



Sakhalin Energy Investment Company Ltd.

**OPF COMPRESSION PROJECT
Public Consultation and Disclosure Plan, 2018**

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1 INTRODUCTION

Sakhalin Energy Investment Company Ltd. (hereinafter referred to as “Sakhalin Energy” or Company) 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.

The Sakhalin Energy General Business Principles state a clear commitment to transparent and open stakeholder engagement. The Company is guided by these rules to achieve the following engagement objectives and approaches:

- 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 the 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, except for 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 stakeholders on the basis of the information received from them. This strategy shows the constructive approach of the Company to ensuring proper disclosure of information about the project activities, and proves that the Company has an effective means to take into account public concerns. In addition to feedback received as a result of stakeholder engagement, Sakhalin Energy complies with the requirements of RF legislation on public consultation, as well as the requirements of the International Finance Corporation (IFC Performance Standard 1, 2012) for the preparation of a Public Consultation and Disclosure Plan (hereinafter referred to as the “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.

The PCDP (hereinafter referred to as Plan) 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 is aimed at open and regular communication with stakeholders in order to:

- build trust, as well as understand and address stakeholders’ concerns;
- develop and maintain positive relationships with stakeholders that may be affected by or have an interest in the OPF Compression Project;
- be informative so that stakeholders are fully aware of the Company’s activities and maximise 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 mitigation measures through regular monitoring and make improvements where deemed necessary.

This Plan is a dynamic document that will be continuously reviewed and updated to accommodate changes in the Project through all the stages of its implementation. Subsequently, during operation, the Plan will be incorporated into the Company’s Public Consultations and Disclosure Plan which is the subject for annual review, update, and approval by lenders.

2 PROJECT DESCRIPTION

2.1 Introduction

Sakhalin Energy has been developing the Sakhalin-2 project under a Production Sharing Agreement (PSA) concluded in 1994 between the Russian Federation Government, the Sakhalin Oblast Administration (currently the Sakhalin Oblast government), and Sakhalin Energy. It was the first agreement of its kind to be signed in Russia. The Project provides for the development of two license areas located on the continental shelf off the north-eastern coast of Sakhalin Island: Piltun-Astokhskiye (predominantly oil) and Lunskiye (predominantly gas).

- Sakhalin-2, 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 1,600 km of the onshore pipelines;
- Onshore Production Facility (OPF);
- Booster Station No. 2;
- Oil Export Terminal; and
- Russia's first Liquefied Natural Gas Plant (LNG Plant).

Detailed information about the Sakhalin-2 project is available 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 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 Lunskiye reservoir pressure will decrease to below the level required for maintaining >86.5 bar pressure at the Joule-Thompson (JT) valve inlet. For the purpose of compensating a future reservoir pressure drop and as a result of 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;
- a construction camp to provide accommodation for personnel employed in construction work;
- OPF compression facility.

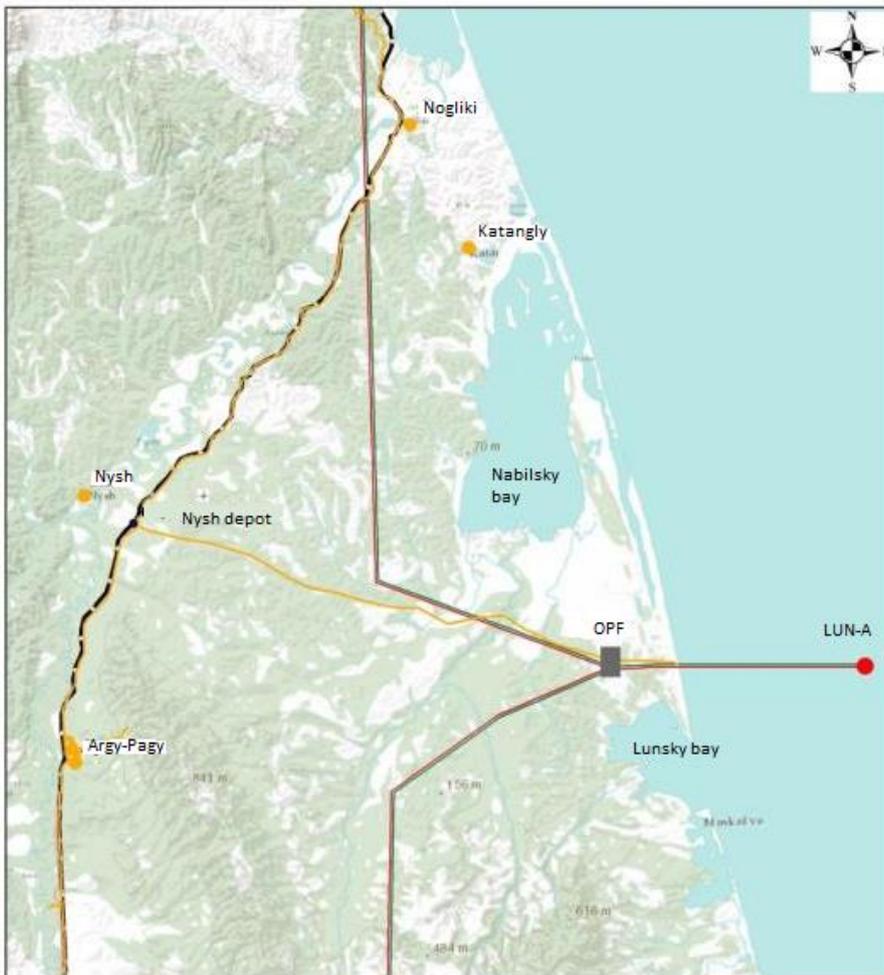


Figure 1. OPF large scale map.

2.2 Project Implementation Area

The OPF 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 centre of the District is the urban-type settlement of Nogliki (since 1960). The population of Nogliki is more than 10 thousand people. The settlement is located 110 km away from the OPF. Yuzhno-Sakhalinsk, the capital of the Sakhalin Oblast, is located 659 km from Nogliki. Yuzhno-Sakhalinsk and Nogliki are connected by the federal main 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 OPFC Project site. No other types of economic activities are conducted within a reasonable range of 10 km from the OPFC Project site.

The Nogliki Urban District is the area of traditional residence of the Sakhalin Indigenous Minorities: the Nivkh, the Nanai, the Evenki, the Uilta (Orochen), and others. According to the information provided by the Administration of the Nogliki District, 1,138 persons of indigenous minorities lived 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 gas pumping units for the OPF Compression Project.

From Q3 2016 to May 2018, ZapolarPromGrajdanStroy, the contractor, performed work to prepare the construction site.

In Q2 2017, an Engineering, Procurement and Construction contract was concluded with Petrofac for the construction of the OPFC Station. During 2017, the contractor performed preparatory work, carried out personnel mobilisation, and developed a detailed engineering design. The main construction work under the Project began in May 2018.

The basic cargoes required for the construction and installation work under the OPF Compression Project in Q2–Q3 2019 will be delivered to the temporary beach landing facility (BLF).

The commissioning of the OPFC Station is scheduled for Q3 2022.

2.4 Key ESHIA Conclusions

In 2015, the Company finalised Environmental, Social and Health Impact Assessment (ESHIA) for the OPFC Project. The ESHIA was carried out in accordance with applicable international standards and Russian legislation in the field of environmental protection, public health, safety, and social performance. Further, Sakhalin Energy held consultations with stakeholders (see Section 5).

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

- 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; and
- the social environment in the Nogliki Urban District.

Key conclusions on 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 significantly 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. The overall positive effect is expected not only in Nogliki, but also in the entire Sakhalin Oblast.

It is assumed that the Project will not have a significant negative impact on the population since the nearest settlements (including utilities and social infrastructure facilities of Nogliki) are located at a considerable distance from the construction site, well outside the impact zone.

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

In general, the project will have minor/light effects and carry negligible risks to the environment, social sphere and human health.

The detailed 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 potential impacts and their risk assessment are shown at table 15-1 of ESHIA. Moreover, materials containing non-technical aspects of ESHIA results were represented during meetings and at Sakhalin Energy’s information centres in Q2 2016.

3 LEGAL REQUIREMENTS AND STANDARDS

Sakhalin Energy aims to ensure that the 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 the HSESAP (edition 1) were published on the Company's website in January 2006. In 2014, the Company completed revision 4 of HSESAP accommodating 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, and/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, in particular on Hokkaido Island;
- community and other non-governmental organisations (local, regional, international);
- media (local, regional, federal, international) and other stakeholder groups such as academic institutions and foundations; and
- Other Sakhalin communities.

Sakhalin Energy implements programmes for engagement with all the above stakeholder groups. The programmes are listed in the PCDP, Section 6 (<http://www.sakhalinenergy.ru/en/library/folder.wbp?id=af6ce7b7-6662-47f3-bd84-bf1c9c8f0d93>).

As regards the OPF Compression Project, the following key stakeholder groups were identified:

- potentially Project affected communities (primarily Nysh and Nogliki, as well as fishing companies operating in the area of the future BLF);
- non-governmental organisations (NGOs that showed an interest in the Project as of May 2018 are listed in Section 4.7);
- media; and
- other Sakhalin communities.

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 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	COMMUNICATION METHOD
Potentially Project affected communities (primarily Nysh and Nogliki, and fishing	<ul style="list-style-type: none">• Company's website• Public and other meetings

1. A directly 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 neighbouring countries.

2. Vulnerable groups or individuals include the following categories that have greater susceptibility to impact:

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

STAKEHOLDER GROUP	COMMUNICATION METHOD
companies operating in the area of the future BLF)	<ul style="list-style-type: none"> • News in mass media • Company's information centres • Consultations under social monitoring • Other as required
NGOs	<ul style="list-style-type: none"> • Company's website • News in mass media • Company's information centres • Other as required
Media	<ul style="list-style-type: none"> • Company's website • News releases • Other as required
Other Sakhalin communities	<ul style="list-style-type: none"> • Company's website • News releases • Other as required

Information on the date, time and location of all main consultation meetings is posted on the Company's website and is updated on a monthly basis (http://www.sakhalinenergy.ru/en/social_responsibility/informing_the_public.wbp), as well as communicated to stakeholders in other ways, e.g. through announcements in Nysh and Nogliki (as necessary), notifications in the media (primarily in the Znamya Truda local newspaper, published in the Nogliki District) three weeks before the public meeting, as well as written invitations (sent by e-mail or in hard copy), and notifications placed in the information centres of the Nogliki Urban District.

4.3 Feedback from Consultation

Sakhalin Energy documents all public meetings and can provide, upon request, reports on relevant meetings (by posting them on the Company's website and/or providing them in the libraries of Sakhalin Island). The Government Relations, Shareholders Liaison, and External Affairs Administration is responsible for taking appropriate measures to address issues raised at such meetings. Information about these measures is communicated to stakeholders during public consultations. 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 during the reporting period. The results of consultations are presented in the annual reports on public consultations and disclosure. This PCDP is subject to periodic update, taking into account the proposals received, as acceptable. This PCDP will be updated to reflect these suggestions as appropriate.

4.4 Cancellation of Meetings due to Unforeseen Circumstances

In case it is impossible to hold a meeting due to weather conditions, illness or other unforeseen circumstances, the meeting will be postponed till the nearest possible date. In this case, the Company will notify stakeholders about the postponement and the appointed time of the meeting by a corresponding notification in the local media, etc. (to the extent applicable).

If reschedule is not possible, 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 accordance with the Project schedule (the main construction works will start in 2018 (see Section 2.3)), stakeholder engagement in 2018 will include the following activities:

- Public meetings in Nogliki and Nysh in April 2018 (as part of regular public meetings held by Sakhalin Energy on an annual basis; relevant information about the Project will be

included in the presentation materials). Notifications (about the procedure for and time of the meeting) and conditions shall meet the requirements of the public consultation notification procedure: relevant information shall be posted in the local newspapers three weeks before the date of the meeting and in the calendar on the Company's website http://www.sakhalinenergy.ru/en/social_responsibility/informing_the_public.wbp.

- Consultations as part of the Social Impact Monitoring Programme will be held in Nogliki and Nysh in Q2–Q3 2018. The purpose of the consultations is to monitor the potential or actual impact or concerns, grievance (if any) and to receive information on issues related to the Project implementation.

4.6 Information Centres

In 2008–2011, Sakhalin Energy organised information centres based on local libraries in 23 communities. The purpose of these 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 it to the Company.

Each information centre is operated by a consultant, who is an employee of the relevant 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 Sakhalin Energy 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; and
- informing the Company representatives 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 consult the information centres employees at least twice a year or on request.

Consultants of the information centres are also advised by phone.

In 2014–2017, annual workshops were held specially for IC consultants, where they received information about the Project (general information, plans, information about the progress of the Project and the ESHIA results). During the workshop scheduled for Q4 2018, IC consultants will also be provided with the latest information about the progress of the Project.

The valid list of Sakhalin Energy's information centres is available on the Company's website www.sakhalinenergy.ru. As of 2018, the Nogliki Urban District information centre is located in the Nogliki District Library at 5a Pogranichnaya Str., tel.: +7 42444 91057).

4.7 Community and Other Non-Governmental Organisations

Meetings with community-based and non-governmental organisations are organised via phone, fax or email. There is no rigid timetable of NGO meetings. 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.

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 2018, the only NGO that showed interest in the Project was Sakhalin Environment Watch (at the dialogue-meeting with external stakeholders held as part of 2013 Sustainable Development Report preparation, Sakhalin Environment Watch representatives asked questions about the Project implementation plans, in particular the environmental impact assessment (see Appendix 2 to the 2013 Sustainable Development Report, available at <http://www.sakhalinenergy.ru/en/media-centre/reports.wbp>)).

Also, Sakhalin Energy engaged with the Regional Council of Sakhalin IM Authorized Representatives as part of ESHIA development (see Section 5) and informed the Regional Council of Sakhalin IM Authorized Representatives at SIMDP Board meetings on the Project status on biannual basis (will be continued in 2018).

4.8 Media and Other Interest Groups

Sakhalin Energy's Government Relations, Shareholders Liaison, and External Affairs Administration communicates regularly with representatives of mass media as well as with other stakeholder groups such as educational and research institutions.

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

Media representatives are informed in advance of media briefings and other meetings by phone or email. In 2018, no special formal meetings, such as media briefings and discussions regarding the Project are planned.

The Company's Government Relations, Shareholders Liaison, and External Affairs Administration monitors the local, federal and international media on a monthly basis.

5 PREVIOUS ACTIVITY ON STAKEHOLDERS ENGAGEMENT (BEFORE MAY 2018)

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. Consultations in the format of public meetings were held 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 Compression Facility construction;
- description of the OPF Compression Project: construction (location, use of land, the territory of the construction camp, structures to be built and the construction schedule, delivery of materials and equipment by sea);
- potential environmental impact; and
- potential impact on the local communities and social area.

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

At the end of 2014, a public opinion survey was conducted in Nogliki and Nysh with the purpose of collecting additional information about the socio-economic situation in the Project area.

In September 2015, public consultations were held to discuss the preliminary ESHIA results and provide information on the planned Project. As part of the 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 before the meetings) published in the newspapers Znamya Truda, Gubernskie Vedomosti and Rossiyskaya Gazeta.

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

Questions and outcomes from above consultations were addressed in ESHIA report (publicly available).

In January 2016, the Company held public hearing 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). As required by the RF law, copies of the ToR for the BLF Environmental Impact Assessment were delivered to the city libraries of Yuzhno-Sakhalinsk and the libraries of Nogliki and Nysh, and were available to the population from 28 December 2015 to 27 January 2016. BLF EIA ToR were finalised without comments during this process. The Contract for BLF EIA development was signed in April 2016. In accordance with the requirements of the RF law, the public hearings on the BLF Environmental Impact Assessment were held in Nogliki and Nysh on 22–23 March 2017. During the public discussions, the population did not submit any comments on the documents. There were a number of questions about the time of the construction commencement and potential employment. In addition, the Company informed the community about the status of the OPF Compression Project during the regular public consultations in Nogliki and Nysh in April 2016 and April 2017. The notification about the upcoming meetings was published in the Znamya Truda newspaper three weeks before the date of the meetings and in the calendar, updated on a monthly basis, on the Company's website http://www.sakhalinenergy.ru/en/social_responsibility/informing_the_public.wbp. During the meetings, residents of the district did not make any comments or ask any questions regarding the OPF Compression Project.

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 there be grievances, 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 site controllers. The Company's site controllers are responsible for the implementation of the grievance procedure within individual asset 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 period for resolving a grievance shall not exceed 45 working days. During this period, the required actions aimed at resolving the grievance shall be either implemented or agreed upon with the initiator of the grievance.

The Company has developed and has been regularly updating its Grievance Procedure leaflet, 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. Copies of the leaflet are distributed in the Sakhalin Oblast settlements (including Nogliki and Nysh), including in the information centres of the Company. They are also distributed during public meetings on the Project implementation (including in Nysh and Nogliki). Consultants working at the Company's information centres (see Section 4.6) can help in completing a grievance form.

Grievance Procedure leaflet is available at:

- Company's information centres;
- district libraries (including in Nogliki);
- Nysh local administration;
- Company's office located at: 35 Dzerzhinskogo Str., Yuzhno-Sakhalinsk; and
- Company's website: www.sakhalinenergy.com.

6.2 Grievance Procedure 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 to inform Sakhalin Energy of your 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 FILE?

You can make a grievance if you believe the Sakhalin-2 project implementation has a negative 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

³ A special grievance procedure was developed under the SIMDP.

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; and
- 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 these facts are confirmed, measures will be identified to resolve the problem and avoid recurrence of incidents.

HOW DO I REPORT A GRIEVANCE?

There are several ways you can report a grievance:

- send a completed grievance form to the postal address on the back of the form;
- contact the Company's information centre available at your community;
- send an email to the following address: Grievancereport@sakhalinenergy.ru;
- fill in the electronic form for the registration of grievances, available on the Company's website: <http://www.sakhalinenergy.ru/ru/social/grievancies/>
- call:
 - 800 200 6624—Sakhalin Energy hotline. 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. You can also use other phone numbers listed in the leaflet on the Sakhalin Indigenous Minorities Development Plan Grievance Procedure (www.simdp.ru) or available at Sakhalin Energy information centres).

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 the way to proceed.

You may also choose to raise a concern anonymously. However, remember that if you do not reveal your identity in the grievance to Sakhalin Energy, it may be more difficult to look into the matter, to defend your position, or to give you feedback. 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 STAGES

Stage 1. Receive grievance

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

Stage 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.

Stage 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, a grievance reference indicator, and tentative timeframe to settle the grievance.

Stage 4. Investigation, adjustment, engagement

The Company will work towards understanding 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 these measures are considered necessary. Besides, the Company representatives may contact you to find out what kind of actions to be taken to resolve your problem.

Stage 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 actions to settle it with you.

Stage 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 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 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 details: Please identify the preferred communication method (mail, telephone, e-mail). Note: You do not have to give your details if you do not wish to.	<input type="checkbox"/> Address: _____ _____ <input type="checkbox"/> Tel.: _____ <input type="checkbox"/> E-mail: _____
Indigenous minorities-related?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Preferred language for communication: <i>Please mark how you wish to be contacted.</i>	<input type="checkbox"/> Russian <input type="checkbox"/> English <input type="checkbox"/> Other (<i>please specify</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: _____

Note: Anonymous grievances will also be examined by the Company in accordance with the Confidentiality and Anonymity section of this leaflet. Thus, the signature (indicated below) is required in case you provide your personal data and give your consent for their processing by Sakhalin Energy and the disclosure of information relating to the grievance to 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 Federal Law No. 152-Φ3 "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: Sakhalin Energy Investment Company Ltd., External and Corporate Affairs Department, Grievances Coordinator, 35 Dzerzhinskogo Str., Yuzhno-Sakhalinsk, 693020 Russian Federation.

7 CONTACT DETAILS

More information about the Sakhalin-2 project is available on the website of the Company www.sakhalinenergy.ru (in Russian) and www.sakhalinenergy.com (in English).

For more information about the OPF Compression Project contact Sakhalin Energy by:

- sending an e-mail to ask@sakhalinenergy.ru;
- fax to the Head of Government, Shareholders and External Affairs at +7 4242 662808;
- sending a letter addressed to the Head of Government, Shareholders and External Affairs to the following address: Sakhalin Energy Investment Company Ltd., 35 Dzerzhinskogo Str., Yuzhno-Sakhalinsk, 693020 Russian Federation;
- making telephone inquiries and voicing grievances on any social-related issues (tel. 8 800 200 6624 (toll-free hotline) and +7 4242 662400 (paid line)). Available in Russian and English. The caller may request to speak either to a male or female hotline phone operator.

Locations of the information centres are provided in Section 4.6.

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 professional competence, 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 and set the priorities in order to perform its duties in full.

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 Russian Federation 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 business partners

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 other countries in which Sakhalin Energy operates. To support fundamental human rights in compliance with the legal framework of business. To give proper attention to health, safety, and 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 Company'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 the Company

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, organisations 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 AND 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

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 of Sakhalin Energy.

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.

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.

APPENDIX 2. LIST OF ACRONYMS

BLF	Beach Landing Facility
EIA	Environmental Impact Assessment
ESHIA	Environmental, Social and Health Impact Assessment
HSESAP	Health, Safety, Environment, and Social Performance Action Plan
IFC PS	International Finance Corporation Performance Standard
PSA	Production Sharing Agreement
IFC	International Finance Corporation
NGOs	Non-governmental organisations
LNG	Liquefied natural gas
OPF	Onshore Production Facility
OPFC Project (or the Project)	OPF Compression Project
RF	Russian Federation
Development Plan	Sakhalin Indigenous Minorities Development Plan

