



**Sakhalin Energy
Investment Company Ltd.**

HUMAN RIGHTS POLICY

2012

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INTRODUCTION

The present Policy defines Sakhalin Energy approach and principles regarding respect, support and promotion of human rights, as well as management of risks associated with actual or potential impact on human rights caused by Sakhalin Energy business activities.

It is the Policy of Sakhalin Energy Investment Company Ltd. (“Sakhalin Energy” or “Company”) to maintain the highest international standards for respect, support and promotion of human rights throughout all processes of its business activities.

All Sakhalin-2 project divisions working under the Sakhalin Energy operation shall follow this Policy. Contractors and subcontractors involved in Sakhalin-2 project activities shall be aware of and support the principles stated in this Policy.

By implementing this Policy Sakhalin Energy supports the principles of respect, support and promotion of fundamental human rights referred to in the following Russian and international standards:

- Legislation of Russian Federation;
- United Nation’s Universal Declaration of Human Rights;
- Core conventions of the International Labour Organization;
- UN Guiding Principles on Business and Human Rights;
- The UN Global Compact principles;
- ISO 26000 Guidance on Social Responsibility;
- Voluntary Principles on Security and Human Rights;
- International Covenant on Economic, Social and Cultural Rights.

Company’s commitments in this area are aligned with and supported by *General Business Principles and Code of Conduct*, and incorporated in the following Company’s policies and procedures:

- Sustainable Development Policy;
- Commitments and Policy on HSES and SP;
- Anti-bribery and Corruption Procedure;
- Security Policy;
- Contract and Procurement Procedure;
- Whistle Blowing Procedure/Human Resources Grievance Procedure/Community Grievance Procedure.

To help employees understand and live up to the Policy, we are offering training and education along with relevant information and contacts. These courses and contacts will provide the employees with access compliance expertise on all the subjects covered by the Policy.

If a violation of the relevant laws or policies is proven, appropriate action will be taken. All can be absolutely sure that retaliation of any kind directed against anyone who reports an issue concerning the Policy will not be

tolerated.

Sakhalin Energy places high emphasis on the grievance management mechanisms and makes every effort to facilitate an open dialogue with its employees, contractors and public. Concerns and/or grievances can be raised to:

Whistle blowing focal point

- e-mail: whistleblow@sakhalinenergy.ru
- anonymous telephone call: +7 914 759 99 66 (29-99-66)

Community grievance channel

- e-mail: grievancereport@sakhalinenergy.ru
- anonymous telephone call: +7 4242 66 24 00 (66-24-00)
- more information can be found on company's web-site

Human Resources channel:

- e-mail: SEIC-HR-Grievances@sakhalinenergy.ru

PRINCIPLES AND KEY PROCESSES

Sakhalin Energy seeks to identify, assess and manage human rights risks and impacts within its spheres of influence and activities in line with the following Policy in such areas as:

- Employee relations;
- Working in communities;
- Business partners;
- Security.

In each of these areas Sakhalin Energy endeavours to ensure the following processes are in place:

- Awareness-raising activities on Human Rights Policy for all the relevant parties.
- Due diligence approach to all Sakhalin Energy activities which may cause violation and/or limitation of human rights. This approach includes but is not limited to:
 - Assessment of potential risks and actual impact on human rights from Sakhalin Energy or its contractors activities is included in risk assessment processes;
 - Consultations process in place with potentially affected stakeholders.
 - Compliance monitoring and reporting. Overall company's performance in the area of human rights is communicated publicly through the Sustainable Development report.

Sakhalin Energy maintains confidential channels through which company and its contractors may communicate any concerns/grievances related to violation of General

Business Principles, including respect for human rights (see Sakhalin Energy Whistle Blowing Procedure, Community Grievance Procedure and Human Resources Grievance Procedure).

Employee Relations

Sakhalin Energy commits to respect the human rights of its employees as established in the ILO's Declaration on Fundamental Principles and Rights at Work, including non-discrimination, prohibition of child and enforced labour, respect for freedom of association and the right of its employees to engage in collective bargaining and provision of a safe and productive work environment for its employees and contract staff.

Sakhalin Energy provides equal opportunity to all job applicants and employees through clearly defined and consistently applied employment and performance standards and does not tolerate any discrimination.

Sakhalin Energy commits to create and comply with lawful human resources policies and practices in all aspects of employment, including recruitment, selection, hiring, evaluation, promotion, training, discipline, development, compensation and termination.

Sakhalin Energy complies with the applicable laws in all the countries in which it operates.

Sakhalin Energy places high emphasis on the human resources grievance management process and makes every effort to facilitate an open dialogue with its employees and respect their rights.

Human resources grievance management process is governed by the company's policy under which the following key areas are considered: compliance with

rules, policies; infringement of the employees' rights provided by law; violation of employment agreements, other issues affecting interests and violation of labour and personal rights of the employees during employment in the company. The employees may raise their concerns on the issues as stated above by filing a grievance to the functional mailbox.

Working in communities

Sakhalin Energy acknowledges that implementation of Sakhalin-2 project may cause an impact on human rights of the residents in affected communities.

To eliminate and minimize such impact, Sakhalin Energy follows the social performance standards.

Sakhalin Energy commits to undertake social impact assessment to identify any potential negative impacts and risks (including to human rights) and to develop and implement mitigation measures.

Sakhalin Energy ensures that human rights of local communities are not limited or violated due to activities of Sakhalin Energy.

Sakhalin Energy refrains from any activity which supports, solicits, or encourages others to abuse human rights.

Sakhalin Energy addresses the issues related to vulnerable groups as the first priority. Some examples of Sakhalin Energy's commitments with regards to vulnerable groups are as follows:

- Sakhalin Energy ensures that land acquisition is carried out and compensated in accordance international requirements described in SP standard (involuntary resettlement).

- Sakhalin Energy protects the rights of indigenous peoples, with particular reference to their cultures, distinct ways of life, institutions, ties to ancestral lands, control over their economic development and natural resource-based livelihoods.

Sakhalin Energy respects the right of all stakeholders to be informed on Sakhalin Energy activities and ensures open and transparent engagement with local communities in accordance with Public Consultation and Information Disclosure Specification.

Sakhalin Energy addresses grievances raised in connection with Sakhalin-2 project activities via transparent and fair process described in Sakhalin Energy Community Grievance Procedure.

Any violations of human rights related to Sakhalin Energy activities in communities shall be communicated via channels specified in Community Grievance Procedure (available on company's web-site).

Business partners

Sakhalin Energy ensures that business partners are aware of the principles of this Policy and share Sakhalin Energy's commitment to respect, support, and promote fundamental human rights.

Sakhalin Energy informs business partners of the principles and content of this Policy and draw up contracts/agreements in order to prevent the risk of Sakhalin Energy being associated with or/indirectly responsible for human rights violations carried out by its business partners.

In accordance with due diligence approach Sakhalin Energy carefully evaluates the policies and behaviour

of potential partners regarding respect of human rights before entering into a partnership.

Sakhalin Energy provides for screening of its suppliers for their ability and past performance with reference to compliance with human rights standards.

Sakhalin Energy keeps records of suppliers, contractors and business partners which have undergone human rights screening and assessments.

Sakhalin Energy ensures that reference to this Policy is included in contracts and failure to comply with its provisions can result in termination of contracts.

Security

Sakhalin Energy is committed to protecting its people and facilities in a manner that upholds respect for human rights.

Sakhalin Energy ensures that human rights related risks are assessed and monitored and that company's management and third-party security providers understand the impacts their decisions and actions can have on people and communities.

Sakhalin Energy verifies that security arrangements respect human rights and are consistent with Voluntary Principles on Security and Human Rights.

Sakhalin Energy ensures that security personnel (employed, contracted or sub-contracted) is trained in adherence to standards of human rights.

Sakhalin Energy incorporates relevant contractual clauses in the contracts, to ensure that security providers act consistently in compliance with human rights standards stated herein.

TERMINOLOGY

In the framework of this Policy the following terminology is used:

Business partners

The term “Business partners” means the suppliers, contractors, agents or consultants working for Sakhalin Energy.

Children

For the purpose of this Policy, the term “children” means all individuals less than the age of completion of compulsory schooling and, in any case, less than 15 years.

Discrimination

For the purpose of this Policy, the term “discrimination” means any distinction, exclusion or preference that has the effect of nullifying equality of treatment or opportunity, where that consideration is based on prejudice rather than a legitimate ground. Illegitimate grounds for discrimination include but are not limited to: race, colour, gender, age, marital status, language, property, nationality or national origin, religion, ethnic or social origin, caste, economic grounds, disability, sexual orientation, health status, HIV/AIDS status, pregnancy, political affiliation or political or other opinion.

Forced or compulsory labour

For the purpose of this Policy, the term “forced or compulsory labour” means all work or service which

is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.

Human rights

Human rights are inalienable rights of all individuals, by virtue of belonging to humankind. They are based on the recognition of the inherent dignity, freedom and equality of all human beings.

Human rights have been sanctioned by the United Nations in the Universal Declaration of Human Rights (10 December 1948) as the “foundation of freedom, justice and peace in the world”.

Human rights fall into two main categories:

- Civil and political rights: include, among others, the right to life and physical integrity, the right to freedom of thought and expression, the right to take part in the government of one’s own country, the right not to be arrested without due cause, the right to an impartial trial, and the right to own property;
- Economic, social and cultural rights: include the right to employment, fair and satisfactory working conditions, equal pay for equal work, health and education. Furthermore, in more recent times, so-called “third generation rights” are gradually making headway. They include the right to self-determination, peace, development and environmental protection.

Indigenous Peoples

For the purpose of this Policy, the term “Indigenous Peoples” means people, who reside on the traditional territories of habitation of their ancestors, and preserve

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traditional life styles, ways of living, trade and economy, of number less than 50 thousand people and recognizing themselves as self-contained ethnical communities.

Stakeholders

For the purpose of this Policy, stakeholder means any individual or organization (a group of individuals or organizations) interfacing with production or business activities of Sakhalin Energy and having a direct or indirect right and/or possibility to influence these activities.

Vulnerable groups

For the purpose of this Policy vulnerable groups mean:

- 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; and
- Women-headed households with children under the age of 18.

