed in this document. This

1 An affected community is one in the vicinity of a permanent project facility, their SPZ and RoW, as well as temporary installations erected for construction purposes and/or used for project's operation. In event of an oil spill or other event this definition is expanded to include additional communities, including those in neighboring countries.

2 Vulnerable groups and individuals include the following audiences that have greater susceptibility to impact:

- persons with disabilities and their carers;
- low-income families with average income less than subsistence level or those dependent on state support;
- non-registered land users;
- reindeer herders and their families;
- indigenous peoples;
- children;
- migrants, migrant workers;
- elderly people and veterans of war;
- women-headed households with children under the age of 18.

document focuses on stakeholders who do not have formal relationships with Sakhalin Energy and who, as a result, may wish to use this document for information and guidance.

4.2 Communication methods

The table below describes stakeholders and relevant communication methods to be used in the frame of the Project information disclosure and public consultations.

Table 1: Communication methods

STAKEHOLDER GROUP	COMMUNICATIONS METHOD
Potentially project affected communities (primary Nysh and Nogliki, fishing company(ies) operating in the future BLF area)	<ul style="list-style-type: none"> • Company's Internet-site • Public and other meetings • News in mass media • Company's Information Centers • Consultations under social monitoring • Other as required
NGOs	<ul style="list-style-type: none"> • Company's Internet-site • News in mass media • Company Information Centers • Other as required
Media	<ul style="list-style-type: none"> • Company's Internet-site • News releases • Other as required
Wide public of the Sakhalin	<ul style="list-style-type: none"> • Company's Internet-site • News releases • Other as required

The date, time and venue for all key consultation meetings will be posted in a calendar on the company website and updated on a monthly basis (http://www.sakhalinenergy.ru/en/social_responsibility/informing_the_public.wbp) as well as advised to the stakeholders via other methods of communication such as notices in the communities Nysh and Nogliki (if relevant), announcements in the media (primary in Nogliki District newspaper - Znamya Truda, three weeks prior to public meeting), invitation letters (by e-mail or in writing), as well as placed in the company's information centres located in Nogliki District.

4.3 Feedback from consultation

Sakhalin Energy records public meetings and can make minutes of relevant meetings available for public access upon request (on its website and in libraries throughout Sakhalin Island). The Government and Shareholders, Corporate Affairs Division is responsible for ensuring that any actions arising from meetings are addressed and are subsequently reported back to the stakeholders as part of company's regular engagement activities. Feedback from stakeholders in relation to the issues and project-related concerns are taken into consideration when developing policies and work programmes.

The company welcomes feedback on public consultation and suggestions for improving disclosure and communication. The detailed information on the engagement activities undertaken throughout a year and on how Sakhalin Energy addressed the consultations feedback is described in the annual public consultation and disclosure reports. This PCDP will be updated to reflect these suggestions as appropriate.

4.4 Cancellation of meetings due to unforeseen circumstances

If the company needs to cancel a meeting due to weather, illness or another unforeseen event then the event will be rescheduled as soon as practicable following the cancellation and the company will alert the local community through the media and etc. as appropriate to confirm that the meeting has been cancelled and what alternative arrangements have been made.

If it is not possible to reschedule, then the company will provide a copy of the presentation materials and other relevant documents (for example, the company's information centres/libraries, as appropriate).

4.5 Potentially project affected communities

In 2016, given the Project schedule (actual construction works will start in 2017, see Section 1.3) the public engagement activity will be limited to:

- Public meetings in Nogliki and Nysh in April 2016 (as part of regular public meetings held by Sakhalin Energy annually; relevant Project information will be included in presentations). Notifications (ways, time) and provisions will be the same as for regular public meetings - in local newspapers three weeks prior to the meetings date and in a calendar on the company website and updated on a monthly basis (http://www.sakhalinenergy.ru/en/social_responsibility/informing_the_public.wbp).
- Social monitoring consultations to be held in Nogliki and Nysh in June – July 2016. The purpose of the consultations is a monitoring of potential or actual impact or concerns, grievance monitoring (if there were) and information on issues related to the Project implementation;

Non-technical note with results of ESHIA will be delivered to public during meetings and at Sakhalin Energy's information centres (see Section 3.6) in Q2 2016.

4.6 Information centres

In 2008-2011 Sakhalin Energy organized information centres based on local libraries in 23 communities. The purpose of these 23 information centres is to inform the project stakeholders about various project development aspects (for example, helping to find the information needed, etc.) and assisting them in completing a grievance form to submit a grievance to the company.

Each information centre is operated by a consultant, who is an employee of the respective library, within the normal work hours of the library.

The general purpose of the company's information centres is to help local residents to find answers to their questions about the project activities. For example, the company's information centres provide the following:

- any requested information regarding the project and/or company in the hard-copy or multi-media format;
- access to the company website (www.sakhalinenergy.ru);
- assistance to local residents in preparing a CV to apply for the company vacancies, as well as provision of vacancy information (normally based on the vacancy publications on the Sakhalin Energy website) and information about any grants available from the company;
- distribution of information about the possibilities of business development at the local level (typically using information available on the company's website - information about current and planned competitions announced by Sakhalin Energy as well as the programme of the Russian vendor development);
- assistance in organising meetings of local residents with the appropriate representatives of the company;
- assistance in filling out the company's grievance forms;

- informing the company on any concerns or grievances from the residents in connection with the project development.

The company regularly (at least monthly) feeds information about the project and social programmes to its information centres. The company representatives (from Social Performance Subdivision) visit the information centres to provide consulting to the information centres consultants at least twice a year or on request.

The information centres' personnel can also be provided consulting sessions over the phone.

In 2014, information centres' personnel was informed about the Project (overview, plans with the focus on ESHIA development). In Q4 2016 the information centres' personnel will be updated about the Project status and ESHIA results.

The updated list of information centres is published on the company website at www.sakhalinenergy.ru. In Nogliki District as of 2016 information centre is available in Nogliki (5a Pogranichnaya St, district library, Tel. +7 42444 91057).

4.7 Community and other non-governmental organisations

Meetings with community-based and NGO organisations are organised via phone, fax or email. There is not a rigid timetable of NGO consultation. The company endeavours to meet with key NGOs on an "as needed" basis that is convenient for all parties. The company is open and available for such meetings. The company endeavours to continue to make available technical experts for discussions on pertinent issues with key organisations and communities on request. For meetings of a technical or substantive nature either party should provide the other with a minimum of 30 days' notice of the request to meet, to ensure the availability of relevant experts for the discussion and to enable other necessary preparations.

In addition to discussing concerns or issues the company has been actively engaged in discussions with international organisations regarding possible sustainable development and social investment projects and initiatives in partnership with Sakhalin Energy.

As of May 2016 the only NGO raised the interest regarding the Project was Sakhalin Environment Watch (at the dialogue-meeting with external stakeholders held as part 2013 Sustainable Development Report preparation they asked question about the Project plans and EIA; see 2013 Sustainable Development Report, Appendix 2; available at <http://www.sakhalinenergy.ru/en/media-centre/reports.wbp>). Also Sakhalin Energy engaged with the Regional Council of Sakhalin IP Authorized Representatives as part of ESHIA development (see Section 4) as well and informed Regional Council of Sakhalin IP Authorized Representatives at SIMDP Board meetings on the Project status on biannual basis (will be continued in 2016).

4.8 Media and other interest groups

Sakhalin Energy's Government and Shareholders, Corporate Affairs Division communicates regularly with representatives of the mass media as well as with other interest groups such as educational and research institutions.

Formal meetings, such as media briefings and discussion are held when required. There is also informal interaction with representatives of these groups.

Media are informed in advance of media briefings and other meetings by telephone or email. In 2016 no special formal meetings, such as media briefings and discussion regarding the Project are planned.

Representatives of Government and Shareholders, Corporate Affairs Division monitor the local, federal and international media on a daily basis.

5 PREVIOUS STAKEHOLDER ENGAGEMENT ACTIVITY (UP TO FEBRUARY 2016)

In 2012 preliminary information sessions and consultations regarding environmental and social aspects associated with execution of the OPF Compression Project were conducted based on the draft ESHIA report. The consultations were held in the format of public meetings in Nogliki and Nysh. The following issues were discussed in the course of the consultations:

- OPF description;
- OPF environmental and social impacts;
- Substantiation of OPF Inlet Compression facility construction;
- description of the OPF Compression Project: construction (location, use of land plots, camp area, facilities and schedule of construction, delivery of materials and equipment by sea);
- potential environmental impact;
- potential impact on the local communities and social area.

Overview of the consultations was incorporated in the 2012 Public Consultation and Disclosure Report. Moreover, the attachment E of ESHIA summarizes the questions of the participants of the meetings and actions and/or measures as part of the planned Project.

In the end of 2014 public opinion survey was conducted in Nogliki and Nysh to collect additional social and economic information on the area of Project implementation.

In September 2015, public consultations were held to discuss the preliminary ESHIA results and provide information on the planned Project. As part of consultations public meetings were held in Nogliki and Nysh. ESHIA materials were preliminarily placed on the official site of Sakhalin Energy, Nogliki Central District Library, Sakhalin Region Universal Scientific Library and Nysh Library. Information on date and location of the ESHIA discussions was well in advance (four weeks prior to the meetings) published in the newspapers Znamya Truda, Gubernskiy Vedomosti and Rossiyskaya Gazeta.

In addition as part of discussing the preliminary ESHIA results a number of individual consultations with external stakeholders were carried out in September 2015 (seven meetings, including with representatives of administrations of Nogliki and Nysh).

Questions and outcomes from abovelisted consultations were addressed in ESHIA study (publicly available).

In January 2016, the Company held public hearings of the Terms of reference (ToR) of BLF Environmental Impact Assessment study required as per RF regulations. ToR was approved after the public consultations. The announcement of opportunity to take part in these consultations were published at Sakhalin Energy website and in newspapers (Gubernskie Vedomosti, Znamya truda, and Rossiskaya gazeta). ToR for BLF EIA as per RF was distributed in city libraries of Yuzhno-Sakhalinsk, Nogliki and Nysh from 28 December 2015 till 27 January 2016. BLF EIA ToR were finalised without comments during this process. The Contract for BLF EIA development was signed in April 2016. Public hearings as part of BLF EIA as per RF to be held in Nogliki and Nysh in 2017.

6 PUBLIC GRIEVANCE PROCEDURE³

6.1 Reporting grievances

A grievance is a statement of discontent appealed by an individual, group of individuals or an organisation and it reflects concern and dissatisfaction with Sakhalin Energy activities or its contractors. As a general policy, Sakhalin Energy will work pro-actively towards the prevention of grievances through the implementation of impact mitigation measures and community liaison activities that enable Sakhalin Energy to anticipate and address potential issues before they become grievances. Nevertheless, should grievances emerge, Sakhalin Energy is committed to addressing these in a timely and effective manner in accordance with the Russian Federation law, international best practice and the company's internal grievance procedure. Resolution of the grievances related to the activities of Sakhalin Energy's suppliers, contractors and sub-contractors is carried out through the respective asset managers. The company's asset managers are responsible for the implementation of the grievance procedure within individual asset teams including contractor and sub-contractor organisations.

Sakhalin Energy endeavours to investigate and resolve grievances within 20 working days from receipt of the grievance. The maximum resolution period should not normally exceed 45 working days and within this period a required actions are either completed or agreed with the complainant.

The company has developed and has been regularly updating its Grievance procedure brochure, which provides recommendations on how to submit a grievance in connection with the Sakhalin-2 project.

Next subsection contains information from the Grievance Procedure leaflet, including the grievance submission form. The Grievance Procedure Brochure is made available to local communities (including Nysh and Nogliki), including from the Company Information Centres, and is also handed out at community meetings held in connection with the Project activities (including Nysh and Nogliki). Consultants working at the Company Information Centres (see Section 3.6) can help local people in completing a grievance form.

Public grievance leaflet for Project stakeholders is available at:

- Sakhalin Energy information centres (see Section 3.6);
- District libraries (including in Nogliki);
- Nysh local administration;
- Company office located at: 35, Dzerzhinskogo Str., Yuzhno-Sakhalinsk;
- Sakhalin Energy website: www.sakhalinenergy.com.

6.2 Public grievance leaflet

Large and complex projects, such as the Sakhalin-2 project, can sometimes have a negative impact on those living within or adjacent to the project area.

Sakhalin Energy wants to know about any potential problems and concerns that might have been caused by the company's activities under Sakhalin-2 project implementation to do the best to resolve them in a timely manner.

This leaflet tells you how you can inform Sakhalin Energy of grievances or express concerns due to the company's activity or Sakhalin-2 project implementation.

It also sets out the steps that will be taken to resolve your concerns.

WHAT KINDS OF GRIEVANCES CAN I RAISE?

You can raise a grievance with Sakhalin Energy if you believe the Sakhalin-2 project

³ A special grievance procedure was developed under the SIMDP.

implementation has a detrimental impact on the community, the environment or on quality of your life.

Examples of this may include:

- negative impacts on yourself or community, e.g. financial loss, physical harm, nuisance from traffic;
- dangers to health and safety or the environment;
- failure to comply with standards or legal obligations;
- harassment of any nature;
- criminal activity;
- improper conduct or unethical behaviour;
- financial malpractice or fraud;
- attempts to conceal any of these.

Sakhalin Energy will look into all received grievances. Sometimes the company may find that a grievance does not relate to the company's activity under the Sakhalin-2 project. In these cases the company will explain it to you in writing. In all other cases the company will investigate the facts of adverse effect or noncompliance with standards. In case, if these facts will be confirmed, measures will be identified, which might be taken to resolve problem and avoid the incidents occurring again.

How Do I report a Grievance?

There are several ways you can report a grievance:

- Send a completed grievance form (given at the end of the leaflet) to the postal address on the back of the form.
- Contact the information centre available at your community (the list of information centres of Sakhalin Energy is provided at the end of the leaflet).
- Send an email to the following address: Grievancereport@sakhalinenergy.ru.
- Call the telephone number:

8 800 200 6624 – Sakhalin Energy “hot line”. For security reasons, there are no recorders or caller identification devices attached. If the phone is not answered, please call back.

+7 4242 66 2893 – Sakhalin Energy Social Performance Subdivision responsible for dealing with grievances.

+7 914 759 4208 – telephone number to be used if your concerns relate to the Sakhalin Indigenous Minorities People. You may also call the numbers stated in the leaflet Grievance Procedure of the Sakhalin Indigenous Minorities Development Plan (at www.simdp.ru or in the Sakhalin Energy's information centers).

Note: The stated procedure does not forfeit of your lawful right to seize the court or other non-judicial authorities for processing your claims.

Confidentiality and Anonymity

You may wish to raise a concern in confidence under this procedure. If you ask Sakhalin Energy to protect your identity, it will not be disclosed without your consent. Details of submissions and allegations will remain secure within the team responsible for investigating your concerns. However, the situation may arise where your identity information should be disclosed (for instance where you are required to give evidence in court). The investigative team will discuss with you whether and how best to proceed.

You may also choose to raise a concern anonymously. However, remember that if you do not tell Sakhalin Energy who you are it may make it more difficult to look into the matter, to protect your position or to give you feedback. Accordingly, while Sakhalin Energy will consider anonymous reports, they are not encouraged. If you do insist on raising a concern

anonymously, you will need to provide sufficient facts and data to enable the investigation team to look into the matter without your assistance.

GRIEVANCE addressing steps

Step 1: Receive complaint

You can send your grievance to the company in one of the ways described at the beginning of this leaflet.

Step 2: Grievance registration and appointment of a responsible person

After the company receives your grievance, a responsible person of grievance examination will be appointed and the grievance will be registered.

Step 3: Acknowledgement

The company will acknowledge receipt of your grievance by letter within 7 working days of having received the grievance. This acknowledgement will specify a contact person grievance reference indicator and tentative timeframe when resolution updates to be provided.

Step 4: Investigation, adjustment, engagement

The company will work to understand the cause of your grievance. At this time, the company representatives may contact you. After the grievance investigation, the company will inform you in writing about the results and the measures proposed for grievance resolution in case if these taking measures will be considered necessary. Besides the company representatives may contact you to find out what kind of actions to be taken to resolve your problem.

Step 5: Clouse-out of grievance

- The company will make efforts to resolve your grievance within 45 working days from the date of its receiving.
- If you consider the grievance to be satisfactorily resolved the company would ask you to sign a Statement of Satisfaction.
- If your grievance is left unresolved, it will be re-reviewed, and the company will discuss possible further actions to settle it with you.

Step 6: Follow up

If you are happy for us to do so, Sakhalin Energy may contact you at a later stage to ensure that our activities continue to pose no further problems.

Sakhalin Energy public grievance form

You can submit your grievance anonymously if you wish. However, the more information you can provide, including your contact details, the more efficiently we will be able to follow-up.

Sakhalin Energy reference No:	
Full name: Note: You can remain anonymous if you prefer or request not to disclose your identity to the third parties without your consent	_____ _____ <input type="checkbox"/> I request not to disclose my identity without my consent <input type="checkbox"/> I wish to raise my grievance anonymously
Contact information: Please mark how you wish to be contacted (mail, telephone, e-mail). Note: You do not have to give your details if you do not wish to provide them.	<input type="checkbox"/> Address: _____ _____ <input type="checkbox"/> Telephone: _____ <input type="checkbox"/> E-mail: _____
Passport number: Note: You do not have to give your passport details if you do not wish to do so.	_____
Indigenous peoples-related?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Preferred language for communication: Please mark how you wish to be contacted.	<input type="checkbox"/> Russian <input type="checkbox"/> English <input type="checkbox"/> Other (<i>please indicate</i>) _____
Description of incident or grievance (What happened? When did it happen? Where did it happen? Who did it happen to? What is the result of the problem?):	
What would you like to see happen to resolve the problem?	

Signature: _____ Date: _____

Consent to the processing of personal data by Sakhalin Energy. Consent to disclose grievance-related information to the third parties.

I hereby submit a complaint to Sakhalin Energy, in order to consider my appeal and give consent to the processing of my personal data by the company in accordance with requirements of the Federal Law №152-FL "On personal data" dated 27.07.2006.

I am aware that this grievance of mine is submitted to Sakhalin Energy, but it may refer to actions of

third parties, (for example, contractors of Sakhalin Energy). I understand that in order to efficiently resolve my grievance Sakhalin Energy will have to contact these third parties so as to check into the facts stated in the grievance and work out a solution. I hereby agree/not agree (underline as appropriate) to disclose data about the informer, the grievance (as well as additional information related to this grievance) to third parties.

Signature:

Date:

Please return this form to: External and Corporate Affairs, Specialist of Social Performance, Sakhalin Energy Investment Company Ltd, 35 Dzerzhinskogo St., Yuzhno-Sakhalinsk 693020, Russian Federation

7 CONTACT INFORMATION

For more information about the Sakhalin-2 project, please visit www.sakhalinenergy.ru (Russian) and www.sakhalinenergy.com (English).

For more information about the OPF Compression Project Sakhalin Energy can be contacted by:

- e-mail at ask@sakhalinenergy.ru;
- fax to the Head of Government and Shareholders, Corporate Affairs Division at +7 4242 662808;
- letter to the Head of Government and Shareholders, Corporate Affairs Division, Sakhalin Energy Investment Company Ltd., 35, Dzerzhinskogo Str. 693020, Yuzhno-Sakhalinsk Russian Federation;
- toll free hotline telephone for grievances (any social related issues): 8 800 200 6624 and +7 4242 662400 (paid line). Available for Russian and English speakers, also, as preferred by applicant, the conversation can be supported in Russian or English as well as under the caller's he/she can be provided with the opportunity to talk to either male or female operators.

Locations of information centre are provided in Section 3.6.

8 APPENDIX 1 STATEMENT OF GENERAL BUSINESS PRINCIPLES

OUR VALUES

Sakhalin Energy employees share a set of core values - honesty, integrity and respect for people. We also firmly believe in the fundamental importance of trust, openness, teamwork and professionalism, and pride in what we do.

SUSTAINABLE DEVELOPMENT

As part of the Business Principles, we commit to contribute to sustainable development. This requires balancing short and long term interests, integrating economic, environmental and social considerations into business decision-making.

RESPONSIBILITIES

Sakhalin Energy recognises six areas of responsibility. It is the duty of management to continuously assess the priorities and discharge these inseparable responsibilities on the basis of that assessment.

a. To shareholders

To protect shareholders' investment, and provide a long-term return competitive with those of other leading companies in the industry.

b. To the Russian Party

To respect our obligations towards the Federation of Russia and the Sakhalin Oblast and to protect its rights under the Production Sharing Agreement entered into by Sakhalin Energy and those parties.

c. To customers

To win and maintain customers by developing and providing products and services which offer value in terms of price, quality, safety and environmental impact, which are supported by the requisite technological, environmental and commercial expertise.

d. To employees

To respect the human rights of our employees and to provide them with good and safe working conditions, competitive terms and conditions of employment. To promote the development and best use of the talents of our employees; to create an inclusive work environment where every employee has an equal opportunity to develop his or her skills and talents. To encourage the involvement of employees in the planning and direction of their work; to provide them with channels to report concerns. We recognise that commercial success depends on the full commitment of all employees.

e. To those with whom we do business

To seek mutually beneficial relationships with contractors and suppliers to promote the application of these Sakhalin Energy General Business Principles or equivalent principles in such relationships. The ability to promote these principles effectively will be an important factor in the decision to enter into or remain in such relationships.

f. To society

To conduct business as responsible corporate members of society, to observe the laws of the Russian Federation and the other countries in which Sakhalin Energy operates, to support fundamental human rights in line with the legitimate role of business, and to give proper regard to health, safety, security and the environment.

Principle 1: Economic

Long-term profitability is essential to achieving our business goals and to our continued growth. It is a measure both of efficiency and of the value that customers place on Sakhalin Energy's

products and services. It supplies the necessary corporate resources for the continuing investment that is required to develop and produce future energy supplies to meet customer needs. Without profits and a strong financial foundation, it would not be possible to fulfil our responsibilities.

Criteria for investment and divestment decisions include sustainable development considerations (economic, social and environmental) and an appraisal of the risks of the investment.

Principle 2: Competition

Sakhalin Energy supports free enterprise. We seek to compete fairly and ethically and within the framework of applicable competition laws; we will not prevent others from competing freely with us.

Principle 3: Business integrity

Sakhalin Energy insists on honesty, integrity and fairness in all aspects of our business and expects the same in our relationships with all those with whom we do business. The direct or indirect offer, payment, soliciting or acceptance of bribes in any form is unacceptable. Facilitation payments are also bribes and should not be made.

Employees must avoid conflicts of interest between their private activities and their part in the conduct of company business. Employees must also declare to their employing company potential conflicts of interest. All business transactions on behalf of Sakhalin Energy must be reflected accurately and fairly in the accounts of the company in accordance with established procedures and are subject to audit and disclosure.

Principle 4: Political activities:

a. of companies

Sakhalin Energy act in a socially responsible manner within the laws of the Russian Federation and the other countries in which we operate in pursuit of our legitimate commercial objectives.

Sakhalin Energy does not make payments to political parties, organizations or their representatives or take part in party politics. However, when dealing with governments, Sakhalin Energy has the right and the responsibility to make our position known on any matters, which affect us, our employees, our customers, our shareholders or local communities in a manner that is in accordance with our values and the Business Principles.

b. of employees

Where individuals wish to engage in activities in the community, including standing for election to public office, they will be given the opportunity to do so where this is appropriate in the light of local circumstances.

Principle 5: Health, Safety, Security and the Environment

Sakhalin Energy has a systematic approach to health, safety, security and environmental management in order to achieve continuous performance improvement.

To this end, Sakhalin Energy manages these matters as critical business activities, set standards and targets for improvement, and measure, appraise and report performance externally. We continually look for ways to reduce the environmental impact of our operations, products and services.

Principle 6: Local Communities

Sakhalin Energy aims to be good neighbours by continuously improving the ways in which we contribute directly or indirectly to the general well-being of the communities within which we work.

We manage the social impacts of our business activities carefully and work with others to enhance the benefits to local communities, and to mitigate any negative impacts from our

activities.

In addition, Sakhalin Energy takes a constructive interest in societal matters, directly or indirectly related to our business.

Principle 7: Communication and Engagement

Sakhalin Energy recognises that regular dialogue and engagement with our stakeholders is essential. We are committed to reporting of our performance by providing full relevant information to legitimately interested parties, subject to any overriding considerations of business confidentiality.

In our interactions with employees, business partners and local communities, we seek to listen and respond to them honestly and responsibly.

Principle 8: Compliance

We comply with all applicable laws and regulations of the countries in which we operate.

Living by our Principles

Our shared core values of honesty, integrity and respect for people, underpin all the work we do and are the foundation of our Business Principles.

The Business Principles apply to all transactions, large or small, and drive the behaviour expected of every employee in every Sakhalin Energy company in the conduct of its business at all times.

We are judged by how we act. Our reputation will be upheld if we act in accordance with the law and the Business Principles. We encourage our business partners to live by them or by equivalent principles.

We encourage our employees to demonstrate leadership, accountability and teamwork, and through these behaviours, to contribute to the overall success of Sakhalin Energy.

It is the responsibility of management to lead by example, to ensure that all employees are aware of these principles, and behave in accordance with the spirit as well as with the letter of this statement.

The application of these principles is underpinned by a comprehensive set of assurance procedures, which are designed to make sure that our employees understand the principles and confirm that they act in accordance with them.

As part of the assurance system, it is also the responsibility of management to provide employees with safe and confidential channels to raise concerns and report instances of non-compliance. In turn, it is the responsibility of Sakhalin Energy employees to report suspected breaches of the Business Principles to Sakhalin Energy.

The Business Principles have for many years been fundamental to how we conduct our business and living by them is crucial to our continued success.

9 APPENDIX 2 LIST OF ABBREVIATIONS

BLF	Beach Landing Facility
CLO	Community Liaison Officer
EA	External Affairs
EIA	Environmental impact assessment
ESHIA	Environmental, social and health impact assessment
HSESAP	Health, Safety, Environment and Social Action Plan
IC	Information centres
IEC	Independent environmental consultant
IFC	International Finance Corporation
IP	Indigenous people
NGO	Non-governmental organizations
LNG	Liquefied Natural Gas
OPF	Onshore production facility
OPFC Project (or the Project)	OPF Compression Project
PCDP	Public Consultation and Disclosure Plan
RF	Russian Federation
SIMDP	Sakhalin Indigenous Minorities Development Plan

