



International Requirements for Managing Risk

Purpose

To specify international requirements adopted by Sakhalin Energy in relation to managing *Risk*¹, including processes such as impact assessment and stakeholder engagement.

This document supports *Technical Authorities* and *HSE&SP Specialists* to review compliance, maintain internal standards and specifications, and advise *Managers* on relevant requirements.

Who is this for?

- *Managers*;
- *Technical Authorities and HSE & SP Specialists*.

Requirements

Sakhalin Energy shall comply with the following conventions, standards and other requirements, as clarified further in Table 1, except where exceptions/derogations are described below in Table 1.

- IFC Performance Standard 1 Assessment and Management of Environmental and Social Risks and Impacts, January 01, 2012.
- IFC General EHS Guidelines, April, 2007
- IFC EHS Guidelines. Onshore Oil and Gas Development, April, 2007
- IFC EHS Guidelines. Offshore Oil and Gas Development, April, 2007
- IFC EHS Guidelines. LNG Facilities, April, 2007
- EC EIA Directive (85/337/EEC, 97/11/EC, 2003/35/EC, 2009/31/EC) on the assessment of the effects of certain public and private projects on the environment
- Seveso II Directive (96/82/EC, Regulation (EC) 1882/2003, 2003/105/EC, Regulation (EC) 1137/2008).
- Royal Dutch Shell plc Managing Risk Manual.
- Royal Dutch Shell plc Asset Integrity Process Safety Manual (and referenced documents).

Table 1

Relevant Standard Requirements	Project Specification	Comments
EC EIA Directive (85/337/EEC, 97/11/EC, 2003/35/EC, 2009/31/EC) on the assessment of the effects of certain public and private projects on the environment		
EC EIA Directive	This Directive covers assessments and public disclosure requirements. Requirements are adopted by Sakhalin Energy to the extent that these can be applied to a private company, operating within regulatory framework of Russian Federation (RF). RF regulatory requirements are in general consistent with the Directive.	Comply
Seveso II Directive		
Seveso II Directive	This Directive is aimed at the prevention of major accidents which involve dangerous substances, and the limitation of their consequences for humans and the environment.	Comply

¹ Italicized terms in this document are included in the Sakhalin Energy HSE Glossary.



Relevant Standard Requirements	Project Specification	Comments
	<p>The key Seveso requirements being:</p> <ul style="list-style-type: none"> • Implementation of a major accident prevention policy; • Consideration of major accident domino effects; • Preparation of detailed safety reports which demonstrate adequate design, construction, operation and maintenance of facilities; • Revising systems and procedures as needed when modifications are made; • Implementing, reviewing and testing emergency plans; • Ensuring that land use planning takes account of major accident hazards; • Communicating safety information to relevant third parties (e.g. nearby establishments); • Co-operating with the relevant authority, including during inspections of facilities. <p>Sakhalin Energy's Managing Risk Standard describes the Company's process for management of major accident hazards via implementation of HSE Cases. The HSE Case is the tool used to demonstrate that the major accident hazards associated with an asset and its activities are properly identified and controlled in a manner that reduces the risk to people, assets and the environment to a level that is tolerable and as low as reasonably practicable (ALARP).</p> <p>Sakhalin Energy complies with this Directive through :</p> <ul style="list-style-type: none"> • Implementation of HSE Cases and the RF-required Industrial Safety Declarations (Managing HSE Risk Standard), • Maintenance of Chemicals Database (Chemicals Management Standard), • Revision of systems and procedures in accordance with Management of Change Procedure, Public Consultation and Disclosure, • Response Plans for Emergencies, Fire, Medical, Oil Spill Response (Emergency Preparedness and Response Standard). 	
International Finance Corporation Performance Standard 1 Assessment and Management of Environmental and Social Risks and Impacts, January 01, 2012		
Environmental and Social Assessment Management System	Assessment process and Management System (MS) are described in the Sakhalin Energy HSE-SP MS Manual (as described in HSESAP document) and Impact Assessment Procedure.	Comply
Policy	Sakhalin Energy HSE-SP Policy (refer HSESAP document) adopts a systematic approach to HSE-SP designed to ensure compliance with the law and achieve continuous performance improvement. Commitments to international standards and certifications are incorporated in HSESAP documents. The HSE-SP MS indicates requirements for communication and responsibilities for execution and conformance assurance.	Comply



MANAGING RISK STANDARD

Mandatory

International Requirements Specification

Relevant Standard Requirements	Project Specification	Comments
Identification of Risks and Impacts	<p>Sakhalin Energy's Managing Risk Standard, supported by the more detailed <i>Impact Assessment Procedure, Project Expansions Procedure, and Hazards and Effects Management Process and the Evaluation of Environmental Aspects Procedure</i>, and describes the adopted process for identification and assessment of risks and impacts.</p> <p>Major accident hazards are managed via implementation of HSE Cases. HSE Cases are the means by which Sakhalin Energy demonstrates that Asset-specific or activity-specific Major Accident Hazards are properly identified, assessed and controlled to reduce Risks to people, assets, environment and reputation to a level that is tolerable and As Low As Reasonably Practicable (ALARP).</p> <p>For Sakhalin Energy's arrangements in relation to potentially Affected Communities, refer to the Sakhalin Energy Social Performance Standard. Project affected vulnerable groups are specified in a PCDP (Public Consultation and Disclosure Plan).</p>	Comply
Management programs	<p>No clarifications – Sakhalin Energy's HSE-SP Management System includes management programs that describe mitigation and performance improvement measures and actions that address the identified environmental and social risks and impacts. This includes the HSESAP, Annual improvement plans, operating standards and procedures, inspection and maintenance programs, monitoring programs, and other measures.</p>	Comply
Organizational Capacity and Competency	<p>Sakhalin Energy manages organizational capacity and Competence as described in HSESAP (Section 2.5.4 Organisation, resourcing, roles and responsibilities). In particular, competence is managed through implementation of HSE Competence Assurance Standard.</p>	Comply
Emergency Preparedness and Response	<p>The Sakhalin Energy Emergency Preparedness and Response Standard describes the process for developing relevant measures and approving, maintaining and testing and plans.</p> <p>Sakhalin Energy conducts regular training in emergency response and reviews the relevant procedures on a regular basis and in case of any modifications that are critical for efficient response.</p>	Comply
Monitoring and Review	<p>Sakhalin Energy implements regulatory compliance and performance monitoring and reporting, incident and non-conformance reporting and learning, corrective and preventative action, verification and audit programs, and management review as summarised in HSESAP.</p>	Comply
Stakeholder Engagement	<p>Stakeholder Engagement is a component in managing risks and impacts. It is specified in the Impact Assessment Procedure, Social Performance Standard and PCDP.</p> <p>Sakhalin Energy developed and implements a PCDP (an annually updated document).</p> <p>Stakeholder analysis, engagement planning, information disclosure and consultation requirements are listed in the PCDP and Appendix 7 of the Social Performance Standard (Public Consultation and Disclosure).</p> <p>Engagement with Indigenous Peoples is specified in the Sakhalin Indigenous Minorities Development Plan (Plan). Project specification in relation to IFC requirements related to Indigenous Peoples (Performance Standard 7) is covered in Appendix 3 of the Social Performance Standard (Requirements related to IP – Adopted International Standards and other requirements).</p>	Comply



MANAGING RISK STANDARD

Mandatory

International Requirements Specification

Relevant Standard Requirements	Project Specification	Comments
External Communications and Grievance Mechanisms	Procedures for external communications are specified in the PCDP. Sakhalin Energy developed and implements a Community Grievance Procedure (GP). The Company has developed and periodically updates a public grievance leaflet, which advises those with a grievance on how they can lodge a grievance and on the mechanism in the stakeholder engagement process. For the reference see the PCDP and Appendix 8 of the Social Performance Standard (Addressing Grievances).	Comply
Ongoing Reporting to Affected Communities	The company shall make publicly available information as specified in Appendix 7 of the Social Performance Standard (Public Consultation and Disclosure).	Comply