

APPENDIX 7: CONCLUSION OF RUIE NON-FINANCIAL REPORTING COUNCIL ON THE RESULTS OF EXAMINATION OF THE 2011 SUSTAINABLE DEVELOPMENT REPORT OF SAKHALIN ENERGY INVESTMENT COMPANY LTD. FOR THE PURPOSE OF PUBLIC ENDORSEMENT

TRANSLATION FROM RUSSIAN

Non-Financial Reporting Board of the Russian Union of Industrialists and Entrepreneurs

Conclusion of the RUIE Non-Financial Reporting Board on the review of the Sakhalin Energy Investment Company Ltd. 2011 Sustainable Development Report for the purpose of public endorsement

The Non-Financial Reporting Board of the Russian Union of Industrialists and Entrepreneurs (hereinafter referred to as Council), established in accordance with the decision of the Office of the Board (Decision dated 28.06.2007), has reviewed on the initiative of Sakhalin Energy Investment Company Ltd. (Hereinafter referred to as Sakhalin Energy) the Sakhalin Energy 2011 Sustainable Development Report (hereinafter referred to as report).

The company has addressed the RUIE with a request to organise the holding of public endorsement by the Board, which forms an opinion about the relevance and completeness of the information disclosed in the non-financial report on the Company performance in the context of the Social Charter of Russian Business, containing principles of responsible business practices.

During the period from 17 February to 7 March 2012 the members of the Board have examined the contents of the Report submitted by the Company and have made this Conclusion in accordance with the Regulations on public endorsement of non-financial corporate reports, approved by the Board.

Council members have the necessary competence in the field of corporate responsibility, sustainable development and non-financial reporting, observe the ethical requirements of independence and objectivity of assessments, express their personal opinion of experts and not the opinion of organisations they represent.

The report was assessed on the basis on the following criteria for completeness and relevance of the information contained in the Report:

Information is recognised important as far as it reflects the activity of Sakhalin Energy on the implementation of principles of responsible business practices disclosed in the Social Charter of Russian Business (www.rspp.ru).

Completeness implies that the Company comprehensively reflects its activity in the Report — underlying values and strategic guidelines, management systems and structure, key performance indicators, system of interaction with stakeholders.

The Board notes that in the preparation the conclusion the progress in the disclosure of information as compared with the previous report of the Company is taken into account.

Application by the Company of the international reporting system is taken into account as part of the Report public endorsement report. However, confirmation of the level of compliance of the Report with the international reporting system is beyond the scope of this Conclusion.

Responsibility for the information and representations contained in the Report lies with Sakhalin Energy. The reliability of the factual data contained in the Report is not a matter of public endorsement.

This conclusion is prepared for Sakhalin Energy. The Company may use this Conclusion both for internal corporate purposes and in order to communicate with stakeholders by publishing it without making any changes.

FINDINGS

Based on the analysis of the Report, as well as public information posted on the official corporate website and collective discussion of the results of the independent assessment of the Report carried out by members of the RUIE Non-Financial Reporting Board, the Council confirms the following:

The Sakhalin Energy Investment Company Ltd. 2011 Sustainable Development Report contains important and significant information, covering key areas of responsible business practices in accordance with the principles of the Social Charter of Russian Business, and with sufficient detail reveals information about the Company's activity in these areas.

Recommendations of the RUIE Board on the results of public endorsement of the previous Sakhalin Energy 2010 Report are reflected in the 2011 Report. The aspect concerning Company's environmental impact was reinforced. The plans for the future, including quantitative targets, are presented in more detail. More attention is paid to the risk management system, including non-financial risks.

Company's 2011 Report contains important and significant information regarding the following aspects of responsible business practices:

Economic freedom and responsibility: the Report informs on key performance indicators for the reporting year, the second year of full operation of the oil and gas structure created in the course of implementation of the Sakhalin-2 Project.

Among main achievements it is noted the addition of natural gas to the Company's core products and the beginning of gas supply into the trunk gas pipeline system of OAO Gazprom for use in the Far East and Primorye fuel and energy complex development programmes. There is also data confirming the significance of the Sakhalin-2 Project for the economy of Russia and of the Sakhalin Oblast. The Report presents the role of the Company as a major taxpayer and exporter of light oil that is unique for Russia and liquefied natural gas (LNG). There is a brief characteristic of the Operational Excellence Programme adopted in 2010, concrete examples of results obtained in the course of the modernisation of equipment, use of advanced technologies for well drilling and oil production are provided. There is information on the involvement of employees in the process of improving efficiency and promoting their initiatives. In the context of improving the productivity and competitiveness of the Company there are presented data on the management of economic efficiency, product quality, interaction with Company suppliers.

Along with detailed information about the structure of corporate governance where management of sustainable development and interaction with stakeholders is integrated into, the risk management system including non-financial risks is presented in detail. Principles of responsible business practices are formulated in official corporate documents, primarily in the General Business Principles, Sustainable Development Policy and the Code of Conduct, Company policies on various areas of activity.

Business partnership: Interaction with stakeholders as an important factor in ensuring the sustainability of the Company and its performance is one of the dominant features of the Report, sounding in all its sections. The management system in this field is presented, the range of stakeholders is determined, regulatory documents and guidelines to work with stakeholders in 2011 are indicated. In detail, in the context of improving the quality of the labour potential and production efficiency, there is presented the system of relations with the staff, including training and development of human resources, labour conditions and health care, the system of incentives, development of corporate culture, and internal communications. Cooperation with authorities is covered in some sections of the Report in the context of multilateral partnership, exemplified by the implementation of the agreement on cooperation with the Sakhalin Oblast Administration in the socio-economic field.

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There are given examples of cooperation with a wide range of organisations in addressing vital social and environmental tasks in the host region, the practice of engagement with business partners aimed at observing ethical business standards. Much attention is paid to the coverage of operational principles and feedback from the communities, as well as local, regional and international NGOs. Information is provided on the Company's participation in the events of national and international level to promote the ideology and best practices in the field of social responsibility and sustainable development. Topic concerning relations with shareholders and product customers has been addressed. The report informs on wide range of tools of engagement with stakeholders, many of which correspond to the best practice (suppliers development programme, operation of Company's information centres and community liaison officers working at the locations of Company's facilities on Sakhalin Island, mechanism for addressing of grievances from communities, employees, contractors, etc.).

Human rights: The report informs that the observance and respect for human rights are among the key principles of the Company. This approach is fixed in the basic corporate documents and procedures. There are developed and implemented mechanisms to monitor and control the compliance with human rights standards. Among the most important documents of this kind there may be noted the Health, Safety, Environment and Social Action Plan (the third version was issued at the beginning of 2011). It is reported that the implementation of the Plan is monitored on a regular basis by the Company, creditors and independent experts, the monitoring results are made available to the public. Special attention is given in the Report to the grievance procedure, which was developed by the Company and applied in practice for several years. The information enclosed in the Report demonstrates the success and worldwide recognition of the Company's activity in the development of non-judicial mechanisms for processing complaints. It is reported that the experience of Sakhalin Energy was taken into consideration when developing the document "Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework which was approved by the UN Human Rights Council in 2011.

Environmental conservation: the Report informs that assurance of environmental and industrial safety, preservation of environment and natural resources is one of the main responsibility priorities of the Company. There is information about the basic elements of the management system in this area. The Health, Safety and Environmental (HSE) Policy is approved and being implemented. The Integrated HSE and Social Performance Management System of the Company is based on the Planning — Implementation — Inspection — Actions method in accordance with ISO 14001 and OHSAS 18001 standards. Detailed information is presented on the environmental impact of operations: ecological indicators on air emissions, water use, waste management over a period of time, there is detailed information on the results of environmental monitoring which is carried out in collaboration with environmental organisations and experts. Significant results achieved by the Company in the field of pollution prevention are reported, there is provided information on expenditures for these purposes. Information is presented on oil and oil products spills, as well as in relation to the volume of oil produced. Data is presented confirming the Company's commitment to effective action in case of emergencies. Considerable attention is paid to the implementation of the Company's approved Biodiversity Action Plan. In this area, according to the Report, the Company occupies a leading position in the global oil and gas industry and actively cooperates with the Russian, foreign and international organisations on environmental protection issues.

Participation in development of the local communities: The report provides information on systematic work conducted by the Company on the host territory, consistently implementing proven approaches to social investments and building of effective multilateral partnership.

In the 2011 Report the Company continues to reflect the events and results of social programs and projects recognised by the population of Sakhalin, some of which have become widely known outside the region. It is reported that the corporate programme “Hurry up for good deeds” has obtained new development; within this programme the Company’s staff charitable activities are supported. Details are provided on preparation and launch of the second Sakhalin Indigenous Minorities Development Plan for 2011-2015, in the development of which the Company has used the principle of “free, prior and informed consent” (FPIC). Information on the dialogues conducted by Sakhalin Energy in the region with stakeholders’ representatives during the course of preparation of the Report is presented, including the Company’s responses to the questions addressed by the participants in dialogues. Information on the opinions of stakeholders is complemented by extracts from the reports of an independent consultant who carried out verification of territorial social programs implemented by the Company. Information on high social assessment of Company’s projects, obtained at the regional and federal levels.

In general, the Report suggests that sustainable development principles are addressed in the Company on a systematic basis. There is clearly reflected position of the Company’s corporate social responsibility and commitment to the principles of sustainable development based on the interpretation of these concepts, corresponding to the standard ISO 26000 Guidelines on Social Responsibility. The Company informs on participation in the development and promotion of international standards in the field of responsible business in Russia and internationally.

The Sakhalin Energy 2011 Sustainable Development Report is the third report of the Company, which demonstrates the consistency in the development of the non-financial reporting process and the commitment of the Company to the principles of transparency and openness. The Report presents essential topics that are important for stakeholders. There is a comprehensive approach to the disclosure of information in key areas, including economic, environmental and social components, the composition of disclosed indicators is expanded. The Report was prepared on the basis of recommendations used in the Russian and international reporting practice (IFRS, GRI Guide, AA 1000 SES), which ensures continuity and comparability of information of different reporting cycles, as well as comparability with other companies’ reports.

RECOMMENDATIONS

Noting the advantages of Sakhalin Energy 2011 Sustainable Development Report, the Board draws the Company’s attention to a number of aspects important for stakeholders concerning the significance and completeness of information disclosure and encourages to consider them for further improvement of the reporting process.

Recommendations formulated following 2010 Report review, in particular, with respect to not only achievements but also existing problems in the work of Sakhalin Energy and approaches to their solution, still remain to be valid and may be used in the Company’s reporting practice.

It is recommended to strengthen the analysis of the economic aspects of the Company’s activity, include in report the vision for the future development of the sector in relation to the Company’s own strategy and taking into account the global challenges of the oil and gas industry, energy and economy as a whole which are also relevant to the country.

Publication in the 2011 Report of the targets and measurable indicators for 2012 provides a good opportunity in the next reporting cycle to match the planned parameters with actual results and objectively assess the progress. It is recommended to further apply this approach to matching achievements with planned parameters in order to enhance the information value of reports, and use comparative data starting with 2009 – the first year of Company’s public non-financial reporting by international standards. This will expand the time horizon of information comparison.

