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SUSTAINABLE DEVELOPMENT REPORT 2021



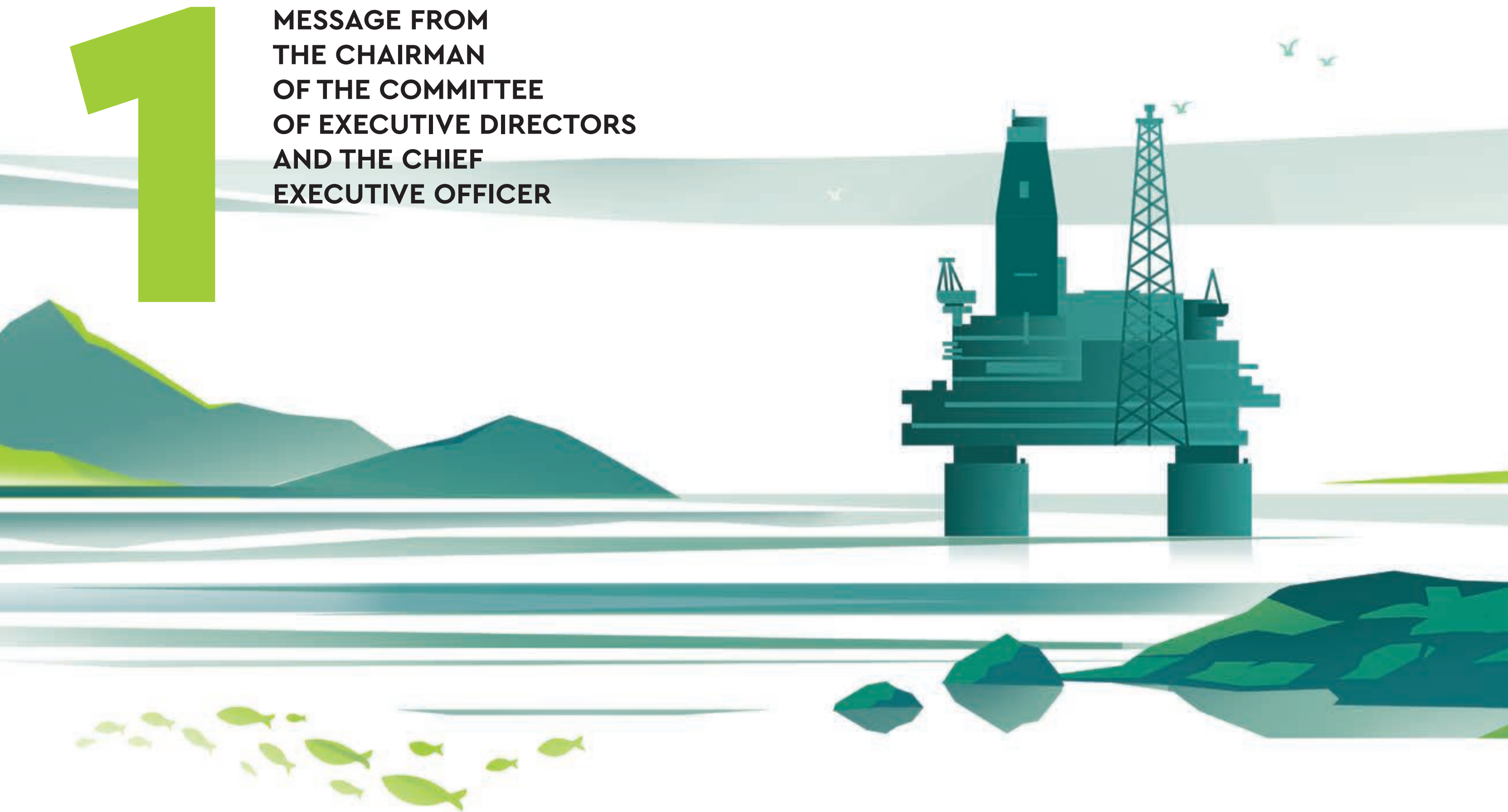
SUSTAINABLE
DEVELOPMENT
REPORT 2021

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**MESSAGE FROM
THE CHAIRMAN
OF THE COMMITTEE
OF EXECUTIVE DIRECTORS
AND THE CHIEF
EXECUTIVE OFFICER**



DEAR COLLEAGUES, DEAR FRIENDS!

Let me present the Sakhalin Energy 2021 Sustainable Development Report to all of you.

This is the 13th non-financial document that covers our approaches to responsible business and sustainable development, both in the company and the host region. Pursuing our strategic goals, we try to take into account as much of the stakeholders' input as possible. The proper disclosure of qualitative and quantitative information has been conducted in accordance with the standards of the Global Reporting Initiative.

Given the turbulent external conditions caused by the COVID-19 pandemic and economic trends, Sakhalin Energy is fully committed to its goals and demonstrates a proactive response to changes, actively contributing to the development of the operating environment. The company stays clear and open about its activities in all areas — all of them fit into the new reality, which has become the next topic of the Report.

Committed to becoming the industry benchmark in the global energy

market, we stay rigorous about being reasonable and flexible while dealing with business tasks and improving our reliability. This commitment has become the driver for the unprecedented amount of work carried out under the scheduled overhaul and upgrade of process equipment at the assets of the Sakhalin-2 integrated gas chain. Today, independent assessment recognises the company as one of the most efficient liquefied natural gas enterprises. With a production reliability of 99.6%, we are also among the best enterprises in terms of lowest process losses.

Our proactive approach to business management and continuous digital improvement has ensured that the challenging external situation has had no effect on our long-term goals. To achieve them, Sakhalin Energy has come up with a development strategy up to 2032 to build on production capacities and reach financial results, and also to show dynamic growth and reduce our environmental footprint. Therefore, the company's activities have been significantly green-focused, shifting towards decarbonisation of the global economy.



99.6%

constitutes
the company's production
reliability on the independent
assessment

Sakhalin Energy continues supporting the social and economic development of the host region and stimulates and helps local communities. Our social policy is based on partnership and continuous support of regional initiatives that are included in the agenda of national projects.

In 2021, Sakhalin Energy delivered a pioneer shipment of carbon-neutral LNG directly to a customer in the Asia-Pacific region. However, the company does not constrain its business to only supplying green hydrocarbons, but greatly contributes to the carbon-neutral experiment in Sakhalin Oblast. Within the framework of the experiment, it is planned to create a comprehensive infrastructure to support climate initiatives, which, among other things, will allow businesses to strengthen their positions in the world market in terms of transition to a low-carbon economy.

Knowing that we need to turn to basic science and cooperation with the leading scientific community to address the challenges of the climate-oriented energy balance of the Russian FES, we have entered into an agreement with the Russian Academy of Sciences. The company expects that the cooperation with RAS will bring a scientifically proven base that will let us apply our approaches to shaping quota allocation methodology on a global scale in the long term.

Our project focuses on sustainable long-term relationships with customers and promotes public access to clean energy for decades to come, which above all else depends on the efficient development of the resource base. For example, in 2021, our efforts to design alternative geological and hydrodynamic models confirmed the company's LT production forecast and met design indicators for field development.

All this was made possible by the drilling programme using lean production methods, geological and engineering measures, and an overhaul of the operating well stock. The integrity testing campaign achieved an efficiency rating of 99%.

Another key factor in Sakhalin Energy's successful adaptation to the new reality has been its commitment to developing Russian content and localising services. We have significantly expanded our pool of partners by signing over ten agreements with Russian companies in several promising areas. The company is developing cooperation not only in traditional business areas, but also in unique and technically complex services, which require high competence and advanced technologies. Engaging the most promising Russian enterprises to contribute to the Sakhalin-2 project, assessing their potential and promoting integrated development will give us a competitive advantage and contribute to the positive transformation of the region.

Sakhalin Energy continues supporting the social and economic development of the host region and stimulates and helps local communities. Our social policy is based on partnership and continuous support of regional initiatives that are included in the agenda of national projects. The company's corporate social activities are aligned with the goals and objectives of federal programmes implemented under national projects, which has made Sakhalin Energy one of the first Rus-

sian companies to be awarded the Partner of National Projects status.

Following the principles of socially responsible business, the company makes the region more competitive by sharing competencies, experience and expertise for efficient change. For example, having signed an agreement with Sakhalin State University under the Boiling Point innovation space efforts, we have become the first oil and gas company to deal with the island's leading university, working with a unique tool to develop leaders and promote their projects. Sakhalin Energy supports the region's intellectual environment and the "university-enterprise" continuous education system, targeting young talent and developing the right competencies in aspiring professionals who are ready to face the challenges of the future.

The company actively creates a human-centred corporate environment, providing a safe and comfortable working environment for the staff. Sakhalin Energy employs a comprehensive approach to boost motivation and maximise performance by assessing employees' competencies, providing the necessary conditions to improve their skills, and encouraging them to come up with new ideas. This approach distinguishes Sakhalin Energy from its competitors and is highly valued by employees and job seekers as confirmed by Head-Hunter's rating, Russia's largest online recruitment company. In 2021, Sakhalin Energy was ranked among

the best employers in the country's fuel and energy sector. Additional proof that we have chosen the right HR management strategy and are successfully implementing it was the highest rank in the main category of the Labour Productivity: Russian Industry Leaders award.

In 2021, we took several important steps to become "wide open" and to share best practices, including with the global community. These include experience in cooperating with Sakhalin Indigenous Minorities, which granted Sakhalin Energy the World Petroleum Council Excellence Awards in the Social Responsibility category. Continuous improvement in terms of providing quality information demonstrates our proactive position in implementing the UN Sustainable Development Goals in our operations. The company's contribution to international efforts focused on promoting them as a strategic benchmark is growing due to our continued commitment to the principles of the UN Global Compact and the Guiding Principles on Business and Human Rights. We see them as a fundamental value and an integral part of the company's corporate culture.

Based on our mission, vision and corporate values, this culture reflects our priorities of ethical and responsible business. As the premier energy source for the Asia-Pacific Region, we are committed to being a company with the utmost credibility, where compliance with all business ethics requirements is the responsibility of every employee.

Zero tolerance to corruption and awareness of the need for rigorous compliance practices provide a quality basis for decision making at all the company's levels. For the second year in a row, Sakhalin Energy has been given a Russian Business Anti-Corruption Rating of A1 by the Russian Union of Industrialists and Entrepreneurs. This speaks volumes about the highest evaluation of business performance regarding anti-corruption and implementation of an efficient corporate business ethics system.

Given the emerging trends in the energy market, we are committed to continuing actively contributing to a sustainable future by teaming up with society, the government, partners, and all stakeholders. I am confident that the company's development vector over next year's horizon will let us maintain sustainable growth and continue to confidently move towards our strategic goals.



Roman Dashkov

Chief Executive Officer

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ABOUT THE REPORT

The 2021 Report focuses on the new reality caused by the COVID-19 pandemic, socio-economic and environmental trends and the need for forward-thinking and innovative development to deliver on the company's strategic objectives.





2.1. GENERAL INFORMATION

In 2021, Sakhalin Energy was recognised as a non-financial reporting leader:

- The company's 2020 Sustainable Development Report received the Change Management. Visionaries award in the Best Disclosure of the UN SDGs Strategy and Performance category. This is the first Russian professional award for corporate sustainable development performance based on economic, social and environmental criteria.
- After the review of 2020 corporate reports, Sakhalin Energy was assigned the highest level of sustainability disclosure (RESG 1) in the ESG Reporting Rating by AK&M rating agency.

In its efforts to implement the Sustainable Development Policy, Sakhalin Energy undertakes to annually provide non-financial reporting in accordance with the standards and principles of the Global Reporting Initiative (GRI). The form of non-financial reporting chosen by the company is a Sustainable Development Report, which serves as a tool for systematising its non-financial activities (environmental, social and other programmes and initiatives) and for improving the quality of corporate governance, which increases the company's overall sustainability.

An open reporting culture allows Sakhalin Energy to demonstrate its commitment to the ESG principles and concepts of corporate social responsibility (CSR) and sustainable development (SD), and provide meaningful information about the economic, environmental, social and ethical aspects of its activities to its stakeholders.

CSR and SD reporting benefits Sakhalin Energy in a number of ways, in particular by:

- identifying the stakeholders' opinions and expectations of the company's activities and clarifying the company's CSR/ESG and SD strategy;
- demonstrating that the company is aware of and takes into account the stakeholders' opinions, creating long-term trust as well as transparent and constructive cooperation;

- serving as an effective tool for identifying, preventing, and mitigating non-financial risks, creating a sustainable reputation (as a responsible employer, partner, etc.);
- stimulating new opportunities and areas of involvement for the company in production, environmental, and social spheres;
- identifying CSR and SD performance indicators, evaluating and applying them to enhance the quality of managerial decisions at all levels;
- helping to comply with the principle of continuous improvement and stimulating the subsequent improvement of internal and external processes in the company;
- increasing the company's competitiveness.

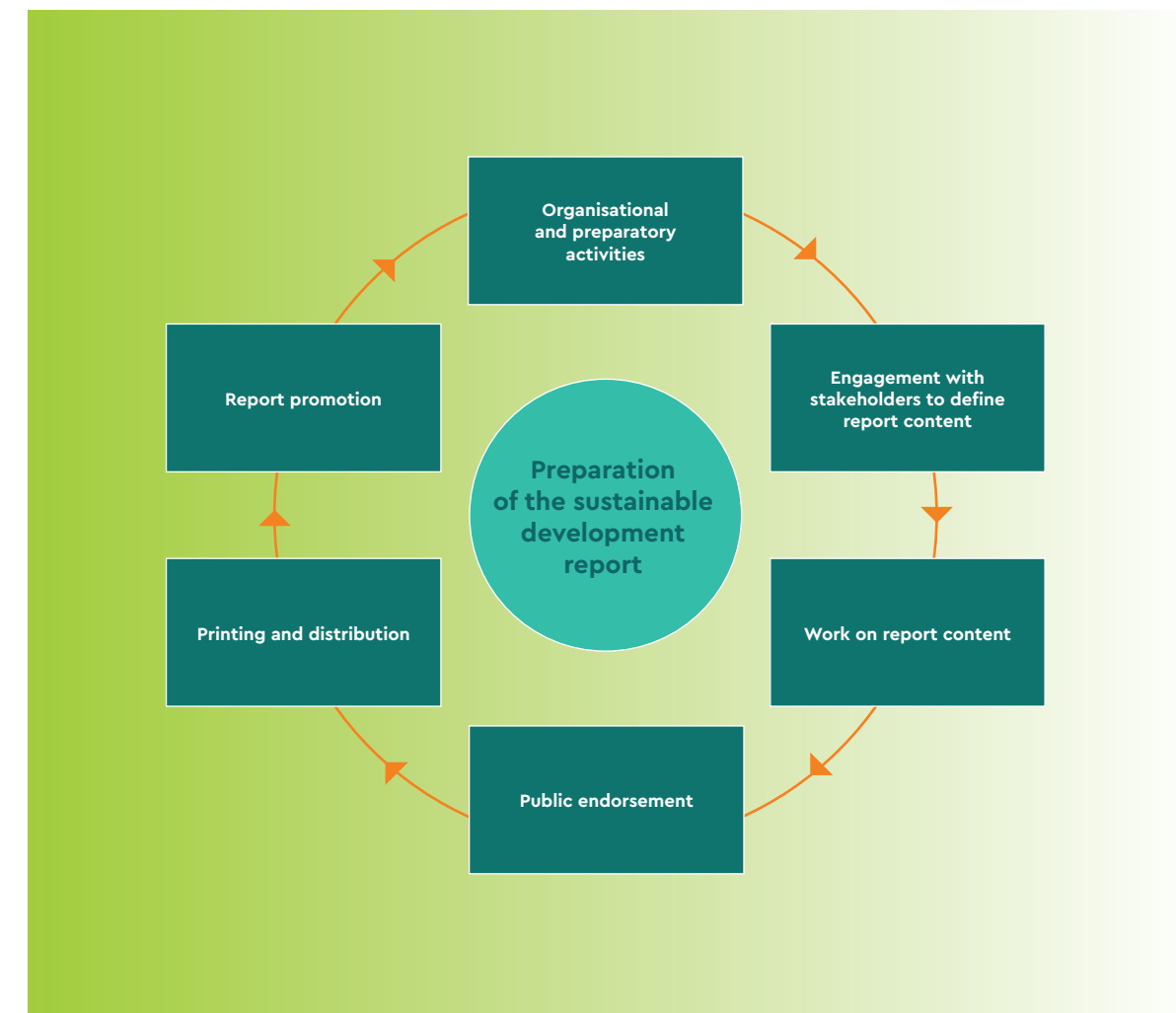
The target audience of the Report are both the internal and external stakeholders listed in Section 6 Stakeholder Engagement Management.

The Report discloses material topics, issues and indicators of the company's economic, environmental and social performance (including human rights), including the stakeholders' areas of concern and the senior management's appraisals of the company's performance in the reporting period (see Section 2.4 Defining Material and Priority Topics to Be Included in the Report).

Each of Sakhalin Energy's Sustainable Development Reports over the past seven years has been devoted to a specific topic, which allows de-



Sustainable Development Report Preparation Process



tailed coverage of the company's priority areas of activity. The 2021 Report focuses on the new reality caused by the COVID-19 pandemic, social, economic and environmental trends, as well as the necessity for proactive development and innovations in order to reach strategic goals.

Report Preparation Process

At Sakhalin Energy, the preparation of the Report is a deliberate systematic process, involving the heads and specialists of almost all company's units. It is implemented in accordance with a special corporate procedure, which ensures



continuity, reliability and process improvement. The procedure includes a description of the standards and principles for preparing a report on the sustainable development of the company, defines requirements for determining the content of the document, outlines the processes of its preparation, approval and dissemination, the distribution of responsibilities for each group of indicators and each operation, and also indicates time frames.

Each Report is prepared, coordinated and approved in accordance with the procedure and schedule approved by the Committee of Executive Directors on an annual basis.

The procedure provides for the establishment of a Task Force to prepare the Report. This Task Force includes managers and specialists from the company's units, responsible for particular aspects of corporate governance, production activities, economic, social and environmental impacts. The Corporate Affairs Department conducts orientation seminars for the Working Group and key Report developers to inform them about the requirements and standards for the Report, the plan and schedule of work, the principles for defining the content and determining the quality of the Report, the process of defining material topics, etc.

The Report is subject to in-house data verification and approval by the Committee of Executive Directors and then by Chairman of the Committee of Executive Directors, the Chief Executive Officer.

The approved Report is published on Sakhalin Energy's website; paper copies are distributed among the towns and villages of the island (through the company's information centres and district libraries), and sent to the main stakeholders (primarily electronically by sending a respective link).

All annual Sakhalin Energy Sustainable Development Reports are registered in the National Register of Corporate Non-Financial Reports of the Russian Union of Industrialists and Entrepreneurs (RUIE). They are also included in the catalogue of the Global Reporting Initiative (www.globalreporting.org) and are available on the UN Global Compact website (www.globalcompact.org).

The company values opinions, suggestions and comments from all stakeholders on this Report. To share your opinion, you may:

- fill out the Feedback Form (see Appendix 6 Feedback Form) and send it to the supplied address;
- fill out the Feedback Form on the company's website (www.sakhalinenergy.ru);
- fill out the Feedback Form at one of the company's information centres (see Appendix 5 Company Information Centres List).



2.2. REPORT PREPARATION STANDARDS

Since 2009 the company has drawn up reports in compliance with the GRI principles, including (since 2017) the standards applicable from 2018. In addition, the company uses the GRI G4 Sector Disclosures (Oil and Gas) guidelines and the requirements of the United Nations Global Compact (GC) in preparing an annual report on adherence to its Ten Principles (UN Global Compact Communication on Progress).

The company constantly analyses trends and new requirements in the field of non-financial reporting, both international and domestic. In the preparation of this Report, the company was guided by:

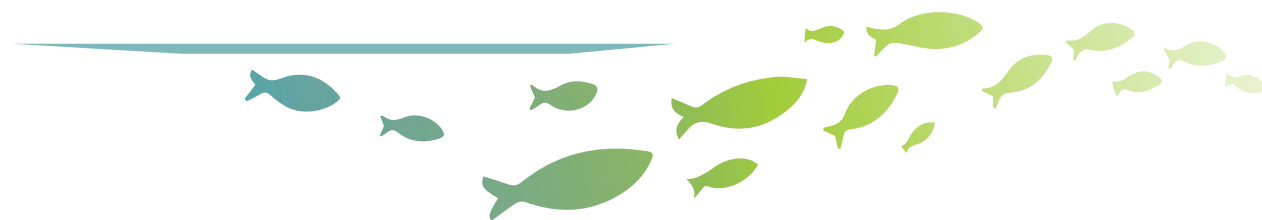
- The Public Non-Financial Reporting Concept and the Action Plan for its implementation, which were approved by a decree of the Government of the Russian Federation in 2017;
- Guidelines of the European Commission on Non-Financial Reporting, prepared in accordance with the Non-Financial Reporting Directive, adopted by the Council of Europe in 2017;
- Guidance on Core Indicators for Entity Reporting on Contribution Towards Implementation of the Sustainable Development Goals, adopted by the United Nations Conference on Trade and Development (UNCTAD) in 2019;
- Recommendations of the Central Bank on non-financial reporting by public joint-stock companies (information letter dated 26 July 2021 No. IN-06-28/56);
- SDG Impact Standards prepared by the United Nations Development Programme (UNDP) in 2021.

In addition, when preparing its Sustainable Development Reports, the company:

- uses materials from analytical reviews of corporate non-financial reports prepared by the RUIE;
- takes into account leading ratings and indexes in corporate social responsibility (the Responsibility and Transparency Index, compiled by the RUIE, the RAEX-Europe's ESG ranking, AK&M's ESG reporting ranking etc.);
- analyses its own activities in the field of corporate social responsibility and corresponding activities of other companies;
- studies non-financial reports of other Russian and foreign companies.

Beginning with the 2016 Report, Sakhalin Energy has reported on its contribution to achieving Sustainable Development Goals. This work was continued in the 2021 Report (see Section 3 Corporate Social Responsibility and Sustainable Development and Appendix 1 GRI Standards Compliance Table).

The Priority SDGs for Sakhalin Energy, Based on Stakeholders' Opinions table lists the material SDGs brought up by stakeholders in a specially conducted survey, during dialogues with external stakeholders, and during discussions with company employees, held as part of the preparation of sustainable development report.





SDGs to Which Sakhalin Energy Contributes Most Significantly,
Based on Stakeholders' Opinions*

SDG		Total points	SDG		Total points
	SDG 3. Ensure healthy lives and promote well-being for all at all ages	902		SDG 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	820
	SDG 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	872		SDG 11. Make cities and human settlements inclusive, safe, resilient and sustainable	818
	SDG 7. Ensure access to affordable, reliable, sustainable and modern energy for all	865		SDG 6. Ensure availability and sustainable management of water and sanitation for all	796
	SDG 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development	859		SDG 17. Strengthen the means of implementation and revitalise the global partnership for sustainable development	786
	SDG 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	855		SDG 1. End poverty in all its forms everywhere	783
				SDG 13. Take urgent action to combat climate change and its impacts	777
	SDG 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	852		SDG 2. End hunger, achieve food security and improved nutrition, and promote sustainable agriculture	727
	SDG 12. Ensure sustainable consumption and production patterns	826		SDG 5. Achieve gender equality and empower all women and girls	704
	SDG 9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	821		SDG 10. Reduce inequality within and among countries	697

* Respondents indicated the SDGs, relevant to the company's activities, ranking them on a five-point scale: 5—the most significant; 1—the least significant.



Compared with the previous year, SDGs 3, 4, 7, 8, 9, 11, 12, 14, 15 are still considered material by stakeholders in terms of Sakhalin Energy's contribution to their achievement. Here, the efforts of the company that promote a healthy lifestyle and well-being (SDG 3) had the highest score in 2021 vs. 2020, which is explained by the evolving situation with COVID-19 and the respective anticipations of stakeholders regarding public health, including measures taken amidst the pandemic (see table

The Most Material Topics to Be Included in the 2021 Report, Based on Stakeholders' Opinions). Moreover, respondents named SDG 16 material in 2021, thereby confirming the global and national trends of growing public interest in corporate approaches and practices in respect of human rights, risk management, ethical behaviour, anti-corruption, and corporate governance in general (see table The Most Material Topics to Be Included in the 2021 Report, Based on Stakeholders' Opinions).

2.3.
REPORTING PRINCIPLES FOR DEFINING
REPORT CONTENT AND QUALITY

The company acknowledges and uses the key international SD reporting principles presented in the Reporting Principles for Defining Report Content and Quality table in compliance with GRI 1 standard (2021 version, takes effect in January 2023). The main approach to pre-

senting information about the company's activities is to provide a balanced report on the material aspects of three key areas of sustainable development: economic, environmental and social with due regard to the opinions of stakeholders.



Principles of the Report Content and Quality Definition

Principles	Brief description
Accuracy	The reported information should be sufficiently accurate and detailed for stakeholders to be able to assess the impact of the company's activities
Balance	The Report must reflect both positive and negative aspects of the company's impact
Clarity	Information should be published in a form that is understandable and accessible to stakeholders using the Report
Consistency	The indicators and information should be presented consistently to enable stakeholders to analyse changes in the company's performance over time and support analysis relative to other enterprises
Completeness	The Report should include coverage of material aspects and their boundaries, sufficient to reflect significant economic, environmental, and social impacts and to enable stakeholders to assess the organisation's performance in the reporting period
Sustainable development context	The Report should present the company's performance in the wider context of sustainability
Timeliness	Reporting should be based on a regular schedule so that information is available in time for stakeholders to make informed decisions
Reliability	Information used in the preparation of the Report should be gathered, documented, compiled, analysed, and disclosed in a way that allows its quality to be easily verified

2.4.
DEFINING MATERIAL TOPICS
TO BE INCLUDED IN THE REPORT

The material aspects of the company's activities disclosed in its Reports, and their priority, are selected in close cooperation with the company's stakeholders, including shareholders, lenders, government authorities, customers, personnel, contractors, community, the media, international organisations, public and other NPOs, and others.

To determine material topics for inclusion in the Report, the company used the following procedure:

1. Determining material topics to be included in the 2021 report based on external and internal stakeholders' opinions.

The company used the most preferred engagement mechanisms and information exchange channels for interacting with each group of stakeholders, taking into account the nature of the relationship (see Section 6 Stakeholder Engagement Management). Representatives of stakeholders were involved in defining the Report content by means of:

- electronic surveys (internal and external stakeholders, 288 persons in total took part in the survey);
- dialogue meetings with external stakeholders (two dialogue meetings — in November 2021 and February 2022);
- discussions with company personnel.

As is tradition, two rounds of discussions were held while preparing the Report. Stakeholder

representatives had an opportunity to put questions to the company's representatives and to receive answers, as well as to express their opinions on the materiality of any aspect of Sakhalin Energy's activities (see Appendix 2 Comments and Suggestions of Stakeholders on Individual Aspects, Indicators and/or Programmes and Company's Response and Commitments).

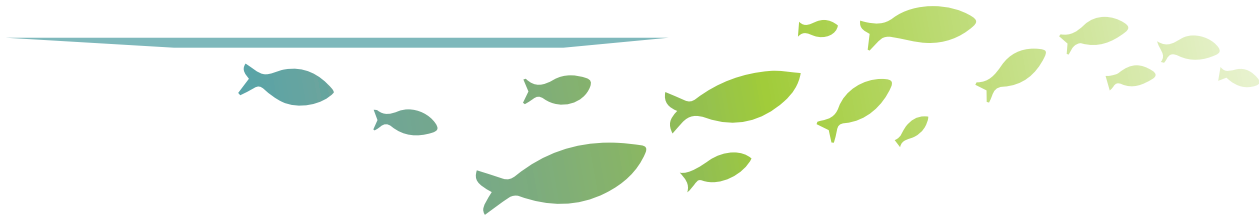
In the preparation of the 2021 Report, the company held meetings with external stakeholders via video conferences due to COVID-19-related restrictions, which allowed those outside the region and in remote areas of Sakhalin Oblast to be in attendance. The events were attended by representatives of Sakhalin Energy shareholder companies, the Sakhalin Oblast Government, municipal authorities, the Public Chamber of Sakhalin Oblast, the UN Global Compact Network Russia, Sakhalin State University and other educational and cultural institutions, Sakhalin Indigenous Minorities, as well as experts in corporate social responsibility and sustainable development, the Russian Managers Association (RMA), the World Wildlife Fund (WWF), and other stakeholders.

In addition, in defining the Report content, the company took into account the following:

- the results of regular media monitoring; analysed results of the grievances submitted to the company (see Section 6 Stakeholder Engagement Management);
- recommendations and comments regarding the 2020 Sustainable Development Report of the RUIE Non-Financial Reporting Council, which conducted the Report's public endorsement.

The company has also analysed the relevance of the topics presented in the non-financial reports prepared by Russian and foreign companies in accordance with the best international practices.

Detailed information on the results of stakeholder engagement activities conducted in preparation of the Report, including dialogue meetings, surveys, etc., is presented in the Most Material Topics to Be Included in the 2021 Report, Based on Stakeholders' Opinions table.





The Most Material Topics to Be Included in the 2021 Report, Based on Stakeholders' Opinions (determined based on the largest total score)

Topics	Total points	Included in the Report (sections of the Report)
Main production results	1018	4.2
Importance of the Sakhalin-2 project for the Russian Federation and Sakhalin Oblast, including financial benefits	967	7.1, 7.2
Assessment of environmental, health and social impact	966	3.5.2, 8, 9
Health, safety, environmental and social performance management system	965	3.5.1, 8, 9
Impact on water bodies	940	8.2.3
Occupational health	939	9.3
Occupational safety	934	9.2
Waste management	930	8.2.4
Industrial and fire safety, emergency response, oil spill prevention and respective response preparedness	927	4.3, 8.5
Staff training and development	924	9.1.7
Innovations, Continuous Improvement programme	920	4.4
Impact on atmospheric air	917	8.2.2
Environmental monitoring and biodiversity conservation	912	8.3
Company mission, vision, values and principles	902	5.1
Labour remuneration, bonuses and social benefits	902	9.1.4, 9.1.5
Risk management system	896	5.4
Anti-bribery and corruption	894	5.6
Environmental protection costs and payments for negative impact	886	8.2.9
Individual performance review	886	9.1.6
Associated gas evacuation during production	878	8.2.8
Personnel policy and personnel management approaches, general information	876	9.1.1, 9.1.2
Company principles and approaches to social investment and sustainable development	873	9.5.1
Energy production and consumption	872	8.2.8
Emissions of greenhouse gases and ozone-depleting substances	869	8.2.6

* Respondents ranked the topics on a five-point scale: 5—the most significant; 1—the least significant.



Topics	Total points	Included in the Report (sections of the Report)
National goals of the Russian Federation (contribution thereto)	868	3.4.2
Measures taken due to COVID-19 pandemic	867	4, 9
Outcomes of certain environmental monitoring and biodiversity conservation programmes	864	8.3
Stakeholder engagement outcomes	859	6
Adaptation to climate change, impact on climate change	858	4.5, 8.2.7
Human rights: principles and management system	856	9.4
Sakhalin Energy CSR system, sustainable development policy and performance standards	853	3
Recruiting, hiring and onboarding new employees	850	9.1.3
Corporate culture and Code of Conduct	840	5.5
Stakeholder engagement strategy, principles and mechanisms	835	6.1
Russian content	826	7.3
Grievance procedure and grievance handling in 2021	806	9.4.2
Supply chain management	803	7.4
Corporate governance system and structure	800	5.2
UN Sustainable Development Goals (contribution thereto)	796	
Outcomes of individual programmes and projects	791	9.5

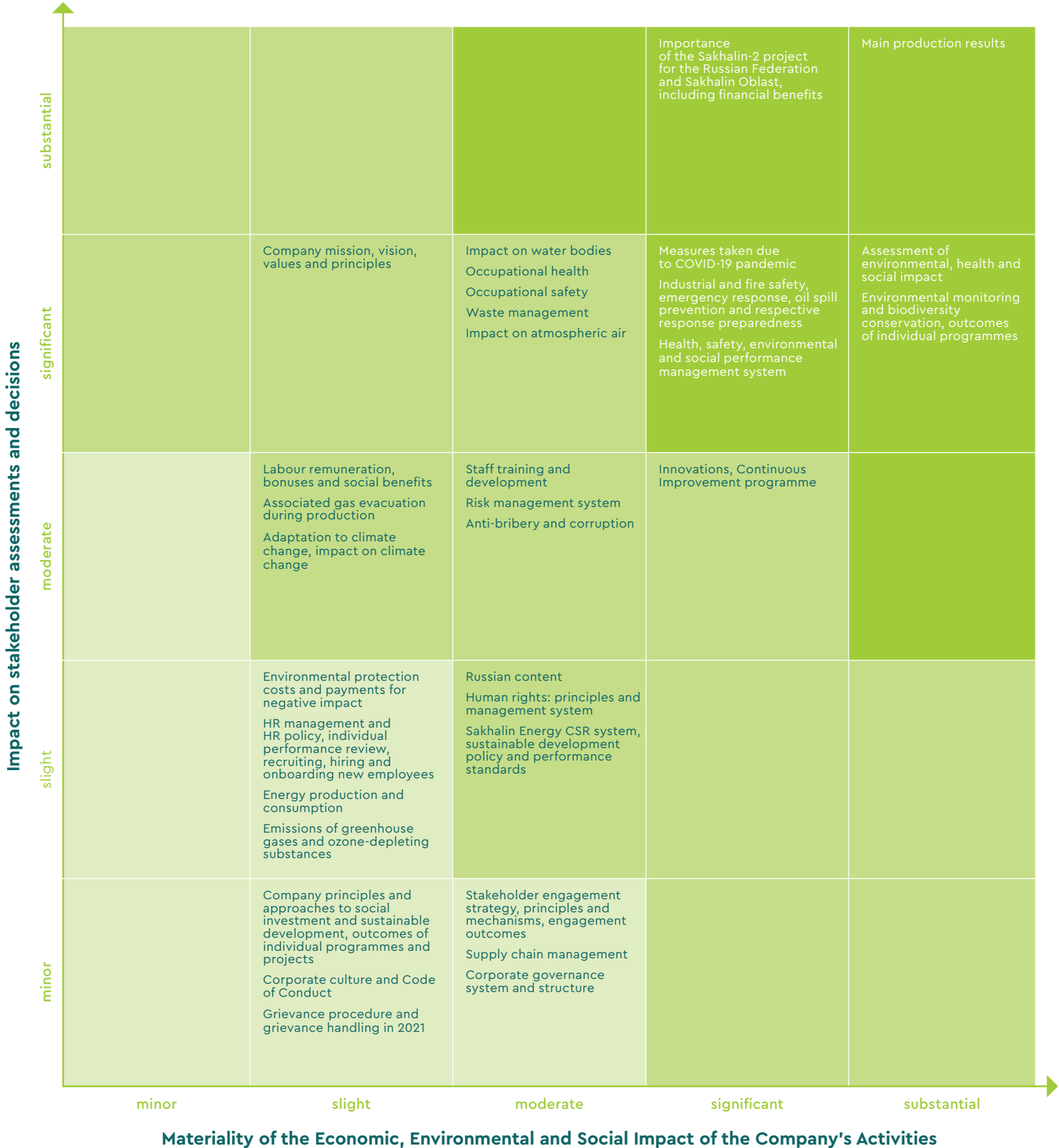
Stakeholder comments and suggestions concerning specific company aspects, indicators, and/or programmes to be included in the 2021 Report as well as corresponding responses and commitments of Sakhalin Energy are listed in Appendix 2 Comments and Suggestions of Stakeholders on Individual Aspects, Indicators and/or Programmes and Company's Response and Commitments.

2. Evaluation of topic materiality in terms of impact, based on two impact criteria:
- impact on stakeholder assessments and decisions;
 - significance of the economic, environmental, and social impact of the company's activities.

Evaluation results are presented in the Topic Materiality Evaluation Matrix.



Topic Materiality Evaluation Matrix



Rationale for Material Topics

Topics	Rationale	Stakeholders for whom the topic is the most material	Pertinent section of the Report
Main production results	Sakhalin Energy aims to be a premier energy source and conducts its business on the basis of efficient, reliable, and safe production, and a responsible attitude toward social and environmental issues	Shareholders, authorities, customers, personnel, contractors, community	4.2
The company's COVID-19 response actions	In the unprecedented epidemiological situation, it was critically important to ensure effective management of the company as an organisation with a continuous production cycle, and a process of operational decision making. For the purpose of prompt decision-making aimed at securing a seamless work flow and employee health support, the General Coordinating Committee and three command centres by key areas of activity that ensure the operation of the company in high emergency alert conditions continued their work in 2021	Shareholders, authorities, customers, personnel, contractors, community	4, 6, 9
Industrial and fire safety, emergency response, oil spill prevention and respective response preparedness Oil spill prevention and respective response preparedness	Ensuring industrial and fire safety, emergency response, oil spill prevention and respective response preparedness is an absolute priority for Sakhalin Energy. The company applies a comprehensive approach to addressing this important task	Shareholders, authorities, customers, personnel, community	4.3, 8.5
Assessment of the environmental, health and social impacts of the Sakhalin-2 project	The company is committed to conducting impact assessment before beginning any new activities or introducing significant changes to existing projects. This is in line with the due diligence approach, which is the basis for all risk management procedures. Sakhalin Energy seeks to avoid or reduce impact to the lowest possible level or to compensate for it by taking appropriate measures	Shareholders, authorities, customers, personnel, contractors, community	3.5.2, 8, 9
Innovation and continuous improvement	Sakhalin Energy's continuous improvement (CI) vision and strategy are aimed at creating a corporate culture where both managers and employees are motivated to search for effective ways of fulfilling business tasks with high economic returns without compromising safety or reliability, and are constantly involved in this process. Sakhalin Energy is implementing a digital transformation process to ensure corporate growth and development. The company sees digitalisation as a form of strategic management and a way to create new business opportunities	Shareholders, authorities, personnel, contractors	4.4
Risk management system	Sakhalin Energy believes that effective risk management plays an important role in achieving the company's objectives. The risk management system of the company is aimed at maximising opportunities or minimising negative effects of identified risks, including risks of failure to reach established goals, risks of losses, and negative factors affecting such areas as safety, operational excellence, respect for human rights, labour relations, health, safety and environment, anti-bribery and corruption, and others	Shareholders, authorities, customers, personnel, community	5.4
Anti-bribery and corruption	Sakhalin Energy assists its employees, business partners, contractors, and suppliers in fulfilling requirements for counteracting bribery and corruption	Shareholders, authorities, customers, personnel, community	5.6
HSE-SP Management System	The company considers a systematic approach to HSE and social performance management, which allows for continuous improvement in this area. The integrated HSE and social performance management system defines the controls that Sakhalin Energy uses in addressing unsafe situations and managing risks	Shareholders, authorities, customers, personnel, community	3.5
Stakeholder engagement strategy, principles and mechanisms, engagement outcomes	The company considers regular and meaningful engagement with stakeholders to be an important component of its successful business operations	Shareholders, authorities, customers, personnel, contractors, community	6



Topics	Rationale	Stakeholders for whom the topic is the most material	Pertinent section of the Report
Importance of the Sakhalin-2 project for the Russian Federation and Sakhalin Oblast, including financial benefits	The Russian Federation and the Sakhalin Oblast receive numerous benefits from the Sakhalin-2 project implementation, including financial and tax revenues to the budgets of the Russian Federation and the Sakhalin Oblast, new opportunities for developing advanced technologies, experience in managing complex high-tech projects, contracts with Russian companies, facilitation of employment growth, etc.	Shareholders, authorities, customers, personnel, contractors, community	7.1, 7.2
Russian content	Sakhalin Energy has identified the main areas and tools for increasing Russian Content, and outlined them in the Russian Content Development Strategy. The company gives priority to the implementation of the Standards Harmonisation Project, the creation of the Sakhalin Energy Production and Maintenance Facility, the implementation of the Vendor Development Programme and to increasing the effectiveness of internal measures aimed at Russian Content development	Shareholders, authorities, customers, personnel, contractors	7.3
Environmental monitoring and biodiversity conservation, outcomes of individual programmes Impact on atmospheric air Impact on water bodies Waste management Electricity production and consumption Emissions of greenhouse gases and ozone-depleting substances Associated gas evacuation during production Environmental protection costs and payments for negative impact Adaptation to climate change, impact on climate change	Due to its scope and complexity, the project can potentially have an impact on the environment, and Sakhalin Energy is committed to dealing systematically with these potential problems so as to mitigate risks and prevent negative consequences. Arranging and implementing industrial environmental control and monitoring, as well as conserving biodiversity, are essential components of the environmental impact management system	Shareholders, authorities, customers, personnel, contractors, community	4.5, 8
Personnel safety and labour protection Occupational health HR management and HR policy, individual performance review, recruiting, hiring and onboarding new employees Staff training and development Human rights: principles and management system Public grievance procedure and grievance handling in 2021 Company principles and approaches to social investment and sustainable development, outcomes of individual programmes and projects	The company and stakeholders attach special importance to social impact management, such as HR management and development, respect for and promotion of human rights, occupational safety and health, social investments, and contribution to the sustainable development of the host region	Shareholders, authorities, personnel, community	9

2.5.
DEFINITION OF THE REPORT SCOPE

The Report contains information on the activities of all structural units and assets of the company in all areas related to sustainable development, including economic, environmental, and social

impact that occurs both within (internal boundaries) and outside (external boundaries) the company.



2.6.
PUBLIC ENDORSEMENT OF THE REPORT

This Report was endorsed by means of an external public endorsement procedure of corporate non-financial reports at the highest professional level in the Russian Federation– an independent expert evaluation (public endorsement) of the Non-Financial Reporting Council of the Russian Union of Industrialists and Entrepreneurs (see Appendix 7 Certificate of Report Public Endorsement and Appendix 8 RUIE Non-Financial Reporting Council Conclusion on the Review of Sakhalin Energy Investment Company Ltd. 2021 Sustainable Development Report for the Purpose of Public Endorsement).

The primary focus of public endorsement is the relevance and completeness of the information

on the company's performance disclosed in the non-financial report according to the best practices of conducting business.

The company seeks to take into account the recommendations of experts recorded in the Conclusion of the RUIE Non-Financial Reporting Council on the Review of the Sakhalin Energy Investment Company Ltd. Sustainable Development Report. Information on the company's response to the recommendations of the RUIE Non-Financial Reporting Council is included in Appendix 2 Comments and Suggestions of Stakeholders on Individual Aspects, Indicators and/or Programmes, and the Company's Response and Commitments to this Report.



3

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

In 2021, for the sixth year in a row, Sakhalin Energy was among the leaders of the Sustainable Development Vector Index and the Responsibility and Transparency Index, compiled by the RUIE since 2014 for an independent assessment of companies in terms of sustainable development, corporate responsibility and reporting.





3.1.

INTRODUCTION

6th

year in a row Sakhalin Energy was among the leaders of Sustainable Development Vector Index and the Responsibility and Transparency Index

1st place

was taken by Sakhalin Energy in the social efficiency rating of the largest Russian oil and gas companies held by AK&M agency

For Sakhalin Energy, corporate social responsibility (CSR) is a cornerstone of its governance system, production and business activities, strategic development plans and proven reputation. It means doing business with responsibility to personnel, the community and other stakeholders, complying with the legislation of the Russian Federation, and applying international standards. Sakhalin Energy's activities in the area of CSR are aimed at implementing a strategy to improve the company's image and role in society, and to carry out its activities in compliance with the standards of sustainable development and good business ethics.

Due to a high degree of transparency and active stakeholder engagement, corporate governance at Sakhalin Energy has gradually transformed into the management of the company as an open system (see Section 5 Corporate Governance, and Section 6 Stakeholder Engagement Management). Sakhalin Energy has developed a system to take into account and control internal and external production, financial, technological, social, and environmental impacts, which allows the company to mitigate all types of risks in order to enhance its corporate sustainability (see Section 5.4 Risk Management System).

LEADER OF THE SUSTAINABLE DEVELOPMENT VECTOR AND THE RESPONSIBILITY AND TRANSPARENCY INDICES

In 2021, for the sixth year in a row, Sakhalin Energy was among the leaders of the Sustainable Development Vector Index and the Responsibility and Transparency Index, compiled by the RUIE since 2014 for an independent assessment of companies in terms of sustainable development, corporate responsibility and reporting.

In compiling the Responsibility and Transparency Index, the RUIE evaluates the disclosure of information in key areas of activity, analyses 70 indicators characterising responsible business practices, including economic, environmental, and social performance indicators, as well as governance aspects. The Sustainable Development Vector Index shows performance dynamics and therefore makes it possible to identify leaders among the largest companies — leaders in terms of transparency and, at the same time, demonstrating a generally upward trend in the area of sustainable development.



LEADER OF THE SOCIAL PERFORMANCE OF THE LARGEST RUSSIAN COMPANIES RANKING

In 2021, Sakhalin Energy topped AK&M's social performance rating of the largest Russian oil and gas companies. The rating is based on estimations with the use of publicly available information and two groups of indicators: the social performance of a business and its impact on the environment.

Successfully passing general independent assessments in CSR and sustainable development, the company remains a leader in certain sectors of this area as well, such as environmental impact management, HR management and personnel development, digital solutions, charity (see Sections 4, 8 and 9), etc.

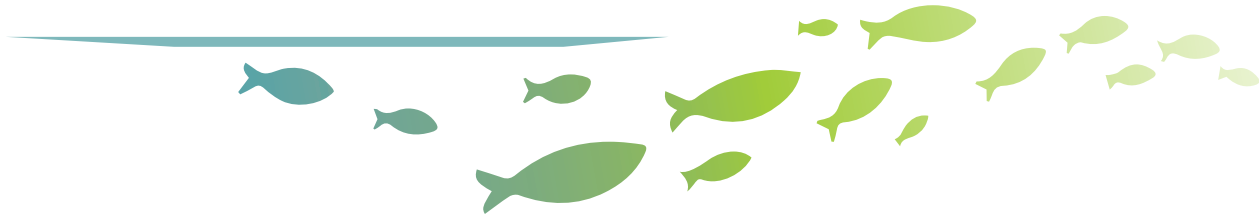
3.2.

SAKHALIN ENERGY'S CSR SYSTEM

Corporate social responsibility applies to all activities of Sakhalin Energy. This approach is supported by its mission, vision, and values. The practical aspects are addressed and approved in a number of corporate documents (see Section 5 Corporate Governance), including:

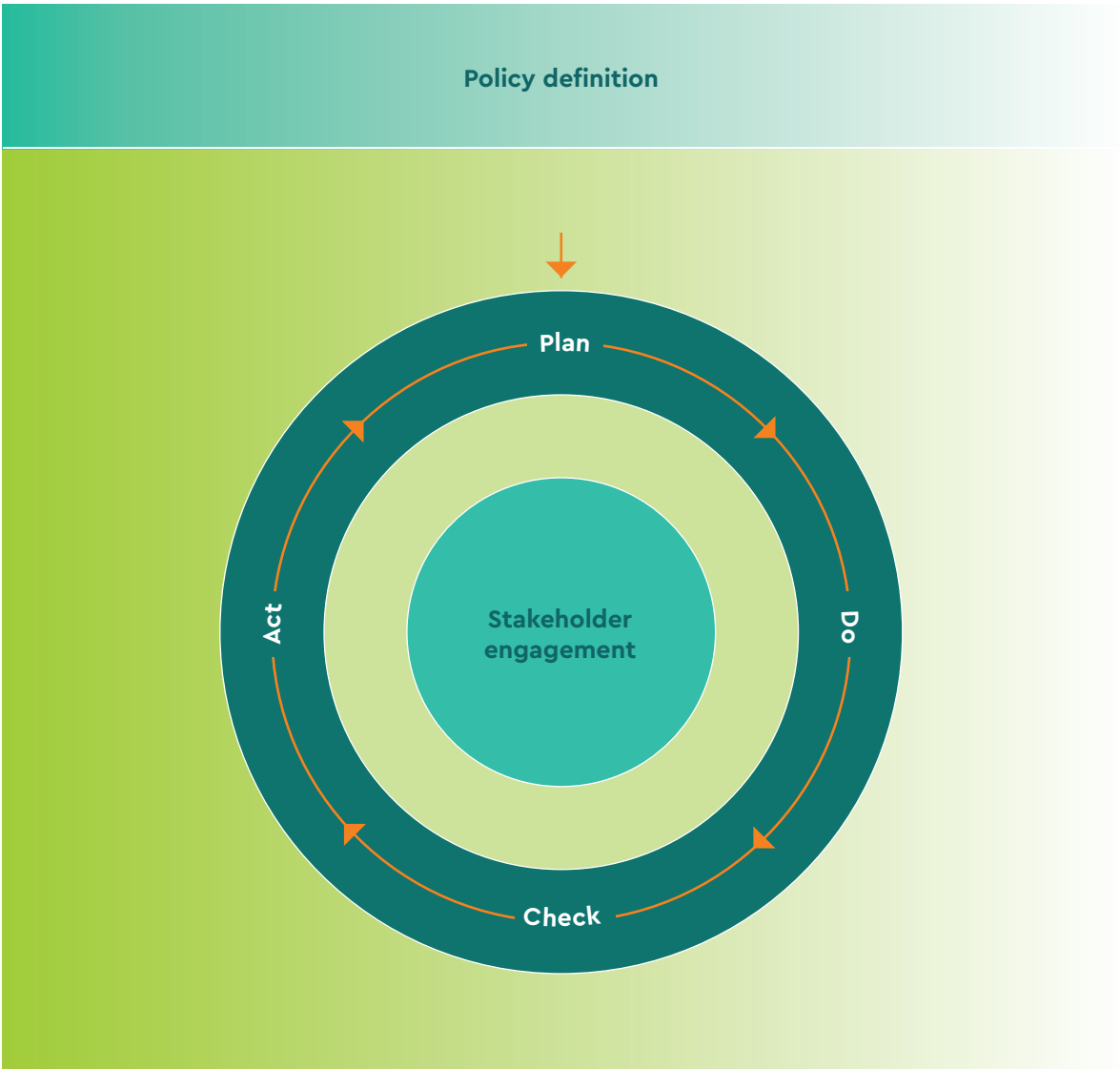
- Code of Conduct, including the Statement of General Business Principles;
- Sustainable Development Policy;
- Human Rights Policy;
- Commitment and Policy on Health, Safety, Environment and Social Performance;
- Contracting & Procurement Policy.

Sakhalin Energy applies an essential part of the requirements and business principles set out in these documents to its contractors. This is in line with the GRI Standards. In addition to special contractual provisions and specific requirements, including the results of environmental, health and social impact assessments (see Section 3.5.2 Impact Assessment), the company arranges training sessions and workshops to ensure the effective integration of business ethics and social and environmental principles into the work of its contractors, and control over compliance with these principles (see Section 7.4 Supply Chain Management).





Sakhalin Energy's CSR Management System



At Sakhalin Energy, CSR trends and indicators are regularly evaluated by authorised personnel and senior management within the company's system of internal oversight and audit, as well as by lenders, their advisers, and external certifying authorities. Assessments are also done through various stakeholder engagement activities, including:

- public consultations;
- workshops and topic-related discussions;

- opinion surveys;
- consultations in information centres established by the company in settlements located along the transsakhlin pipeline and in close proximity to other assets of Sakhalin Energy;
- addressing grievances and appeals, etc.

For detailed information on the mechanisms for interaction with different stakeholders, see Section 6 Stakeholder Engagement Management and Section 9.4 Human Rights.



3.3.
PERFORMANCE STANDARDS

The main international standards that Sakhalin Energy applies are as follows:

- the principles of the UN Global Compact (human rights, labour relations, environmental protection and anti-corruption);
- ISO standards (environmental management, quality control, health and safety, and social responsibility);
- European Union and United Nations standards and directives (environment, human rights, indigenous peoples, etc.);
- World Bank and International Finance Corporation standards (governance systems, risk and impact assessment, biodiversity, public health, cultural heritage, indigenous peoples, involuntary resettlement, stakeholder engagement, grievance mechanisms, etc.);
- GRI standards (non-financial reporting, stakeholder engagement);
- other standards and initiatives related to CSR, ESG and sustainable development (see Section 2.2 Report Preparation Standards and Section 3.4.3 UN Sustainable Development Goals).

3.4.
NATIONAL PROJECTS
OF THE RUSSIAN FEDERATION

3.4.1. BASIC PROVISIONS OF THE SUSTAINABLE
DEVELOPMENT POLICY

Since its inception, Sakhalin Energy has pursued its Sustainable Development Policy by incorporating corresponding principles into the company's business strategies, plans, and processes.

According to the UN definition, sustainable development is about ensuring that "the needs of the current generation are met without compromising the opportunity for future generations to meet their own needs." Sakhalin Energy relies upon this definition in its operation. This approach presumes and ensures economic effectiveness, environmental safety, social justice, and ethical behaviour of the company and its employees, combined with an overall reduction of human impact on the ecosphere. This is implemented via strong, transparent, constructive,

and systematic cooperation and two-way communication with all stakeholders.

In 2021, Sakhalin Energy consistently implemented the provisions of the Sustainable Development Policy, a public policy document, whose first version was approved by the Committee of Executive Directors in 2003. The policy declares the principles, directions and obligations of the company in sustainable development.

The basic provisions of the Sustainable Development Policy are as follows:

- Sakhalin Energy will carry out its business responsibly and efficiently so as to deliver a robust project that will maximise bene-



fits to the Russian Federation, the Sakhalin Oblast, and the shareholders;

- Sakhalin Energy will contribute to the present and future needs of society on Sakhalin Island, keeping a balance between economic development, environmental protection, and social responsibility, and taking into account cultural diversity;
- Sakhalin Energy will work with all stakeholders to identify ways to contribute to the

wider, long-term economic, environmental, and social benefits in Sakhalin Oblast.

The Policy includes the company's commitment to non-financial reporting and the contribution to the achievement of the UN Sustainable Development Goals (see Section 3.4.3 UN Sustainable Development Goals).

3.4.2. NATIONAL PROJECTS OF THE RUSSIAN FEDERATION

PARTNER OF NATIONAL PROJECTS

In early 2021, based on the results of an assessment of 98 practices included in the RUIE Library for conformity with the goals and objectives of the National Projects of the Russian Federation, National Priorities awarded the status of the Partner of National Projects to seven companies, with Sakhalin Energy among them. The company won this recognition for its contribution to the implementation of the goals and objectives of the Ecology, Culture, Demography and Education national projects.



National projects are a priority on the federal agenda in Russia. The key to their successful implementation is the synergy of the state, business and society. Environmental and social programmes and projects of the company, among other things, contribute to reaching the goals and objectives of national projects.

In particular, the Culture national project is aimed at consolidating society's identity based on the cultural values of the peoples of Russia; in this regard, the company implements various cultural projects that help to preserve and promote the Sakhalin indigenous minorities' culture and languages, to develop cultural institutions, arrange exhibitions, educational and other projects (see Section 9.5 Social Investment and Contribution to the Sustainable Development of the Host Region).

The company's programmes and projects on environmental protection and biodiversity preservation meet the goals and objectives set by federal projects such as Biodiversity Protection and Ecotourism Development, Preservation of Unique Water Bodies, which form part of the Ecology national project (see Section 8 Environmental Impact Management).

The implementation of the priority tasks of the Demography national project is facilitated by the company's measures to prevent diseases and improve the health of personnel, to motivate them to adopt a healthy lifestyle (see Section 9.3 Occupational Health), as well as by projects on creating conditions for sports and involving non-profit organisations in promoting public health in the host region (see Section 9.5 Social Investment and Contribution to the Sustainable Development of the Host Region).

The strategic objectives of the Education national project are to enhance the competitiveness of vocational education, create conditions for personal development and career growth, and introduce a system for continuous development of professional skills. For their implementation, personnel L&D plans are drafted in Sakhalin Energy every year, depending on production tasks, career development and competence assessment of employees; various programmes aimed at localising quality education in the region, career guidance, training and employment of youth on the island are developed (see Section 9.1.7 Personnel Training and Development and Section 9.5 Social Investment and Contribution to the Sustainable Development of the Host Region).

3.4.3. UN SUSTAINABLE DEVELOPMENT GOALS

At the 70th session of the UN General Assembly in September 2015, a new global agenda was adopted — Transforming Our World: The 2030 Agenda for Sustainable Development, which includes 17 Sustainable Development Goals (SDGs), which seek to build on the Millennium Development Goals. One of the specific features of the new Goals is the chosen

approach to achieve them: the SDGs are addressed not only to governments, but also to other participants in the sustainable development process, in particular business, civil society, and all individuals. The universal character of the SDGs allows companies to adopt a set of Goals that best corresponds to their activities and existing CSR programmes.

In early 2021, the company became a member of the Expert Council for Sustainable Development affiliated with the Ministry of Economic Development of Russia. The purpose of the Expert Council is to create conditions for professional and expert discussion of methods and tools for achieving the UN Sustainable Development Goals (SDGs) with the Russian business community, as well as adapting the activities of Russian companies to the changes in the international environment against the background of the global transition to sustainable development models.



UN Sustainable Development Goals: Sakhalin Energy's Measures



In its activities for the achievement of the SDGs, Sakhalin Energy primarily focuses on the following international documents:

- **SDG Compass for Business**, developed by the United Nations Global Compact, the GRI and the World Business Council for Sustainable Development (WBCSD);
- **Mapping the Oil and Gas Industry to the Sustainable Development Goals: an Atlas**, developed by the International Petroleum Industry Environmental Conservation Association (IPIECA) in partnership with the International Finance Corporation (IFC) and the United Nations Development Programme (UNDP);
- **SDG Industry Matrix**, developed by the UN Global Compact and KPMG;
- a number of Russian and international documents related to corporate SDG reporting (see Section 2.2 Report Preparation Standards).

At the end of 2015, Sakhalin Energy initiated work to study the SDGs and to define the company's contribution to achieving them, including:

- making a preliminary analysis of the SDGs to align the targets and indicators they set with the priorities, objectives, areas of activity, programmes and projects of the company (2015–2016);



- making a commitment to achieve the SDGs. The company's commitment to contribute to the achievement of the SDGs is enshrined in the corporate Sustainable Development Policy: Sakhalin Energy strives to be a leader in sustainable development, taking into account the Sustainable Development Goals set out in the 2030 Agenda for Sustainable Development (revised in 2016);
- defining priorities and goals — analysing the company's priorities and goals and defining the most significant SDGs in terms of their importance to the company's activities and contribution to their achievement (since 2016, annually). When determining the company's priorities and goals in relation to the SDGs, a fundamental condition is the engagement of stakeholders in the process of exchanging ideas about possible ways for the company to achieve the SDGs. Since 2016, relevant issues have been put on the agenda of dialogues with external stakeholders in the preparation of Sustainable Development Reports and discussions with company personnel. In 2017, questions regarding these issues were added to questionnaires for stakeholders to determine the content of the Sustainable Development Report. As a result, in 2021, the company stakeholders named SDGs 3, 4, 7, 8, 9, 11, 12, 14, 15 and 16 to be the most significant for Sakhalin Energy (see Section 2.2 Report Preparation Standards).
- integrating commitments and goals with the processes and practices of the company. An analysis showed that the company's existing processes, programmes, and practices in the field of sustainable development contribute to the achievement of most of the SDGs (since 2016). Sakhalin Energy analysed SDG targets and global indicators to identify

the company's corresponding specific processes and practices and the relevant corporate indicators. It was important that corporate indicators should demonstrate the efforts the company makes to achieve the global indicators of the relevant SDGs. In 2021, the company considered additional measures and indicators in favour of SDGs, in particular, those aimed at achieving SDG 13 and related SDGs (see Section 8.2.7 Green LNG Strategy and Carbon Regulation), SDG 4 and SDG 8 (see Section 9.1 Personnel: Management and Development, Section 9.2 Personnel Safety and Labour Protection), as well as analysed new tools for integrating SDGs into the organisation detail (for example, the Impact Standards for Achieving the Sustainable Development Goals prepared by the United Nations Development Programme (UNDP) in 2021). The summary of the analysis results is presented in the Goals and Objectives of Sakhalin Energy with Examples of Areas of Activity, Projects, Programmes or Activities That Correspond to Specific SDGs and Their Targets, as Well as Key Corporate Indicators table. In addition, Appendix 1. GRI Standards Compliance Table contains SDGs that correspond to specific topics/targets of GRI standards;

- public reporting. The company made a decision to include information on its contribution to SDGs achievement in annual Sakhalin Energy Sustainable Development Reports (starting with the 2016 Report and at least until 2030), as well as in its annual reporting as a participant of the UN Global Compact (Communication on Progress).

All structural units of Sakhalin Energy are involved in the above-mentioned activities with respect to the SDGs.




In 2021, Sakhalin Energy became one of the leading companies in the national rating of information disclosure on UN SDG integration. The rating was initiated and supported by RUIE using the RUIE ESG indices following the PWC methodology in Russia.



Goals and Objectives of Sakhalin Energy with Examples of Areas of Activity, Projects, Programmes or Activities That Correspond to Specific SDGs and Their Targets, as Well as Key Corporate Indicators

SDGs and Their Targets	Company Goals and Objectives	Areas, Programmes, Projects (Examples)	Indicators (Included or Referenced to in the Report)	Report Section(s) and/or Other References
 1.1 1.2 1.4 1.5	Provide an attractive and competitive employee value proposition. 70% Russian Content over the life of the Project (as per the PSA). Contribute to sustainable development of the host regions (Sakhalin Oblast).	Remuneration and bonus system. Social guarantees, benefits and compensations. COVID-19 response actions. Digital strategy. Localisation projects (Sakhalin Energy maintenance and repair facility in the Sakhalin Industrial Park). Standards harmonisation project. Continuous Improvement Programme. Digitalisation projects. Supplier management. Supplier Development Programme.	Ratio of the standard entry level wage and the established minimum wage. Russian and local content. Significant indirect economic impacts. Intellectual property rights portfolio. Grievance resolution indicators. Units with significant actual or potential negative impact on local communities. Operations involving involuntary resettlement, the number of households resettled in each case, and how their livelihoods were affected by the resettlement.	4, 6, 7, 9.1, 9.2, 9.4, 9.5; for references, see Appendix 4: — Sakhalin Oblast infrastructure development; — Resettlement: Experience of Sakhalin Energy brochure; — websites of social investment projects and programmes; — Archaeological Heritage of Sakhalin Island brochure; — Best Practices Book, volume 4 (Work During the COVID-19 Pandemic)
 2.3 2.4	Resolve grievances from stakeholders effectively, paying special attention to vulnerable groups.	Financial benefits to the RF and Sakhalin Oblast. Sakhalin Island Infrastructure Improvement. Grievance mechanisms.	Environmental and social impact management. Resettlement Action Plan. SIM engagement practices (in accordance with the Human Rights Policy, indigenous peoples are a vulnerable group).	
 9.1 9.4	Conduct effective and timely environmental, social and health impact assessment. Introduce innovative solutions and carry out digital transformation.	Environmental and social impact management. Resettlement Action Plan. SIM engagement practices (in accordance with the Human Rights Policy, indigenous peoples are a vulnerable group).	Social investment programmes and projects. Cultural heritage protection plans. Projects to preserve indigenous minorities' cultural heritage, culture and languages. Road safety assurance activities	
 11.1 11.2 11.4				
 12.7 12.8				
 3.3 3.5 3.6 3.8 3.9	Goal Zero: No Harm. No Leaks. Ensure employee health protection	Occupational safety and health (measures to ensure industrial and fire* safety, health, road safety, etc.). Employees' health protection (assessment of health risks, occupational health, organisation of medical examinations, emergency medical response, voluntary health insurance and disease prevention programmes, etc.). COVID-19 response actions. Industrial environmental control	Occupational injury rate. Occupational disease rate. Total number of work-related fatalities. Occupational safety costs*. Coverage of employees carrying out activities in hazardous, dangerous and arduous working conditions via mandatory periodic medical examinations. Coverage of employees via clinical screening. Greenhouse gas emission indicators. Emissions of ozone-depleting substances. NOX, SOX and other significant air pollutant emissions. Total water discharge by quality and destination. Total weight of waste by type and disposal method. Total number and volume of significant spills. Volume of flared and vented hydrocarbon. Number of road accident victims	9.2, 9.3, 8.2, 8.5 for references, see Appendix 4: — Public Relations. Best Practices Book, volume 4 (Work During the COVID-19 Pandemic)



SDGs and Their Targets	Company Goals and Objectives	Areas, Programmes, Projects (Examples)	Indicators (Included or Referenced to in the Report)	Report Section(s) and/or Other References
 4.3 4.4 4.5 4.7	Meet the company's skilled labour force requirements to manage ongoing and strategic objectives. 70% Russian Content over the life of the Project (as per the PSA). Contribute to sustainable development of the host regions (Sakhalin Oblast)	Staff training and development activities. COVID-19 response actions. Localisation projects (Sakhalin Energy maintenance and repair facility in the Sakhalin Industrial Park). Standards harmonisation project. Continuous Improvement Programme. Supplier management. Supplier Development Programme. Financial benefits to the RF and Sakhalin Oblast. Engagement with universities. Measures for localising quality education in the host region*. Remuneration and bonus system. Social guarantees, benefits and compensations. Measures to ensure occupational safety and health of personnel	Average hours of training per year per employee by gender and employee category, including by training type*. Proportion of trained personnel by gender and employee category. Staff training costs. Indicators of skill development and education programmes, including for graduates, trainees, etc. Proportion of employees receiving regular performance and career development reviews, by gender and employee category. Russian and local content. Ratio of the standard entry level wage and the established minimum wage. Return to work after parental leave, by gender. Occupational injury rate. Occupational disease rate. Total number of work-related fatalities. Number of road accident victims	7, 9.1, 9.2, 9.3 for references, see Appendix 4: — Public Relations. Best Practices Book, volume 4 (Work During the COVID-19 Pandemic)
 8.1 8.2 8.3 8.5 8.6 8.8				
 5.1 5.2 5.4 5.5	Comply with Russian legislation and international standards for respecting, protecting and promoting human rights	Assure gender equality and non-discrimination in all aspects of labour relations, including recruitment, selection, hiring, assessment, promotion, training of employees, maintaining discipline, teaching and development, compensation, and termination of employment contracts. COVID-19 response actions. Social investment programmes	Total number of discrimination cases and corrective actions taken. Ratio of the basic salary of men and women. Composition of governance bodies and main employee categories by gender and age group. Proportion of employees receiving regular performance reviews, by gender and employee category. Average hours of training per year per employee by gender and employee category. Number of employees with disabilities. Proportion of trained personnel by gender and employee category. Return to work after parental leave, by gender. New employee hires and employee turnover by age group and gender. Ratio of the standard entry level wage and the established minimum wage	9.1, 9.5 for references, see Appendix 4: — Public Relations. Best Practices Book, volume 4 (Work During the COVID-19 Pandemic)
 10.3				

Note: since SDGs are complex and indivisible, the goals and objectives of the company, with examples listed, are presented for several SDGs simultaneously. See Section 10 for 2022–2026 key performance indicators and corresponding SDGs.

* Additional SDG programmes, projects and indicators were identified in 2021.



SDGs and Their Targets	Company Goals and Objectives	Areas, Programmes, Projects (Examples)	Indicators (Included or Referenced to in the Report)	Report Section(s) and/or Other References
 6.3 6.4 6.6	Implement effective and lean manufacturing methods. Introduce innovative solutions and digitalisation of all processes.	Operation of gas turbines with a system for reducing nitrogen oxide emissions. Application of enhanced gas turbulence system to ensure sootless flaring.	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal.	2, 4, 6, 8
 7.3	Comply with legislation on environmental protection, observance of established environmental standards, assurance of the rational use of natural resources, and fulfilment of plans for minimising environmental impact	Associated gas evacuation. Drilling waste disposal via dedicated reinjection wells into deep subsurface horizons with sealing barrier formations. Enhanced operational reliability and failure-free service of equipment.	Volume and disposal of formation or produced water.	
 8.4		Business Continuity Management System. Industrial Environmental Control of impact on atmospheric air and bodies of water, waste management. Power saving and enhanced energy performance.	Volume of flared and vented hydrocarbon. Rate of associated gas burning.	
 9.5		Stakeholder engagement practices. Green LNG Strategy and carbon control, including shipments of carbon neutral products	Total weight of waste by type and disposal method.	
 12.2 12.4 12.5 12.6		to purchasers, the Carbon Polygon project, measures to further reduce greenhouse gas emissions of the integrated gas chain, the use of green oil tankers, etc.*	Total water discharge by quality and destination.	
 13.1		Public reporting on sustainable development	NOX, SOX and other significant air pollutant emissions.	
			Emissions of ozone-depleting substances.	
			Energy indirect greenhouse gas emissions.	
			Direct greenhouse gas emissions.	
			Specific greenhouse gas emission.	
			Energy intensity.	
			Energy consumption within the organisation.	
			Specific power consumption.	
			Total water withdrawal by source.	
			Water sources significantly affected by the organisation's water intake.	
			Specific water use indicators.	
			Total number and volume of significant spills.	
			Operational sites on, or adjacent to, protected natural areas and areas of high biodiversity value outside protected areas.	
			Soils disturbance and restoration*.	
			Impacts of activities on biodiversity in protected natural areas and areas of high biodiversity value.	
			Number of species listed in the IUCN Red List and the National List of Protected Species.	
			New environmentally assessed suppliers.	
			Environmental costs and payments for adverse environmental impact, including their structure	

* Additional SDG programmes, projects and indicators were identified in 2021.



SDGs and Their Targets	Company Goals and Objectives	Areas, Programmes, Projects (Examples)	Indicators (Included or Referenced to in the Report)	Report Section(s) and/or Other References
 14.1 14.2 14.3 14.a	Goal Zero: No Harm. No Leaks. Assess the condition and restoration of the environment in the areas of the company's production assets, to identify signs of the current impact, and to develop actions to mitigate it, if necessary.	Assess environmental risks and impacts. Green LNG Strategy and carbon control, including shipments of carbon neutral products to purchasers, the Carbon Polygon project, measures to further reduce greenhouse gas emissions of the integrated gas chain, the use of green oil tankers, etc.*	Volume of flared and vented hydrocarbon. NOX, SOX and other significant air pollutant emissions.	8
 15.1 15.2 15.5 15.9	Conduct effective and timely environmental, social and health impact assessment. Impact mitigation, develop and implement actions aimed at the preservation of rare and endangered species, as well as environmentally significant and vulnerable biotopes	Operational compliance action plan. Coordinated programmes for biodiversity conservation and local monitoring. Maintain and improve emergency response and oil spill response mechanisms, rescue oiled animals	Energy indirect greenhouse gas emissions. Direct greenhouse gas emissions. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	for references, see Appendix 4: — Biodiversity Action Plan; — Marine Mammal Protection Plan; — Oil Spill Prevention and Response Plans; — Oiled Wildlife Response Plan
 16.1 16.2 16.3 16.5 16.6 16.7 16.10	Comply with all applicable laws and regulations of the countries in which the company operates. Effective corporate governance. Corporate culture management. Anti-bribery and corruption enforcement. Provide all stakeholders with safe and confidential ways of expressing concerns and grievances, or reporting non-compliances	Availability of the General Business Principles, values, norms and standards of the Code of Conduct. Anti-bribery and corruption actions. Feedback and grievance mechanisms. Assurance of safety with respect for human rights. Conflict of Interest Policy. Stakeholder engagement practices, including open public consultations and public sustainable development reporting	Total number of non-monetary sanctions for non-compliance with environmental laws and regulations. Operational sites on, or adjacent to, protected natural areas and areas of high biodiversity value outside protected areas. Soils disturbance and restoration*. Impacts of activities on biodiversity in protected natural areas and areas of high biodiversity value. Recovery of wetlands in disturbed areas of the ROW. Changes in the status of nesting populations, protected plant and animal species and their habitats. Changes in aquatic ecosystems. State of soils. Overgrowing of the ROW. Number of species listed in the IUCN Red List and the National List of Protected Species. Total amount and volume of significant spills	2, 5, 6, 9.4; for references, see Appendix 4: — Code of Conduct; — Human Rights: Experience of Sakhalin Energy brochure

* Additional SDG programmes, projects and indicators were identified in 2021.



One of the conditions for achieving the SDGs, which is also highlighted as separate Goal 17, is to join efforts in global, regional, or local partnerships, uniting governments, businesses, and the community. Sakhalin Energy pays special attention to long-term strategic partnerships engaging external stakeholders. This applies to environmental projects, production localisation and personnel development programmes, social investment, etc. (see Section 6.9 International and Regional Cooperation, Section 7.3 Russian Content, Section 8 Environmental Impact Management, Section 9.1 Personnel: Management and Development, Section 9.5 Social Investment and Contribution to the Sustainable Development of the Host Region).

Sakhalin Energy continued promoting the SDGs in the business community. In 2021, in particular:

- Sakhalin Energy was the only Russian company whose experience was included in the compilation of the best practices of the UN Global Compact. In total, the collection contains 31 international example that demonstrate various approaches to the implementation of the SDGs;
- the company's practices were included in the collection of corporate practices called Rus-

sian Business and Human Rights, prepared as part of the joint work of the RUIE Committee on Corporate Social Responsibility and Sustainable Development, the RUIE Corporate Responsibility, Sustainable Development and Social Entrepreneurship Department, in cooperation with the UNGC National Network in Russia and with the support of the Office of the UN High Commissioner for Human Rights (OHCHR) and Sakhalin Energy. The collection features the experience of 32 companies in various economy sectors reflected in their active participation in achieving the goals of the 2030 Agenda for Sustainable Development (SDGs-2030) and human rights as regards entrepreneurship, as well as information and analytical materials of RUIE and OHCHR, ESG leaders of the RUIE's indices in the area of corporate sustainability, responsibility and transparency, and recommendations of the Respect for Human Rights as an Indicator of Corporate Responsibility conference.

- Sakhalin Energy was an active participant in a number of national and international events whose agenda included discussion of issues related to CSR, ESG, and SDGs (see Section 6.9 International and Regional Cooperation).



3.5.

HSE AND SOCIAL PERFORMANCE MANAGEMENT

3.5.1. HSE AND SOCIAL PERFORMANCE MANAGEMENT SYSTEM

The company is committed to preventing potential damage to the community and environment as a result of its operations and to contributing to sustainable development to benefit the residents of Sakhalin and other primary stakeholders. Since the beginning of the Sakhalin-2 project implementation, the Russian Federation and Sakhalin Oblast have received numerous benefits from it, including billions in investments, employment growth, contracts with Russian companies, etc. (see Section 7.1. Importance of the Sakhalin-2 Project for the Russian Federation and Sakhalin Oblast). Understanding that the scope and complexity of the project can have an impact on the environment and on social performance, Sakhalin Energy made a commitment to consistently prevent associated potential problems and adverse impacts, and to reduce risks. In its operations, the company adheres to the principle of eliminating hazards and threats by paying special attention to preventive risk management and impact assessment (see Section 5.4. Risk Management).

Health, safety, environment, social performance, and industrial safety management is an integral element of the corporate management system and is regulated by a number of fundamental documents that include:

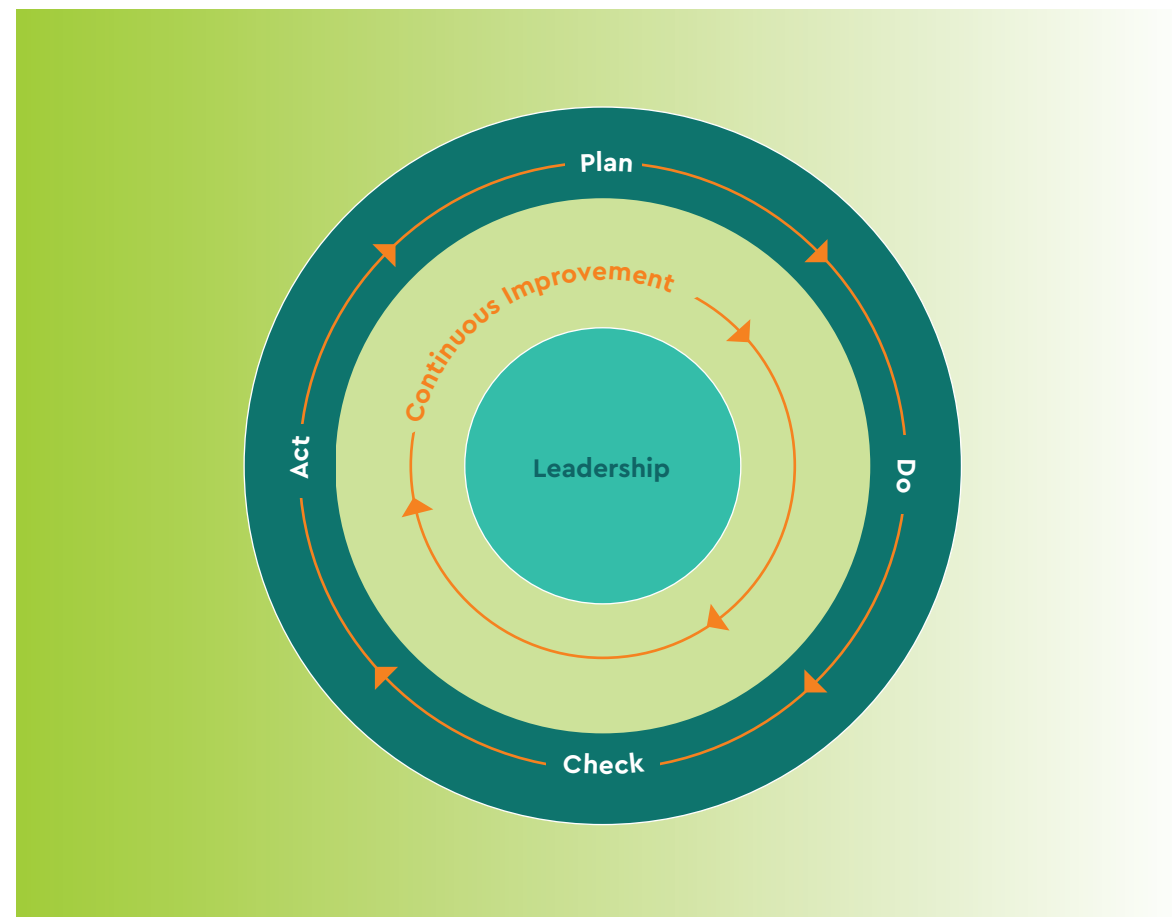
- Sustainable Development Policy;
- Commitment and Policy on Health, Safety, Environment and Social Performance;
- HSE and SP Management System Manual;
- Health, Safety, Environment and Social Action Plan;
- Flaring Commitment;
- Statement of Industrial Safety Policy;
- Policy on the Industrial Safety Management System;
- Regulation on Industrial Environmental Control;
- Business Continuity Policy;
- Guidance on the Business Continuity Management System.

The above documents were approved by the Committee of Executive Directors, signed by the Sakhalin Energy Chief Executive Officer, and communicated to the personnel and contractors.

The commitments adopted by the company following the results of the Environmental, Social and Health Impact Assessment, conducted before the start of the Phase 2 construction work, are included in the Health, Safety, Environment and Social Performance Action Plan (hereinafter — the Plan). The Plan was developed in compliance with Russian laws and international standards in the social sector and HSE, and provides detailed information on measures to minimise adverse environmental impact, on monitoring, and on activities in environmental and social areas.



HSE and Social Performance Management System



The company applies a systemic approach to handling HSE and social performance issues, which ensures continuous improvement in this area. The comprehensive HSE and SP management system includes controls used by Sakhalin Energy to handle hazardous situations and risks. This system is applied to all Sakhalin Energy assets, projects, and works, including those performed by contractors.

The system is based on the Plan-Do-Check-Act Methodology of international occupational health and safety standards ISO 14001 and ISO 45001 (replacing OHSAS 18001).

The Plan-Do-Check-Act Methodology is applied in order to:

- identify goals and establish procedures necessary to achieve performance indicators in compliance with the Commitment and Policy on Health, Safety, Environment and Social Performance. This includes identifying legal and other requirements, determining problems and risks, assessing impacts, identifying management elements, as well as developing annual performance improvement plans;
- implement procedures for training and advanced training, contractor performance management, engagement and interaction, change management, emergency response, as well as operational control over hygiene, personal safety, integrity of assets, and industrial safety. The procedures cover the issues of transportation, health, safety, en-



vironment, and social performance, including those associated with public activities, cultural heritage, land acquisition, relocation and provision of additional assistance, conducting scheduled consultations and sharing information with the community, grievance consideration; and with social investments;

- monitor and assess performance in accordance with the established objectives, legal and other requirements; provide reports on findings, incidents, and non-compliances; take corrective and preventive measures; conduct audits of the HSE and social performance management system at the company's assets and in functions;

- regularly perform a review of the management system and promote continuous optimisation of HSE and SP performance.

The Sakhalin Energy HSE and SP management structure consists of the HSE Management Committee, which exercises comprehensive control over the area. The Committee is chaired by the company's Chief Executive Officer. The HSE General Manager reports to the CEO and oversees development, implementation, operation, and monitoring of the management system. To ensure the fulfilment of industrial safety and HSE standards, HSE services were formed in the company's structural and functional units.

Every 3 years Sakhalin Energy is certified against ISO 14001 environmental management standard and occupational safety standard ISO 45001.

Surveillance audits are carried out annually.

In April 2021, the company was certified to the new version of ISO 45001:2018, and was recertified to ISO 14001:2015.

In November 2021, the Lenders and External Consultants completed the environmental audit and annual monitoring of the company. The audit programme included performance check of measures implemented by the company to prevent the spread of the coronavirus infection, environmental audit of the OPF and Molikpaq platform, as well as a monitoring visit to the OPFC and the Prigorodnoye PC. The auditors highly appraised the findings and commended the company's sanitary and anti-epidemic measures, internal and external communications and additional charitable initiatives, including healthcare initiatives.

Sakhalin Energy has once again proved the validity of its guarantees to external stakeholders that its environmental impacts are under control and its environmental management approaches are continuously improving.



3.5.2. IMPACT ASSESSMENT

The company is committed to conducting an impact assessment prior to any new activities or significant changes in existing projects. This is the basis of the due diligence approach and of all risk management processes.

Impact management is the process of predicting and managing future project activities by improving project solutions, taking measures targeted at minimising potential adverse impacts and increasing benefits from the company's activities.

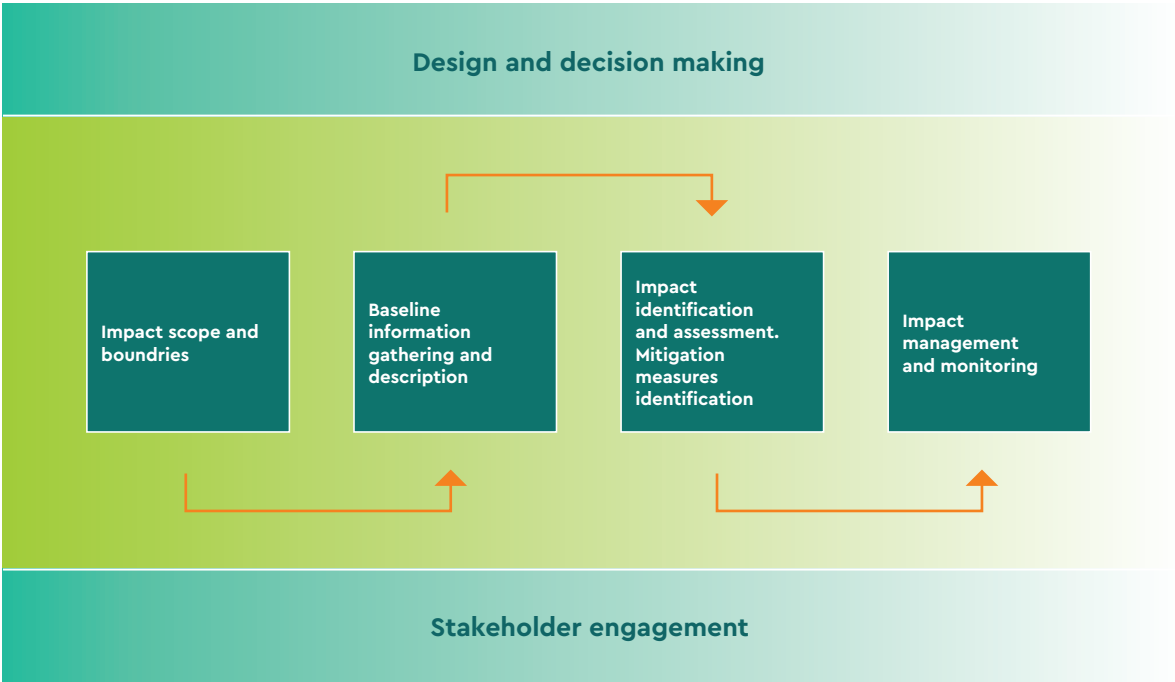
Sakhalin Energy seeks to avoid or reduce the impact to the lowest possible level or to compensate for it by taking appropriate measures. When any potential adverse impact is identified,

the following actions are consistently developed and taken:

- avoid;
- prevent;
- mitigate;
- compensate;
- use experience to reduce the probability of occurrence.

An integral part of any impact assessment carried out by the company are consultations with the stakeholders to inform them about the planned activities, identify concerns, take into account their opinions, and discuss possible measures to manage the impact.

Stages of Impact Assessment



The results of previous environmental and social impact assessments (including the results of comprehensive and strategic environmental assessments as well as required additional and special studies) are taken into account in the company's standards, while its ongoing activities are based on relevant plans and programmes. The state authorities control their suitability and completeness.

In 2021, the company held two public discussions of Restoration of Well Stock at Astokh Area

of Piltun-Astokhskoye Oil and Gas Condensate Field Design Documentation (group 6) containing a section titled List of Environmental Protection Measures, including the EIA. The discussion was held in Nogliki and Okha.

- The company provided responses to all questions raised during the meetings.
- Participants did not express negative views on the planned activities.

3.5.3. INSPECTION AND AUDIT

Since 2005, external and internal inspections and audits have been conducted to ensure control over all the elements of the integrated HSE and SP management system in compliance with approved annual plans. External audit is conducted by representatives of the company's shareholders and lenders, external certifying authorities and other inspectors. For internal audits, the company engages specially

trained auditors — qualified employees of the company and shareholder specialists.

In 2021, six external HSE and SP management system audits were conducted (see the Inspections and Audits of the HSE and SP Management System in 2021 table). The company conducted internal inspections of 51 contractors for environmental compliance.

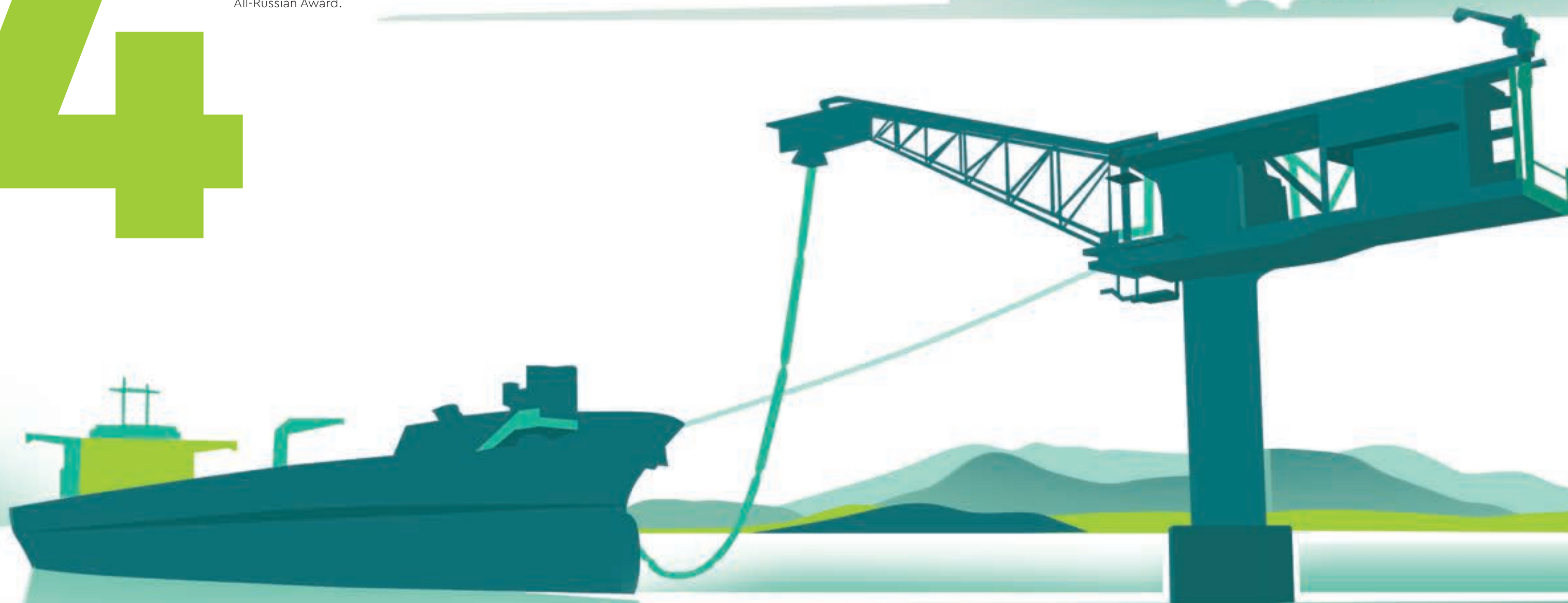
Inspections and Audits of the HSE and SP Management System in 2021

Audit level	Number of audits	Content
External	6	Certification audit under ISO 45001 Health and Safety Management System, recertification audit under ISO 14001 Environmental Management System
		Audit of the incident investigation and learning process at the corporate and asset level
		Safety rules compliance preparedness check during overhaul at the LNG plant
		Occupational safety inspection of underwater operations
		Audit of contracted air carriers
		Monitoring of compliance with HSE and SP standards by lender representatives — by an independent environmental consultant

4

ABOUT THE COMPANY

The company for the fifth year in a row has landed at the top of the ranking in the Main Category of the Labour Productivity: Russian Industry Leaders 2021 All-Russian Award.





The Company Won in the Main Category of the Labour Productivity: Russian Industry Leaders 2021 All-Russian Award.

Having achieved a labour productivity indicator of 153.11 mln roubles/person per year, Sakhalin Energy headed the list of Top 100 major enterprises in the country's key industries. To calculate the performance indicators of the nominees, the organisers studied data of more than 5,000 Russian industrial enterprises. Sakhalin Energy has landed at the top of the ranking for the fifth year in a row.

>43 mln t
of oil

has been produced by the PA-A platform since the commencement of field development

4.1. SAKHALIN ENERGY

Sakhalin Energy Investment Company Ltd. (hereinafter referred to as Sakhalin Energy or the company) was founded in 1994 to develop the Piltun-Astokhskoye and the Lunskoye oil and gas condensate fields in the Sea of Okhotsk offshore Sakhalin Island.

Sakhalin Energy operates under the Sakhalin-2 project Production Sharing Agreement (PSA), which has been signed by the company and the Russian Federation, represented by the Government of the Russian Federation and the Sakhalin Oblast Administration (currently, the Sakhalin Oblast Government).

The following companies hold shares in Sakhalin Energy through their subsidiaries: Gazprom (50% plus one

share), Shell, a British-Dutch company (27.5% minus one share), Mitsui (12.5%) and Mitsubishi (10%), Japanese corporate groups.

To develop these two fields, the company has built a large-scale infrastructure for the extraction, transportation, processing and subsequent marketing of hydrocarbons. The infrastructure includes three fixed offshore platforms, offshore and onshore pipeline systems, an onshore processing facility, two booster stations, an oil export terminal with a tanker loading unit, a liquefied natural gas (LNG) plant with an LNG jetty, and gas transfer terminals. Sakhalin-2 has been one of the most technically complex projects implemented in the global oil and gas industry over the last few decades.

4.2. MAIN PRODUCTION RESULTS IN 2021

4.2.1. ASSETS

In 2021, the company successfully conducted and completed the largest major turnaround of gas facilities in its history. With both Trains shut down, work was carried out at the Lunskoye-A (LUN-A) offshore gas production platform, the Onshore Processing Facility (OPF), Booster Station No. 2 (BS-2), and the LNG plant of the Prigorodnoye Production Complex.

Moreover, construction of the Battery Limit Station (BLS) was completed. In the future, it will allow for the commissioning and subsequent start up operations of the booster station without interrupting production (see Section 4.2.1.7 Major turnaround).



4.2.1.1. Piltun-Astokhskoye-A (Molikpaq/PA-A) Platform

For over 20 years, Molikpaq has been the company's main oil production platform.

Over the first nine years, beginning in 1999, hydrocarbons were produced only during the ice-free season. In December 2008, the platform commenced year-round production.

As of the end of 2021, the operating well stock of the Molikpaq platform included 16 oil pro-

duction wells, seven water injection wells, and one cutting re-injection well. The platform's average daily production rate in 2021 was 4,090 t (30,170 bbl) of oil and 0.45 mln m³ of associated gas.

Since the commencement of field development, the PA-A platform has produced more than 43 mln t (over 319 mln bbl) of oil, including 1.49 mln t (11.01 mln bbl) produced in 2021.



In 2021, the company continued the integrated rig refurbishment and upgrade of auxiliary equipment. Lifting operations to move three heavy-weight drill mud pumps and two re-injection pumps from the supply vessel into platform modules were successfully completed.

For the first time in ten years, pigging of Chaivo, the 14-inch PA-A underwater gas pipeline, was conducted at the Molikpaq platform. No defects that may affect the integrity and cause reduction of the remaining useful life and flow capacity were identified.

At the Piltun-Astokhskoye field, the main efforts were generally allocated to efficient development through reliable operation of the well stock; keeping balance in the well process flow pattern for the purpose of timely prevention of sand ingress / water entry and of ensuring well integrity; assurance of quality and volumes of injected fluid for Reservoir Pressure Maintenance (RPM) and reliability of the drilling cuttings injection system; and implementation of controls of development and geological and technical activities performed at the wells.

The company continued improving the efficiency of field development aimed at maintain-

ing adequate extraction levels and achieving the approved hydrocarbons extraction performance through the application of extended reach drilling technologies, optimising the RPM system in the Piltun Area, developing current projects for infill drilling and additional exploration of currently undeveloped reservoirs at the Piltun-Astokhskoye field.

The quantitative indicators of the Enhanced Oil Recovery and Production Stimulation Programme are presented in the 2018–2021 Enhanced Oil Recovery and Production Stimulation Programme Results table.

2018–2021 Enhanced Oil Recovery and Production Stimulation Programme Results

Indicators	2018	2019	2020	2021
Total ST since the start of development, pc.	8	8	8	8
Cumulative oil production from ST, thousand t	4,374	5,368	6,251	6,889
Total BHT since the start of development, pc.	9	14	21	26
Cumulative oil production from BHT, thousand t	162	227	252	276

Scheduled inspections of well integrity without extraction losses were successfully completed at the Molikpaq platform, where the Astokh Area of the Piltun-Astokhskoye field is being developed. Throughout the year, the wells were op-

erated in accordance with process flow patterns and stable extraction.

A strategy for further use of cutting re-injection wells was developed for the purpose of the Drilling Programme.



Wells are being designed under the Drilling Programme to be implemented after the completion of the rig refurbishment. The company selected a technically reliable and economically feasible technology providing for the lowering of sand screen filters into open wellbores, as a new solution to complete production wells and ensure sand production control. The key advantage of this technology is enhanced performance, lower cost, optimised scope of work, and the subsequent reduction of operational risks and increase in well potential.

4.2.1.2. Piltun-Astokhskoye-B (PA-B) Platform

PA-B is the largest platform of the Sakhalin-2 project. It is located in the Piltun Area of the Piltun-Astokhskoye oil field. Since the end of 2008, the platform has been producing oil and associated gas.

As of the end of 2021, the operating well stock of the PA-B platform included 19 production wells, eight injector wells, and two disposal wells.

The platform's average daily production rate in 2021 was 3,270 t (24,140 bbl) of oil and 0.93 mln m³ of gas.

Since the commencement of oil field development, the PA-B platform has produced more than 20 mln t (over 150 mln bbl) of oil, including 1.19 mln t (8.81 mln bbl) in 2021.

In the Piltun Area of the Piltun-Astokhskoye field, the company repeatedly proved its ability to effectively address the assigned tasks without any impact on either the progress rate or quality of solutions.

After detailed analysis of constrains to sales and high potential risks of the multi-lateral well drilling programme, a decision was made to transform this programme into a lateral drilling project that proved itself as a concept of well completion with sand screen filters.

A scheduled campaign to test surface and downhole equipment integrity was completed

Moreover, 2021 witnessed active preparation for the next stage of 4D seismic monitoring, scheduled for 2022. During the upcoming seismic survey, Sakhalin Energy plans to obtain 4D data with streamers across the entire Piltun-Astokhskoye field. 2022 seismic monitoring that will be the fourth survey in the Astokh Area, is conducted to specify flood fronts and identify bypassed oil in order to optimise resource development.

in full. No problem areas were identified. This means that the equipment is used in accordance with technical regulations and maintained in proper condition, which ensures its uninterrupted and safe operation.

Extended reach drilling of the well is ongoing. This is the first Sakhalin Energy well, the length of which exceeds 10 km. Completion of works is scheduled for early 2022.

In 2021, geological and technical activities for the control of field development and well operation were successfully completed. To ensure reliable operation and comply with the oil production schedule, bottom-hole treatment to prevent scaling was performed in the first half of 2021.

The other most prominent 2021 results are as follows:

- a range of projects for the development of technical competencies of Russian contractors was implemented. For the first time, a directional-drilling motor manufactured in Russia was used in one of the PA-B wells;
- digitalisation of development management processes is being actively expanded. eWell-Book, one of the developed digital tools, won The Best Digital Solutions for the Oil and Gas Industry competition, which was held as part of the Smart Oil & Gas: Reliable Data IT Forum.



>20 mln t
of oil

has been produced by the PA-B platform
since the commencement of oil field
development

4.2.1.3. Lunskeye A (LUN-A) Platform

LUN-A is the first offshore gas production platform in Russia, which ensures production of the majority of Sakhalin-2 gas. Condensate and gas segregation, including the processing of gas for transportation to the LNG plant, is carried out at the onshore processing facility.

The LUN-A platform was put into operation in December 2008, and gas

from the platform has been filling the project's pipeline system ever since. As of the end of 2021, the operating well stock of LUN-A platform had 21 production wells and two re-injection wells.

In 2021, the platform continued producing an uninterrupted flow of gas from the existing wells. The average daily gas production rate was 44.63 mln m³.



In the scope of preventative maintenance repair works at the PA-B sea water return line were performed for the first time.

Since the commencement of the field's development, the platform's gas production has reached over 205 bln m³, including over 16 bln m³ of gas in 2021.

In 2021, the main efforts in the Lunskeye field were allocated to efficient development through reliable operation of the operating well stock, keeping balance in the well process flow pattern for the purpose of timely prevention of sand ingress and water entry, and maintaining the well equipment integrity for the purpose of ensuring the LNG plant load before commissioning of the OPFC.

In October 2021, two extended reach drilling wells were commissioned ahead of schedule and under budget. It was a new drilling achievement at the Lunskeye field. The wells were completed with OHGP installed in the open horizontal wellbore. The actual well potential identified during

developmental and commissioning activities is very close to estimated values.

In November 2021, water isolation activities were performed in two wells to shut off water-flooded formations in the lower part of the productive layer and support stable production in the autumn and winter period of 2021/2022. Moreover, one well was also subject to replacement of its wellhead equipment in November.

Implementation of the Digital Transformation Programme, providing for a large-scale introduction of visualisation management tools and deep multivariate analysis, remains one of the company's top-priority directions. To that end, the company intends to use big data, machine learning, and AI.

Preparation for the next 4D seismic monitoring is ongoing.

>205 bln m³
of gas

has been reached by the platform
since the commencement of the
field's development

The Lunskeye-A platform construction and commissioning team of the Projects Delivery Department reached high HSE performance: five years worked without a single Lost Time Incident.

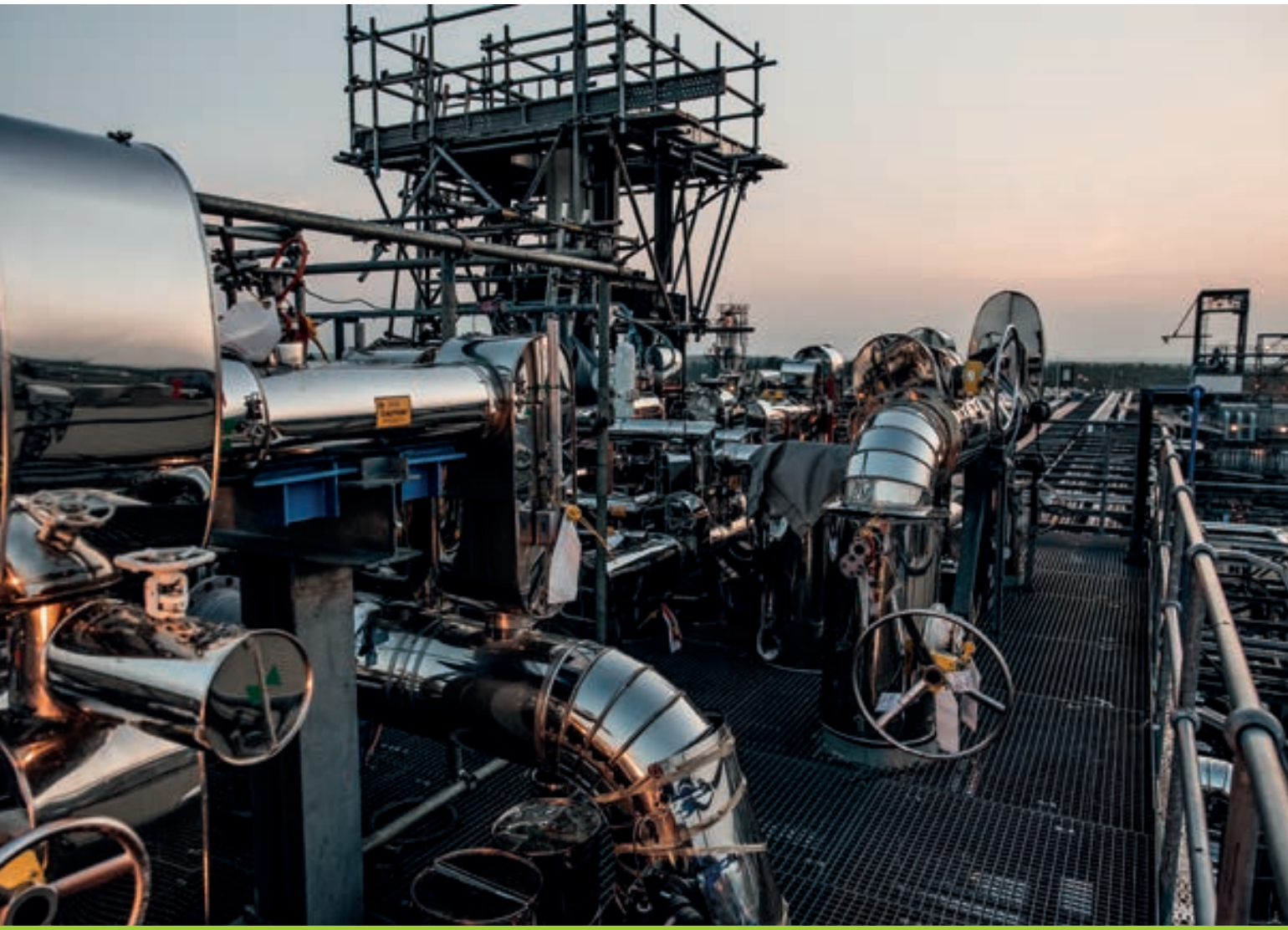
4.2.1.4. Onshore Processing Facility (OPF)

The OPF is designed for primary treatment of gas and condensate produced in the Lunskeye field to be further transported via pipelines to the oil export terminal and the LNG plant. Oil and associated gas from offshore platforms of the Piltun-Astokhskeye field are also processed at Booster Station No. 1 of the OPF.

In 2021, OPF daily average hydrocarbons shipment volume amounted to 44.70 mln m³ of gas and 10,650 t (83,180 bbl) of oil and condensate.

Risks and restrictions associated with the COVID-19 pandemic still remained in the reporting year. However, measures taken proved their efficiency and adequacy, and ensured safe performance of works in terms of restrictions.

In March 2021, the KM-3701A electric motor of the Train 1 main gas compressor was replaced. This complicated operation required the engagement of the entire engineering team of the asset. The works were



performed over 24 days and 12 hours, which set a new record time for completing such an operation at the asset. No injuries or leaks were registered in the course of the works, nor were any violations of the Life-Saving Rules (LSR) (see Section 9.2 Personnel Safety and Labour Protection).

In 2021, a range of initiatives was implemented at the OPF, which allowed CO₂ emissions to be reduced to about 522 t of CO₂ equivalent per year. This was achieved through reduced energy consumption of K-3701A/B compressors

by the simultaneous use of two commercial gas metering lines, when increased performance was required. Therefore, electric load was decreased, while the reliability of compressor motors was increased. These initiatives also include changing the operation of booster oil pumps: from parallel 2 × 50% operation to 1 × 100% operation, which allowed the workload of booster pumps to be reduced and ensured adequate hydraulic operation.

In 2021, digitalisation of the OPF actively continued. Together with the Information Technol-

ogy and Information Management Department, the company started to develop a pilot project for data warehousing.

The company continues the campaign for the deployment of Wi-Fi and WirelessHART field-bus, on the basis of which large-scale digitalisation, automation of data accumulation process,

process variables control, including with the use of head-mounted displays — one of the digital technology elements in the scope of the project, will be implemented. As of the end of 2021, the plant production areas and modules were 80% covered with fibre-optic cabling infrastructure; and engineering surveys for the project implementation are ongoing.

4.2.1.5. TransSakhalin Pipeline, Booster Station No. 2 and Gas Transfer Terminals

The transSakhalin pipeline comprises onshore multiphase pipelines, almost 1,600 km of oil and gas pipelines, 104 block valve stations, five Pipeline Maintenance Depots, Booster Station (BS) No. 2, two Gas Transfer Terminals (Northern and Southern) and one Delivery Point (DP Tymovskoye).

One of the main tasks of Sakhalin Energy and Gazprom Transgaz Tomsk (contracted by Sakhalin Energy to carry out the maintenance of the transSakhalin pipeline) is to ensure uninterrupted and safe hydrocarbons transportation to the Prigorodnoye production complex.

At Sakhalin Energy, an HSE case is implemented for its pipelines, which identifies all potential hazards to the integrity of the assets. These hazards include internal and external surface corrosion, excessive pipe pressure, earthquakes, landslides, soil erosion, seabed gouging, shore scouring, marine vessel traffic, illegal hot taps, and inadvertent or wilful damage.

The following measures have been taken to prevent and eliminate these potential hazards:

- multilayer insulation and cathodic protection systems have been installed on the pipelines to deal with external surface corrosion;
- Intelligent Pigs, which can detect internal corrosion, are used in the pipelines to monitor internal surface corrosion;

- the offshore and onshore oil pipelines are pigged on a regular basis to remove water and sediments;
- Sakhalin Energy's own seismic monitoring system with detectors located along the entire pipeline and the United States Geological Services (USGS) system are used to ensure a timely response in the event of an earthquake;
- seismic faults are monitored every year to assess movements and displacements;
- prior to seasonal drops in ambient air temperature, the pipeline is checked for water in the pipeline fault crossing trenches so as to avoid freezing and limited pipe movement;
- the pipeline is regularly monitored through helicopter overflights;
- robot aircrafts are used if detailed visual inspection of certain pipeline sections is required;
- physical checks of all pipeline features, including rivers, fault crossings, swamps, liquefaction areas, road crossings, rail crossings. Also, the entire pipeline RoW is walked over on an annual basis;
- air photo data obtained by means of space technologies are used to monitor the vegetation growing on the RoW.

According to statistics, more than 70% of pipeline incidents in the world are caused by unintentional damage from human activity. Sakhalin Energy has been proactively educating the community about the rules of behaviour in the





vicinity of the pipeline system. Local authorities, contractors, land users are regularly informed about land use limitations within the RoW and are provided with addresses and telephone numbers to contact the company if necessary. Additionally, special notice boards are located along the RoW with toll-free telephone numbers in the case of questions or concerns.

Sakhalin Energy continues to accept gas condensate from the Kirinskoye field under the scope of the Sakhalin-3 project in accordance with the

agreement between Gazprom Export and Sakhalin Energy. The gas condensate is transported to the oil export terminal (OET) along with the company's oil and condensate.

100% of Sakhalin-2 project pipelines have been operated less than 14 years (as of the end of 2021) and do not exceed the design standard operation life. To verify the pipeline system standard operation life, the company carries out regular pigging with a subsequent analysis of results and development of preventive maintenance plans.

4.2.1.6. Prigorodnoye production complex

The Prigorodnoye production complex, which is located in the south of Sakhalin, on the shore of the virtually ice-free Aniva Bay, includes the LNG plant, dock and shipping, and the oil export terminal (OET) with a remote tanker loading unit (TLU) located offshore, approximately 5 km from the shore. The Prigorodnoye PC, including the territory of the Prigorodnoye port, covers an area of 236 hectares. The LNG plant consists of two production lines with a design capacity of 4.8 million tons of LNG per year each. As a result of the Production Efficiency and Reliability Increase Programme, the plant's performance increased by 20% in 2021.

In 2021, the Prigorodnoye PC was successfully recertified under ISO 9001:2015. Moreover, 42 audits were conducted, including employee medical examinations, an environmental monitoring inspection, the RF regulatory audits, a work processes efficiency audit (threats and opportunities management; ensuring integrity and maintenance), DROPS checks,

ISO and Occupational Health and Safety Assessment System (OHSAS) certifications. Positive opinions were issued after all audits of the Prigorodnoye PC.

In 2021, current results and suggestions on the GHG Emissions Reduction Plan, part of the GHG Emissions Management Plan, were evaluated at the Prigorodnoye PC. On the basis of a benchmarking study conducted by Solomon Associates in 2021, the Prigorodnoye PC is an upper quartile asset in terms of energy efficiency and a low GHG emission level. (Solomon Associates conducts a global benchmarking study of LNG production facilities every two years, Sakhalin Energy's LNG plant is a participant.)

In the scope of digitalisation efforts in 2021, a pilot project for the use of personnel location devices was launched at the Prigorodnoye PC. Its implementation will strengthen HSES controls through innovative digital tools and ensuring efficient emergency response.

>136 mln t

of liquefied natural gas has been produced by the plant since the beginning of operation in 2009



4.2.1.7. Major turnaround

The major turnaround (MTA) of gas infrastructure facilities became the most large-scale and intensive in the Sakhalin-2 project history in terms of the scope and complexity of process operations and repairs, as well as the number of engaged employees. For the first time, both LNG trains were completely shut down.

The COVID-19 restrictions caused additional problems during planning and performance of works. Nevertheless, all activities were completed in full on time.



Some works in scope of the major turnaround were performed for the first time, not only under the Sakhalin-2 project, but also in Russia. One of the most prominent examples is the replacement of the LNG loading arms. This sophisticated operation was performed from the deck of the Pijlgracht, a specialised vessel equipped with two 700 t cranes.

Digital technologies were widely used to ensure remote access for specialised experts of the manufacturers to participate in the MTA. Specifically, smart helmets and Wi-Fi system were used to connect the experts in real time during flare tips replacement and compressor repairs. It allowed the most complicated technical problems to be solved in a short time and against the back-

drop of anti-epidemic restrictions, which rendered mobilisation of manufacturer personnel impossible.

About 3,000 technicians and over 50 contractors were engaged in the MTA activities, approximately 1,600 work orders were performed and over 1.2 million man-hours were logged without a single Lost Time Incident.



MTA at the Lunskeye-A Platform

- Cut-off valve of the Train 1 export pipeline was replaced. This equipment is intended to prevent gas entry from the offshore gas pipeline to the production facility in the event of an emergency.
- In-line inspection and cleaning of a three-stage separator was conducted.
- Management system upgrade, preventive maintenance, electrical equipment repair and other works were performed.

MTA at BS 2

- A 30" manual valve at the outlet piping of gas compressor A was replaced. In the future, this will ensure leak-proof isolation of the gas compressor unit A circuit from the process, and allow safe works for the pressurised equipment opening to be performed.
- Inlet filter separator of the gas compressor was certified (inner and outer inspection). Vessel operability was verified.
- Controllers of the fire and gas detection (F&G) systems of gas compressors A and B were upgraded, which increases system operation reliability and allows complete integration with the station F&G system.
- Repair and welding works required to maintain the process integrity of BS 2 were performed.
- Preventive maintenance of 16 pneumatic drives of emergency shutdown valves was performed to maintain safe operation of BS 2.
- The gas turbine drive of gas compressor unit B was replaced, which allows for increased operational reliability of the integrated gas system.

MTA at the OPF

- Construction of the Battery Limit Station (BLS) was completed for its subsequent commissioning without the OPF shutdown.

- High and low pressure flare tips at the height of the flare stack (77 m) were replaced; these works were performed at the asset for the first time.
- Pipeline of the low-temperature gas dehydration unit at Train 1 was modified, which ensured a load decrease and reliability increase of the K-3701A compressor.
- 26 critical welding repairs required to maintain OPF process integrity were identified.
- 15 pressurised vessels were certified according to the company's Risk-Based Inspection Strategy.
- Scheduled maintenance (once in three years) of the A-4001D turbine generator (CI3 Campaign) was performed with the engagement of the manufacturer's specialists.

MTA at the Prigorodnoye PC

- Overhaul of axial-flow and centrifugal mixed refrigerant compressors was performed.
- The main mixed refrigerant compressor at Train 1 was modified, and anti-surge tests were performed.
- Interlock and emergency protection systems of gas turbines and compressor auxiliary engine management systems were upgraded.
- Molecular sieves at both Trains were replaced.
- Flare tips were replaced.
- Two offshore loading arms at LNG jetty were replaced.

In addition, an extensive inspection was carried out, including units for acid gas removal and fractionation of gas condensate liquids, 24 heat exchangers and 3 vessels in the entire LNG plant (including LNG liquefaction units) and replacement of a set of shut-off and control valves.

The compressor load decrease allowed consumption of fuel gas by turbine generators to be reduced by 0.5%, which promoted, amongst other things, a decrease in nitrogen oxide emission volume.



4.2.2. DEVELOPMENT PROJECTS

4.2.2.1. OPF Compression Project

The OPF Compression (OPFC) facility is designed to support the planned gas production levels in case of a wellhead pressure drop in the Lunskeye field.

As of the end of 2021, with 2,800 people at the OPFC construction site, the number of person-

nel has reached peak value. Delivery of materials has almost been completed; metal structures, the majority of process equipment and pipe racks have been installed; active works to test the main process pipelines, install and disconnect cabling have been carried out; individual testing of electrical equipment has commenced.

4.2.2.2. Update to Mining Allotment Documentation and Mining Allotment Acts Based on the Extension of the Licences for the Development of the Piltun-Astokhskoye and Lunskeye Fields

In 2020, for the first time in the history of the Sakhalin-2 project, the Licences for the Development of the Piltun-Astokhskoye and Lunskeye

Fields were extended in accordance with the provisions of the Production Sharing Agreement (PSA) for the subsequent five-year period, until



19 May 2026. In this regard, and in accordance with the established requirements, in 2021, the Mining Allotment Documentation was updated for two licenses for development and three

licences for allocation of drilling waste and other liquids; the relevant Mining Allotment Acts were approved by the Sakhalin Rostekhnadzor Directorate.

4.2.2.3. Growth Projects

As part of its growth strategy, Sakhalin Energy continues to pursue hydrocarbon maturation opportunities in the Piltun-Astokhskoye and Lunskeye Fields

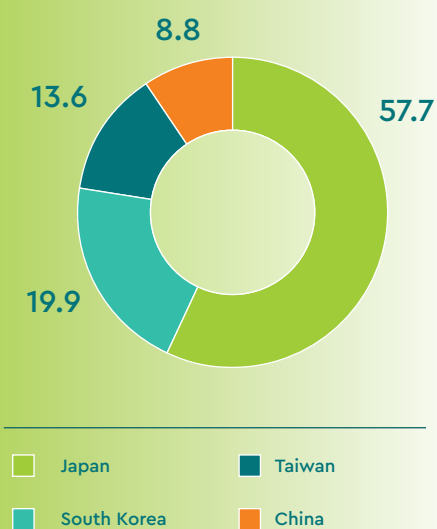
Promising projects are designed to develop previously uncovered reservoirs and maintain

current hydrocarbon production. In addition to this, the company is considering potential options for detailed exploration of license areas to establish the availability of reservoirs in the underlying beds.



In 2021, the share of Sakhalin LNG amounted to: 2.8% of global LNG demand; 3.8% of LNG demand in APR countries; 8.2% of LNG demand in Japan; 4.5% of LNG demand in South Korea; 7.1% of LNG demand in Taiwan; 1.2% of LNG demand in China.

Sakhalin LNG Sales Market Structure in 2021, %



4.2.3. HYDROCARBON PRODUCTION AND EXPORT

4.2.3.1. LNG

Liquefied natural gas (LNG) is a colourless and odourless liquid with a density half that of water. It consists mainly (up to 92%) of methane (CH₄), the simplest natural gas. When cooled to approximately -160°C at standard atmospheric pressure, natural gas liquefies and contracts to 1/600th of its initial volume, which allows the company to collect, store and ship it by special sea transport.

Due to regular debottlenecking and equipment adjustment, the LNG plant exceeds its design output of 9.6 mln t per year. In 2021, Sakhalin Energy shipped approximately 10.4 mln t of LNG (160.1 standard LNG shipments) from the Prigorodnoye port (one standard LNG shipment is 65 thousand t).

In 2021, LNG was transported by the Grand Elena, Grand Aniva, Grand Mereya, Amur River and Ob River specialised ice-class LNG carriers, chartered on a long-term basis, as well as in vessels chartered FOB (free on board) by customers. The full cargo capacity of the chartered gas carriers is 148 thousand to 150 thousand m³. Despite the COVID-19 restrictions and associated logistics difficulties, Grand Mereya gas carrier successfully underwent inspection and intermediate certification by the ship-classification society, as well as maintenance and dry-docking at the repair yard in China. Amur River and Ob River gas carriers underwent annual certification by the ship-classification society without the vessels decommissioning.

In 2021, the priorities in managing the chartered fleet were the safety and reliability of deliveries and efficiency of maritime operations, which is achieved through constant monitoring of transport operations — both in ports and during sea crossings of vessels, as well as continuous improvement of all work processes.

LNG shipments to customers began in March 2009. Sakhalin Energy has a solid reputation due to stability of year-round deliveries, product quality, high safety standards and highly qualified staff. In addition, the company has a number of competitive advantages in the LNG markets in the APR (Japan, South Korea, Taiwan, China), in particular:

- well-established relationships with major customers in these countries;
- long-term sales and purchase contracts with all major LNG customers in Japan and South Korea, a framework sales agreement and a medium-term contract with a Taiwan company, as well as framework sales agreements with Chinese customers;
- geographical proximity to the sales markets: the duration of an LNG tanker voyage to Japan is 3–4 days, to South Korea — 4 days, to China — 5 days, and to Taiwan — 6 days);
- a vertically integrated production and distribution model, which allows the company to control all processes in the value chain from the well to the customer's terminal.



Sakhalin Energy sells LNG to eleven customers under long-term sales agreements, and to one customer in the APR under a medium-term agreement. The long-term LNG customers include Japanese energy and gas distribution companies, a South Korean gas corporation, and two trading companies affiliated with the shareholder companies, and a medium-term customer from Taiwan. Additional products are sold on a short-term basis to existing and new customers under LNG framework agreements.

In 2021, Sakhalin Energy delivered LNG to Japan, South Korea, Taiwan and China. Due to comprehensive maintenance of the OPF Train and the LNG plant in March 2021, and the major turnaround of Sakhalin Energy assets for LNG production in summer 2021, the company produced less above-target LNG than in 2020, which affected supply geography and the redistribution of shares between foreign buyers of Sakhalin LNG. China's share in the company's sales slightly decreased vs. the previous year; next to that, the Chinese buyers

Thanks to uninterrupted functioning of the entire gas supply chain in scope of the Sakhalin-2 project, the company managed to make its 2,000th standard LNG shipment in May 2021 since the launch of the first Russian large-capacity LNG plant in 2009.



continued to take active participation in Sakhalin Energy tenders for above-target LNG shipments: in 2021, approximately half of spot sales of LNG were made to Chinese buyers under framework LNG sales agreements.

In accordance with the medium-term LNG sales strategy, the company concluded a medium-term LNG sales transaction in early 2021. This will allow Sakhalin Energy to ensure LNG sales

4.2.3.2. Oil

Sakhalin Blend oil and gas condensate mixture (hereinafter, Sakhalin Blend) is a special oil grade supplied by Sakhalin Energy to the APR market. It is a light, low-sulphur oil blend, consisting of three components produced offshore Sakhalin:

- crude oil from the Piltun-Astokhskoye field;
- gas condensate from the Lunskoye field, including the C5+ fraction produced at the LNG plant;
- gas condensate from the Kirinskoye gas and condensate field as part of the Sakhalin-3 project.

With the start of year-round shipments in December 2008, the company began shipping oil from the tanker loading unit of the oil export terminal at the port of Prigorodnoye. Since 2009, the company has been shipping a mixture of oil from the Piltun-Astokhskoye field and gas condensate from the Lunskoye field. Sakhalin Energy began to purchase gas condensate produced in the Kirinskoye field as part of the Sakhalin-3 project (Gazprom) in 2014.

The gas condensate produced in the Lunskoye and the Kirinskoye fields are mixed with crude oil to make light low-sulphur oil with a density of about 42–52° API (771–816 kg/m³) and a sulphur content of about 0.16%. Sakhalin Blend is well known in the Asia-Pacific region. It competes successfully with similar light low-sulphur grades of oil produced in the Middle East, con-

volume under a medium-term LNG sales agreement, given the high demand volatility in the spot markets. In the scope of this transactions, the start of shipments is scheduled for April 2022.

The results of the medium-term LNG sales strategy confirmed high buyer interest in Sakhalin LNG and proved that Sakhalin Energy is a world-class supplier.

densates, and heavier Far Eastern blends such as Sokol and ESPO.

In 2021, the company shipped about 32.9 mln bbl (4.2 mln t) of Sakhalin Blend oil from the port of Prigorodnoye, which amounted to about 47 standard oil shipments (one standard oil shipment is 700 thousand bbl).

In 2021, year-round uninterrupted supplies of Sakhalin Blend to APR ports were carried out by the company's chartered oil tanker fleet — three specialised ice-class Aframax tankers: Zaliv Aniva, Zaliv Baikal and Zaliv Vostok. Oil was transshipped to customers' vessels in the port of South Korea to be further transported to remote markets. Oil tankers Zaliv Baikal and Zaliv Vostok underwent intermediate certification by the ship-classification society; part of the certification was carried out remotely.

One of the most important milestones of the Sakhalin-2 project was signing the long-term charter contract (for 10 years) for two modern Aframax oil tankers in May 2021. These vessels are built in accordance with the applicable requirements to energy efficiency and low footprint, use LNG as the main marine fuel, therefore decreasing the total environmental impact and reducing GHG emissions during operation. The tankers will be added to the company's charter fleet in 2024. Moreover, the vessels will be retrofitted with bow loading gear compatible with the tanker loading unit, and a unique LNG

receiver, which will allow the tankers to bunker LNG fuel directly from jetty at the port of Prigorodnoye without any deviation to a bunkering port or engagement of specialised bunkering vessels. Together with the shipowner, the company continues optimising the project modification. New vessels will replace two currently operating oil tankers after the expiration of their 15-year service life.

Successful sales of Sakhalin Blend oil are ensured by the proximity to the developed oil refining regions in the APR, the relatively low transportation costs per barrel, the opportunity to unload in several ports, flexibility of shipment schedule, Sakhalin Energy's reliability and reputation, as well as the well-established business relations and experience of cooperation with most major customers in the region. Since 2014, Sakhalin Blend has been sold both on a spot basis and under fixed-term contracts. Sakhalin Blend oil is mainly purchased by the leading refineries in the APR and trading companies.

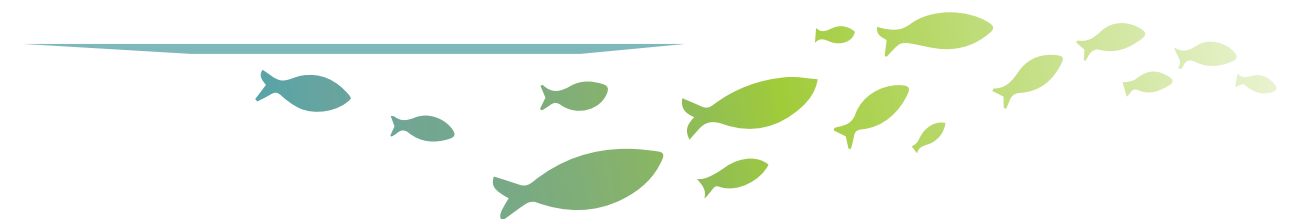
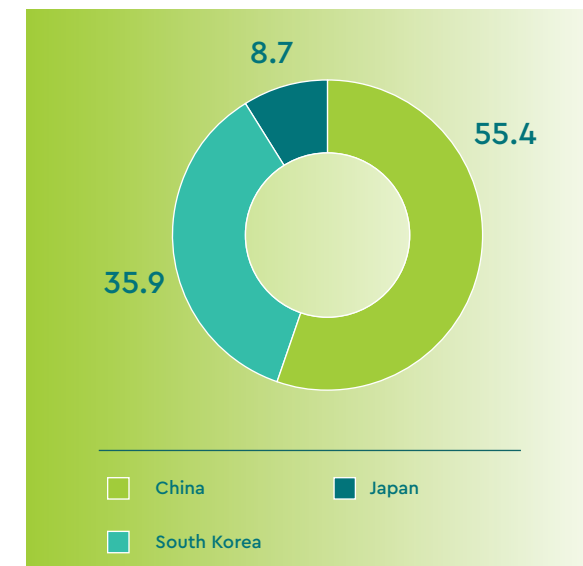
Historically, Japan, South Korea and China are the main markets for Sakhalin Blend under the Sakhalin-2 project. In 2021, China's share in the company's sales significantly increased due to large-scale purchases in the midst of economic recovery after the

easing of COVID-19 restrictions, and due to the energy crisis followed by a multi-fold gas and coal prices increase that led to additional crude oil demand. The share of South Korea in the company's sales decreased as compared to 2020; however, it remains at a sufficiently high level. At the same time, Japan's share in the company's sales continued decreasing due to an overall reduction of crude oil refining volumes associated with the COVID-19 pandemic, gradual transition to alternative energy sources, and reduction of consumption rate in the country.

In 2021, oil and oil product markets demonstrated high volatility. Economic recovery and associated increase in oil refining volumes and an increased demand in crude oil in the Asia-Pacific market was followed by a drastic decrease in demand as a result of new COVID-19 strains and the introduction of restrictions in different countries. In such situations, through precise team coordination and continuous improvement processes, Sakhalin Energy was able to sell all Sakhalin Blend shipments successfully, safely and on time.

The share of Sakhalin Blend exported by Sakhalin Energy to the APR is about 0.3% of the total volume of oil consumed in the region.

Structure of the Sakhalin Blend Oil Sales Market in 2021, %





4.2.3.3. Natural Gas

Since 2011, Sakhalin Energy has been supplying natural gas to Gazprom's gas pipeline system to pay royalties payable in kind to the Russian party.

Gas is supplied at Delivery Points (DP), specifically:

- since 2011 — at the Northern and Southern Gas Transfer Terminals, located in the vicinity of Boatasino in the north of Sakhalin Island, and Dalneye in the south;
- since December 2020 — at DP Tymovskoye to supply gas to the Tymovskoye gas distribution station; construction and connection was finalised at the end of 2020.

In accordance with the updated Regulations on the Distribution of Hydrocarbons Under the Production Sharing Agreement of the Piltun-Astokhskoye and the Lunskeye Oil and Gas Fields Development, and the Specifications for the Transfer and Acceptance of Natural Gas Between Sakhalin Energy Investment Company Ltd. and Gazprom, approved in October 2020, the supply of gas by the company in the coming years is expected against royalty payments in five more DPs on Sakhalin. Commissioning of these DPs (in Dolinsk, Makarov, Korsakov, Troitskoye, and Leonidovo) and gas release are scheduled for 2022–2023.



Since the start of supplies, the Russian party has been provided with over 12,464 mln m³ of natural gas under the Sakhalin-2 project (including 1,192 mln m³ in 2021), including:

- to Sakhalin Oblast consumers — about 6,325.6 mln m³, via the Southern DP (to Yuzhno-Sakhalinsk Heat and Power Plant-1 and other infrastructure facilities) — over 6,323.1 mln m³ (including about 720.4 mln m³ in 2021), and

Tymovskoye DP — almost 2.5 mln m³ (including over 2.4 mln m³ in 2021);

- via the Northern DP (to the Sakhalin–Khabarovsk–Vladivostok gas pipeline) — about 6,138.5 mln m³ (including over 469.2 mln m³ in 2021). The gas is intended for further use under the Far East and Primorye fuel and energy sector development programmes.

4.3. INDUSTRIAL AND FIRE SAFETY, BLOWOUT AND EMERGENCY RESPONSE

4.3.1. INDUSTRIAL SAFETY

The company's industrial safety (IS) goal is to ensure that the vital interests of individuals and society are protected from accidents at hazardous production facilities (HPFs) and to mitigate their effects. The industrial safety requirements are designated as fundamental for further development of the company.

To achieve this goal, the company has approved the Industrial Safety Policy.

The Policy's key principles are as follows:

- recognition and assurance of the life and health of employees as a priority over the results of the company's production activities;
- employee compliance with the industrial safety requirements is an integral part of their daily work.

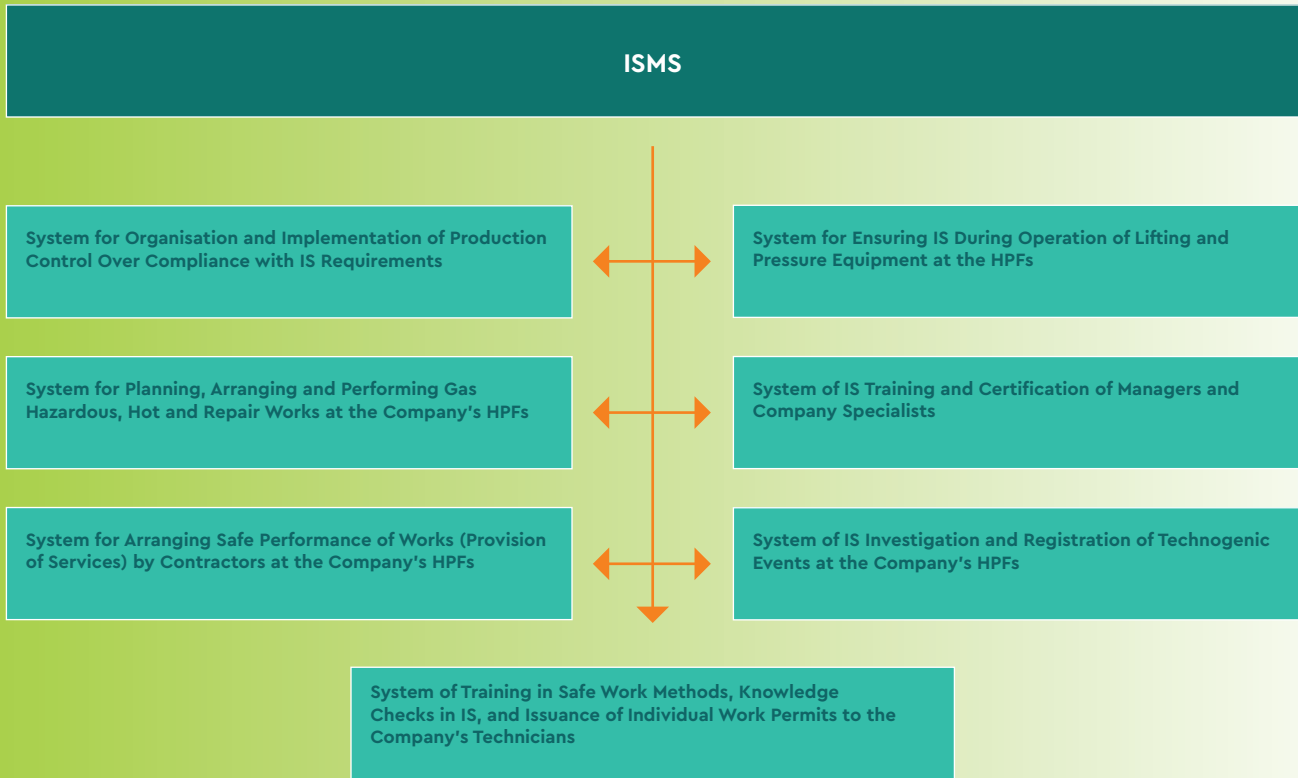
Each employee of the company has the right and obligation to intervene in unsafe conditions and actions, or when activities are carried out in violation of the Industrial Safety Policy.

In accordance with Federal Law No. 116-ФЗ On Industrial Safety of Hazardous Production Facilities of 21 July 1997, the company operates 11 HPFs of Hazard Class I, II and IV registered with the state register, which use, process, store, and transport explosive and fire hazardous and chemically hazardous substances, and use pressure and lifting equipment.

In accordance with Russian laws, the company ensures operation of the Industrial Safety Management System (ISMS), a unified planning and implementation system for the minimisation of risk of accidents at the company's HPFs. The ISMS is a component of the integrated operations management system of the company.



Elements of the Industrial Safety Management System



1. Industrial control (IC) over IS compliance is an integral part of the ISMS. IC includes a set of organisational and technical activities aimed at ensuring safe operation of the company's HPFs. The main principle of organising and implementing IC is regular and scheduled inspections of IS compliance at the company's HPFs.

2. System for Planning, Arranging and Performing Gas Hazardous, Hot and Repair Works at the Company's HPFs determines requirements to organising and safely performing those works that are mandatory for the employees.

3. System for Arranging Safe Performance of Works (Provision of Services) by Contractors at the Company's HPFs determines requirements that are mandatory for the employees of contractors and subcontractors that perform works and/or provide services at the company assets.

4. System for Ensuring IS During Operation of Lifting and Pressure Equipment at the HPFs is implemented through organisational and methodological support and control of activities during construction, operation, reconstruction, technical upgrade, conservation and decommissioning of lifting and pressure equipment at the company's assets.



5. The HPFs are staffed with qualified personnel trained and certified in IS without medical contraindications to work. Sakhalin Energy has created all necessary conditions for the continuous improvement and professional development of its staff.

6. The company conducts IS training and certification for employees working at the company's hazardous production facilities in compliance with the law and the ISMS. The

procedure provides for the System of IS Training and Certification of Managers and the Company's Specialists and the System of Training in Safe Work Methods, Knowledge Checks in IS, and Issuance of Individual Work Permits to the Company's Technicians. According to the established procedure, managers and specialists complete IS certification, and HPF technicians — knowledge checks. Information on Industrial Safety Certification of Sakhalin Energy Managers and Specialists throughout 2021 is presented in the table.

Information on Industrial Safety Certification of Sakhalin Energy Managers and Specialists in 2021

Number of meetings of the Industrial Safety Certification Committee		163
Managers and specialists certified in industrial safety, total persons		729
Employees certified by type of supervision, persons	Supervision over oil and gas production facilities	393
	Surveying control and safety supervision over subsoil use	4
	Supervision over pressure equipment	135
	Supervision over lifting equipment	58
	Production supervision at the sites of use, storage and application of explosive materials	9
	Supervision over chemically hazardous production facilities	160
	Supervision over main pipeline transport facilities	12

7. The System of IS Investigation and Registration of Technogenic Events at the Company's HPFs is a mandatory part of the ISMS. It is aimed at identifying and analysing the causes of incidents, at developing measures to prevent similar incidents at all company HPFs , and at minimising the risks of emergencies, harm to the health of company employees and third parties, damage to property, as well as the risks of causing harm to the environment.

In accordance with the law, the company HPFs comply with the IS requirements established in the HPF safety justification. All HPF safety justifications are issued in accordance with positive findings of the IS Expert Committee and are properly registered in the Rostekhnadzor register.



The company's IS expertise is taken into account during development of Russian laws

Two Industrial and Fire Safety, Blowout and Emergency Response Department representatives are permanent members of the Oil and Gas Assets Section of the Scientific and Technical Council of Rostekhnadzor and participate in quarterly meetings of the Council. This allows the company to contribute to the improvement of Russian laws, as well as update and develop IS regulations. Specifically, the company initiated the development of suggestions and recommendations to the Guidelines for Classification of Technogenic Events in Industrial Safety at Oil and Gas HPFs; the review thereof has been scheduled by Rostekhnadzor for 2022.

To maintain high industrial safety performance, the company takes a set of measures, including:

- strict compliance with Russian IS laws;
- introduction of best practices of the company's shareholders in ensuring IS; development and implementation of information technologies that allow strengthening cooperation between company employees and contractors, to optimise processes of collection, storage and analysis of information on IS in the company;
- maintaining of a uniform approach by the company's organisational units in their activities to ensure IS compliance at the HPFs;
- monitoring of IS status in the company's organisational units;
- coordination of IS activities of the company's organisational units;
- planning of measures aimed at ensuring IS at the company's HPFs and monitoring of their implementation;
- arranging of IS inspections, development and timely updating of safety justifications for the company HPFs;
- ensuring efficient cooperation with the federal authorities, executive authorities and local authorities for Sakhalin Oblast in accordance with their competence in ensuring IS in the company;
- improvement of the system for training, certification and professional development of company employees engaged in ensuring

IS at the company production facilities;

- ensuring the availability and operation of tools and systems for control over production processes in accordance with the established requirements;
- tracking of changes in the law, and timely updating of requirements to training, certification and knowledge check programmes for company and contractor employees engaged in the maintenance of the company industrial facilities; updating of IS, local regulations and the company's documents;
- conducting annual analysis of IS status and ISMS operation in the company;
- informing on the company's IS activities;
- conducting high-quality technical investigations of the causes of incidents at the HPFs and control over implementation of measures developed following the investigation results;
- improvement of IS culture, instilling personal responsibility for IS status and intolerance to potential violations of IS requirements among company and contractor employees.

Implementation of the said measures and tools in line with best global practices guarantees the company's IS compliance at all stages of its production activities — from the designing of each new well to the shipment of hydrocarbons from the Prigorodnoye PC.



In 2021, operation of the company's 11 HPFs was regulated by 14 different federal standards and rules on industrial safety, certification to which was determined by Rostekhnadzor in 24 various areas. Individual certification programmes (2 to 24 areas) are provided for each of more than 900 managers and specialists of the company, depending on their job descriptions.

4.3.2. FIRE SAFETY

Continuous improvement of the fire safety system is a top priority for Sakhalin Energy. This system is a component of the integrated operations management system of Sakhalin Energy in terms of ensuring safe and reliable production.

For the purposes of preventing and eliminating fires and conducting emergency response and rescue works, the company established subdivisions of Departmental Fire Service, fitted with modern machinery and fire-fighting equipment. Subdivisions have a license for fire-fighting activities in human settlements, and at production facilities and infrastructure assets.

Emergency response and rescue teams at the company's production facilities complete training and certification in emergency response and rescue activities on a regular basis.

Automated fire-fighting equipment is critical for ensuring proper fire safety at Sakhalin Energy assets. Extensive use of automated fire safety systems is primarily driven by the nature of substances used in the process cycle (gases, combustible and flammable liquids). Moreover, fire safety of the company assets is ensured in advance: not as of commissioning, but rather during development of the design parameters.

The company regularly interacts with the Chief Directorate of MChS of Russia for Sakhalin Oblast. The company assigns risk categories to protected assets operated by the company in order to implement a risk-oriented approach during fire inspections by the federal authorities.

The company systematically conducts comprehensive analysis of new Russian regulations in fire safety. For the purpose of full compliance with the law, those managers and specialists engaged in fire prevention at the company's production facilities are informed about all relevant changes.

Sakhalin Energy has the following priority fire safety objectives:

- arrangement and coordination of compliance with fire safety requirements;
- implementation of a coherent policy in fire safety, development of requirements to fire safety systems, establishment of fire-fighting units and supervision of their activities;
- arrangement and coordination of fire prevention at the HPFs, ensuring preparedness of fire-fighting units to fire response;
- development of preventive fire safety measures at the assets in compliance with Russian requirements to fire safety provided by fire safety regulations, on the basis of fire-fighting expertise, assessment of fire hazard of substances, materials, processes, as well as structures, buildings and constructions of the company's assets;
- ensuring scientific and technical support of fire safety requirements, testing and implementation of new fire-fighting equipment and technologies;
- performance of fire safety controls, expert review of design documentation.



4.3.3. EMERGENCY PREVENTION

The main objective of the company in emergency prevention is to ensure the safety of the general population, and of the employees and tangible assets of the company from natural and man-made emergencies, including the safety of people at offshore assets, and also in the event of oil and oil product spills.

For this purpose, the company maintains the readiness of a management, communication, warning and action reporting system in case of emergencies of various natures.

Documents regulating the procedure for mobilising operational control units to perform their assigned duties and operations in the event of an emergency are fully developed.

Non-Professional Emergency Response Teams (NERTs) are established at all of the company's production facilities. All units timely complete scheduled certifications and possess the relevant certificates authorising them to perform emergency response and rescue works associated with firefighting. The availability of equip-



ment allows the units to perform authorised emergency response, rescue and other urgent operations in different types of emergencies and accidents.

The company has established a reserve of financial and physical resources for emergency response that currently fully covers the estimated requirement (100%).

The range and the amount of physical resources are economically substantiated and comply with the nature and scope of potential emergencies.

In 2021, more than 250 exercises and drills were held at all company assets, during which the

preparedness of the management, communication, warning and action reporting system in case of emergencies of various natures was tested. The ability of asset managers to promptly adopt appropriate managerial decisions was highly appraised. The preparedness of management bodies, manpower and resources of the company assets to response to a threat of emergencies or incidents was appraised as compliant with the regulations.

Since the start of the project implementation, there have been no crude oil and/or petroleum product spills at the company's assets that could be classified as an emergency situation in accordance with the Russian law.

4.4. INNOVATIONS AND CONTINUOUS IMPROVEMENT

4.4.1. DIGITAL TRANSFORMATION

Technological advances in the digital age require revolutionary changes in business models and individual business processes. The use and development of digital platforms, the improvement of artificial intelligence in a thorough real-time analysis of huge source databases provides high-tech enterprises with undeniable advantages and allows them to effectively regulate financial flows.

Sakhalin Energy is implementing digital transformation projects to ensure corporate growth and development. The company sees digitalisation as a form of strategic management and a way to create new business opportunities.

Sakhalin Energy's goal in digital transformation is to support its vision, mission, and growth strategy through the implementation of new

digital technologies and efficient use of available data.

The top-level digital strategy of the company establishes the following digital transformation objectives:

- transform business processes, external and internal communication channels;
- develop corporate culture based on new approaches to management, working methods and organisational change;
- develop information technologies and use new approaches to architecture and data management, a product approach and flexible digital solution development and introduction methods, as well as competencies for digital transformation strategy implementation;



- implement programmes and initiatives for the introduction of digital technologies and digital solutions:
 - ▶ automated Enterprise Resource Planning system;
 - ▶ predictive maintenance and repair;
 - ▶ digital data platform;
 - ▶ digital enterprise model;
 - ▶ digital employee;
 - ▶ digital back office;
 - ▶ field development and operation;
 - ▶ occupational and industrial safety, environmental protection;
 - ▶ ecosystem of contractor engagement.

The company's digital strategy defines the following principles of digital transformation:

1. Support from the company's leadership team

The leadership team actively supports the digital transformation of the company and is discussing areas for implementation of digital initiatives.

2. Economic efficiency and result monitoring

Cost/benefit analysis is conducted in the process of setting clear and achievable goals, specifying the value of the digital initiatives and projects being implemented, as well as during subsequent



monitoring of business results through impact analysis of the KPIs (Key Performance Indicators).

3. Digital transformation is part of the company's business strategy

Digital transformation is integrated with the business strategy, along with other company development priorities, and directly affects the achievement of business goals.

4. Digital transformation is part of the corporate culture

All employees of the company share the same understanding of the goals and objectives of digitalisation, are keen on implementing digital initiatives to improve the efficiency of the company's business, as well as on developing their own digital competencies.

5. A unified approach to effectiveness management and assessment

The unified management system, along with processes for evaluating and implementing digital initiatives, ensures the maximum effectiveness of digital projects and the use of resources, as well as optimal decision-making.

6. Data are the basis of digital transformation

A key skill in corporate digital transformation is the ability to manage data and gain value and business benefits from data and analytical information.

7. Starting with quick wins

Implementation of high-impact, fast-paced digital initiatives is ensured by support from all company employees. To increase its

competitiveness, the company improves the business processes, technologies and products offered by the industry, implements best global practices, studies and applies promising tools in its work (machine learning, predictive analytics, artificial intelligence) and develops its own solutions, including in the area of information security.

Artificial Intelligence and Machine Learning

The company aims to reach a new level of critical process equipment maintenance organisation, which is based on a predictive technical diagnostics strategy. This will allow more detailed monitoring in real time, an analysis of the current state of equipment, and identification of malfunctions much earlier than existing automated process control systems.

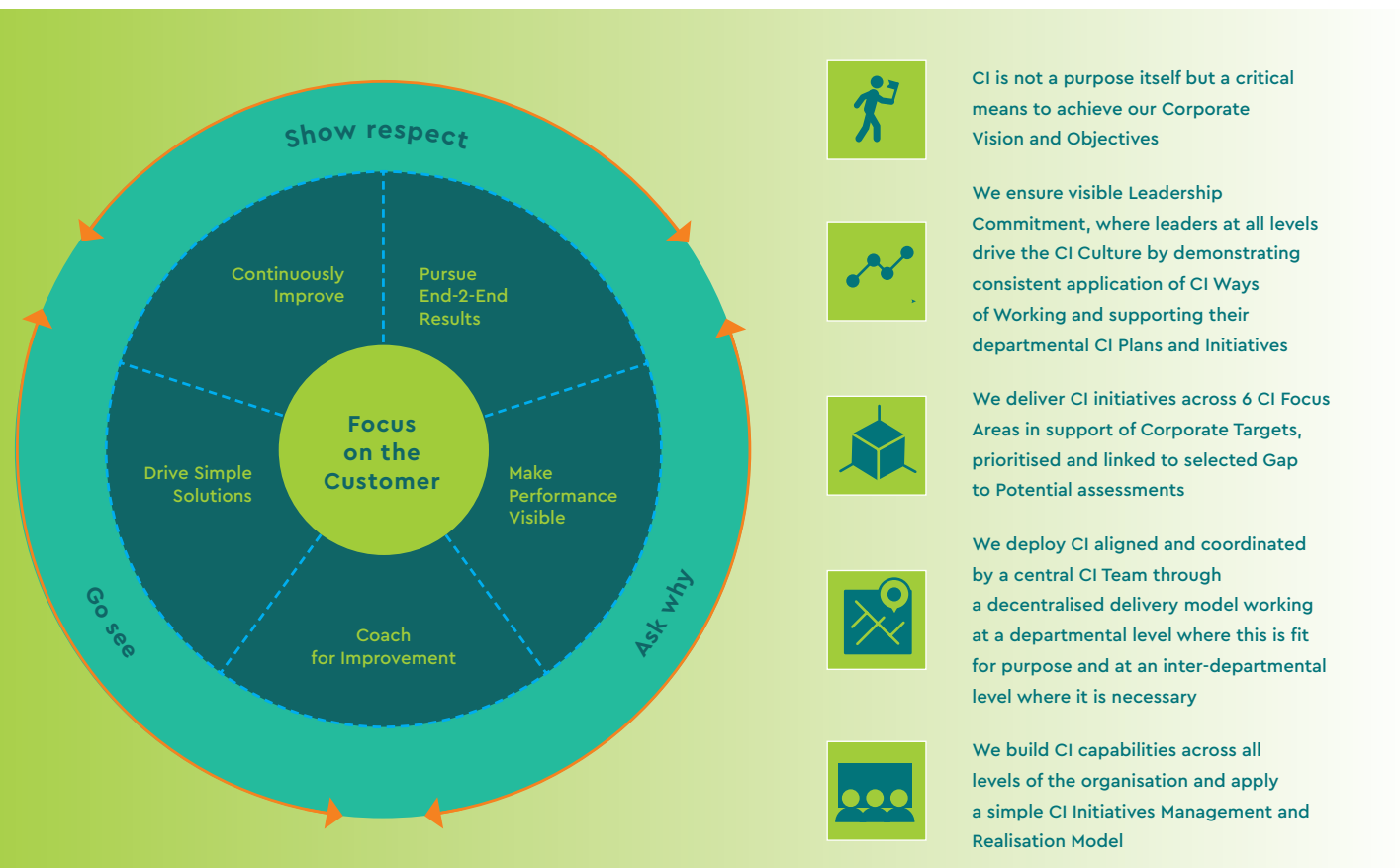
A predictive analytics tool is specialised software that uses individual equipment models and advanced pattern recognition methods, computer-aided learning technology, and technology for learning the unique profile of an installation in real conditions. This tool, among other things, compares historical data on equipment operation with operational data, and is capable of identifying the preconditions for malfunctions of the process system long before the emergency protection system is triggered. This will give specialists more time to analyse the situation and take preventive measures.

THE ROLE OF DIGITAL TECHNOLOGIES IN THE TIME OF COVID-19 RESTRICTIONS

In 2021, the company's process capacities allowed 1,500 employees to do remote or hybrid work on a daily basis. In total, they made more than 2.5 million video and voice calls through the corporate telephone system and held more than 29,500 meetings using video conferencing systems. Throughout 2021, Service Desk IT analysts processed on average over 3,620 requests per month.



Core Continuous Improvement Principles and Ways of Working



In order to ensure reliable operation during the 2021 major turnaround, access to IT resources was promptly arranged directly from work-

spaces via a Wi-Fi network. New Wi-Fi infrastructure controllers for industrial areas were launched and are operating effectively.

4.4.2. CONTINUOUS IMPROVEMENT PROGRAMME

Continuous Improvement Vision, Strategy and Roadmap

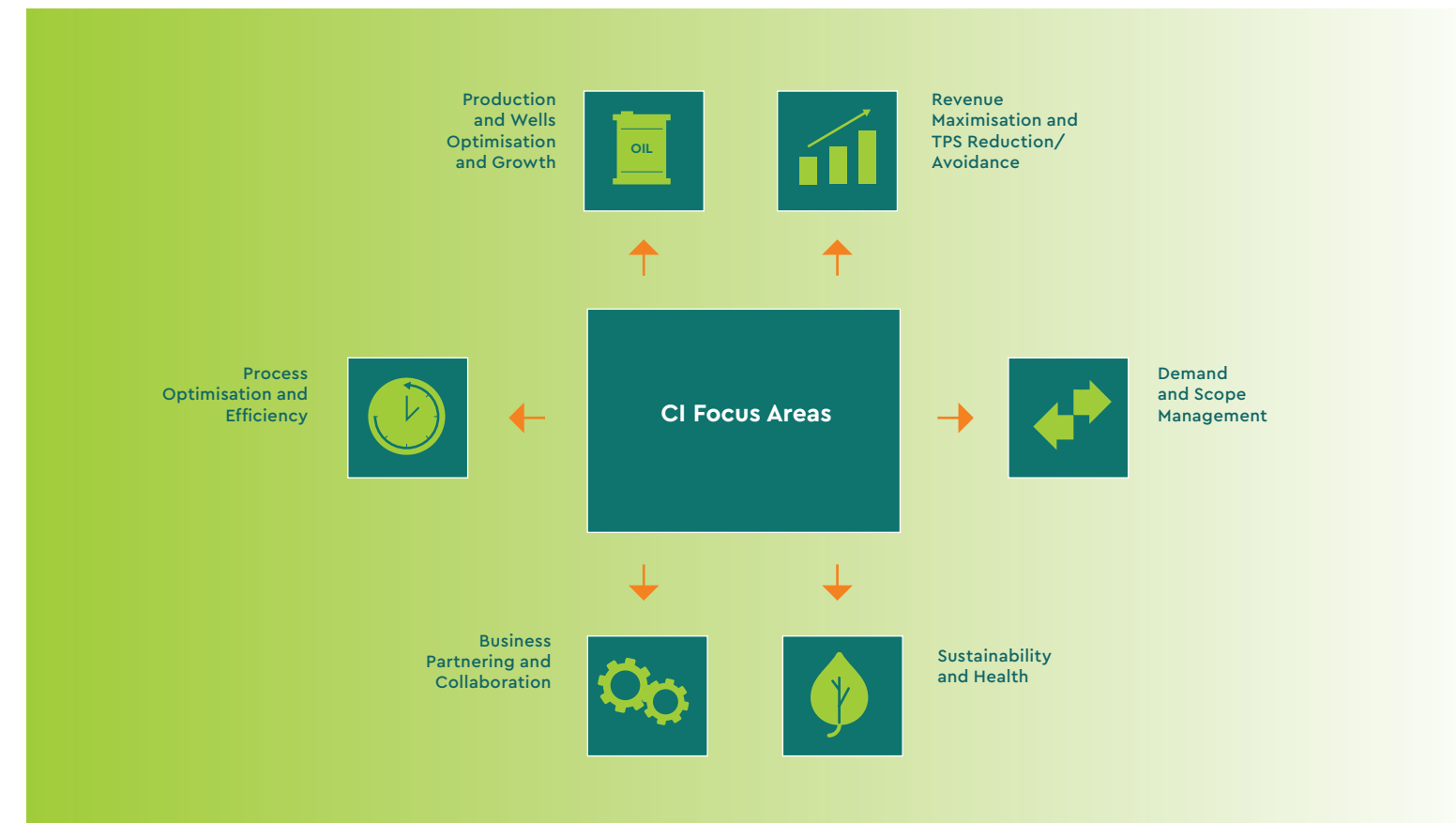
Continuous Improvement (CI) is a critical component of the corporate DNA of the Sakhalin Energy which is of particular importance also in relation to the new business reality, as it is necessary for the company to adapt to the rapidly changing economic environment and to cope with new challenges in order to remain the undisputed leader in the industry in the areas of technical development, production

and commercial activities as well as in the field of corporate social responsibility.

Sakhalin Energy's vision and strategy in the field of continuous improvement aim at creating a corporate culture and environment where both leaders and employees are engaged and empowered to continuously look for ways to operate the business more effectively and with higher economic return without compromising safety and reliability.



CI Focus Areas



Since its inception, Sakhalin Energy has applied modern management techniques and improvement methodologies, which were bundled in 2019 under the CI banner. Throughout 2021 the company has continued its CI journey, in line with the CI vision and strategy and in accordance with the CI roadmap, as approved by the Committee of Executive Directors and set out in the company's Journey Book.

Continuous Improvement Deployment

The CI management system of the Company is based on a decentralized delivery model that is coordinated and supported by the central CI Section and aimed to the achievement of the following goals:

- ensure a high degree of efficiency and effectiveness in operating the CI programme;

- align the CI activities across the company with the overall corporate goals;
- achieve high CI value delivery across the CI focus areas;
- strengthen the CI culture and CI mindset;
- sustain the CI Journey of the company.

Continuous Improvement Focus Areas

Each individual CI initiative and project is evaluated regarding its cost benefit and tested regarding its effectiveness and business benefits. In addition, all CI initiatives and projects are registered on the unified corporate continuous improvement portal, where all employees can familiarise themselves with the CI initiative, leave comments, ask questions, propose solutions and receive feedback and answers from initiators/owners of the corresponding CI initiative or project.



Continuous Improvement Leadership

Continuous improvement is built into the management structure and is presented at regular meetings and information sessions, both at the corporate and at the departmental level, and CI is also part of the individual annual goals and targets setting and review process of all leaders and members of staff (see Section 9.1.6).

CI leadership is underpinned by visible leadership commitment, where leaders at all levels drive the desired CI culture and mindset by demonstrating a consistent application of the CI ways of working and by strongly supporting their departmental CI plans and initiatives.

Continuous Improvement Culture and Ways of Working

The company supports employees in their CI initiatives and encourages their participation in the corporate CI programme by recognising successes in the area of continuous improvement, praising CI initiators at all levels in the company and in their individual business units. Successful initiatives are communicated to personnel, posted in all company's offices and assets and participate in the CI Award and Recognition process at corporate or directorate level.

The widespread use of CI techniques, tools and visual management systems and the increased number of dedicated CI sessions and CI seminars resulted in significant growth in the number of staff that is involved in the CI programme, which is assessed through an annual CI Survey.

2021 OPINION SURVEY

The results of the CI opinion survey 2021 (more than 1600 respondents) demonstrated a very high level of positive feedback and staff engagement in the CI Programme:

- 91%** "I have a positive attitude towards continuous improvement and I regard continuous improvement as important for our company.";
- 85%** "In my organizational unit, there is a strong focus on business performance, results and achievements.";
- 83%** "I know how CI works and is managed in the company, I know my role in CI and what is expected from me in the area of continuous improvement.";
- 81%** "In my organizational unit, we have CI Initiatives in place that are clearly connected to our targets (to deliver our objectives, strategy, scorecard)";
- 81%** "In my organizational unit, CI is actively and visibly promoted and personally supported by the members of the leadership team".

Continuous Improvement Capability Building

The application of CI management tools and techniques (regular "huddles" / "cadence sessions", "problem solving via A3 thinking" and "value stream mapping workshops"), requires employees to have appropriate knowledge and skills.

In order to develop the relevant CI competencies, the company's CI Capability Building Portal, which is available to all staff, provides access to a wide range of dedicated CI (e-learning and classroom) training courses including:



- CI Awareness and Basic Training Courses on the CI Methodology and on various CI Tools;
- CI Practitioner Training and CI Specialist Training;
- CI Leadership Training.

Continuous Improvement Value Delivery

The CI value generated through the corporate CI Programme is based on the implementation and delivery of CI initiatives, which are driven (bottom-up) by frontline staff individuals (identifying improvement opportunities in their daily work scope) and (top-down) by the management

through key corporate CI initiatives/ projects (including benchmarking and "gap to potential" studies) addressing major improvement opportunities and delivering of corporate KPIs and scorecard targets.

CI plans and initiatives are aligned with and support ongoing business improvement / operational excellence activities as well as departmental and corporate scorecard targets. The progress of approved CI initiatives is monitored frequently, and the CI teams receive support from leadership members for their CI initiatives where obstacles need to be removed.

Continuous improvement is built into the management structure and is presented at regular meetings and information sessions, both at the corporate and at the departmental level, and CI is also part of the individual annual goals and targets setting and review process of all leaders and members of staff.

In 2021, the CI funnel of Sakhalin Energy contained more than 1300 CI initiatives with a total value of more than US\$ 340 mln; more than 450 CI initiatives were completed and generated an associated value of more than US\$ 290 mln of which more than US\$ 190 mln in bottom line impact for the 2021 year alone.

4.4.3. INTELLECTUAL PROPERTY BUSINESS PROCESS

Throughout its history, Sakhalin Energy has been using best global practices and the latest technical solutions. The unique conditions of the Sakhalin-2 project implementation, however, often require the company and its contractors to search for or develop advanced approaches and methods, devices and technologies for fulfilling production and commercial tasks. A package of intellectual property rights, which is a valuable asset for the company's development, helps to maintain efficient and reliable production.

In 2016, the company introduced the Intellectual Property business process to implement the processes of intellectual property rights management, consolidation and protection of the company's rights to new technical solutions created as part of the Sakhalin-2 project, and also to strengthen the company's competitive advantages. The new business process was designed to develop a unified approach to the management of substantial intellectual property, to ensure its legal protection, and to obtain additional benefits from intangible



assets. Much attention is given to the management of the intellectual property of third parties and the company's contractors, obtained under contracts or on other grounds.

In five years, the Intellectual Property process has yielded noticeable results: as of the end of 2021, the company has accumulated a portfolio of intellectual property rights, which includes the following:

- seven patents issued in the Russian Federation (two of them protect technical solutions related to the production of liquefied natural gas, the third patent protects a new solution for monitoring the state of an oil and gas field during hydrocarbon production, the fourth — a solution aimed at simplifying and increasing the efficiency of drilling equipment operations during offshore hydrocarbon production, the fifth — a solution for maintaining the operability and integrity of underwater pipelines, the sixth — a solution aimed at improving the service life of drill strings by protecting the joints in the protector body, the seventh — a solution for informative monitoring of the operated reservoir capacity);
- four patents issued abroad (one in Australia, one in Canada, and two in the USA), following the patents for the development of legal protection for the Method for the Control of the Mixed Refrigerant Composition and the Method for the Control of the Mixed Refrigerant Composition in a Premixed Refrigerant Cycle in the Production of Liquefied Natural Gas technical solutions, obtained in the Russian Federation;
- one industrial design in the Russian Federation associated with the interface and information display on existing and historical properties of the Reservoir Pressure Maintenance

system operation. This solution is used on a daily basis by the Field Development Departments to monitor key indicators and manage the Reservoir Pressure Maintenance system.

- 50 software programmes registered with Rospatent;
- trademarks: Sakhalin Energy logo, registered in two colour combinations; the image of Senya — the protagonist of the Safety Is Important! programme (see Sections 9.5.3 under the same title).
- various copyright items: books, videos, animated films, comic books, various manuals, publications of works by SIM authors, and many other publications.

51 Sakhalin Energy employees have developed intellectual property assets since the start of the business process implementation.

These facts demonstrate the company's desire to improve technical and organisational processes and testify to the uniqueness and high quality of technical solutions created by Sakhalin Energy specialists.

In 2021, Sakhalin Energy explored a completely new area: joint patenting of technical solutions developed collectively by company specialists and contractors, which demonstrated great results during application in Sakhalin Energy activities, and are in line with state-of-the-art global practices.

In the future, the company will continue to expand its intellectual property portfolio by patenting and registering unique IT, technical and other solutions in the Russian Federation (and abroad, if necessary), interacting with contractors in order to benefit from the use of new solutions developed under the Sakhalin-2 project.



4.5. BUSINESS CONTINUITY MANAGEMENT

In 2016, Sakhalin Energy introduced the Business Continuity Management System (BCMS) to perform obligations to the customers, the Russian Party, the shareholders and other stakeholders in safeguarding and restoring business-critical activities and performance in case of any disruptive event.

To ensure efficient business continuity management, the company developed the Business Continuity Policy

and the business continuity programme of the same name, in accordance with the relevant regulations. Business continuity management is closely interlaced with crisis management and emergency response.

In 2021, the company tested the operational stability of the company's critical IT services in the event of major technical or HSE incidents. An alternative solution to running some financial processes was also tested.

The company continues to prove the efficiency of the Business Continuity Management System, taking timely and efficient response measures to the COVID-19 pandemic. For the purpose of prompt decision-making regarding production continuity and preservation of employee health, in 2021, the General Coordinating Committee (GCC) and three command centres by areas of activities that ensure continuous operation of the company, continued their work in the high-alert mode.

The company production facilities are designed and constructed with consideration to extreme natural factors, such as ice, wave and wind impact, temperature swings and precipitation.

Complying with the global climate agenda and following a transparent environmental policy, in 2022 the company plans to develop a strategy and an action plan for adapting to climate change, which provides for the generalisation and systematisation of implemented and existing approaches, identification of potential threats and development of preventive measures, such as mitigation of physical and transformational risks.



5

CORPORATE GOVERNANCE

In 2021, the company was awarded the highest class (A1) in the Russian Business Anti-Corruption Rating, arranged by the Russian Union of Industrialists and Entrepreneurs (RUIE) to assess business performance in terms of anti-bribery, anti-corruption, and corporate business ethics.





5.1. COMPANY'S MISSION, VISION, VALUES, AND PRINCIPLES

VISION

To be the premier energy source for the Asia-Pacific.

MISSION

Sakhalin Energy is committed to being a premier energy supplier, recognised for its safety, operational excellence, and reliability.

We conduct our business in an ethically, socially, and environmentally responsible manner.

Sakhalin Energy is guided by general business principles, with underlying core values of honesty and integrity, respect and care for people, professionalism and individual accountability, continuous improvement and teamwork. These principles are exemplified by the company's responsibilities to its shareholders, the Russian party, customers, the company's employees, and business partners — i.e. all parties that have business relations with the company, as well as to the community.

The general business principles cover, among other areas, economic features, competition, business integrity, political activities, health, safety, security, environment, local communities, as well as communication and engagement with stakeholders. The full text of the company's General Business Principles is available on the Sakhalin Energy's website (www.sakhalinenergy.com).

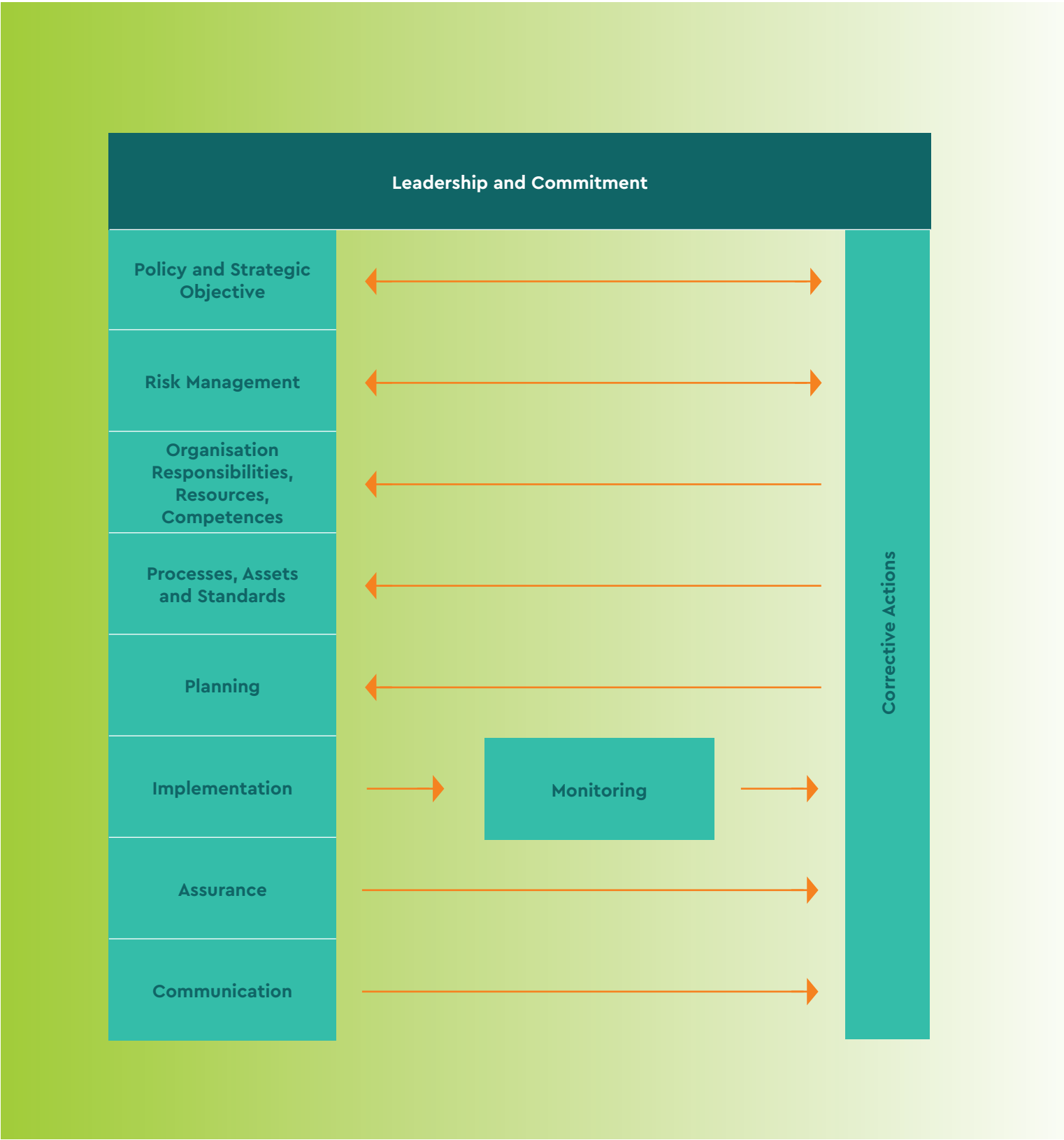
5.2. CORPORATE GOVERNANCE SYSTEM AND STRUCTURE

Corporate governance is a process ensuring due diligence in organisation, management, and oversight within Sakhalin Energy. Corporate governance is accomplished by engaging Sakhalin Energy's senior management with its shareholders and the Russian party to determine the direction of the company's activities, establish areas of responsibility, and assess performance.

The Sakhalin Energy's Business Management System Manual describes the main principles and approach to managing the company.

Leadership and commitment
Sakhalin Energy's senior management is fully committed to the Business Management System. Compliance with senior management decisions is mandatory for all staff and contractors. The senior management plays a leading role in the continuous improvement of business processes through their decisions and actions.

Policy and strategic objectives
The company's policies and standards comply with Russian laws and regulations as well as with the requirements of its shareholders and lenders. Sakhalin Energy's strategic objectives are inspiring and clear to everyone and





are consistently incorporated into the policies, standards, processes, and plans adopted by the company.

Risk management

When establishing objectives, the company identifies, assesses, and considers overall risks related to achieving these goals and identifies ways to manage risks, including decreasing, mitigating, or preventing them (see Section 5.4 Risk Management).

Organisation, responsibilities, resources, and competency

The organisation and resources of the company are adequate to meet the strategic objectives. Responsibilities at all levels are clearly described, communicated, and understood. The employees are prepared and trained in accordance with training plans coordinated with structured competency assessment systems.

Processes, assets, and standards

Processes and assets are defined with clearly assigned responsibilities. Process/Asset standards and procedures incorporating controls and means of risk management are in place and understood at the appropriate organisational levels. Process owners ensure the proper implementation of control procedures through regular assurance and compliance activities adopted by the company.

Planning

All approved plans are optimised and fully resourced. Performance targets are set that will ensure progression towards the long-term objectives. The five-year plans, which are assessed and adjusted annually, form the basis of planning. They are established through active and open discussions with representatives of all directorates and departments at the special annual event named Forum 100 (see Section 6.3 Engagement with Personnel).

Contingency and emergency response plans are implemented and regularly evaluated.

The Journey Book, which is published annually, is used to inform all company's employees about the company's goals, strategy, targets, and measures to achieve them.

Implementation

Performance indicators are established and monitored, and results are reported. Corrective measures are taken as necessary, and policies, organisational structure, risks, plans, and processes are updated. All incidents with significant potential or actual consequences are thoroughly investigated and reported. All lessons learned are disseminated throughout the company.

Assurance

Assurance is in place to ensure the management system is reasonably effective. It includes independent audits of processes and assets. Audits are followed up in a timely manner. Management regularly reviews the suitability and effectiveness of the assurance framework.

Communication

Transparent and open communication is essential to ensure the company's business objectives are met. Line managers engage with their staff, communicating business goals and priorities. The CED receives their feedback for information and possible follow-up. The CEO and other members of the CED reinforce this communication framework with regular staff engagement sessions (see Section 5.5 Corporate Culture, Business Ethics and Compliance and Section 6.3. Engagement with Personnel).



5.3. CORPORATE GOVERNANCE MODEL

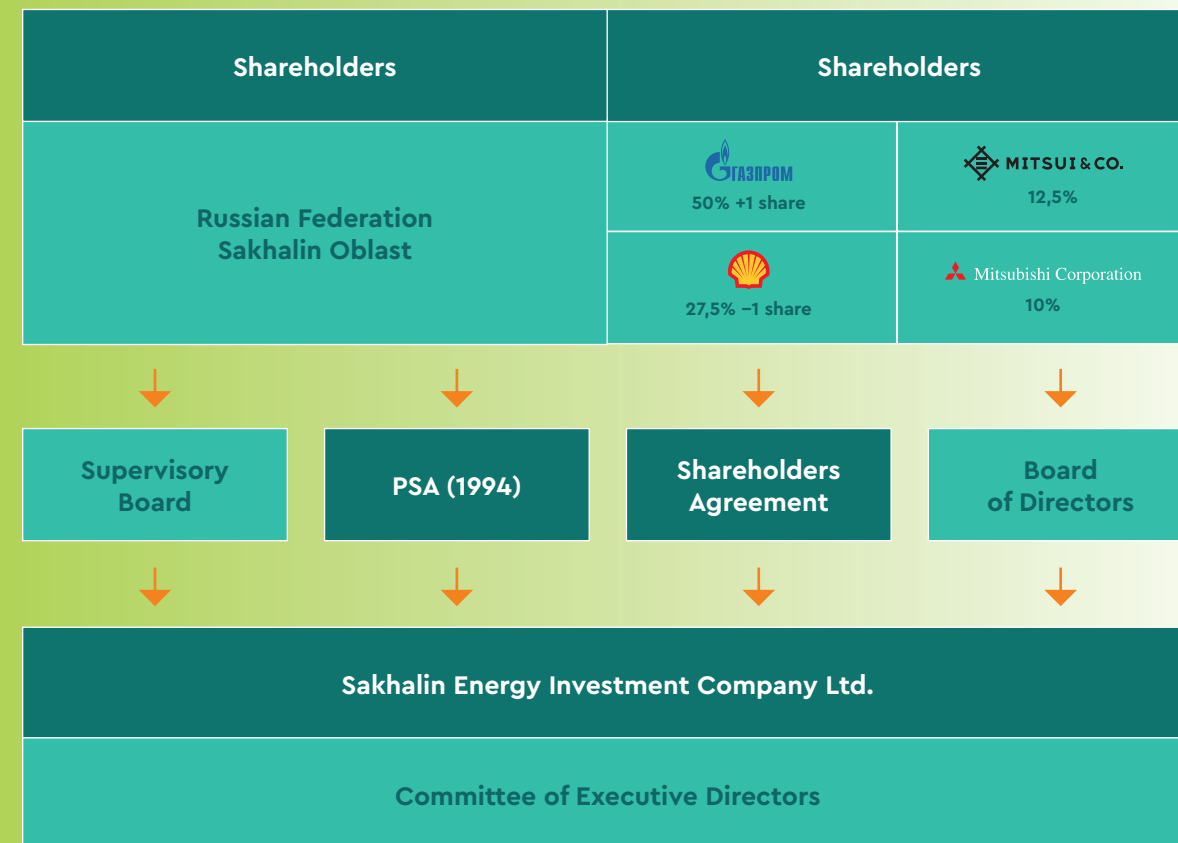
Strategic planning is carried out through engaging Sakhalin Energy's senior management with the Russian party (representatives of the federal executive authorities and the Sakhalin Oblast Government) and company's shareholders, who determine policy directions, establish areas of responsibility, and assess the results achieved, including those in the area of sustainable development. Under the shareholding structure of Sakhalin Energy, Gazprom holds 50% plus one share, Shell holds 27.5% minus one share, Mitsui holds 12.5%, and Mitsubishi holds 10%. All the shareholders operate through their subsidiaries.

The Supervisory Board is the Sakhalin-2 project strategic management body established and operating in accordance with the Agreement on the Development of the Piltun-Astokhskoye and Lunkoye Oil and Gas Fields on the Basis of Production Sharing (PSA). The Supervisory Board supervises the fulfilment of the PSA terms and approves the company's long-term development plans and budgets, annual work programme and budget, LNG sales agreements, procurement procedures, Russian national employment and training plans, etc. The Supervisory Board also reviews the company's annual reports and appoints auditors. The Supervisory





Corporate Governance Model



Board consists of 12 members: six representatives from the company and six representatives from the Russian party. Information on members of the Supervisory Board is available on Sakhalin Energy's website (www.sakhalinenergy.com).

Sakhalin Energy uses a three-stage corporate governance system, in which:

- certain key decisions are made by shareholders;
- the Board of Directors is responsible for overall governance of the company;

- daily management and operation of the company is the prerogative of the Committee of Executive Directors (CED).

The company's governing bodies have the following tasks in the governance model:

Board of Directors (BoD) — appointed by the company's shareholders, it is responsible for the overall governance of the company and for key decisions regarding economic, environmental, and social activities as well as the strategy and business direction of the company.



The BoD members in 2021 included all the executive (7) and non-executive (8) directors of the company. Cederic Cremers, Executive Vice President Shell LNG East, served as the Chairman of the Board as of end of 2021. In 2021 the BoD held four sessions (2 of them online).

The BoD is supported by several committees.

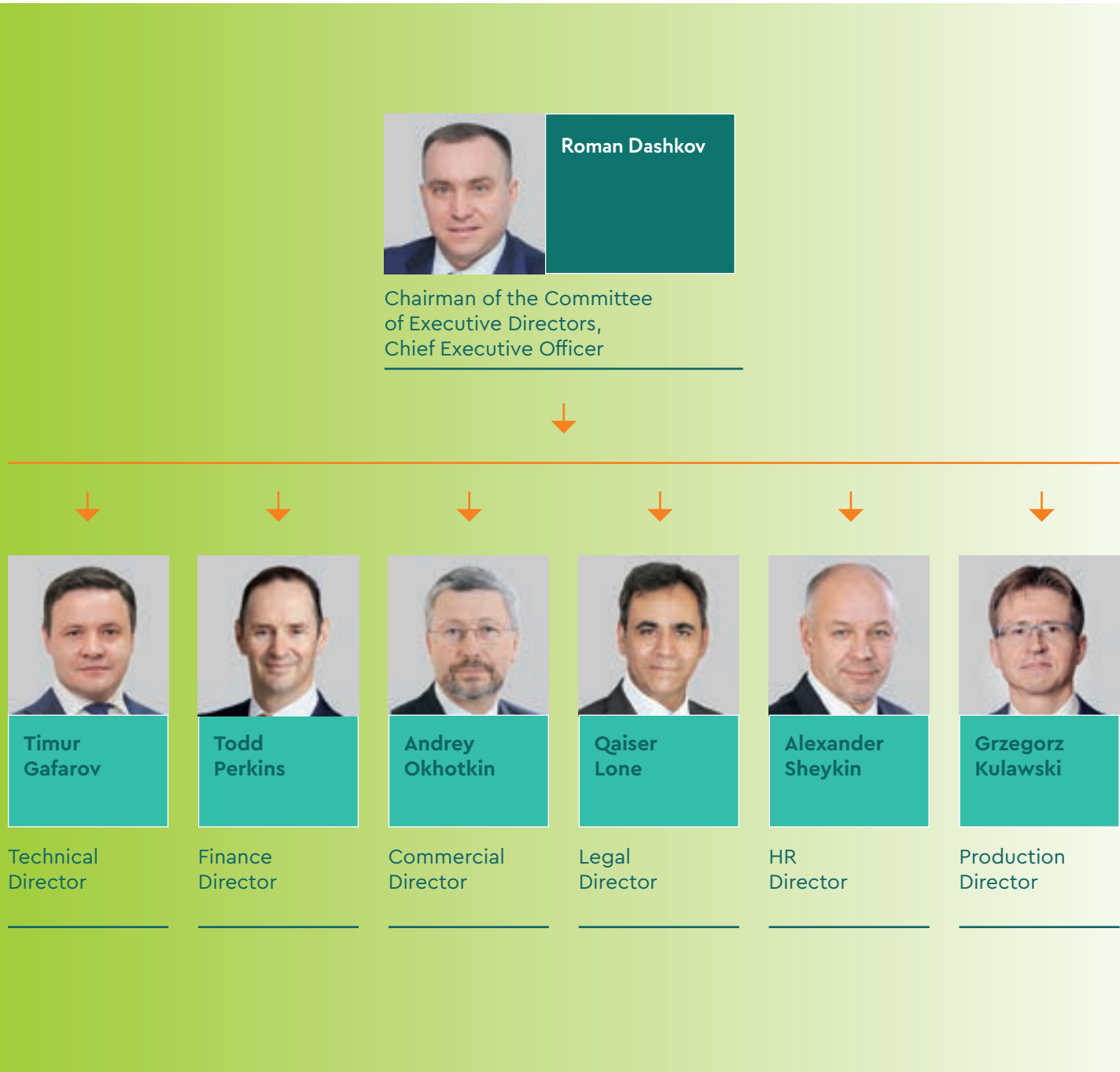
Commercial Committee — chaired by the company's Commercial Director and consisting of representatives from Sakhalin Energy and its shareholders who meet to discuss commercial

issues and related proposals and strategies pertaining to PSA/shareholder issues, PSA amendments, Licence Security proposals, infrastructure sharing/cooperation issues, and business strategies on crude oil, LNG and natural gas, and other commercial issues.

Technical Committee — chaired by the company's Technical Director and consisting of representatives from the Sakhalin Energy's Technical and Production Directorates and its shareholder companies who meet to discuss technical issues such as value assurance reviews, development propos-



Committee of Executive Directors (as of 31st of December 2021)



als, well drilling and completion, development work programmes and related budget proposals, operational activities, contracting plans and strategies, tender board policy, project development schedules, HSE management, and engineering, procurement and construction plans.

Finance Advisory Committee — chaired by the Finance Director and consisting of representatives from Sakhalin Energy and shareholder companies who meet to discuss financial issues. The standard agenda of a FAC meeting includes equity/project financing arrangements, assurance framework (including financial business), cost recovery issues, strategic risks, internal/external audits, work/service contracts, agreements and amendments, tax liabilities, insurance, treasury, accounting policy and supply chain management.

External Affairs Committee — an advisory committee to the BoD. The Committee is chaired by Sakhalin Energy's Head of Corporate Affairs Division and consists of representatives from the company and its shareholders who meet to discuss external affairs, such as formulating and coordinating the company's positions and communications with shareholders, monitoring and responding to media reports, releases, and inquiries, and coordinating issues associated with managing the company's reputation.

Board Assurance Committee — consists of two representatives from each of the company's shareholders, one of which is a non-executive director. The meetings are attended by the company's Chief Executive Officer, Finance Director, Legal Director, any other executive directors responsible for the agenda items of a Committee meeting, the Audit Manager, and other individuals invited by the Committee.

Board Remuneration Committee — an advisory committee to the BoD. This Committee reviews and makes recommendations regarding the annual performance of executive directors as well as overall HR policies. The Committee includes two representatives (one of which should be a non-executive director of the company) from each of the shareholders.

Committee of Executive Directors — headed by the company's CEO (Chairman) and consists of all the executive directors of the company. The CED designates, directs, and oversees the operations of Sakhalin Energy through business plans and strategies and by deciding how best to implement them. The CED members as of 31 December 2021 are shown in the Committee of Executive Directors organisational chart.

The CED is supported by internal committees, including, but not limited to:

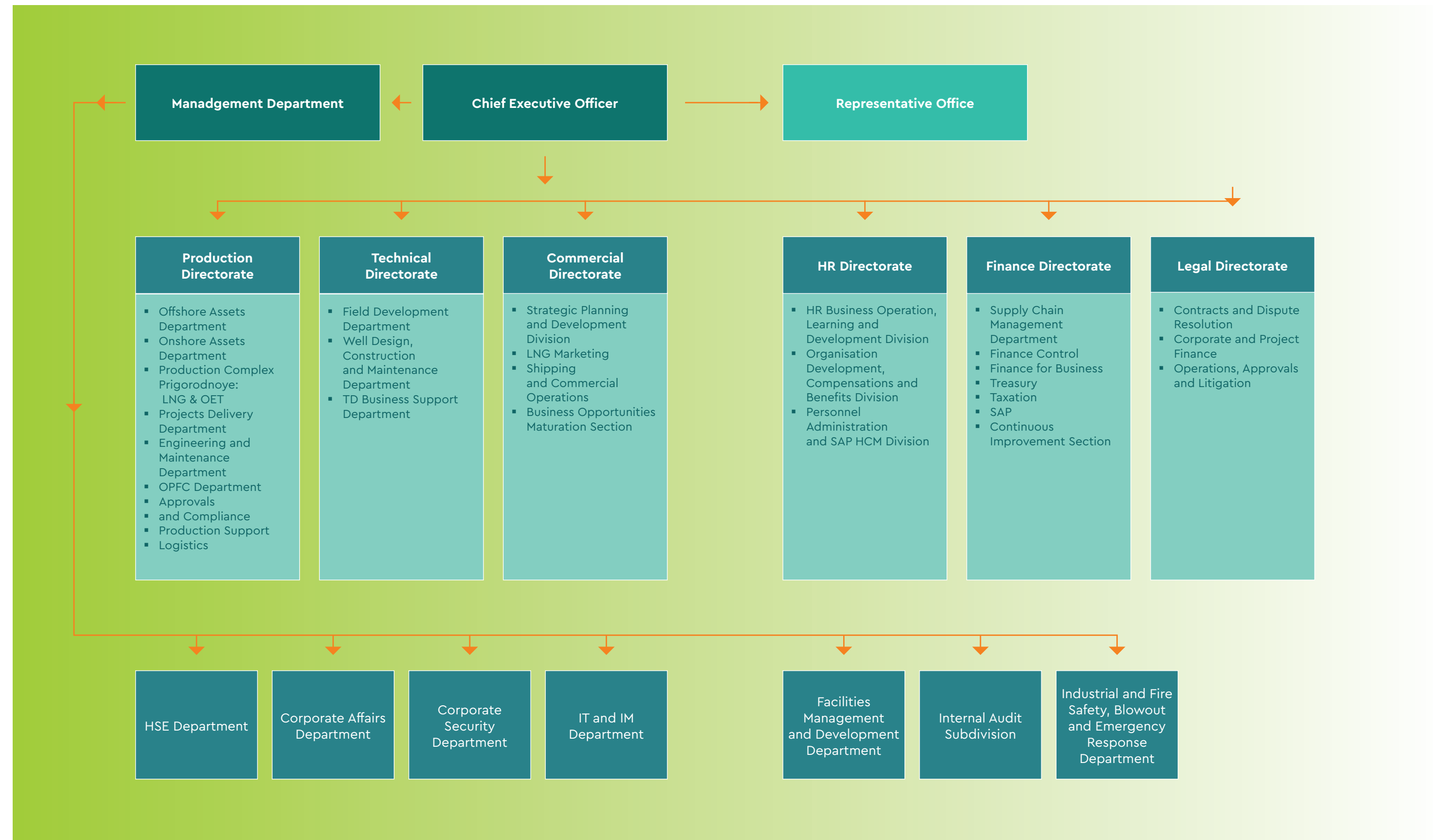
- Management Development Committee;
- Decision Review Board;
- Business Integrity Committee;
- Business Assurance Committee;
- HSES Management Committee.

The company's organisational structure ensures that functional tasks related to both assets and processes are completed.





Committee of Executive Directors (as of 31st of December 2021)





5.4. RISK MANAGEMENT SYSTEM

Sakhalin Energy believes that effective risk management is critical to achieving the company's goals.

The main goals of effective risk management are as follows:

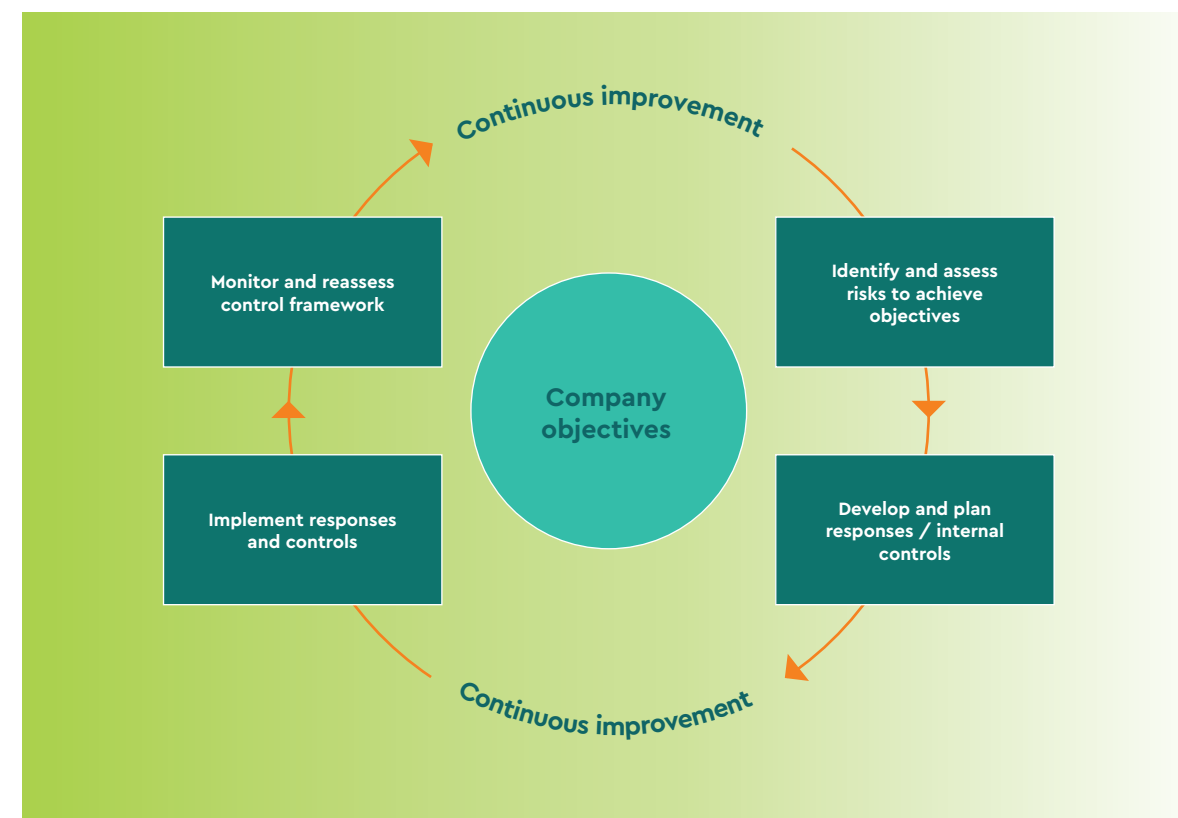
- creating a risk-oriented culture in the company;
- creating value for key stakeholders by ensuring effective implementation of the corporate strategy;
- ensuring sound planning by involving senior management in managing key risks; ensuring

proper assessment, monitoring and mitigation of risk exposure.

In risk management, the company follows the ISO 31000:2018 Risk Management Standard.

Sakhalin Energy understands risk as a potential situation that can affect the achievement of corporate goals. Accordingly, all risks and opportunities are assessed in terms of their impact on achieving the goals and probability of occurrence.

Risk Management Cycle



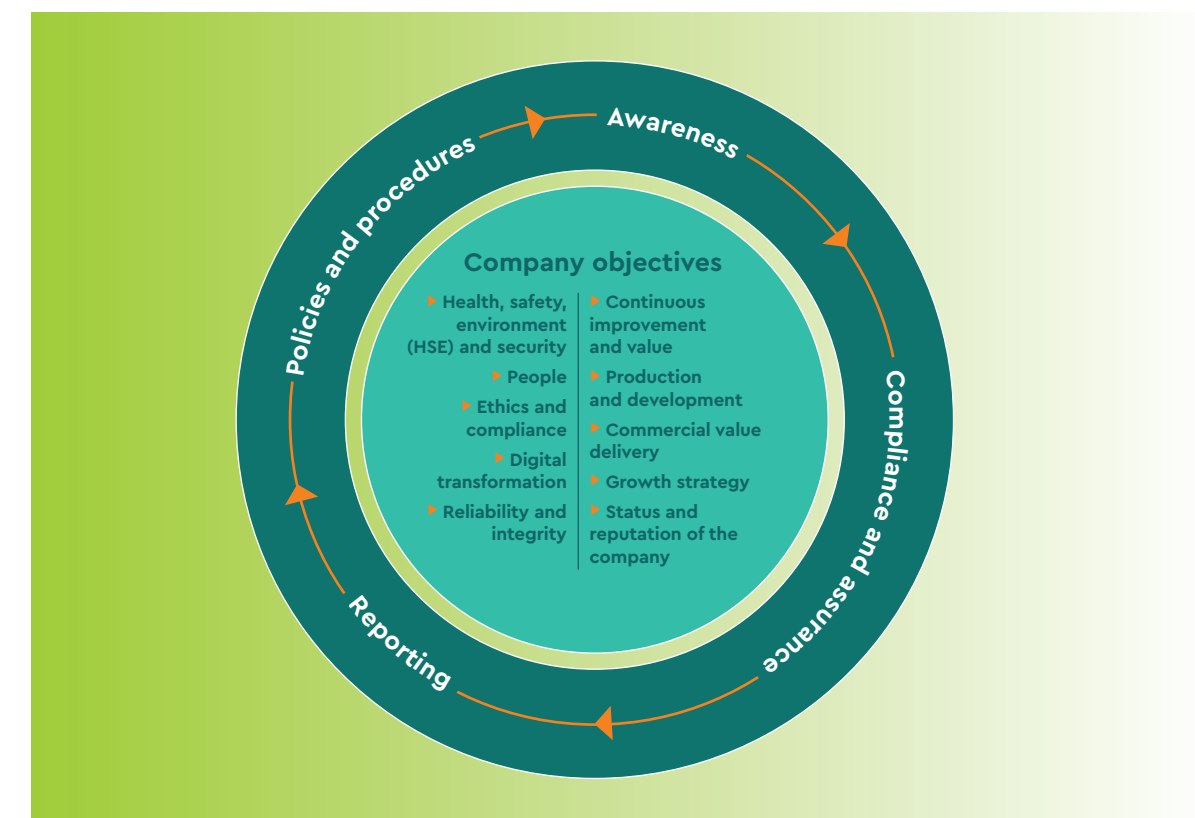
The risk management process at Sakhalin Energy includes risk identification and assessment, planning and implementing remedial measures, monitoring indicators and reassessment of risks. The cycle is carried out on continuous basis in order to ensure the identification of areas that require improvement, as well as the implementation of these improvements (see the Risk Management Cycle chart). This process is governed by the Corporate Risk Management Procedure.

The key tool for assessing the impact and likelihood of risks is the risk assessment matrix, which provides for the classification of actual and potential consequences, determination of the severity of risks, and proper management thereof. Risks are assessed on the likelihood of occurrence and the level of impact on the process of goal implementation.

One of the most important components of effective risk management is conducting an impact assessment. This process is carried out before starting any work that could potentially affect various areas (see Section 3.5.2 Impact Assessment).

Risk management lies within the responsibility of those responsible for achieving the goals associated with these risks (risk owners and coordinators). All executive directors of the company ensure proactive risk management as part of his/her leadership activities. Monitoring is carried out by the Business Assurance Committee, which includes the company's executive directors, and the Board of Assurance Committee (see the Controls Framework chart).

Controls Framework





Risks that the company assesses as the most significant, and ways to control them

Risks	Description/Controls	Reference
Continuous improvement (opportunity)	Many of the processes and areas of work used by Sakhalin Energy are continually improved in order to increase their efficiency and/or productivity, which will allow the company to be the leading supplier of energy resources for the Asia-Pacific region. The company has developed a strategy to achieve maximum production efficiency — the Continuous Improvement Programme, which includes a number of initiatives to reduce costs, increase profitability and improve production efficiency.	Details in Section 4.4.2
Risks associated with COVID-19		
Risks to business continuity, risks to personnel health	The company has developed and introduced the imperative measures for minimizing the probability of COVID-19 infection intrusion into company's offices and facilities, healthcare measures for personnel have been introduced, specific logistics have been developed for personnel/equipment delivery to the company's assets, and Temporary Accommodation Facilities have been organised. The General Coordinating Committee executes the control over compliance with these measures.	Details in Sections 4.5, 9.1, 9.3
Economic risks		
Risk of adverse effects of existing and potential sanctions	The United States and several other countries have imposed sanctions that may affect the company's business. The company has formed an interdisciplinary sanction working group responsible for monitoring and developing situation-management plans.	
Social and reputational risks		
Staff turnover	It is important for the company to retain the necessary level of trained and qualified personnel. Losing professionals and specialists, especially those in technical fields, can lead to a shortage of trained personnel in the skill pool to fill critical positions and can lower the general qualification level of key experts. In order to mitigate the risk, the company strives to support the succession process, including at the level of managerial targets and goals. Managerial and leadership skills development programs are being implemented. The competitiveness of the employee value proposition is regularly assessed. The Traineeship Agreement is updated on a regular basis in cooperation with shareholders.	Details in Section 9.1
Occupational diseases risk	To reduce the risk of occupational diseases the following are implemented: personnel health risk assessment at the facilities, harmful factors production control, special workplace attestation, periodic medical and clinical examinations, control over compliance with work instructions during work, control over the use of PPE, and education on the prevention of occupational diseases.	Details in Section 9.3



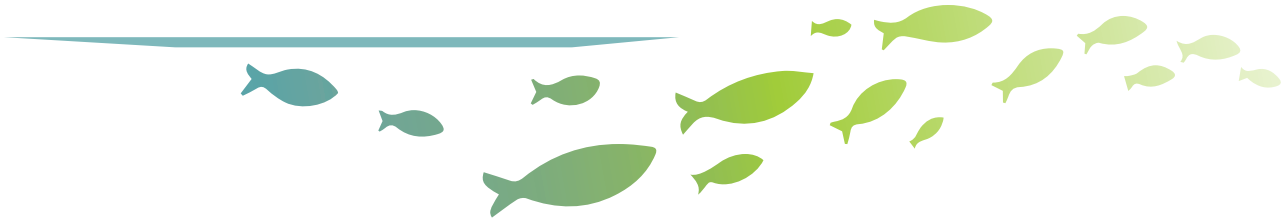
Risks	Description/Controls	Reference
Environmental risks		
Risks with regards to negative impact on the environment	The company uses the following controls to reduce the risk of negative impacts on the environment and the risk of contamination in line with the requirements of environmental legislation and international standards: <ul style="list-style-type: none">■ identifying all environmental aspects and factors, performing an environmental risk and impact assessment when planning and performing business activities in the course of implementation of a project;■ operating on the basis of permits and licences obtained, within the limits for emissions and discharges of pollutants and waste generation volumes specified by the standards;■ implementing measures to reduce specific indicators of greenhouse gas emissions through increasing equipment reliability, energy efficiency and process optimising, gas flaring management, leaks prevention and control;■ developing and implementing comprehensive programmes for industrial environmental control, local environmental monitoring and biodiversity conservation in the areas of production assets;■ analysing the results of monitoring, assessing the efficiency of controls and developing and implementing environmental protection plans. Risks are managed in accordance with the company's Risk Management Standard and the special Atmospheric Air Protection Standard, Water Use Standard, Waste Management Standard, Soil Use Standard, Marine Environment Protection Standard and Biodiversity Standard	Details in Section 8
Climate risks	The company's assets located on Sakhalin Island and in the shelf area of the Sea of Okhotsk are in natural hazard zones (landslides, wild fire, hurricanes, snowstorms, floods, tsunami, earthquakes, etc.). In terms of climat change, there has been an increase in the magnitude of extreme natural phenomena that may affect the efficiency of processes, operation of process equipment and production facilities in general (even to the point of an emergency). The company started developing the Climate Change Adaptation Plan to manage these risks.	Details in Section 4.5
Safety risks		
Process safety	Process Safety is the management of hazards that can cause major accidents that release potentially dangerous materials or energy, such as a fire or explosion, or both. Potential sources of major accidents are: hydrocarbon releases from production installations or wells, onshore and offshore assets and pipelines which could result in a fire or explosion; loss of structural integrity of offshore installations; marine hazards, such as a ship colliding with an installation or another vessel; aviation hazards, such as a helicopter crash; major road traffic accidents; contamination of food or water affecting personnel at the assets; loss of power to remote locations during the winter; dropped objects; and transferring personnel between offshore installations and vessels. The Process Safety Control System consists of three elements: <ul style="list-style-type: none">■ Design Integrity — designing and building the company's assets so that risks are as low as reasonably practicable (ALARP);■ Technical Integrity — applying technical control measures through effective maintenance, inspection, repair, and quality assurance;■ Operating Integrity — applying technical control measures and managing critical work processes by using work permits, monitoring technical processes manually, overseeing changes in processes, etc. The company makes assessments of the process safety risks at each asset based on Russian Federation legislation and best international practices.	Details in Sections 4 and 9.2



Risks	Description/Controls	Reference
Emergency risks	<p>The company acknowledges the hazard of natural and man-made emergency risks. The company has developed and implements measures for protecting personnel and tangible assets from natural and man-made emergencies in accordance with RF regulations, in order to carry out activities for risk reduction and mitigation, and timely emergency response. Arranging and conducting constant monitoring and interaction with State Unified Emergency Rescue Service sub-systems entities in the area of responsibility of the company's assets allows a high protection level to be maintained.</p>	Details in Section 4.3
Industrial safety risks	<p>The company's industrial safety (IS) ensures protection of vital interests of individuals and society from potential accidents and incidents at hazardous production facilities (HPFs) and mitigates their effects. Lack of proper control over compliance with the IS requirements in the company may result in the following risks:</p> <ul style="list-style-type: none">■ imposition of administrative penalties by Rostekhnadzor and the other state regulatory bodies supervising the compliance with the IS requirements in the company;■ injury to life and health, damage caused to property, the environment in the course of implementing IS activities at the company's HPFs;■ failure to ensure safe conditions for HPF operation, violation of technological processes leading to incidents, accidents and emergencies at HPFs due to insufficient IS competence on the part of company and contractor employees;■ holding the company's employees liable for IS violations in accordance with applicable RF laws;■ suspension or revocation of a valid licence held by the company for failure to meet IS requirements;■ suspension or revocation of the company's ISO 45001 certificate in view of its failure to comply with the mandatory RF IS laws;■ damage to the company's business reputation caused by its failure to meet the requirements of the mandatory RF IS laws. <p>To manage the above-mentioned risks, in accordance with RF laws, the company ensures operation of the Industrial Safety Management System (ISMS), a unified system of planning and implementing measures for minimising the risk of accidents at the company's HPFs. The ISMS is an element of the company's general management system specifically pertaining to the fulfilment of the company's commitments declared in the Sakhalin Energy Industrial Safety Policy. ISMS application, strict compliance with RF IS laws, and focusing efforts and resources of Sakhalin Energy, company and contractor employees on compliance with IS requirements guarantee protection of the vital interests of individuals and society from potential accidents and incidents at all production stages.</p>	Details in Section 4.3
Fire safety risks	<p>The company's production facilities are marked by the presence of large volumes of highly inflammable and explosive substances. Together with technological processes associated with high temperature and pressure, open fire sources, the presence of hazardous substances and materials, these conditions create an increased hazard of fire and explosion. Fires caused by highly inflammable and flammable liquids, combustible gases are hard to extinguish and are often long-lasting. Fire spread is rapid and accompanied by extensive release of heat and radiant energy.</p> <p>For the purpose of risks mitigation, in accordance with RF regulations, the company ensures operation of the fire safety compliance system, which is a combination of efforts and resources, as well as legal, organisational, economic, social, scientific and technical measures aimed at fire prevention, extinguishing and emergency response and rescue work at the company's assets. Sakhalin Energy's management at various levels demonstrates continuous leadership and commitment to fire safety assurance, which allows a high fire protection level to be maintained at the company's assets.</p>	Details in Section 4.3



Risks	Description/Controls	Reference
Personnel safety risks	<p>The key risks in the area of personnel safety have been associated with lifting operations, dropped objects, working at height, trips and slips, cutting tool handling or working with electricity.</p> <p>To mitigate safety risks, the company implements adequate preventive and control measures, such as staff training on occupational safety, provision of PPE, medical check-ups, introduction of latest technologies for minimising employee exposure to hazards, an electronic work permits system that prevents conflict of operations and reduces the likelihood of human error. Implementing the Goal Zero programme is a special priority aimed at improving safety culture and decreasing the number of injuries.</p> <p>As part of the Effective Observation and Intervention Programme, employees and contractors are engaged in identifying hazardous work conditions in order to prevent accidents. The best interventions are communicated to all personnel and rewarded with prizes.</p> <p>Company management at various levels demonstrates continuous leadership and commitment to safety in the course of regular visits to production sites and communication with the staff. Identification of the root causes of accidents enables the company to be proactive and prevent incident recurrence by learning lessons and sharing experiences among production facilities.</p>	Details in Section 9.2
Road safety	<p>Traffic decreased during the operations phase, but the risk levels remain high over the entire service life of the Sakhalin-2 project. Traffic volumes are still high, often in difficult weather and road conditions.</p> <p>The most common violation among contractor drivers is speeding. To manage risks and prevent violations of road traffic rules, the company monitors speed limit violations using IVMS and with the help from Traffic Safety Team inspectors, conducts training sessions and discussions with drivers, and performs strict journey management. Other precautionary measures and controls are also being implemented.</p> <p>Within the framework of the OPFC project, the traffic intensity on the southern access road has significantly increased. To strengthen road safety control, an additional monitoring group has been arranged on the road.</p>	Details in Section 9.2





5.5. CORPORATE CULTURE, BUSINESS ETHICS AND COMPLIANCE

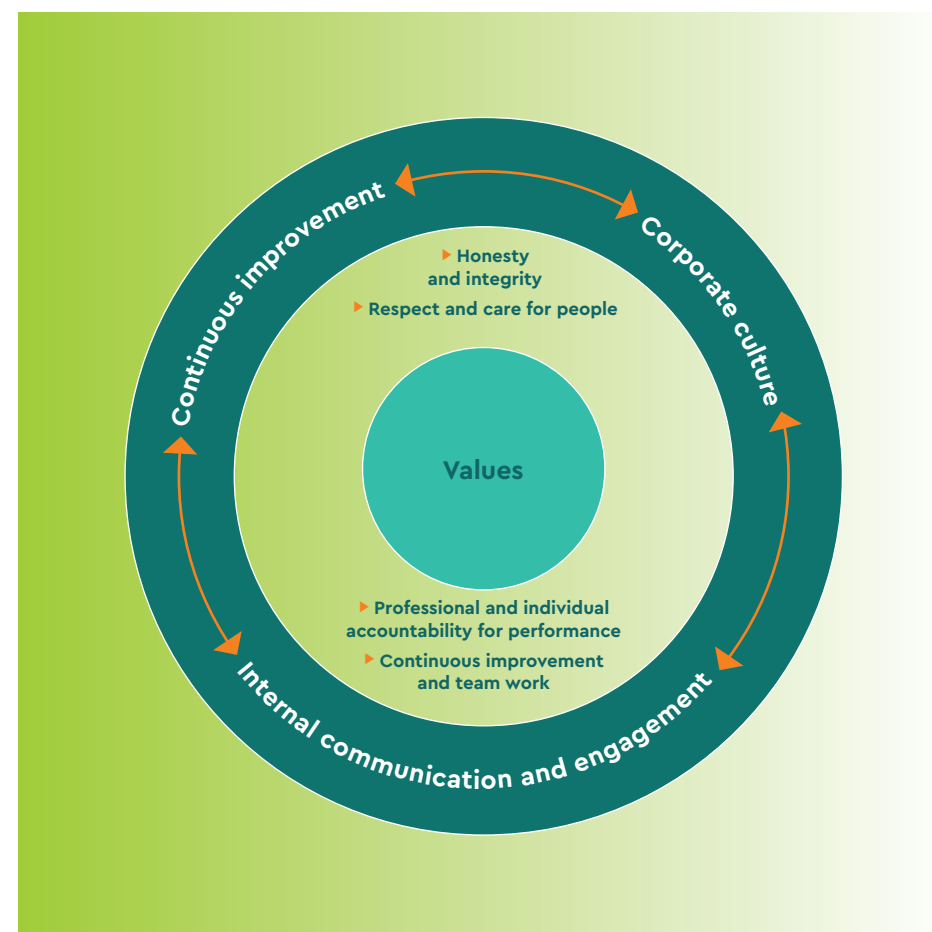
"The Reputation of an honest business is a priceless asset for any organisation. Our success in no small measure is contingent on compliance with both legislative requirements and highest possible ethical standards."

Roman Dashkov,
Chairman of the Committee
of Executive Directors
and Chief Executive Officer

Values, principles, rules, codes, traditions and practices add up to the company's corporate culture, making it unique and guiding it to the destination that has been set. Sakhalin Energy's corporate culture, which

rests on trust and our corporate values — honesty, integrity, respect, professionalism, individual responsibility, continuous improvement and team work — contributes to our reputation and business success.

Sakhalin Energy's Corporate Values



Sakhalin Energy operates in strict compliance with the Russian Federation legislation and corporate General Business Principles, including the following:

- we promote the development and best use of the talents of our employees;
- we conduct business as a responsible corporate member of society, support fundamental human rights and give proper regard to health, safety, security and the environment;
- we contribute to sustainable development, integrating economic, environmental and social considerations into business decision-making (the principles of environmental and social responsibility);
- we do not tolerate corruption, corporate fraud, embezzlement, money laundering or any other abuse of the company's assets;
- we seek to work freely and fairly, in compliance with the business ethics standards;
- we seek to maintain mutually beneficial relationships with business partners, contractors and vendors.

The General Business Principles of the company and the key provisions of the Code of Conduct are communicated to newcomers during the regular awareness sessions.

All employees complete biannually online trainings dedicated to the Code of Conduct, Anti-Bribery and Corruption principles and Conflict of Interest Procedure. In 2021, almost 100% of employees who were required to do these trainings completed them.

To enhance zero tolerance of corruption and fraud, the company has developed face to face training sessions on Ethics and Compliance, which are conducted on a regular basis with employees whose roles present higher corruption and fraud risks. This format serves as a platform for discussing higher risk situations and how to mitigate their impact on the business environment and the company. The training material was updated in 2021 and around 500 employees were trained in 22 sessions held during the year.

The company's management is actively involved in promotion of the corporate culture which is based on mutual respect and trust: the company trusting its employees, the shareholders trusting the company, etc. This makes negligence and any malpractice unacceptable.

To enhance and further develop our corporate culture aimed to maintain the company's values, reputation and high international standing, the following sources have been developed:

- Ethics & Compliance internal web-resource. The E&C website covers ethics & compliance information and updates (Stories, Facts and Events section) and offers information on the Ethics & Compliance Program, encouraging employees to raise their concerns and ask questions to receive advice and recommendations (via Whistle Blowing and Contacts links).
- Ethics & Compliance Program. The Program was developed in accordance with the



Basic Elements of Ethics and Compliance



Russian and applicable international legislation, as well as best international practices. Ethics & Compliance Manager coordinates the implementation of the program in line with its terms and conditions. The Program is updated annually and information on it's delivery is reported to the Company senior management and Shareholders on a regular basis as per plan through internal and shareholders assurance committees.

Ethics & Compliance awareness and training sessions held regularly throughout the year. The Code of Conduct is an integral part of Sakhalin Energy's corporate governance and culture, defining essential rules, standards and norms of conduct aimed at achieving Sakhalin Energy's goals in line with its requirements, corporate values and principles.



Sakhalin Energy's Code of Conduct applies directly to each employee and covers various aspects, including respect for human rights, health, safety and environment, anticorruption and antibribery, etc., and includes the principles of management commitment, due diligence and risk assessment, monitoring and reporting, communication and training, etc. (see the Basic Elements of Ethics and Compliance chart). Business ethics and compliance is a part of annual individual goals and performance of all employees and managers (see Section 9.1.6 Individual Performance Appraisal).

Detailed regulation of each of these processes is included in the company's procedures and policies, the key ones of which are:

- Corporate Management System
- Code of Conduct, including the Statement of General Business Principles;
- Sustainable Development Policy;
- Human Rights Policy;
- Whistle Blowing / Grievance Procedure;
- Conflict of Interest Procedure;

- Anti-Bribery and Corruption Procedure;
- Due diligence procedure
- Social projects contracts management procedure.

All policies and procedures have been developed in line with the existing laws and regulations, as well as the General Business Principles of the company. The company has established a safe and confidential whistleblowing hotline for employees and others to raise any concerns and report incidences of non-compliance with the General Business Principles. Sakhalin Energy employees are expected to report to the company any incidents of violation of the General Business Principles.

The company continuously works to reinforce its staff engagement and two-way communication framework using such methods as direct communication (general staff communication sessions, meetings with each group/department, etc.), as well as various types of electronic and written communications and feedback (see Section 6.3 Engagement with Personnel), etc.

The company has developed and applies the Conflict of Interest Procedure. Under the procedure, a conflict of interest declaration must be filled out by all the employees on an annual basis. Employees must also submit a conflict of interest declaration at other times when an actual, potential or perceived conflict of interest arises. All such registered conflicts of interest are discussed between the relevant employees and their manager, and relevant measures to mitigate the impact or eliminate the conflict are developed and agreed.

The Procedure allows the company to prevent and assess potential conflicts and describes measures to protect both Sakhalin Energy and its personnel from the risk of actual conflict between the employees' private and professional interests.

In 2021 almost 100% of employees completed their annual conflict of interest declaration.



"The development of an ethical culture is a long-term strategy of our company. It is based on the principle of zero tolerance for corruption and uniform business ethics rules, mandatory for every employee regardless of position and length of service in the company."

Roman Dashkov,
Chairman of the Committee
of Executive Directors
and Chief Executive Officer

5.6. ANTI-BRIBERY AND CORRUPTION

Effective development of Sakhalin Energy is based on zero tolerance to corruption and fraud, and one and the same Code of Conduct being mandatory for all the company's employees, irrespective of their position or employment record.

- The company follows Russian and applicable international anti-corruption and anti-fraud regulations, corporate General Business Principles and Code of Conduct, as well as internal policies and procedures.
- Sakhalin Energy does not tolerate corporate fraud, bribery, corrup-

tion, embezzlement, money laundering or any other abuse of its assets.

- The company promotes its General Business Principles to business partners, contractors and vendors.

The company continually and diligently makes efforts to prevent and combat corruption and keeps making these efforts more effective. This includes development of the relevant policies and procedures and implementation of business assurance processes to prevent any unlawful activities.

In 2021 Sakhalin Energy has again been rated as Class A1 in the anti-corruption rating of Russian business completed by the Russian Union of Industrialists and Entrepreneurs (RUIE). This is the top grade a business can earn in terms of anti-bribery/anti-corruption and corporate business ethics.

The rating's objective is to improve the openness and transparency of Russian companies through publishing information regarding levels of compliance with the Russian Anti-Corruption Charter for Business and ISO 37001-2016 Anti-bribery management systems — Requirements with guidance for use.

To compile the rating, 37 criteria contained in ISO 37001:2016 were used, including the existence of a corporate anti-bribery management system, leadership commitment to the principles of honesty and integrity in business, financial and non-financial controls, raising awareness among personnel and business partners, including extensive anti-bribery and anti-corruption personnel training, availability of effective mechanisms to communicate information to all relevant stakeholders, etc.

Class A1

was over awarded to the company based on the results of the Anti-Corruption Rating held by the Russian Union of Industrialists and Entrepreneurs



Anti-Bribery and Corruption Procedure (hereinafter referred to as the Procedure) is the primary company's document dealing with bribery and corruption.

Risks associated with non-compliance with this Procedure include failure to follow anti-bribery and corruption legal requirements and failure to comply with ethical business standards. These risks may lead to reputational damage, financial losses (e.g. fines), and criminal liability of the company, its employees as well as its agents, contractors, and intermediaries. The Procedure lists categories of employees who present higher risks of violating anti-bribery and corrup-

tion laws and must attend individual face-to-face training on the requirements of this Procedure.

To raise the awareness of all employees in 2021 the company issued regular news items, discussion notes and articles on business ethics.

All newly hired staff must be briefed about the requirements set forth in the Procedure as part of their induction. The Finance Controller together with the Ethics and Compliance Manager shall ensure that Sakhalin Energy employees are made aware of Anti-Bribery and Corruption Procedure (including organisation of training sessions) and comply with this Procedure.



The company informs both internal and external parties on channels for reporting violations of anti-bribery and corruption legislation.

For these purposes various mechanisms have been put in place including posting relevant information on the company's internal and external websites, in the company's offices and at production assets. The company's website has a digital template for making reports on fraud, corruption or embezzlement.

On annual basis company informs contractors with which active contracts exist on it's Ethics and Compliance requirements (including Anti-Bribery and Corruption) via official letter signed by the Finance Director.



The company's Legal Directorate shall advise employees on anti-bribery and corruption legal issues and risks associated with non-compliance.

The Anti-Bribery and Corruption Procedure establishes an overall set of controls for compliance with the anti-bribery and corruption laws, including:

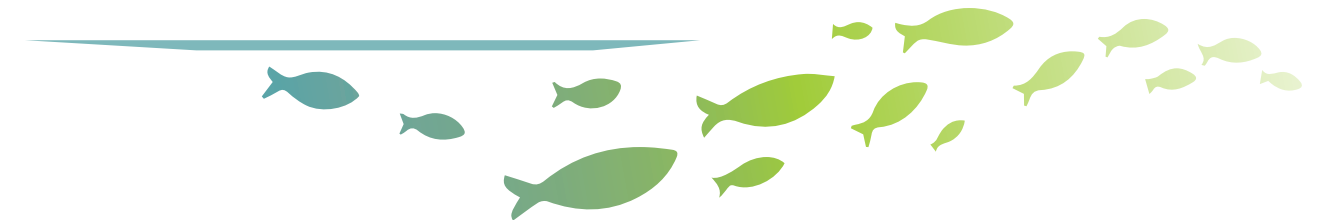
- anti-bribery and corruption requirements;
- identifying non-compliance;
- reporting to the Business Assurance Committee;
- applying a set of potential risk indicators, or the so-called "red flags" (e.g. risks associated with demands for payment for services not covered by a contract, lack of transparency in invoice supporting documents, etc.);
- applying pre-contractual due diligence, mandatory contract provisions, etc.

Company contributes to propmotion of General Business Principles and Code of Conduct among business partners, contractors and suppliers. The following is arranged in order to integrate anti-bribery and corruption requirements into the company's processes of contracted works organisation and procurement and to implement further controls.

- The Legal Directorate shall monitor any changes in standard contract clauses that specify the company's anti-bribery and corruption requirements.

- To provide methodological support of the company's contracting and procurement process and to observe the due diligence principle related to potential and existing contractors, employees of the Ethics, Corporate Governance and Assurance Subdivision shall assess the compliance of the proposed changes to the standard contract terms with the principles of business ethics, applicable anti-corruption legislation, company's requirements, and best international practices;
- The Supply Chain Manager shall ensure that standard company's contracts contain the relevant standard clauses and that controls set forth by this Procedure are effectively integrated into the company's processes of organisation of contracted works and procurement. Special focus shall be placed on ethics and compliance in terms of training seminars organised for manufacturers and suppliers.

The Business Assurance Committee reviews the results of compliance monitoring of the company's anti-bribery and corruption requirements and identifies further actions when necessary.

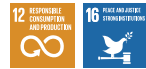




STAKEHOLDER ENGAGEMENT MANAGEMENT

The company's practice of engaging with Sakhalin North Indigenous Minority Peoples was recognised as the best in the Social Responsibility category of the World Petroleum Council Excellence Awards, which are given to distinguish the most outstanding projects in the oil and gas industry.





6.1.

STRATEGY, PRINCIPLES, MECHANISMS AND ENGAGEMENT TOOLS

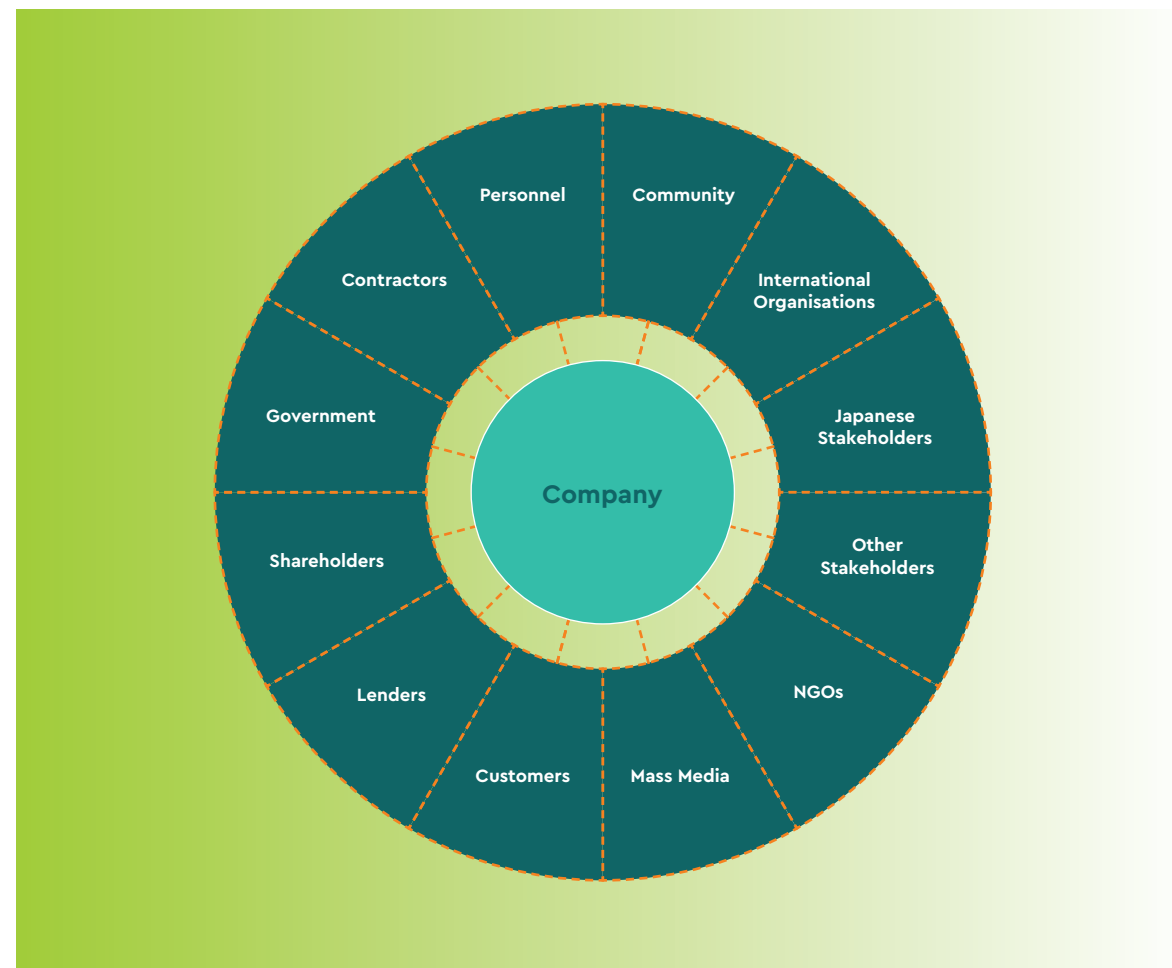
Considering that regular and meaningful engagement with the general public and key stakeholders is an important element of successful operations, Sakhalin Energy has been sharing information about its activities and plans and consulting with stakeholders since the start of the Sakhalin-2 project.

Sakhalin Energy defines stakeholders as organisations, individuals, or groups that have a vested

interest in the company or the project, i.e. individuals or entities that are influenced by the company or can potentially influence the company's operations.

Sakhalin Energy interacts with a number of stakeholders including shareholders, lenders, government authorities, customers, suppliers, contractors, personnel, the community, Japanese stakeholders, international organisations, public

Company Stakeholders



and other non-governmental/ non-profit organisations, mass media, and others.

Sakhalin Energy's engagement with stakeholders is based on its commitments as set forth in key corporate documents, including:

- Code of Conduct, including the Statement of General Business Principles;
- Sustainable Development Policy;
- Human Rights Policy;
- Commitment and Policy on Health, Safety, Environment and Social Performance;
- Social Performance Standard (Public Consultation and Disclosure Appendix).

These documents define the strategy, principles, process, mechanisms, and stakeholder engagement tools and are available to the public.

The most effective mechanisms and tools are determined by engagement goals and objectives and depend on a stakeholder's group (see Sections 6.2–6.9).

Stakeholder Engagement Process





6.2. STAKEHOLDER ENGAGEMENT

Sakhalin Energy continued its systematic and consistent engagement with key stakeholders in 2021.

The key activities were as follows:

- engagement with personnel (see Section 6.3 Engagement with Personnel);
- providing information to stakeholders through the company's website, the Vesti monthly corporate newsletter, and the media (newspapers, TV); distribution of information reports and printed materials in communities;
- public, group and individual meetings with community representatives to update them on the project's progress and various aspects of the company's activities, as well as to receive feedback (see Section 6.4 Local Communities Engagement);
- activities of company information centres established in local libraries (see Section 6.4 Local Communities Engagement);
- engagement with indigenous people under the Sakhalin Indigenous Minorities Development Plan (see Section 6.5. Engagement with the Sakhalin Indigenous Minorities);
- engagement with non-governmental and non-profit organisations (see Section 6.6 Engagement with Non-governmental and Non-profit Organisations);
- engagement with customers, suppliers and contractors (see Section 6.7 Engagement with Customers and Shipowners, Section 7.4 Supply Chain Management, and 7.3.4 Vendor Development Programme);
- engagement with state and local government authorities (see Section 6.8 Engagement with State and Local Government Authorities).

6.3. ENGAGEMENT WITH PERSONNEL

Sakhalin Energy makes every effort to maintain an open dialogue with employees and respect their rights, and pays special attention to the process of addressing employee grievances and requests (see Section 9.4 Human Rights).

Engagement with personnel is an important component of strengthening and developing the company's corporate culture (see Section 5.5 Corporate Culture) and is conducted, among other ways, through the internal communication system, which includes the following:

- sending e-mails on behalf of the Chief Executive Officer, members of the company's Committee of Executive Directors, the General Coordinating Committee (running during the COVID-19 pandemic);
- distribution of the Journey Book among employees — this is the company's key document for planning the work of all directorates and organisational units, which provides information on the medium-term (next five years) and long-term (20 years) development strategy, as well as the main targets for the coming year;
- traditional annual employee survey. The company has been conducting the survey since 2002 to determine employee satisfaction with working conditions and to identify areas



for development and improvement (see Section 9.1.1 HR Approaches and Personnel Policies);

- various issue-related opinion surveys. In 2021, as part of the Goal Zero programme, a traditional survey was conducted among employees to study their opinion on safety management (see Section 9.2.2 Labour Protection and Safety Culture). Other surveys focused on studying employees' opinions on the Continuous Improvement programme (see Section 4.3.2 Continuous Improvement Programme), readiness to use resource-saving technologies, and on social investment programmes (see Section 9.5.1 Social Investment and Sustainable Development: Sakhalin Energy's Principles and Approaches);
- monthly HSE newsletter with a review of incidents, both in the company and in the industry

as a whole, warnings about hazardous production factors and seasonal natural phenomena, risk assessment and mitigation measures;

- Sakhalin Energy's Vesti monthly newsletter, which is distributed among the employees and stakeholders and published on the company's website (also in English since 2020);
- business ethics and internal control annual newsletter as an appendix to the Vesti corporate newsletter;
- #IamGoalZero monthly e-presentation, which features the outstanding persons of the Goal Zero project: the company's employees and contractors who helped to prevent accidents at Sakhalin Energy's facilities or in everyday life;
- daily newsletter based on the internal corporate website;
- printed information materials (posters, leaflets, brochures and

In 2021, the company kept operating amid the COVID-19 pandemic. Due to about 70% of office staff working remotely and longer shifts at production facilities, the need to actively use various channels of communication with employees remained prevalent.

From the first days of the pandemic, Sakhalin Energy set up a 24-hour hotline. Although the hotline showed the highest load in 2020, it remained in high demand, with over 700 calls from the company's employees, contractors and their family members handled in 2021.



other publications) to inform employees about various aspects of safety, operational excellence, corporate events, etc.;

- announcements, posters and other information, including photo and video materials, presentations, on special stands in the com-

pany's offices, as well as on plasma display panels;

- training workshops and information sessions to explain new procedures, relevant topics and company programmes to employees;
- information on the internal corporate website.

In May 2021, the company launched the Peak championship. This comprehensive campaign, which continued into 2022, was designed to ensure awareness and communication among Sakhalin-2 project employees on the following key topics:

- health and safety;
- competence and development;
- leadership;
- social and environmental responsibility.

In 2021, the company organised over 20 webinars on safety, competence, and leadership; two Green Peak environmental campaigns, a video contest on the topic of how to work in the new reality; and a step count challenge, which helped promote a healthy lifestyle among the company's employees.

The events were aimed not only at developing specific skills of the employees, but also at consolidating the corporate culture with such values as caring for people, and teamwork.

In 2021, the company started to inform employees about the importance of vaccination.

The internal website showed an information page talking about Sakhalin Energy's actions amid the COVID-19 pandemic. The vaccination section provides posters, leaflets, presentations, videos and other relevant materials.

Printed materials about vaccination as an efficient way to protect yourself against coronavirus infection, about existing vaccines, and about contraindications are available in offices and at facilities.

To study herd immunity against COVID-19, the company initiated an employee survey.



The annual Journey Book is a single document containing the company's goals, objectives and key performance indicators. In 2021, the format was changed. The first revision of the Book was discussed at the visiting meeting of the Committee of Executive Directors at the Prigorodnoye production complex, one of the company's key facilities. The decision was made to invite a "collective director", represented by the Head of the Prigorodnoye production complex, and the asset leading team to work together with the CED members. Thus, the company's new Book has provided deeper elaboration of plans at all management levels.

In terms of preparing the annual Journey Book, the company held Forum 100 for the first time, an extended session to summarise 2020 performance and come up with new solutions for moving forward. This event was one of the key stages of the corporate document development, which sets out the goal, strategy and actions of the company units in the near future. For the first time, the Forum was attended by representatives of Sakhalin Energy's shareholders, the Sakhalin Oblast Government, chaired by Governor Valery Limarenko, and Sergey Nadsadin, the Mayor of Yuzhno-Sakhalinsk.

Another key difference showed that the 2022 version of the Book features not only the usual 5-year plans and the 10-year long-term strategy, but also the so-called horizon view, a 20-year outlook.



Statistics of Visits
to Information Centres
in 2021, %



- 21 General information about the project (website, information stands, printed materials)
- 25 Vesti corporate newsletter
- 10 A series of books about the nature of Sakhalin Island
- 4 Social programmes
- 13 Safety Is Important programme
- 2 Employment
- 19 Book as a Gift Project
- 6 Other (environmental issues, Safety Rules Along the Main Pipeline programme, etc.)

6.4. LOCAL COMMUNITY ENGAGEMENT

Since the beginning, Sakhalin Energy has actively sought to engage with the local community and provide information about its activities. Key 2021 activities included:

- six meetings in four locations attended by 42 members of the public. The attendees were interested in biodiversity conservation, gasification of Sakhalin Oblast, the company's COVID-19 related measures, conditions of participation in the grant and educational programmes of Sakhalin Energy, the project's tax deductions and other issues. Minutes of the meetings are available on the company's website;
- 13 public meetings in 12 communities in areas of traditional residence of Sakhalin Indigenous Minorities (SIM) under the Sakhalin Indigenous Minorities Development Plan (see Section 9.5.6 Sakhalin Indigenous Minorities Development Plan);
- two public discussions of the Design Documentation Package: "Workovers of Astokh Wells at Piltun-Astokhskoye Oil/Gas/Condensate Field (Group 6)" with the Environmental Protection Measures List, including Environmental Impact Assessment (see Section 3.5.2 Impact Assessment).
- two rounds of stakeholder dialogues and surveys to identify substantive topics to be included in the Sustainable Development Report (see Section 2 About the Report).

23 information centres are functioning at the district and village libraries

in the communities along the trans-Sakhalin pipeline and close to other company assets.

The centres are equipped with essential office equipment, computers with Internet access, and information stands. It contributes to meeting the company's communication objectives and increasing the libraries' functional capacity.

During their working hours, librarians provide consultation to information centre visitors on issues related to the company's activities.

The following activities are carried out at the information centres:

- regular updates to company information stand materials;
- assistance in finding information on the company's website;
- community assistance in preparing and submitting complaints in accordance with the Community Grievance Procedure;
- providing company information materials upon request;
- providing information about the company's social programmes;
- assistance in organising and conducting meetings of company representatives with the local community and stakeholders.

A total of 6,486 people visited Sakhalin Energy's information centres in 2021. The data on the visits are presented in the Statistics of Visits to the Information Centres in 2021 chart.



BOOK AS A GIFT

The Book as a Gift project has been implemented since 2010. The company annually donates issue-related sets of books to Sakhalin city and village libraries, including reference, historical and biographical publications intended for a wide range of readers.

The topics of gift sets, which are dedicated to significant historical or social events, are selected either by the company alone or jointly with employees of the libraries that host Sakhalin Energy information centres.

The theme of the 2021 project is Science and Technology. The collection includes books for readers of different ages on physics, chemistry, mechanics, mathematics and arithmetic, modern technology and artificial intelligence.



6.5. ENGAGEMENT WITH SAKHALIN INDIGENOUS MINORITIES

Since its foundation, Sakhalin Energy has continuously interacted with Sakhalin Indigenous Minorities (SIM). Sakhalin Indigenous Minorities are a special group of stakeholders, for which the issues of respect for human rights, the preservation of traditional culture and economic activities and environmental safety are of paramount importance. Sakhalin Energy takes this into account in its operations and implementation of social programmes. The long-term partnership social programmes are examples of the company's work in support of human rights. The programmes especially cater to the needs of vulnerable groups of the population, in particular, of indigenous minorities.

Since 2006, the Sakhalin Indigenous Minorities Development Plan has been the company's main programme for engagement with indigenous ethnic groups (see Section 9.5.6 Sakhalin Indigenous Minorities Development Plan). It is imple-

mented in accordance with the principle of partnership between the business (Sakhalin Energy), society (the Regional Council of Sakhalin Indigenous Peoples' Authorised Representatives), and government authorities (the Government of the Sakhalin Oblast). In addition to the Development Plan, the company implements or supports various projects aimed at supporting the SIM, making every effort to preserve and promote national culture and native languages (see Section 9.5.8.2 Preservation of Indigenous Culture and Languages).

In 2021, the company continued its regular interaction with representatives of the Sakhalin Indigenous Minorities. Taking into account relevant recommendations, Sakhalin Energy has paid special attention to raising public awareness about current programmes and opportunities for SIM representatives. For this purpose, the company used the following tools:

- public meetings in the areas of traditional residence and traditional economic activities of the Sakhalin Indigenous Minorities (public meetings were held under the Sakhalin Indigenous Minorities Development Plan, taking into account measures to mitigate the COVID-19 pandemic) (see Section 9.5.6 Sakhalin Indigenous Minorities Development Plan);
- public meetings within the framework of the Sakhalin-2 project (see Section 6.4 Local Communities Engagement);
- the SIMDP website (www.simdp.ru) and the company's external website (www.sakhalinenergy.ru);
- printed materials: SIMDP newsletter, documents, books and brochures;
- individual and group meetings, consultations with representatives of SIMDP partners and stakeholders throughout the year (held in compliance with the restrictions related to the COVID-19 pandemic);
- individual and group meetings, consultations as part of the development of SIMDP 4;
- open hours by the Community Liaison Officer for visitors from among the SIM population in all traditional SIM residence districts. Due to the risks of COVID-19 spread, face-to-face appointments were replaced with online, telephone counselling and communication within the framework of the planned SIMDP activities — public meetings, presentations, internal monitoring and others (over 150 individual consultations).

The company's practice of engagement with Sakhalin Indigenous Minorities was recognised as the best in the Social Responsibility category of the international World Petroleum Council Excellence Awards, which is awarded for outstanding projects in the oil and gas industry. Sakhalin Energy presented its experience of interaction with the Sakhalin indigenous ethnic groups at a special Social Responsibility Stand. The experts selected six projects from all over the world for demonstration in order to showcase successful examples of cooperation between business and society.

The company's activities in the field of engagement with Sakhalin Indigenous Minorities are regulated by the following key documents:

- Human Rights Policy;
- Sustainable Development Policy;
- Social Performance Standard;
- Sakhalin Indigenous Minorities Development Plan (SIMDP) — the company's main programme in engagement with indigenous minorities since 2006 (see Section 9.5.6 Sakhalin Indigenous Minorities Development Plan);
- Tripartite Cooperation Agreement between the company, the Regional Council of Authorised Representatives of the Sakhalin Indigenous Minorities (Regional Council) and the Sakhalin Oblast Government.





6.6. ENGAGEMENT WITH NON-GOVERNMENTAL AND NON-PROFIT ORGANISATIONS

In 2021, the company continued cooperating with local, regional, and international public organisations in various forms, including online meetings and correspondence. Important areas of engagement include:

- participation in the work of the Russian Union of Industrialists and Entrepreneurs (RUIE) on Corporate Social Responsibility and Sustainable Development, Corporate Relations, Industrial Safety, Vocational Training and Qualifications, Technical Regulation, Standardisation and Conformity Assessment, on Ecology and Environment Management and the Oil and Gas Commission. In addition, in 2021, the company's experts joined two other RUIE committees — on climate policy and carbon regulation, and on energy policy and energy efficiency. In 2021, Sakhalin Energy took part in updating the Social Charter of Russian Business. The new version considers current corporate practices, global and domestic trends and challenges in corporate social responsibility and sustainable development, including international and national goals, the climate agenda, and ESG governance improvement factors in company operations. The document was adopted at the RUIE Congress in December 2021;
- cooperation with the Western Grey Whale Advisory Panel (WGWAP) of the International Union for Conservation of Nature (IUCN) in developing optimal solutions to minimise the company's impact on whales (see Section 8.3.11 Gray Whale Monitoring and Marine Mammal Protection). Within the framework of the consultations of the Advisory Panel in 2021, Sakhalin Energy's representatives had meetings with the scientist members of the Panel, as well as representatives of state regulatory bodies and non-governmental environmental organisations included in the WGWAP as observers;
- participation in the Cetacean Section of the Working Expert Group under the Ministry of Natural Resources of Russia, consisting representatives of federal authorities, scientists from academic and industry research institutes, NGOs and oil and gas companies (see section 8.3.11 Gray Whale Monitoring and Marine Mammal Protection);
- participation in the work of the Rospirodnadzor Scientific and Technical Council (STC) and working groups to develop recommendations for the implementation of state policy and legal regulations in respect to environmental protection, to ensure ecological safety and to improve environmental supervision (see Section 8.2 Industrial Environmental Control, Section 8.2.1 General Information);
- participation in the work of the Safety Section of the Oil and Gas Complex of STC Rostekhnadzor to improve the legislation of the Russian Federation, updating and creating new regulations in the field of industrial safety (see Section 4.3.1 Industrial Safety);
- participation in the work of Donors Forum, the Association of Managers and the UN Global Compact for discussion of new challenges in corporate social responsibility, as well as the business role in the implementation of the global and national agendas for sustainable development;
- cooperation with non-profit organisations in implementing joint partnership programmes and projects in the area of social investment (see Section 9.5 Social Investment and Contribution to the Sustainable Development of the Host Region);
- cooperation with the World Wildlife Fund (WWF) of Russia in discussing the criteria and methodology of the environmental openness rating of Russian oil and gas companies and in summarising the 2020 rating (see Section 8.1 General Information).
- participation in the technical committee of Rosstandart of the Russian Federation TK-274 "Fire Safety" in consideration of review of draft normative documents on fire safety.



6.7. ENGAGEMENT WITH CUSTOMERS AND SHIPOWNERS

The company performs its obligations under the contracts of purchase and sale of hydrocarbons, and observes the rights and interests of customers with all due responsibility. Maintaining and developing constructive, respectful relationships with customers helps the company resolve operational challenges that arise in the course of oil and LNG contract execution and enter into new agreements on the best terms and conditions for the parties involved.

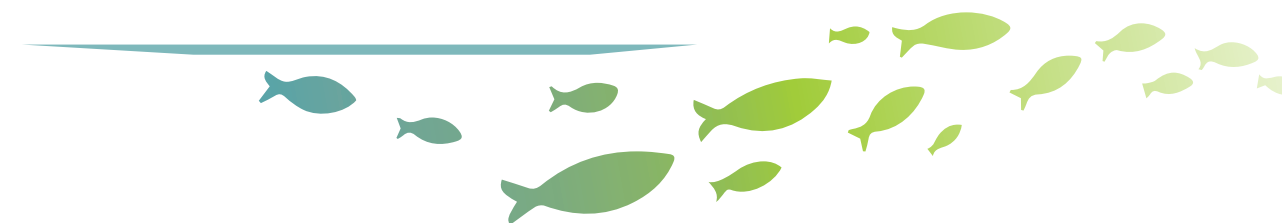
Maintaining and expanding a strong portfolio of oil and gas buyers from the main Asia-Pacific countries is a fundamental objective, and the company continues its active work towards it. Short-term framework LNG sales agreements were signed with 29 companies. Negotiations on the conclusion of frame agreements with several potential buyers in APR countries entered the final stage. The company is expanding the portfolio of Sakhalin Blend buyers: it included 16 companies (refineries and trading companies) in 2021.

Long-term beneficial business relationships and close cooperation with chartered vessel owners allowed the company to ensure safe, reliable and timely supplies of LNG and oil in full to the Asia-Pacific markets, despite the difficult epidemiological situation in the region and in the world.

In order to mitigate the risk of spread of coronavirus infection, while adhering to orders of the government supervisory authorities, the company decided to cancel the annual Shipowners and FOB Buyers Forums. Just as in the previous year, Sakhalin Energy continued improving the relationships with shipowners and the contractors using virtual communication tools, which did not affect the quality, reliability or safety of hydrocarbon transportation by sea.

Under the pandemic conditions and associated restrictions in Russia and APR countries, the company strictly adheres to predeveloped stringent regulations for the change of commercial vessel crews in the port of Prigorodnoye and foreign ports, with particular attention to monitoring the health of crews. In 2021, there were no reported cases of COVID-19 among crew members of the chartered commercial vessels and the FOB-buyers' vessels. Before boarding their vessels, all crew members take PCR tests and observe a mandatory two-week isolation in change ports, in order to prevent the risk of COVID-19 infection in the vessels. In addition, the company continues to perform contactless offloading of oil and LNG in the port of Prigorodnoye, which requires a minimum number of people boarding the vessel.

Under the current COVID-19 pandemic conditions, the quality of customer engagement has been tested by a lack of personal contact. For the first time, Sakhalin Energy held a meeting with Japanese LNG buyers under long-term LNG sales agreements in the form of video-conferencing in May 2021. The company responded to the new business reality and continues to successfully solve all operational issues and hold price negotiations, despite the lack of opportunities to hold face-to-face meetings.





These and other measures taken by the company and shipowners to protect commercial vessels from the spread of COVID-19 proved their efficiency. The company intends to continue implementing these measures to ensure uninterrupted hydrocarbon supplies.

Together with the owners of chartered gas carriers and oil tankers, Sakhalin Energy evaluates the potential impact of the new requirements of the International Maritime Organisation associated with GHG emission by vessels, to be introduced in 2023. Requirements to energy efficiency and carbon intensity of vessels may subsequently lead to restrictions of maximum load speed or

the need for major overhauls, depending on the vessel type, its equipment and operation mode. In the upcoming years, the company intends to find the optimal solution in terms of balance between environmental efficiency and potential costs.

When the International Convention for the Control and Management of Ships' Ballast Water and Sediments and Their Management entered into force in 2017, the company initiated installation of ballast water treatment systems onto the vessels. Following the results of the company's analyses, these systems proved highly efficient compared with changing ballast water in open sea.



LNG AND SAKHALIN BLEND CUSTOMER SURVEY

In early 2021, Sakhalin Energy conducted the first LNG and Sakhalin Blend customer survey: the results demonstrated a high level (95.7%) of loyalty to the company and customer satisfaction with its products and services following the 2020 performance results. Sakhalin Energy received positive feedback from its customers on its compliance with international HSE rules and standards, the consistently high quality of supplied products, customer focus and long-term partnerships. The buyers also pointed out that the company was constantly making efforts to improve the Sakhalin Blend and LNG supply chains.

In August 2021, Sakhalin Energy conducted the second LNG and Sakhalin Blend customer survey: the result demonstrated a high level (96.3%) of customer satisfaction with the company's products and services over the first eight months of 2021. The company intends to proceed with requesting open feedback from its customers, improving cooperation quality, creating a personalised experience for each customer, and promptly responding to any changes.

6.8. ENGAGEMENT WITH STATE AND LOCAL GOVERNMENT AUTHORITIES

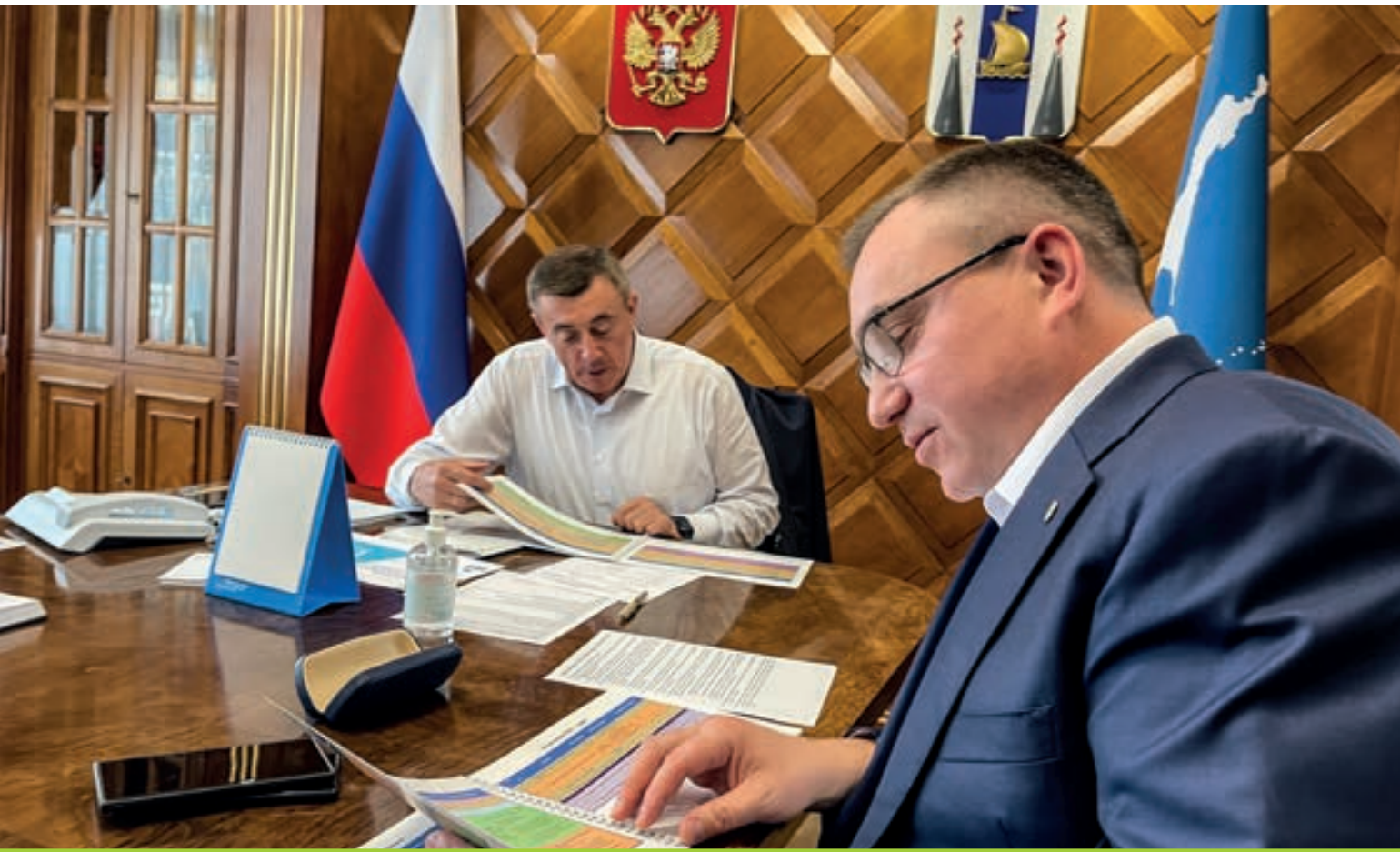
Sakhalin Energy actively cooperates with state authorities of the Russian Federation, including executive and legislative bodies of the federal, regional, and local levels.

In 2021, as in previous years, engagement with state authorities was carried out in various formats, with the Supervisory Board (SB) and the SB Working Group acting as the key Sakhalin-2 project official supervisory bodies provided for by the PSA.

In addition, the company interacted with the government authorities on various issues, including:

- the COVID-19 restrictions (see Section 4.4 Business Continuity Management);

- participation in activities of the Sakhalin Government Investment Council;
- participation in the experiment on carbon neutrality in Sakhalin Oblast (see Section Greenhouse Gas and Ozone-Depleting Substances Emissions and Section 8.2.7 Green LNG Strategy and Carbon Regulation).
- Implementation of the Sakhalin Industrial Park Project (see Section 7.3.3 Sakhalin Energy Maintenance and Repair Facility in Sakhalin Industrial Park);
- Implementation of joint partner programmes and human resource development projects in the region (see Section 9.1 Personnel: Management and Development) and social Investments (see Section 9.5 Social Investment and Contribution to the Sustainable Development of the Host Region).



In 2021, applying its previously gained experience, and under difficult sanitary and epidemiological conditions, organized a safe voting process for the election of deputies of the State Duma of the Federal Assembly of the Eighth convocation of the Russian Federation among the employees of the company, contractors and subcontractors working in remote assets and under observation in temporary accommodation facilities.

The number of employees covered by the voting process at the company's assets amounted to more than 3,500. During the voting process, the company closely interacted with the Sakhalin Oblast Electoral Commission, the Sakhalin Oblast Government and the administrations of the municipalities, where the Sakhalin-2 assets are located.

Government officials regularly participate in stakeholder dialogue meetings, which the company holds as part of the preparation of sustainable development annual reports. The results of the 2021 dialogues are presented in Appendix 2 Comments and Suggestions of Stakeholders on Individual Aspects, Indicators and/or Programmes and the Company's Response and Commitments.



6.9. INTERNATIONAL AND REGIONAL COOPERATION

In 2021, Sakhalin Energy continued to consolidate its business reputation and image as a socially responsible company by participating in the key specialised events of various formats. These included:

Meeting of the Expert Council for Sustainable Development under the Ministry of Economic Development of the Russian Federation

5 February, Moscow

A platform for regular communication between the Ministry and business on the sustainable agenda, methods and tools designed to meet the UN Sustainable Development Goals (SDGs), and Russian business resilience to changes in the international environment amid the global transition to sustainable development models. Sakhalin Energy, together with over 30 leading Russian and foreign companies, joined the Council chaired by the RF Minister of Economic Development. At the Council meeting, the company shared its social, industrial and environmental practices that contribute to meeting the SDGs, and its development plans, including the comprehensive Green LNG strategy.

Inventory of Business Tools — SDG Compass International Cooperation Forum

26 February, Moscow

The forum was organised by the UN Global Compact national network in Russia together with the Food and Agriculture Organisation of the United Nations (FAO) liaison office for the Russian Federation and the Joint Programme of the Russian Federation and the Office of the UN High Commissioner for Human Rights supported by the Ministry of Foreign Affairs and the

Ministry of Economic Development of Russia and the UN Information Centre in Moscow. Hosted by the SAP Digital Leadership Centre, it focused on the SDG impacts and assessment, the challenges of correct interpretation of the SDGs to be included in business strategies and practices, the specifics of aligning corporate goals with the SDGs, relevant practical tools (digital, managerial, marketing and others) to solve business problems related to the SDGs. The company shared practical approaches and efficient solutions for corporate management systems in the interests of the SDGs.

Forum of Philanthropists and Patrons of Russia

2 March, Moscow

The annual forum is hosted by Forbes Congress Russia to bring together representatives of the non-profit sector, business and government officials. The participants discussed the charity infrastructure during the COVID-19 pandemic, its strengths and weaknesses, areas for improvement, and changing approach to NPO management. Sakhalin Energy spoke at the session entitled Corporate Philanthropy Is Never Too Much, which addressed relevant trends.

Round Table on Greenhouse Gas Emission Abatement and Climate Change Adaptation Technologies in Sakhalin Oblast

12 March, Yuzhno-Sakhalinsk

The event was organised by the regional government, Sakhalin State University and the Sakhalin Climate Centre. In the Year of Science and Technology, the platform brought together government officials, members of the Scientific and Expert Council of the Sakhalin Oblast Government, Sakhalin State University and the



business community to discuss carbon footprint practices. Sakhalin Energy shared their experience in managing greenhouse gas emissions, both in terms of technological solutions, operation, and international best practices.

Annual International LNG Congress Russia

17–18 March, Moscow

It is one of the recognised expert platforms for dialogue and discussing solutions to develop strategically important areas of the gas industry. This event annually brings together key Russian and foreign companies involved in the construction of large, medium and small LNG plants. Sakhalin Energy participated in the online discussion of the global LNG market transformation, its specific features, large, medium and small running and planned LNG projects, LNG growth and development areas, and the role of LNG in the gasification of Russian regions.

Forum of Indigenous Minorities of the North, Siberia and the Far East

4–8 April, Salekhard

The Forum brought together representatives of the Association of Indigenous Minorities of the North, Siberia and the Far East, elders, leaders of the youth movement and non-profit organisations, government officials, academia and expert communities. Sakhalin Energy shared their experience of working with Sakhalin Indigenous Minorities and discussed the strategy of sustainable development of Russia's indigenous minorities and mechanisms for responding to current challenges.

Round Table on Low Carbon Development of Russia: Priorities and Opportunities for Sakhalin Oblast

19 May, Yuzhno-Sakhalinsk

The event was organised in terms of Climate Week. The Round Table brought together over 40 government officials, representatives of municipalities, scientific and cultural institutions, and the Sakhalin Oblast and Moscow business communities. The participants discussed the development of global and Asia-Pacific carbon markets; in particular, it gave a long-term outlook of low-carbon development of the Sakhalin Oblast economy. Sakhalin Energy spoke about the company's achievements in cutting greenhouse gas emissions, process optimisation, gas flaring management, disposal of associated gas, and leak prevention and control.

Oil and Gas International Forum

26–30 April, Moscow

This leading venue was designed to strengthen ties between business and academia in introducing research results into the oil and gas industry. It brought together representatives of relevant ministries, analytical centres, universities, and major Russian and foreign companies of the Fuel and Energy Sector. Two key industry events were organised as part of the forum: the Oil and Gas Conference for Young Researchers, and the Science and Technology Conference on Current Issues of Russia's Oil and Gas Industry Development. The participants discussed the transformation of the global oil and gas industry, innovations, digitalisation of production, and the impact of the pandemic on energy markets. Sakhalin Energy spoke at the plenary session on the gradual transition to a low-carbon economy, specific features of shaping and developing the carbon-neutral LNG market, and other issues.



Saint- Petersburg International Economic Forum

2–5 June, Saint Petersburg

It is a global platform for discussing key economic issues of emerging markets and the world. Hosted via a digital platform, SPIEF 2021 was the world's largest in-person business event amid the COVID-19 pandemic. As is tradition, Russian President Vladimir Putin was the keynote speaker of the event. Roman Dashkov, Chief Executive Officer of Sakhalin Energy, signed long-term charter agreements with Sovcomflot for two single-type green oil tankers (Prospect Korolyov and Prospect Vernadsky) for 10 years starting from 2024.

Meeting on Introduction of Innovative and High-Tech Products at Gazprom

14–17 September, Sochi

In 2021, this platform brought together representatives of Gazprom, its subsidiaries, small and medium business, and suppliers of innovative and high-tech products. The participants shared their experience using these products at production facilities; they looked into innovations in gas and gas condensate production, transportation, underground storage, and LNG production, and discussed the challenges of industry digitalisation. Sakhalin Energy made two presentations: Online Condition Monitoring System for Underwater Power Cable Lines, and Development of Underwater Technical Inspections with Hydrographic Equipment and Underwater Unmanned Remotely Operated Vehicles (together with PetroGazTech Shelf-Service, the Sakhalin-2 project partner).



High-Level Session on Holistic Unlocking of Philanthropy's Change Potential in Achieving the Sustainable Development Goals (SDGs)

15 September

The event took place online on the sidelines of the 76th session of the UN General Assembly to discuss the ways to enhance the role of philanthropy in achieving the SDGs, the research on Philanthropy in BRICS Countries Shortly Before and Amid the COVID-19 Pandemic, and regional, national and local experience of catalytic philanthropy to achieve the SDGs. The session brought together government officials, international agencies for development of international, national and regional non-governmental organisations, and the philanthropic communities of the BRICS countries. Sakhalin Energy briefed the audience on their activities related to the SDGs in light of the lessons learned from the pandemic, talked about research findings, priorities and opportunities to contribute effectively to accelerating the global agenda.

International Business Congress (IBC) Annual Meeting

17 September, Saint Petersburg, Singapore

The 24th IBC Annual Meeting was held in a mixed format: in studios in Saint Petersburg and Singapore as well as online. As a member of the IBC, Sakhalin Energy participated in discussions of current trends in the global economy, among them digitalisation and climate goals. The Annual Meeting summarised the IBC performance and outlined areas of focus for the coming year. The participants also took part in the international conference on Challenges and Opportunities of Asian Energy Markets.

All-Russian Scientific Conference on LNG Production Innovations

24 September, Moscow

The platform brought together representatives of major oil and gas companies, relevant ministries, academia, think tanks, and leading Russian universities. Sakhalin Energy was one of the keynote speakers at the conference. The participants exchanged views on developing new and improving existing natural gas liquefaction technologies in terms of their efficiency, environmental friendliness and safety. Also, it was underlined that the key principle for the LNG industry development will be the use of domestic technologies and their localisation to unlock resource potential and increase the export of Russian LNG as much as possible.

Far Eastern Sakhalin Oil and Gas Energy Forum 2021

28–30 September, Yuzhno-Sakhalinsk

The agenda of the anniversary event, related to the development of green energy, discussed news and experience in the implementation of oil and gas projects, gasification, and the development of the network of natural gas vehicles in Sakhalin and the Russian Far East. The participants focused on the prospects of the oil and gas industry amid the global crisis and competition for the Asia-Pacific gas markets, and on LNG production, transportation, storage and consumption. Sakhalin Energy made presentations, organised dedicated sessions, and signed a series of documents. The forum brought together Sakhalin Energy and Toho Gas to cooperate on the delivery of the first carbon-neutral LNG under the Sakhalin-2 project.



Saint Petersburg International Gas Forum (SPIGF 2021)

4–8 October, Saint Petersburg

At the largest international industry event in Russia key issues of the fuel and energy industry are discussed. The forum was attended by top managers of the largest oil and gas companies, representatives of innovation centres and design institutes, experts, academia, and heads of industry-specific universities and research institutes. Sakhalin Energy specialists led by Roman Dashkov, Chief Executive Officer, took part in the plenary session, thematic sessions and round table discussions, and visited a specialised exhibition.

EAGE Scientific Workshop on Hydrocarbon Potential of the Far East

5–7 October, Yuzhno-Sakhalinsk

This event is an open discussion platform for technical specialists from the oil and gas industry. Sakhalin Energy was the main sponsor of the event. The workshop focused on digital transformation in controlling and optimising oil and gas field development processes. With the company's Chief Geology and Development Engineer chairing the committee, the company's specialists spoke on the following topics: Experience in 4D Seismic Survey to Control Offshore Field Development; Interpretation of 2018 4D Seismic Survey Data at the Lunskoye Field; Use of Integrated Production System Modelling for Pre-development Studies for Block II of the Piltun-Astokhskoye Field: Ensuring Sustainable Field Development.

Practical Conference on Legal Risk Management: 2021 Status

18–19 November, Moscow

This is one of the most recognised platforms in the legal community for managers to meet and engage in professional dialogue on legal enforcement. Sakhalin Energy shared their own experience in comprehensive legal risk assessment and prevention. The participants spoke about the approaches of different types of law enforcement and discussed the challenges of doing and developing business.

Oil and Gas Offshore Contracting Conference (NEFTEGAZSHELF-2021)

9 December, Moscow

It is a traditional meeting of oil and gas companies with service contractors and suppliers. Sakhalin Energy and other conference participants discussed the supply of industrial products from companies that service offshore projects, analysed the specific aspects of port and coastal zone development, and looked into logistics, in particular, delivery of cargo to platforms.

HSE DAYS Forum

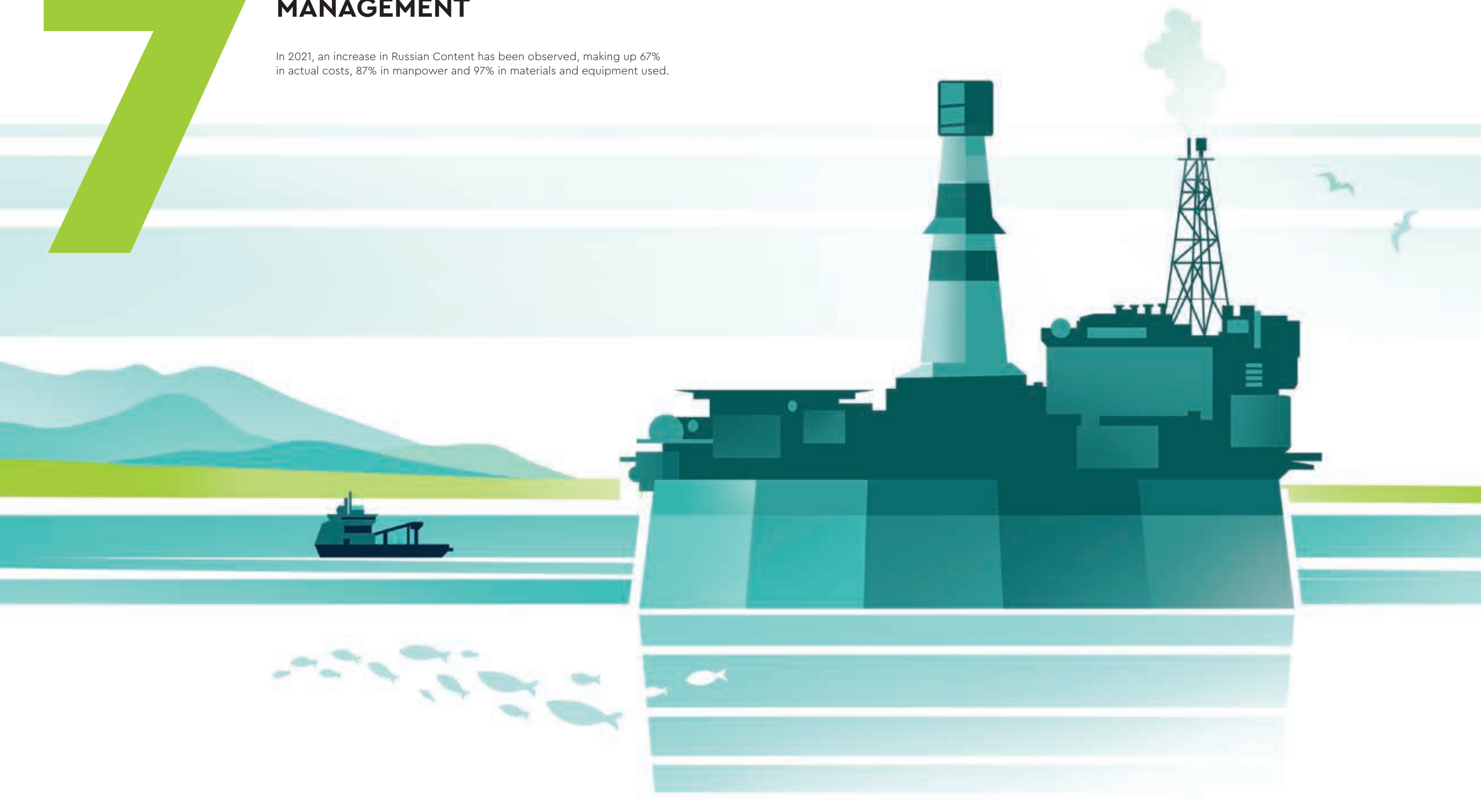
8–9 December, Moscow

In 2021, the forum brought together over 200 (in person) and over 150 (online) HSE managers and top managers of major companies in Russia and Kazakhstan: leaders in metallurgy, oil and gas production, oil refining and petrochemicals, power, nuclear, and food industries. HSE DAYS introduced a new format to the event market — mastermind sessions, where participants not only looked into key considerations together with professionals from other companies, but also networked and outlined promising aspects of cooperation. Sakhalin Energy made a presentation on Systematisation of Personnel Competence Assurance.

7

ECONOMIC IMPACT MANAGEMENT

In 2021, an increase in Russian Content has been observed, making up 67% in actual costs, 87% in manpower and 97% in materials and equipment used.





7.1. IMPORTANCE OF THE SAKHALIN-2 PROJECT FOR THE RUSSIAN FEDERATION AND SAKHALIN OBLAST

5,743 mln
US\$

were the revenues
of Sakhalin Energy in 2021

The Russian Federation and Sakhalin Oblast have gained significant benefits from the Sakhalin-2 project.

- Since Sakhalin Energy started its operations, the Russian Federation's proceeds from Sakhalin Energy's activity under the Sakhalin-2 project have totaled over US\$ 33.06 bln, including approximately US\$ 11.34 bln received by Sakhalin Oblast.
- US\$ 28 bln worth of contracts have been awarded to Russian companies and organizations.
- The Russian Federation has gained valuable experience in managing complex high-tech projects in remote locations.
- The infrastructure on Sakhalin Island has undergone large-scale upgrades.

- Local employment levels (both directly and indirectly) and local workforce quality have increased.
- Incomes and living standards for the local population have risen.
- Many contracts and subcontracts under the Sakhalin-2 project are being awarded to Sakhalin companies.
- With the company's support, extensive social and public initiatives are being carried out on Sakhalin Island.

In 2021, according to the International Financial Reporting Standards (IFRS), revenues of Sakhalin Energy amounted to US\$ 5,743 mln, and its total net income was US\$ 2,009 mln.

Revenue and Net Income in 2018–2021 (according to the International Financial Reporting Standards (IFRS)), US\$ mln

Parameter	2018	2019	2020	2021
Revenue	6,273	5,978	4,383	5,743
Net Income	2,041	2,078	1,080	2,009



7.2. FINANCIAL BENEFITS TO THE RUSSIAN FEDERATION AND SAKHALIN OBLAST

In 1994, Sakhalin Energy signed the Agreement on the Development of the Piltun-Astokhskoye and Lunkoye Oil and Gas Fields on the Basis of Production Sharing (PSA) with the Russian Federation, represented by the Government of the Russian Federation and the Sakhalin Oblast Administration. A PSA is a commercial contract between an investor and a state, allowing the investor to make large-scale, long-term, and high-risk investments under a stable tax regime.

According to the PSA, the state retains the ownership rights to the field and grants the investor exclusive rights to develop the mineral resources. The investor develops the resources by its own means and at its own risk and invests funds required for the exploration and development of the fields.

Under the PSA, some types of taxes, levies, and duties are replaced with production sharing. This effectively means that instead of some taxes (including mineral extraction tax, property tax, etc.) and levies, Sakhalin Energy uses hydrocarbons as a form

of royalty payment, and after product sharing starts, it will use them as the profit share. Financial benefits to the Russian party include the profit tax paid by the company and a number of mandatory payments, contributions, and levies. In addition, the Russian party receives income on R-share dividends (a special preference share providing the right to receive dividends).

In total, for the reporting period, Sakhalin Energy allocated US\$ 2,139 mln (in kind and in cash) to the Russian Federation.

Royalties (in kind and in cash payment) amounted to US\$ 605 mln.

The amount of the Russian party's production profit share paid by the company was US\$ 489.3 mln.

In addition, the 2020 fiscal year profit tax totalled US\$ 992 mln, which was paid by the company in 2021.

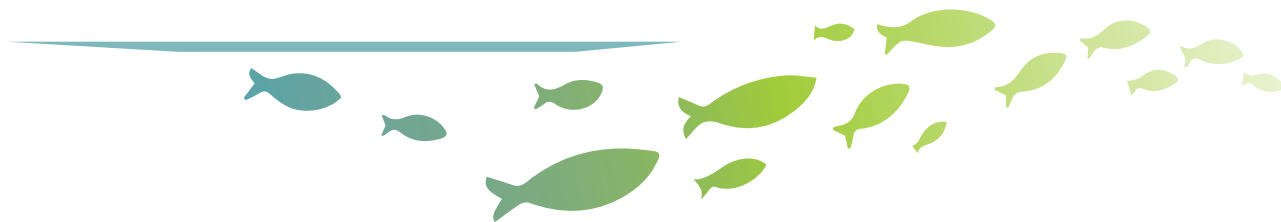
Based on 2021, a financial performance profit tax in the amount of approximately US\$ 1,337 mln will be paid to the budget in 2022.

2,139 mln
US\$

was allocated by Sakhalin Energy
to the Russian Federation in 2021

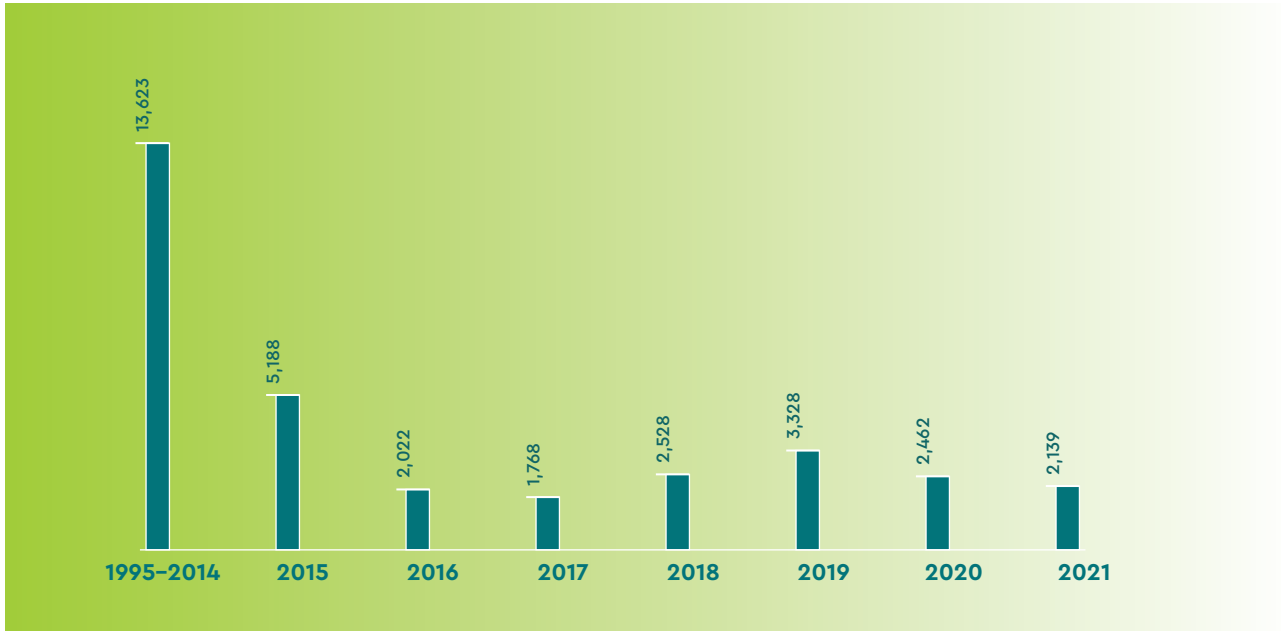
Production sharing between a company and a state is triggered when an investor recovers all of its costs (the specific shares of each party are not fixed but depend on the profitability of the project). The PSA also stipulates that the company should pay a profit tax, the rate of which is higher than the current profit tax rate for non-PSA taxpayers.

Over the entire period of project implementation (1995–2021), the Russian party has received US\$ 33.06 bln from Sakhalin Energy under the Sakhalin-2 project, which includes amounts paid in 2021.

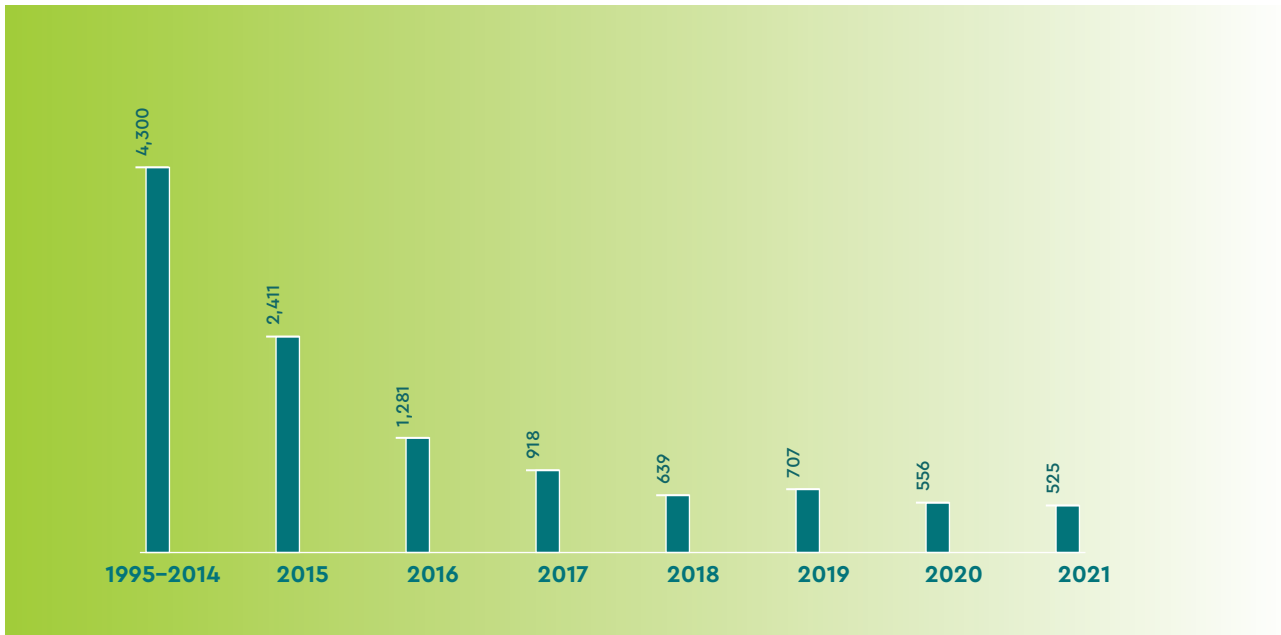




Total Amount of Payments to the Russian Party from Sakhalin Energy under the Sakhalin-2 Project in 1995–2021, US\$ mln



Taxes and Other Mandatory Payments Made to Sakhalin Oblast budget and to Local Budgets from Sakhalin Energy under the Sakhalin-2 Project in 1995–2021, US\$ mln



7.3. RUSSIAN CONTENT

7.3.1. STRATEGY AND OUTCOMES

Russian content is the use of Russian man-power, materials, equipment, and services at the Sakhalin-2 project. The PSA requires Russian Content to be measured in labour input (in man-hours) and materials and equipment (in terms of weight) supplied by Russian

legal entities and individuals. Sakhalin Energy is committed to achieving a level of 70% Russian Content over the life of the project. In 2021, the company reached 87% in terms of labour and 97% in terms of materials and equipment.

Russian Content Indicators in 2018–2021, %

Indicators	2018	2019	2020	2021
Russian content in terms of labour input (in man-hours)	88	91	85	87
Russian content in terms of materials and equipment (in terms of weight)	84	84	91	97
Russian content in terms of expenditures (actual)	58	59	56	67
Share of new contracts awarded to Russian companies and changes in cost of existing contracts with Russian companies in the total value of all new contracts and changes in cost of existing contracts	40	64	64	79

In 2021, the company reached 67% Russian Content in terms of actual expenditures.

Sakhalin Energy has identified the main guidelines and tools for increasing Russian Content and set them out in the Russian Content Development Strategy, according to which the company's main focus areas are:

- implementation of the Standards Harmonisation Project (see Section 7.3.2 Standards Harmonisation Project);
- localization of oil and gas services in the Sakhalin Energy Maintenance and Repair Facility as part of the Sakhalin Industrial Park (see Section 7.3.3 Sakhalin Energy Maintenance and Repair Facility in Sakhalin Industrial Park);
- progress in the Vendor Development Programme (see Section 7.3.4 Vendor Development Programme);
- improvement of internal Russian Content development activities.



The Company continues to implement the import substitution programme together with technologies and services localization. This course of action takes on strategic importance. Under the constraints on the international stage and the COVID-19 pandemic, the results of this work has a direct impact on ensuring production efficiency, safety, and reliability. To solve these problems, Sakhalin Energy is working in the following key areas:

- identification and selection of domestic analogues of foreign materials and equipment;
- localization of oil and gas equipment maintenance and repair services in Sakhalin Oblast;
- creation of conditions for transfer of technologies and competencies from foreign companies to Russian companies.

The establishment of a reliable Russian resource base, together with the development of competencies of domestic specialists, will make it possible to meet Sakhalin Energy's current and future needs for necessary materials, equipment and services, and will create conditions for the sustainable and stable development of the company in the long term.



The Russian Content Development Strategy includes a whole set of internal actions aimed at increasing the number of initiatives and projects in the area of import substitution, namely:

- familiarisation sessions for Sakhalin Energy employees, including at remote assets;
- regular publication of articles and information materials about successful Russian Content projects in the Vesti corporate newsletter and on the company's website;
- roll-out of an incentive programme to reward employees for their contribution to Russian Content development;
- elaboration of Russian Content development requirements as part of individual performance plans.

Implementation of these actions not only raises awareness among Sakhalin Energy employees about Russian Content commitments and successes, but also contributes to the positive image and credibility of national manufacturers and vendors. In general, it will increase the interest of the company's employees in RC development.

From the start of the project to the end of 2021, the total value of awarded contracts and variations of existing contracts with Russian companies was about US\$ 28 bln. In 2021, the value of contracts in these categories reached approximately US\$ 1,124.1 mln, or 79% of all new contracts and amended existing contracts (see Russian Content Indicators in 2018–2021 table).

In 2021, the company awarded 7,602 contracts and orders, 5,800 of which were awarded to Russian companies.

Selected contracts with Russian companies in 2021:

- LLC SMNM-VECO Engineering Company for onshore and offshore maintenance and modification services;
- LLC Altrad Services for provision of scaffolding at the OPF including BS-2;
- RN Bunker OOO for offshore fuel provision;
- LLC Burservice for shutdown support services;
- LLC Intra Sakhalin for provision of CUI mitigation services at the OPF and BS-2.

ENHANCED STRATEGIC PARTNERSHIPS

Sakhalin Energy strives to enhance its strategic partnerships and is finding new ways to expand cooperation with its current partners. This ensures the company's efficient and sustainable development. In 2021, Sakhalin Energy:

- entered into a new long-term contract for onshore and offshore maintenance and modification services with LLC SMNM-VECO, its long-time partner in the Sakhalin-2 project (since 1999);
- signed a supplementary agreement to the pipe product supply contract with PAO TMK, which will expand the range of high-tech pipe products with premium threaded connections supplied for the Sakhalin-2 project and increase the share of domestic products used in the development of the Sakhalin shelf;
- signed a contract with LLC Intra Sakhalin, which was localised on Sakhalin, for the provision of CUI mitigation services at the Onshore Processing Facility and Booster Station 2.



Sakhalin Energy is actively engaging Sakhalin companies in the project. The company has established close cooperation and exchange of information with the Sakhalin Oblast Government. Sakhalin companies regularly take part in workshops and technical round tables for potential Russian suppliers. In 2021, pre-qualification audits were held for four Sakhalin companies. It is planned to engage Sakhalin companies to participate in the Supplier Development Programme.

In 2021, the share of contracts and orders awarded to companies registered on Sakhalin amounted to about 70% (4,087) of all contracts awarded to Russian companies.

The largest contracts and orders signed in 2021 with companies registered in Sakhalin Oblast:

- LLC SMNM-VECO Engineering Company for onshore and offshore maintenance and modification services;

- LLC Altrad Services for provision of scaffolding at the OPF including BS-2;
- LLC Intra Sakhalin for provision of CUI mitigation services at the OPF and BS-2.
- LLC Intra Sakhalin for provision of insulation, paint and fireproof services at the OPF including BS-2;
- LLC Mammut Sakhalin for provision of mobile cranes for the scheduled shutdown;
- LLC SMNM-Veco Engineering Company for gas delivery point construction for Dolinsk and Makarov;
- OOO Femco Management for non-ice class supply vessel.

Through engagement in the international project, Russian companies receive unique experience and opportunities to develop the competencies of its staff and embed top QA/QC, HSE, industrial and environmental safety standards. This makes the companies more competitive in the domestic and international markets.



In cooperation with AO Gazproektengineering, a Russian design institute, the company has completed a project to select domestic analogues of imported shut-off and control valves for the LNG plant and Booster Station 2. The project was launched in 2018 with a view to localising the supply of shut-off and control valves for the Sakhalin-2 project. A list of Russian analogues and updated specifications for the design, manufacture and testing of domestic fittings have been prepared. An analysis of commercial terms for the supply of Russian analogues of shut-off and control valves has been completed. The company is currently preparing for the pilot testing of Russian valves. The implementation of this project together with the Russian design institute will create favourable conditions for the development and improvement of the pool of domestic valve engineering solutions.

In addition, Sakhalin Energy signed a contract for the supply of high-tech shut-off and control valves for the flowlines of the Piltun-Astokhskoye-B and the Lunskeye-A offshore platforms with PTPA JSC, a Russian manufacturer.

Since 2018, the Sakhalin Energy Technical Directorate has been implementing a project to switch to Russian software for hydrodynamic and integrated modelling of oil and gas fields. As a result of market analysis and a thorough technical comparison of the compatibility of various software, the choice was made in favour of the tNavigator software developed by Rock Flow Dynamics, a Russian company. The high-performance software package allows for working with models of any scale and complexity. In 2021, Sakhalin Energy acquired a license from Rock Flow Dynamics and signed a contract for technical support of the new software. tNavigator has been successfully deployed in the IT infrastructure of Sakhalin Energy, and field development engineers have been trained. The implementation of the Russian software will not only allow for expanded opportunities for hiring Russian specialists, but also ensure the availability of information to company shareholders, the Russian party and Russian supervisory authorities.

Localisation of Oil and Gas Services

On the sidelines of the Sakhalin Oil and Gas 2021 Far Eastern Energy Forum, Sakhalin Energy signed a trilateral agreement with the Sakhalin Oblast Government and OOO Sakhalin Turbina Service. Within the framework of the agreement, it is planned to locate service facilities for the repair and maintenance of gas turbines, compressors, generators, electric motors, shut-off and control valves, instrumentation and automation systems in the Sakhalin Oil and Gas Industrial Park, and to create a single engineering and technical centre with localised personnel. This will provide conditions for the further successful implementation of the Sakhalin-2 project, and at the same time will help to solve the urgent challenge for the island's economy to strengthen the region's resource base.



7.3.2. STANDARDS HARMONISATION PROJECT

Sakhalin Energy assets are designed to operate with materials and equipment of foreign origin, which are manufactured in accordance with international technical standards. It restricts the usage of Russian equipment and materials, as well as limits Russian content in general. Because of that, in 2014, a decision was made to implement the Standards Harmonisation Project, aimed at providing equal opportunities for foreign and Russian manufacturers in terms of the company's procurement of materials for all onshore facilities of the main pipeline system and the Onshore Processing Facility without compromising the safety, reliability and integrity indicators of assets.

The harmonisation of a standard refers to bringing its content in line with another standard to ensure the interchangeability of products (services), uniform understanding of test results and technical information. In the context of the Sakhalin-2 Project, harmonisation of standards implies benchmarking foreign and Russian standards in order to subsequently unify technical requirements, which are based on the compa-

ny's technical specifications and Shell's internal design standards.

The company started with analysing a number of Regulatory Technical Documents (RTDs) on ordering, operating, and repairing equipment and components at Sakhalin Energy onshore assets. It also studied reference documents at several levels. As a result, over 34,000 RTDs requiring further harmonisation were identified, and a fully-fledged project layout was developed.

In the period from 2017 to 2020, the company conducted the benchmarking of standards and technical requirements for such areas as Electrical Equipment, Steel and Metalwork, Mechanical Equipment, Rotating Equipment, Instrumentation and Automation. In 2021, the relevant documents, including technical specifications in the above areas, were issued.

In 2021, the company initiated a contractor selection process for analysing 140 standards. In the long-term, the company plans to update all contracts for drilling, taking into account the materials developed after benchmarking.

7.3.3. SAKHALIN ENERGY MAINTENANCE AND REPAIR FACILITY IN SAKHALIN INDUSTRIAL PARK

The idea of establishing a dedicated service park for the Sakhalin oil and gas industry originated in 2013.

In early 2016, Sakhalin Energy entered the feasibility study phase, followed by signing a memorandum of cooperation between Sakhalin Energy, the Sakhalin Oblast Government and Gazprombank during the Eastern Economic Forum in September 2018. The Official Ceremony of Capsule Placement in the Foundation of the Sakhalin Industrial Park (SIP) was held in December 2018.

It was decided in mid-2019 to launch Phase 1 of the Project on a 4.7 ha land plot allocated for the Maintenance and Repair Facility of Sakhalin Energy (MARF), the anchor resident of the Sakhalin Industrial Park. Phase 1 will comprise one facility, including a logistic centre with a vehicle maintenance shop and archive, and infrastructure sufficient for Launching Stage 1. In 2021 a design institute completed the Design and Estimate Documentation update of Phase 1 of the Project and proceeded to Detailed Design. In 2022, it is planned to commence construction and installation works.



Establishing the Sakhalin Energy Maintenance and Repair Facility is one of the strategic objectives of the company for the period up to 2025. The facility will improve reliability and efficiency under the Sakhalin-2 project and significantly reduce production and logistics costs and risks. In the context of international cooperation, the Sakhalin Industrial Park (SIP) will also serve as a platform for exchange of technology and best industry practices.

Such a project, deployed in remote location, away from the existing production assets, has a particular importance for the company and for the Oblast. Such parks form local engineering and technological centres and carry out a city-forming function: one job in the oil industry creates five to six jobs in related industries.

In August 2020, the company and the Sakhalin Oblast Government reached an agreement to provide the SIP and SEIC MARF with external engineering infrastructure involving funds from the Sakhalin Oblast Development Corporation.

At the Sakhalin Oil and Gas conference in September 2020, 13 companies signed agreements of intent to become residents of the oil and gas industrial park. In the fall of 2021, the construction and transfer of the facilities to one of them was completed — Island General Services LLC — a contractor of the company, which will perform logistics tasks, consolidate and dispatch cargoes to remote production facilities in the north of Sakhalin as an operator of the project "Transport and logistics base with an open storage yard for 250 containers with optional expansion to 500 containers".



7.3.4. VENDOR DEVELOPMENT PROGRAMME

Development of Russian vendors is one of the key activities of Sakhalin Energy, the main purpose of which is to contribute in developing their competencies and increasing Russian content in the Sakhalin-2 project.

For over 15 years, Sakhalin Energy has been actively implementing the Vendor Development Programme. It includes two areas: Integrated Vendor Development and Training Workshops.

Integrated vendor development is aimed at assisting promising Russian partners so that they can improve their manufacturing processes to meet Sakhalin Energy's requirements and international quality and safety standards. This area includes the following activities:

- working meetings with Sakhalin Energy's technical experts for presentations and information exchange;
- audits of Russian enterprises for compliance with the company's requirements;
- preparing individual development plans for Russian enterprises and providing follow-up control;
- providing support during testing, pilot testing and certification;
- qualifying Russian enterprises for their subsequent inclusion in the list of approved vendors of Sakhalin Energy.

Due to the restrictions associated with the COVID-19 pandemic, the company continued holding online training sessions and technical round tables for potential Russian suppliers in 2021. Three training sessions were attended by 51 representatives from 29 companies (nine of which operate on Sakhalin). Sakhalin Energy also held two HSES-SP training sessions, which were attended by 15 people from four companies, and four technical round tables, which were attended by 28 representatives of 17 companies (10 of which operate on Sakhalin).

An important component of the Vendor Development Programme is its training module, which has been providing regular workshops since 2007. The workshops are intended to introduce the company's requirements to Russian manufactures and vendors, as well as to increase their awareness of forthcoming tenders. The programme of each workshop includes an overview of the Sakhalin-2 project and sessions on key areas:

- HSES and Social Performance management in contracts;
- QA/QC during materials and equipment procurement;
- preparation for and participation in the Sakhalin Energy tender process;
- anti-corruption, and code of conduct standards.

In addition, the company provides special training sessions for nuanced understanding of HSE in contracts, and individual information sessions (round tables) to provide advance notice about the terms and conditions of forthcoming tenders for potential Russian vendors. During such sessions, Russian vendors get information on the scope of supply and general requirements for products and work/service providers.



In addition, a specialised video course titled "Quality Assurance and Control During Materials and Equipment Procurement" was prepared and placed on the company's external website.

Information about the Vendor Development Programme is available on the company's website (www.sakhalinenergy.ru), including descriptions of the Programme's components, requirements for participants, the application process, preliminary schedule with topics indicated, and contact details.

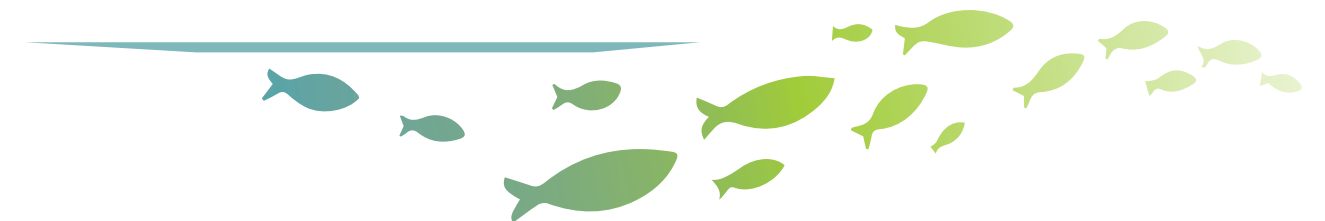
PERSPECTIVE AREAS

Sakhalin Energy continues to look for new opportunities for import substitution and thus helps Russian manufacturers and service providers to develop and build up their competencies. On the sidelines of the Sakhalin Oil and Gas 2021 Far Eastern Oil and Gas Forum, Sakhalin Energy signed several memorandums with Russian companies:

- a memorandum of cooperation with AKROS for the development of technical competencies in supplying drilling muds and well completion fluids;
- a memorandum of cooperation with GeoSplit for tracer analysis of Sakhalin-2 wells using quantum marker-reporters (GEOSPLIT® technology);
- a memorandum of cooperation with Kuibishev Telecom-Metrology Research and Production Enterprise to identify further opportunities in import substitution of measuring instruments and metrological equipment.

In addition, Sakhalin Energy continues creating favourable conditions for testing Russian equipment at the company's production assets. The increased number of pilot tests of Russian

equipment and materials at the company's production assets will help to expand opportunities for domestic manufacturers to participate in the Sakhalin-2 project.





7.4. SUPPLY CHAIN MANAGEMENT

The company pays close attention to the effectiveness of Supply Chain Management (SCM).

Our fundamental Supply Chain Management document is the Sakhalin Energy Contracting and Procurement Policy (hereinafter referred to as the Policy). This Policy applies to all the company's employees and contractors, but primarily to the company's personnel that are directly engaged in supply chain management. The Policy is applicable to all activities that involve spending the company's funds on equipment, materials, resources, services, and works.

The Supply Chain Manager is responsible for ensuring that our model contracts contain the appropriate terms and conditions, for effective implementation of these terms and conditions in the procurement processes and for ensuring that control and assurance measures specified in the Policy and other Policy-based documents are in place.

Sakhalin Energy adheres to the following principles in Supply Chain Management:

- safety — causing no harm to people, the environment, or to our property; ensuring that contractors comply with the company's safety standards;
- additional value in SCM — value maximization, cost effectiveness, and long-term commercial profit;
- zero tolerance for personal profit, bribery, or corruption in all SCM operations — in accordance with the supply transparency principle;
- competition — development of open competition in markets;
- Russian content — maximization of Russian content and development of Russian suppliers and contractors;

- human rights — ensuring respect for, observance, and promotion of human rights by contractors;
- sustainable development — ensuring sustainable development in the process of selecting a contractor and in making supply chain management decisions;
- Sakhalin-2 project growth plans — investing into the major projects, including those offering opportunities for increase in Russian Content.

The Policy lists rules and measures that ensure compliance with these principles.

In accordance with the principles listed above, our procurement, **awarding and contract management processes** are set up as follows:

Create a list of qualified vendors (for certain scopes of resources/services or for specific tender scopes):

- conduct workshops for potential vendors (see Section 7.3.4 Vendor Development Programme);
- pre-qualify potential vendors.

Conduct tenders for purchase of materials/equipment or provision of services:

- competitive bidding is preferred when sufficient market capacity exists;
- distribute Invitations to Tender (ITTs) and Clarification Bulletins;
- receive bids (proposals);
- conduct technical bid evaluation (including HSE, etc.);
- conduct commercial bid evaluation.



Award contract:

- upon completion of all stages of the bidding process, the company awards the contract under the terms and conditions specified in the ITT.

Manage contract:

- during performance of the contract, the company monitors contractor activities by tracking the mutually agreed Key Performance Indicators (KPIs) and by organising meetings to review contractor performance;
- the company raises awareness of, and conducts trainings for contractors in order to ensure compliance with its requirements (including those related to HSE and social performance, anti-corruption and bribery principles, human rights, etc., see Section 3.5.1 HSE and Social Performance Management System, Section 5.6 Anti-bribery and Corruption, and Section 7.3.4 Vendor Development Programme);
- the company conducts contract performance audits (see Section 3.5.3 Inspection and Audit).

Sakhalin Energy's requirements for contractors and suppliers

Sakhalin Energy gives special importance to the fulfilment of the company's requirements by contractors and suppliers. These requirements include the following:

Health, safety and environmental and social performance (HSE&SP) requirements

Contractors must:

- include compliance with HSE&SP principles in the performance assessment;
- perform checks and investigate any breaches of the HSE&SP rules to ensure the company's HSE policy is properly followed;

- independently certify the HSE&SP management system for compliance with generally recognised standards;
- verify that they comply with HSE&SP standards.

Requirements for the quality of materials, equipment and services supplied

Contractors must:

- develop and comply with quality assurance policy;
- specify (develop) and comply with the quality control process and its procedures;
- specify (develop) and comply with quality assurance procedures.

Russian content requirements

Sakhalin Energy's Russian content requirements have arisen from the Production Sharing Agreement concluded with the Russian party. The parameters used to measure the Russian content are weight of material and equipment, number of man-hours and their cost equivalent.

Requirements for a tender proposal

A tender proposal shall clearly demonstrate and confirm the following:

- a tenderer is a financially stable and solvent company/organisation;
- a tenderer has the relevant experience in the subject scope;
- high quality and reliability of the provided services/performed works/supplied materials;
- HSE&SP management systems and procedures are in place;
- a quality assurance system and procedure are in place;
- availability of resources to meet the work/supply schedule.

8

ENVIRONMENTAL MANAGEMENT

In 2021, Sakhalin Energy was the first company in Russia to deliver a carbon neutral LNG cargo directly to a customer in the Asia-Pacific region.





8.1. GENERAL INFORMATION

SAKHALIN ENERGY NAMED ONE OF THE TOP COMPANIES IN TERMS OF ENVIRONMENTAL TRANSPARENCY — 2021

Sakhalin Energy was named one of the leading companies in the environmental transparency rating created by WWF and Creon group. The company tied for third place along with Surgutneftegaz. Each participant was rated according to three categories: environmental management (how good the environmental management provided by companies is), environmental impact (the degree of negative consequences for environmental components (atmosphere, water bodies, soil, subsoil) during projects implementation as well as the level of environmental friendliness), and the level of information disclosure (the degree of openness by companies to disclose information about the environmental impact of production activities).

Sakhalin Energy conducts environmental management based on the environmental protection laws and regulations of the Russian Federation and in line with international standards and best oil and gas industry practices.

Sakhalin Energy's environmental policy has been integrated into the corporate Business Principles, Sustainable Development Policy and HSE&SP Policy. Relevant commitments are included in the HSE&SP Plan, standards and procedures, as well as other corporate documents.

The HSE&SP management system is described in Section 3.5 above. It has been certified according to ISO 14001:2015 and ISO 45001:2018 international standards.

For continuous improvement of operational efficiency, the system follows a repeating cycle: planning — implementation — evaluation — review. External and internal audits are held to monitor and evaluate the system's efficiency. Company assets are audited on a regular basis

for compliance with environmental laws and regulations and corporate standards and procedures.

Sakhalin Energy also promotes the development of vendors and suppliers through a "one team" approach, experience sharing and contractor compliance monitoring.

The company places special focus on proactive risk management and environmental impact assessment. The company has developed and implemented a risk management system (see Section 5.4 Risk Management System) to reduce environmental impacts and pollution risks.

The company is implementing an administrative and technical action plan to gradually reduce negative environmental impacts and to develop the competencies of the company and contractor personnel, as well as to develop and implement programmes for industrial environmental control and monitoring the natural environment and biodiversity.



8.2. INDUSTRIAL ENVIRONMENTAL CONTROL

8.2.1. GENERAL INFORMATION

Sakhalin Energy exercises industrial environmental control of its assets to ensure compliance with legislation on environmental protection, to observe the established environmental regulations, and to support the rational use of natural resources and fulfilment of plans for minimising environmental impact.

The company exercises industrial environmental control in the following areas:

- air emissions;
- water use and impact on water bodies;
- waste management.

The company tracks and controls emissions and discharges, greenhouse gases and ozone-depleting substances from hydrocarbon production and transportation assets, and the LNG asset it operates; special attention is given to waste management, energy consumption and associated petroleum gas utilisation issues.

The company has developed and has been implementing the Air Emissions and Energy Management Standard, Water Use Standard, and Waste Management Standard.

8.2.2. IMPACT ON ATMOSPHERIC AIR

«Sakhalin Energy seeks to minimise environmental impact, including by reducing air emissions.

In order to reduce emissions, the company uses gas turbines equipped with low-NOx burners, which is the best available technology (Oil Production Information and Technical Reference Book 28, 2017). A system that increases gas turbulence is used on flaring units, which facilitates soot-free gas flaring.

To reduce atmospheric pollutant emissions, Sakhalin Energy implements measures to improve operational reliability and fail safety of equipment and monitors compliance with process conditions. To ensure timely elimination of potential gas leaks at the company's assets, the company performs inspections and diagnostics of equipment using fixed and portable gas analysers and infra-red cameras, and carries out timely repair and maintenance. In order

to assess the impact of greenhouse gases and ozone-depleting substances on the atmospheric air, the company keeps track of their emission sources and consumption (see Section 8.2.6 Greenhouse Gas and Ozone-Depleting Substance Emissions).

The company conducts monitoring of fixed sources for compliance with established standards for maximum allowable emissions. Air quality monitoring is carried out at the boundaries of sanitary protection zones around the company's production assets.

The decrease in the total volume of emissions recorded in 2021, including those of nitrogen oxide and methane, is associated with the major turnaround of gas facilities. A slight increase carbon oxide emissions is associated with the use of diesel generators to produce energy during the major turnaround.



The improvement of operational reliability and fail safety of equipment, as well as systematic monitoring to ensure correct process conditions, make it possible to maintain the specific emission values at the same level as in previous years.

Air quality monitoring at the boundaries of the sanitary protection zones of the Prigorodnoye production complex, OPF, and BS 2 showed neither non-compliance with established standards, nor any increase in pollutant concentrations.



Gross Air Emissions in 2018–2021, thousand tonnes

Pollutant	2018	2019	2020	2021
Carbon oxide	4.21	3.41	3.53	3.74
Nitrogen oxide (in NO2 equivalent)	4.34	3.93	4.04	3.83
Methane	1.10	0.70	0.90	0.74
Sulphur dioxide	0.03	0.03	0.03	0.03
Other pollutants	0.62	0.45	0.38	0.36
Total	10.30	8.52	8.88	8.70

Specific Air Emissions in 2018–2021, by Areas of Activity

Activity	2018	2019	2020	2021
Hydrocarbon production, kg/toe	0.19	0.14	0.15	0.16
Hydrocarbon transportation, kg/thousand t·km	0.08	0.06	0.08	0.07
LNG production, kg/toe	0.20	0.20	0.19	0.21

8.2.3. IMPACT ON WATER BODIES

The company strives to reduce water consumption for production needs and to minimise the environmental impact from wastewater discharge.

The intake of water from surface and groundwater bodies for domestic, drinking and industrial purposes is carried out on the basis of water use permits and licenses for subsoil use.

maintained in good order; monitoring of water protection zones of water bodies is carried out on a regular basis. Groundwater monitoring is performed to identify areas of possible changes in groundwater levels or areas of possible contamination caused by the operation of the company's production assets.

In 2021, the water use figures remained the same as in the previous year.

To comply with the established standards for the maximum allowable discharges of pollutants to water bodies and rational use of water resources, the company monitors the efficiency of the sewage treatment plants and carries out quality control of sewage, surface and ground water, as well as monitors compliance with the established water use and water discharge limits. Water intake and treatment facilities are

A growth in water intake from surface water bodies and water consumption for production needs, including for reservoir pressure maintenance, was caused by the completion of drilling activities at the LUN-A platform, which started in 2020, as well as the maintenance and repair of a water injection well for the purpose of reservoir pressure maintenance at the PA-A platform.



A growth in water intake from underground sources was caused by an increase in the number of personnel engaged in the major turnaround of gas infrastructure facilities, and an increase in the number of residents in the Zima residential complex and the reopening the recreational centres.

A decrease in the volume of storm wastewater discharges to land was caused by a dry 2021 summer season vs. the previous year.

Specific water disposal of insufficiently treated wastewater at the LNG plant decreased due to completed maintenance of the storm wastewater treatment facility and the decrease in the

load on utility wastewater treatment facilities caused by the partial transfer of rotation workers to a five-day working week following the easement of additional measures to prevent the spread of the coronavirus infection imposed in 2020.

Only 1% of the wastewater was insufficiently treated, 3% of the wastewater was treated to minimum standards, and the other 96% met minimum standards without treatment.

Environmental monitoring did not reveal significant adverse impacts on the water bodies located in the area of the company's production assets.

Consolidated Figures of Water Use in 2018–2021, thousand m³

Parameter	2018	2019	2020	2021
Water intake, including:	28,290.83	29,263.78	29,403.01	28,693.61
from surface sources	27,507.64	28,558.22	28,482.38	27,653.75
from underground sources	347.43	348.46	463.82	478.22
Water consumption, including:	27,893.77	28,939.95	28,960.95	27,985.77
for production needs (not including consumption for reservoir pressure maintenance needs)	21,458.08	21,188.04	22,284.19	21,972.31
for reservoir pressure maintenance needs	6,077.11	7,379.29	6,279.57	5,738.21
Water discharge, including:	22,062.96	21,724.05	22,990.72	22,689.46
into surface water bodies	21,944.30	21,582.89	22,750.25	22,589.45
on the surface	88.13	75.19	99.15	76.04



Specific Water Use in 2018–2021, by Areas of Activity

Activity	Water consumption for in-house needs				Disposal of polluted water into surface water bodies			
	2018	2019	2020	2021	2018	2019	2020	2021
Hydrocarbon production, m ³ /toe	1.0	1.0	1.0	1.0	0.004	0.005	0.005	0.006
Hydrocarbon transportation, m ³ /thousand t-km	0.001	0.001	0.001	0.001	—	—	—	—
LNG production, m ³ /toe	0.01	0.004	0.005	0.004	0.006	0.001	0.004	0.001

8.2.4. WASTE MANAGEMENT

The company's waste management activities are aimed at meeting Russian and international requirements and optimising waste management processes in order to reduce adverse environmental impact. Most of the company's waste is classified as low-hazard (Hazard Class IV and V). It is mainly drilling waste and solid domestic waste.

In an effort to prevent negative impact on the environment, in 2021 the company continued to dispose of drilling waste by injecting it through special absorption wells into deep subsoil horizons, which have isolating layers sufficient to ensure the complete containment and reliable disposal of waste. This is one of the best available technologies for the disposal of waste associated with oil and gas production (ITS-17 Disposal of Industrial and Consumer Waste, 2016).

Throughout the year, the company continuously monitored the injection process and took all reasonable measures to reduce the volume of drilling waste. Environmental monitoring results confirmed that the concentration of pollutants

did not exceed the MPC or background levels in the bottom waters and bottom sediments, and that the structure and indicators of benthos abundance were preserved. This attests to the absence of negative environmental impact in the area of underground drilling waste disposal sites (confirmed by Rosprirodnadzor).

At the production assets, waste is collected separately for subsequent utilization and treatment in order to reduce the amount of waste disposed at landfills; the company conducts inspections of waste storage sites and waste is removed in a timely manner.

All Hazard Class I-III waste is transferred to licensed contractors for utilization or treatment. All Hazard Class IV–V waste is sent to specially equipped landfills. In addition, the company is searching for effective ways to utilize of Hazard Class IV–V waste in order to reduce the share of waste buried at landfills. In 2021, more than 66% of such waste (excluding drilling waste and metal scrap) was transferred for utilization/treatment.



Waste Breakdown by Hazard Class in 2018–2021 (Including Drilling Waste), tonnes

Class	2018	2019	2020	2021
I	2.149	2.159	2.077	1.907
II	22.123	68.771	65.961	91.327
III	382.033	384.868	634.227	774.921
IV	24,032.0	26,867.1	20,026.1	21 138.2
V	2,694.9	3,412.8	3,946.6	4,499.8

Waste Management Indicators (Including Drilling Waste) in 2018–2021, thousand tonnes

Indicators	2018	2019	2020	2021
Waste generated in the reporting year (all Hazard Classes)	27.13	30.74	24.67	26.51
Transferred to other organisations for recovery and treatment	2.89	4.49	4.53	4.96
Transferred to other organisations for burial at landfills, including:	1.89	2.01	1.81	1.99
in Sakhalin Oblast (with SMW*)	0.45	1.70	1.37	1.33
outside Sakhalin Oblast	1.45	0.31	0.44	0.66
Waste disposed of at company sites (burial of drilling waste)	22.50	24.24	18.33	19.56

As of the beginning of the reporting year, there was no waste in the temporary waste accumulation areas.

An increase in the total amount of accumulated waste was mainly associated with drilling (Class IV), maintenance of process equipment and treatment facilities (Classes III and V), and discarding chemicals that were no longer of use (Class II).

Replacement of the adsorbent in gas drying units of the LNG plant during major turnaround, cleaning of onshore pipeline sections, scheduled maintenance of stormwater treatment facilities at the LNG plant and the OPF, and treatment facilities of utility wastewater at Zima Highlands Residential Complex led to an accumulation of waste transferred for recovery and treatment.



The reduction in the total amount of waste transferred for burial at landfills in Sakhalin Oblast in 2021 can be explained by the zeolite waste accumulated during replacement of the gas drying units at the LNG plant being transferred for recovery instead of being buried in landfills.

The amount of waste buried in the specialised landfill for industrial waste outside Sakhalin

Oblast increased as a result of discarding chemicals that were no longer of use.

Solid municipal waste was transferred to the regional operator for disposal in accordance with Sakhalin Oblast territorial waste management scheme.

8.2.5. ENERGY PRODUCTION AND CONSUMPTION

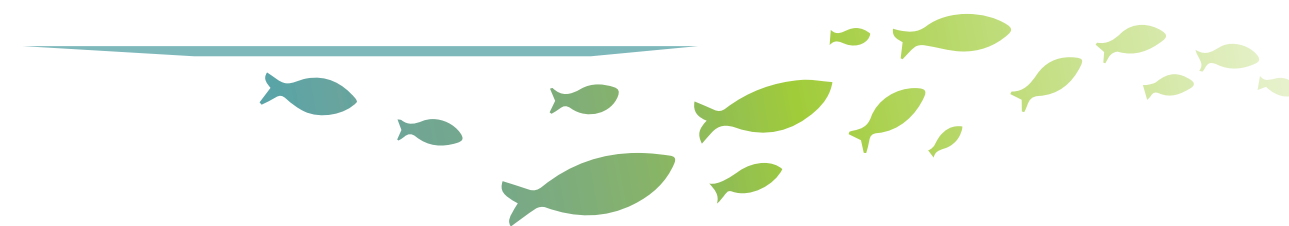
The company strives to use energy resources efficiently, as is stated in its corporate policy, standards, and commitments on energy management and gas flaring.

The company's assets have been designed in line with international best practices, and the new depletion compression facilities (OPFC) under construction incorporate the latest technological advances. All production assets use independent power supplies.

Energy saving and efficiency improvement efforts are organised under the company's Continuous Improvement and Production Process Optimisation Programme (see Section 4.3 Continuous Improvement Programme). Its core

activities are aimed at enhancing the operational reliability of equipment, and process efficiency.

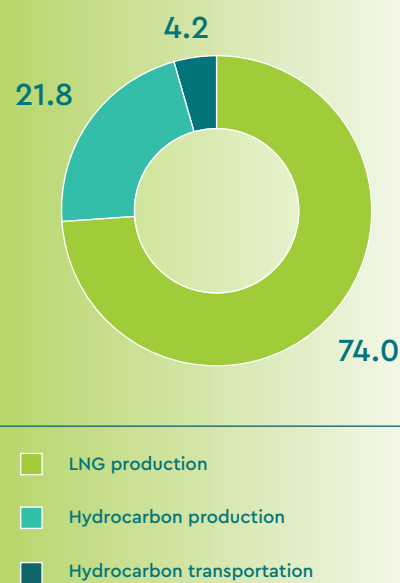
Natural gas has the biggest share in the energy mix of the company. Diesel fuel is used for backup. The power supply for the company's infrastructure in Yuzhno-Sakhalinsk and Korsakov comes from the public electrical grid, while energy used for heating is generated independently at the assets. The energy consumption balance is shown in the Energy Generated and Consumed in 2018–2021 table.



* Solid municipal waste.



Energy Consumption in 2021, by Areas of Activity, %



The company's energy efficiency indicators are high and are among the best in the world. In particular, in 2021, the specific energy consumption at the company's production facilities was 0.67 GJ/t of produced hydrocarbons. According to the International Association of Oil & Gas Producers, the average figure among international oil and gas companies is 1.45 GJ/t of produced hydrocarbons annually.

Energy Generated and Consumed in 2018–2021, million GJ

Parameter	2018	2019	2020	2021
Primary energy generated	895.63	857.10	871.55	748.12
Primary energy sold, including:	839.04	801.72	817.82	701.52
provided to the Russian party	39.99	44.04	47.34	40.29
Primary energy consumed, including:	59.08	57.47	59.44	51.19
direct energy consumed (natural gas)	57.19	55.61	57.74	49.40
primary energy purchased (diesel fuel)	1.89	1.86	1.70	1.79
Indirect energy purchased/consumed (electricity)	0.13	0.13	0.14	0.12

The 2021 energy consumption breakdown by activity is shown in the diagram 2021 Energy Consumption Breakdown by Activity.

A slight decrease in energy consumption is associated with the major

turnaround of all gas infrastructure facilities of the company in 2021 and a reduction of hydrocarbons and LNG production; this is also the reason for change in energy intensity.

Energy Consumption in 2021, by Areas of Activity, %

Activity	2018	2019	2020	2021
Hydrocarbon production, GJ/t hydrocarbons produced	0.63	0.66	0.65	0.67
Hydrocarbon transportation, GJ/Kt-km	0.15	0.15	0.15	0.15
LNG production, GJ/t LNG produced	3.88	3.84	3.85	3.63

Sakhalin Energy's LNG plant is the largest energy consumer in the company; however, it remains a world leader in energy efficiency.



8.2.6. GREENHOUSE GAS AND OZONE-DEPLETING SUBSTANCE EMISSIONS

The company shares the global community's concerns regarding climate change and implements the following key measures aimed at climate conservation and greenhouse gas emission reduction:

- assessment of design documentation with regard to environmental safety and environmental impact analysis;
- monitoring and tracking of greenhouse gas emissions;
- associated gas utilisation and flaring reduction;
- inspection, diagnostics and maintenance of equipment to prevent and eliminate potential leaks;

- programmes for improving energy efficiency of production processes.

The company has developed greenhouse gas emission management and energy efficiency plans for the offshore platforms, OPF, and the LNG plant.

2021 saw a decrease in the total volume of greenhouse gas emissions. This reduction is associated with the major turnaround of the entire gas supply chain of the company and a decrease in hydrocarbons and LNG production.

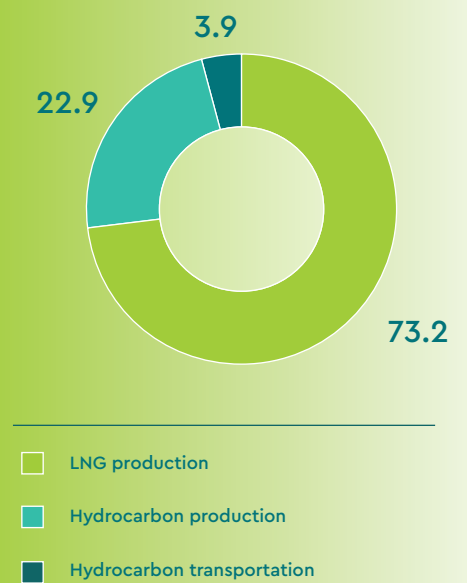
Greenhouse Gas Emissions in 2018–2021, mln tonnes of CO₂ equivalent

Indicator	2018	2019	2020	2021
Direct emissions (Scope 1)	3.768	3.529	3.661	3.304
Indirect emissions (Scope 2)	0.009	0.009	0.010	0.008
Total	3.777	3.538	3.671	3.312

Specific Greenhouse Gas Emissions in 2018–2021, by Areas of Activity

Activity	2018	2019	2020	2021
Hydrocarbon production, t CO ₂ eq./t of hydrocarbons produced	0.052	0.046	0.046	0.045
Hydrocarbon transportation, t CO ₂ eq./thousand t-km	0.009	0.009	0.009	0.009
LNG production, t CO ₂ eq./t of LNG produced	0.230	0.228	0.228	0.232

2021 Greenhouse Gas Emissions, by Areas of Activity, %

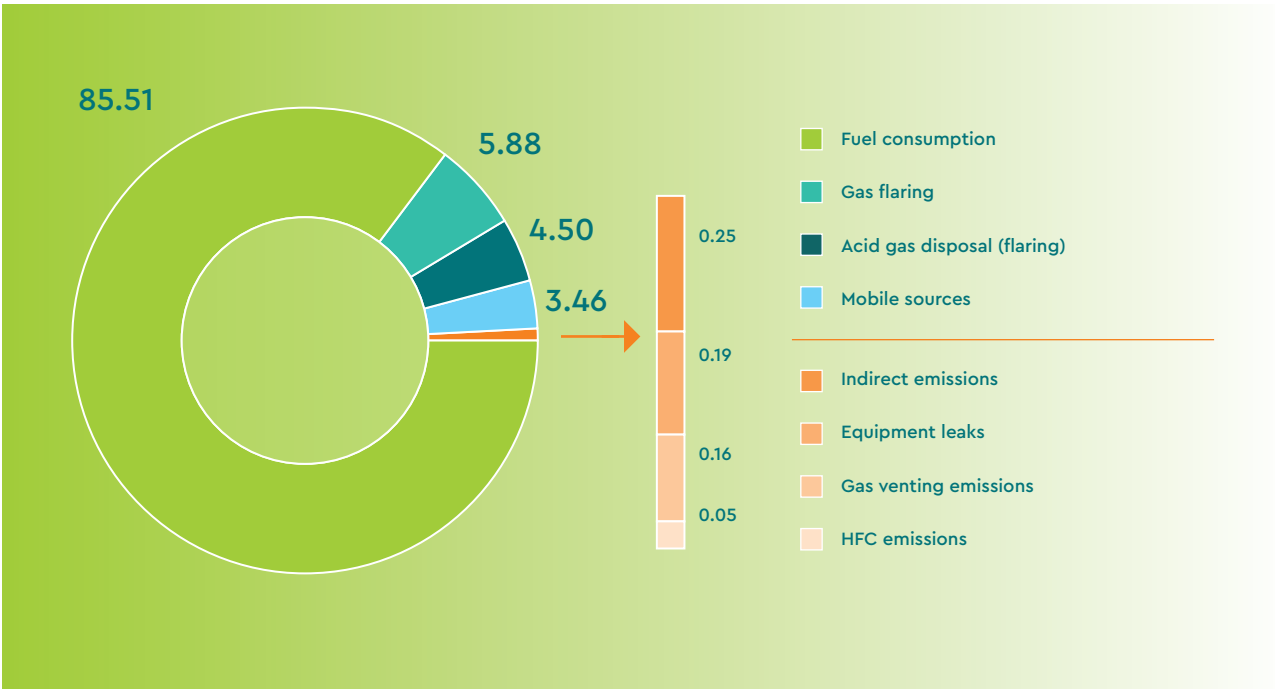




The 2021 levels of specific greenhouse gas emissions during hydrocarbon production and transportation remained similar to those of the previous year. Specific greenhouse gas emissions during LNG production increased slightly

due to a rise in gas flaring during the major turnaround when LNG production was stopped and relaunched (see Section 4.2 Main Production Results in 2021).

Structure of Greenhouse Gas Emission Sources in 2021, %



GREEN LNG STRATEGY

In order to meet the challenges facing the global energy sector, and in accordance with changes in the Russian laws regulating greenhouse gas emissions, in 2021 the company continued implementing its Green LNG Strategy to further reduce its carbon footprint, while actively interacting with state authorities, and harmonising its activities with regional low-carbon development efforts (see 8.2.7 Green LNG Strategy and Carbon Regulation).



Some equipment at the company's assets, such as air conditioners and cooling machinery, contains ozone-depleting substances, regulated by the Montreal Protocol. In 2021, the company continued to implement the

Action Plan aimed at the gradual replacement of this equipment and at discontinuing the use of ozone-depleting substances in accordance with the Protocol.

8.2.7. GREEN LNG STRATEGY AND CARBON REGULATION

Sakhalin Energy is committed to contributing to the global efforts addressing the challenges of climate change. In 2020 the company developed the Green LNG Strategy with the purpose of reducing its carbon footprint and identifying options for the production and supply of carbon neutral products to buyers. The strategy focuses on four main areas: nature-based solutions, further improving the energy efficiency of Sakhalin-2 production technologies, commercial carbon credit activities and alternative technologies.

In 2021, the company developed various strategy implementation scenarios to comply with the new laws in greenhouse gas emissions control and the shareholders' expectations, and to strengthen its leading position in the international market in general, in terms of transition to a low-carbon economy.

The nature-based solution activities are focused on increasing the absorption of greenhouse gases. They cover traditional measures for conservation, restoration and enhancement of forest management, while reforestation and aquaculture development are planned for the coming years.

In 2021, the company signed a cooperation agreement with Sakhalin State University and will act as an industrial partner for the Carbon Landfill project implementation. The project is aimed at research, testing and implementation of full-cycle technologies in relation to measurement, improvement of carbon absorption and subsequent disposal of products for the purpose of carbon storage at a mariculture carbon farm.

Sakhalin Energy is continuously working to improve energy efficiency and reduce greenhouse gas emissions (see Sections 8.2.5 Energy Generated and Consumed and Section 8.2.6 Greenhouse Gas and Ozone-Depleting Substance Emissions). Key emphasis is placed on assessing the potential for further reduction of greenhouse gas emissions in the integrated gas chain, in particular, optimisation of maintenance schedules, application of predictive analytics to improve equipment reliability, gas flaring management, and instrumented methods for the prevention and control of leaks.

In 2021, the company analysed several promising modification projects, and an assessment of energy efficiency and the implementation costs is ongoing.

Sakhalin Energy actively interacts with Sakhalin Oblast Government as a member of the project office (task force) to prepare for an experiment in Sakhalin Oblast carbon neutrality. It shares its expertise applying greenhouse gas emissions reduction technologies during seminars and round table sessions and also participates in the development of draft laws and by-laws.

The long-term strategy of Sakhalin Energy is to implement an energy cocktail that combines both traditional and alternative technologies that can contribute to the global reduction of greenhouse gas emissions. A feasibility assessment of alternative low-carbon technologies and renewable energy sources, and potential



In 2021, the company won the regional competition Towards Carbon Neutrality — The Best Practices, for its particular contribution to efficiency in climatic balance and environmental safety in Sakhalin Oblast.

A proposed pilot carbon trading system as part of the Sakhalin experiment may introduce the potential to obtain Russian carbon credits, which could be used in conjunction with carbon credits generated by the company as a result of climate projects implementation.

integration with the company’s operations, are being conducted.

In 2021, the company signed long-term charter agreements for two green oil tankers with Sovkomflot. The main advantage of these vessels is that they can use LNG as the main fuel, which has indisputable environmental and economic benefits.

In 2021, Sakhalin Energy signed a cooperation agreement with the Russian Academy of Sciences to increase scientific and technical support, provide information, analytical and expert support to environment protection activities, and develop and implement innovative solutions, including those associated with carbon footprint reduction.

“Being the largest business representative on Sakhalin, Sakhalin Energy commits to adhere to low-carbon development principles. This direction in scope of cooperation with the company is amongst the strategic interests of the Russian Academy of Sciences, and meets the priorities for efficient development of the Russian economy”.

Alexander Sergeev,
President of the Russian Academy of Sciences

“Sakhalin Energy has been demonstrating best industrial and environmental practices, both nationally and internationally, for a long time already. We see the supply of the first carbon neutral LNG cargo of the Sakhalin-2 project as yet another example of this. It is important, however, for the company not to limit its endeavours to offset projects. It should develop initiatives leading to a reduction in direct emissions more actively. This comprehensive approach is in line with the global trend for strengthening the climate agenda”.

Alexey Knizhnikov,
FES Environmental Policy Officer,
World Wildlife Fund (WWF) Russia

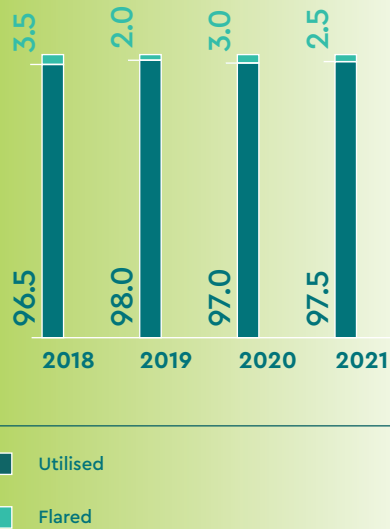


DELIVERY OF THE FIRST CARBON NEUTRAL LNG SHIPMENT
FROM THE SAKHALIN-2 PROJECT

On 13 October 2021, Sakhalin Energy delivered the first carbon neutral LNG shipment on the Grand Aniva gas carrier to Toho Gas, one of the main buyers. Thus, Sakhalin Energy became the first Russian manufacturer to deliver a Green LNG shipment directly to the end user. It allows the company to become a market leader as a premium and socially responsible LNG supplier. Delivery of the first carbon neutral LNG shipment by Sakhalin Energy was ensured by the purchase of Gazprom Marketing & Trading carbon credits. In the future, the company plans to put together a competitive standard offer to buyers for the delivery of green LNG, which is in high demand in APR countries. This will ensure the leading position in the new APR energy market segment.



Utilisation of Associated Gas
in Production in 2021, %



8.2.8. UTILISATION OF ASSOCIATED GAS
IN PRODUCTION

The company strives to reduce associated gas flaring to a minimum. Associated gas produced at the PA-A and PA-B platforms is transported via offshore pipelines to the shore, after which it goes through the onshore pipelines to the OPF, where it is mixed with LUN-A gas for further transportation. Some of the associ-

ated gas is used as fuel for production assets.

The company has included targets for associated gas utilisation in the Reservoir Management Plans for the PA-A, PA-B, and LUN-A platforms. The actual associated gas utilisation in 2021 was 97,5%.

8.2.9. ENVIRONMENTAL PROTECTION COSTS
AND PAYMENTS FOR NEGATIVE IMPACT

To comply with international and Russian legislation requirements, Sakhalin Energy implements environmental conservation measures. The current cost of implementation in 2021 was approximately 3,249 mln roubles.

Sakhalin Energy's environmental conservation activities are monitored by supervisory authorities at the federal and regional levels, including:

- Ministry of Natural Resources and Environment of the Russian Federation;
- Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor);
- Federal Subsoil Resources Management Agency (Rosnedra);

- Federal Service for the Supervision of Natural Resources (Rosprirodnadzor);
- Amur Water Basin Committee of the Federal Water Resources Agency;
- Ministry of Ecology of Sakhalin Oblast.

In 2021, two scheduled inspections were conducted. The environmental prosecutor's office verified the implementation of measures announced by the company in 2020. Rosprirodnadzor conducted a scheduled on-site inspection of Sakhalin Energy assets. A number of non-compliances were identified. The company is taking remedial actions to correct all identified non-compliances. Some imposed actions are still in process.



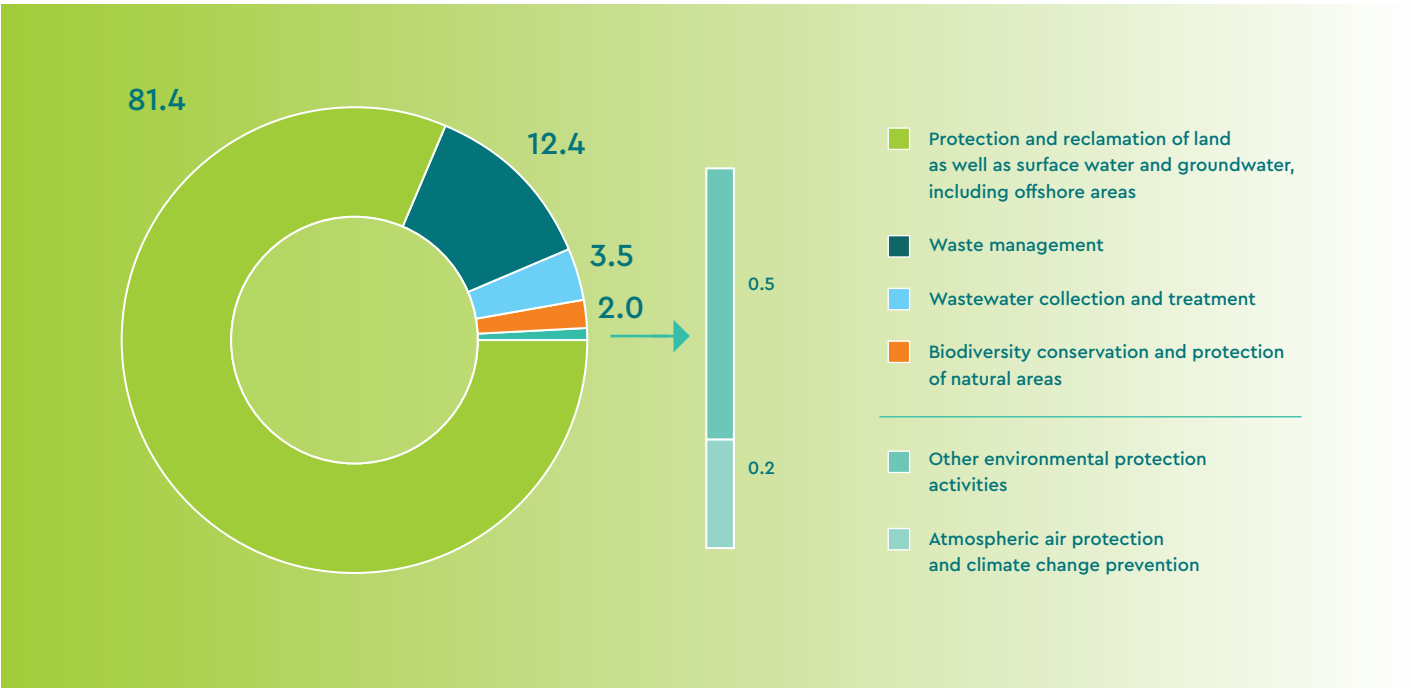
Payments for Adverse Environmental Impact in 2018–2021,
thousand roubles

Indicator	2018	2019	2020	2021
Air emissions	806.52	595.77	663.60	659.04
Discharges into water bodies	157.21	127.92	215.80	237.12
Waste disposal	680.15	631.89	7,134.09	3,076.04
Total	1,643.88	1,355.58	8,013.49	3,972.20

The total amount paid for adverse environmental impact in 2021 decreased compared to the previous year due to the fact that in 2020 a payment for drilling waste disposal was made in light of a lack of confirmation that adverse environmental impact of waste disposal sites could be ruled out.

The share of above-limit payments in the total amount of payments for adverse impact was 70%, mainly due to the absence of limits for the disposal of Low Hazard and Virtually Non-Hazardous Class IV–V waste at landfills.

Current Environmental Costs in 2021, %





8.3.

ENVIRONMENTAL MONITORING AND BIODIVERSITY CONSERVATION

8.3.1. GENERAL INFORMATION

The implementation of environmental monitoring in the potential impact areas during the operational stage ensures Sakhalin Energy's compliance with the requirements of the State Environmental Expertise for in-process environmental monitoring and local monitoring.

2021 environmental monitoring programmes were implemented in the following areas:

- soil cover;
- river ecosystems;
- flora and vegetation;
- wetlands;
- protected species of birds, including the Steller's sea eagle;
- small mammals;
- marine environment and biota in the water areas of oil and gas condensate fields;

- marine environment and biota in the area of the Prigorodnoye Port and ballast water control;
- gray whale and marine mammal protection.

The results of the environmental monitoring and biodiversity conservation measures have confirmed that the company is minimising the impact of its production activities on the environment through its environmental protection management system, which includes risk assessment, as well as prevention and prompt mitigation of identified risks. The implementation of the corporate Biodiversity Action Plan (BAP) fulfils the company's obligations with respect to impact mitigation, development and implementation of measures aimed at protecting both rare and endangered species and environmentally significant and vulnerable biotopes.

8.3.2. SOIL MONITORING

The system of regular soil monitoring allows identification of tendencies towards possible changes. The company assesses the soil condition along the onshore pipeline routes, at the production assets, and within the areas of potential impact at intervals of time prescribed in the monitoring programme.

In 2021, soil cover monitoring included:

- obtaining data on the physical, chemical and agrochemical characteristics of soils;
- analysing the content of pollutants in soils in the OPF and BS 2 area.

Soils in the BS 2 area are acidic and have low levels of nitrogen and phosphorus. High levels of potassium may be explained by close proximity to the Sea of Okhotsk; its salts are carried by the wind and penetrate the soils from the atmosphere (salts impulverisation). The level of petroleum hydrocarbons as the main ecotoxicants in soils (0–25 cm soil layer) at the BS 2 potential impact area reached on average 380 mg/kg, which is considerably below the permissible level (1,000 mg/kg). Benzo(a)pyrene, a key indicator of potential pollution, in the 0–25 cm soil layer at the BS 2 monitoring area was not discovered.



In the OPF territory, the values of petroleum hydrocarbons, heavy metals, ethylene glycol and active forms of nitrogen (NO₃, NO₂-, NH₄+) were within baseline soil ranges, significantly lower than MPC, or below the detection limits using standard test methods. In 2021, the average value of total petroleum hydrocarbons as the main monitored ecotoxicants in soils (0–25 cm soil layer) reached 523 mg/kg, while the MPC is 1,000 mg/kg. The average value of total petroleum hydrocarbons in bog soils (0–25 cm

soil layer) was 558 mg/kg, and in mineral soils — 274 mg/kg.

The monitoring in 2021 did not reveal any land contaminated with oil or petroleum products as a result of infrastructure operation or work execution in the territories of the company's assets.

As of the end of 2021, the area of disturbed soils covers 83.36 ha (see Soils Disturbance and Reclamation table).

Soils Disturbance and Reclamation in 2018–2020, ha

Indicators	2018	2019	2020	2021
Disturbed soils	5.03	0	4.21	0
Reclaimed soils	0	0	0	0
Disturbed soils as of the end of the year	79.15	79.15	83.36	83.36



8.3.3. RIVER ECOSYSTEM MONITORING

The laying of the pipelines across virtually the whole territory of Sakhalin Island inevitably entailed crossing its water bodies (rivers, streams, lakes, canals) located in the territory stretching from Chayvo Bay in the north to Aniva Bay in the south. During design and construction, the company conducted baseline studies and operational monitoring of all water bodies.

For the operational stage, a comprehensive programme was developed for monitoring environmentally significant and hydrographically complex watercourses. It allows the company to control changes, identify critical areas, develop and take timely corrective measures. River ecosystem monitoring comprises several areas: the quality of surface waters, bottom sediments, and benthos. The quality of river ecosystems primarily indicates the nature and specifics of potential impact on aquatic ecosystems during the operation of pipeline and infrastructure facilities. The other objective of monitoring is to identify any potential adverse impact from natural factors on the Sakhalin-2 project infrastructure.

The monitoring of river ecosystems includes:

- determination of hydrological and hydrochemical characteristics of watercourses;
- assessment of bottom sediment condition in riverbeds;
- identification of hydromorphological changes (riverbed and bank erosion in the areas of pipeline route crossings);
- assessment of the composition and abundance of benthos (community of sediment dwellers);
- assessment of the size and quality of potential Pacific Salmon spawning areas.

In 2021, the monitoring of hydrological and hydrochemical characteristics and condition of bottom sediments was implemented in:

- 21 watercourses crossed by the pipelines;
- three offshore assets crossed by horizontal directional drilling;
- the Vatung River in the area of potential impact from the OPF;
- the Mereya River and the Goluboy Stream in the area of the Prigorodnoye PC.

Monitoring was performed during two hydrological seasons: summer low water, and autumn high water. Sample selection for three hydrological conditions, including winter low water, was carried out in the Mereya River and the Goluboy Stream. Sampling was carried out at two cross sections: the upstream baseline (with no impact from the company assets) and downstream monitoring sections.

On most investigated river-crossing sites (from the upstream to the downstream cross sections), no significant horizontal or vertical deformations of river beds were detected. The crossings are in satisfactory condition, and no damage to utility lines was found. Additional surveys were conducted at the sites where river bed deformations had been detected, in order to draw up design documentation for future repairs.

The physicochemical properties of surface waters in all observation seasons complied with regulatory benchmarks, demonstrated identical change trends, and had similar quantitative and qualitative characteristics upstream and downstream in each water course. The water was odourless in all the studied watercourses. Odour intensity did not exceed one point. Water transparency of all watercourses was 28–30 cm and more.

The oxygen regime of surface water was within norms during all observation periods, with the exception of the Pugachevka River: the value of dissolved oxygen in the upstream cross



section during autumn flood was 1.63 mg/l. Suspended solids demonstrated minor seasonal fluctuations of their concentrations.

Of all the studied metals, concentrations of iron and copper showed the highest variability. In most of the watercourses, the content of these metals exceeded the corresponding MPC standards. Elevated concentration of iron and copper is a natural phenomenon, characteristic of the surface waters in Sakhalin.

The monitoring did not reveal surface water contamination from oil products. All measured values were insignificant and complied with MPCf. The average value for both hydrological periods was 0.0063 mg/l (0.005–0.04 mg/l).

The content of petroleum products in bottom sediments did not significantly change from season to season. The measurements of their concentrations made at the upper sections were the same as those made at the lower ones.





Grain-size composition of bottom sediments was homogenous in all watercourses and in all seasons and was mainly represented by 10 mm or larger grains. The share of these particles in the summer and autumn periods was more than 50% of the total mass.

Benthos monitoring in water courses continued in 2021. The analysis of habitat conditions (bed type, current speed, sediment type, depth), quantitative and qualitative indices of macro-zoobenthos showed that the variability of the composition, state and structure of bed communities between the baseline and control sections of the watercourses under study is due to natural variability, in particular the heterogeneity of biotopes and hydrologic-hydrochemical indicators at monitoring stations.

287,991 pink salmon fries are estimated to have migrated in the Goluboy Stream in 2021.

In 2021, the timing of pink salmon spawning migration in the Goluboy Stream was close to early September (on 3 September, salmon were registered in small numbers and only close to the bridge across federal road A-392). Filling of spawning grounds in the Goluboy Stream was slightly lower than the long-term annual average value, while the number of breeders coming in 2021 was estimated at 600 thousand specimens. Around 84% of the total number of fish that entered the area actually spawned in the stream, while a small part was killed by poachers and wild animals. Pink salmon spawning grounds were evenly distributed along the stream course. Average egg planting was calculated at 137 eggs per 1 m². The egg survival rate reached 91.2% during the autumn period.

Overall, the outcomes of river ecosystem monitoring in 2021 can be attributed to natural fluctuations of parameters; no impact from Sakhalin Energy's production assets on the quality of surface waters or their flora and fauna was detected.

8.3.4. FLORA AND VEGETATION MONITORING

Sakhalin Energy implements the Environmental Monitoring Programme of vegetation cover, which allows for assessment of current vegetation conditions and timely response to any adverse environmental impact from the company assets.

The programme includes the following objectives:

- to monitor the condition of vegetation in the areas adjacent to the company assets;
- to evaluate and forecast natural and man-induced changes/successions in the plant communities;
- to monitor the state of rare and protected species of plants and lichens;
- to monitor the restoration of vegetation within the rights-of-way and generate recom-

mendations for additional work required in some areas.

In 2021, flora and vegetation monitoring, including protected species, was conducted in the area of the Prigorodnoye production complex and around the OPF, including the territory of the booster compression station (OPFC).

The vegetation cover around the Prigorodnoye PC mainly features dark coniferous and dark coniferous larch forests. The structure and species composition of vegetation communities in the monitored areas generally remain unchanged. Nevertheless, the consequences of past hurricanes can still be observed at some sites; these mainly consist in the appearance of clear areas among stocked forest stands, active develop-



ment of tree species undergrowth in wind-throw areas, and undergrowth ageing.

In 2021, nine protected species of vascular plants were registered in the vicinity of the Prigorodnoye PC during monitoring. In general, all plants are in good condition and not affected in any way, with the exception of the Japanese yew (*Taxus cuspidate*). At some sites, yellowing of fir-needles in different parts of the shoots of this protected species was observed. The change in colour may be caused by phytopathogenic fungi.

The species composition and environmental and substrate features of lichens, including three protected species, both in the Prigorodnoye PC potential impact area and in the baseline sample plots, remained the same. The general condition of the lichen cover shows an anthropogenic load of varying intensity. At the same time, the process of thalli regeneration of the same species continues in most areas, which indicates the overall rehabilitation of the lichen cover.

The vegetation cover around the OPF features boggy larch forests and dark coniferous larch forests. Wetlands spread to the north of the OPF.

8.3.5. WETLANDS MONITORING

Wetlands are especially important and vulnerable ecosystems of the planet. They preserve and purify the water that supplies streams and rivers, enrich them with necessary nutrients, and regulate flow, thereby providing the necessary habitat for many species of fish, birds, and other animals. In addition, bogs store a significant amount of terrestrial carbon, thus being one of the most important links in the Earth's climate regulation.

The Sakhalin-2 pipeline route crosses about 200 wetlands, almost half of which are represented by sparse birch and larch, as well as alder and

Standing timber in woodlands is not impacted by OPF activities. Identified insignificant variations in the number of trees are due to natural processes in phytocenoses, such as undergrowth ageing and the natural death of old trees. The species composition of subordinate layers in all sampling areas surveyed has not changed.

In 2021, lichen-indication studies in the OPF potential impact area, including the BCS, revealed traces of minor anthropogenic impact in some areas caused by a change in microclimatic conditions (stronger lighting and wind, decreased air humidity at the boundaries of open and forested areas). At the same time, young lichen thalli, including three protected species, were found, which is a sign of preservation of the species composition.

The results of long-term monitoring show that the structure and species composition of plant communities remain unchanged in the potential impact area of the company assets; the locations of protected species of vascular plants are not disturbed, and the state of plants of these species does not raise concerns.

larch woodlands. During the construction of the wetland crossings and the rehabilitation of disturbed areas, Sakhalin Energy adhered to best industry practices to minimise negative impact and create conditions for the natural rehabilitation of wetlands. Having completed the construction works, the company developed and implemented a system for regular monitoring of the rehabilitation of these zones in the potential impact area of the pipeline route.

In 2021, 30 wetland areas were surveyed along the entire pipeline route from Chayvo Bay in the north to Dolinsk in the south. Most of them be-



long to raised, or oligotrophic, bogs fed by precipitation and characterised by a poor mineral composition of peat soils, an acid reaction, and a specific plant species composition.

Good vegetation on the right of way (RoW) was observed in all surveyed areas. The total projective cover degree of the grass and dwarf shrub layer reaches 75–100%, and only on three sites it is 50–75%. To assess the rate of rehabilitation of indigenous bog plant species on the RoW, the coefficient of floristic similarity was calculated, which involves comparing the floristic composition of the RoW with that of the adjacent wetland strip. The indicator averaged 54% (22–100%), which proves stable positive rehabilitation of natural bog vegetation.

The only locality of the protected species of Asian pogonia (*Pogonia japonica*) of the orchid family, found on Sakhalin during wetland monitoring, remains undisturbed; the plants are in good condition. The habitat of another protected species, the pygmy water lily (*Nymphaea tetragona*), has not been disturbed either. At the time of the study, the plants were in good condition and had bloomed.

No invasive species were found in the zone where the RoW intersects with bog ecosystems.

In general, the results of the 2021 monitoring show that the rehabilitation of wetlands in the potential impact area of the onshore pipeline system is underway at the predicted pace.



8.3.6. MONITORING OF PROTECTED BIRD SPECIES

Subject to Federal Law No. 52-Φ3 of 24 April 1995 About the Animal World (Articles 22 and 24), rare species protection involves a number of restrictive measures with regard to users that perform business activities in their habitat. Legal entities and citizens that implement economic activities onshore and offshore where animals included in the Red Data Books dwell shall bear responsibility for the preservation and conservation and reproduction of this wildlife in accordance with the laws of the Russian Federation and its constituent entities.

During the Sakhalin-2 project planning stage, extensive in-depth studies of avifauna was

conducted along the entire onshore section where pipeline routes were later laid and the company's production facilities were built. The results helped establish species composition and number of birds, and identify important nesting, migration, and feeding areas. Avifauna studies were primarily focused on a number of protected bird species that are especially sensitive to human-induced impact; these species became the target of subsequent observation as part of the environmental monitoring and biodiversity conservation programme during the operational phase of the project.



In 2021, rare bird species monitoring was carried out at five pipeline route sections in the Dolinsk, Makarov, Tymovsk, and Nogliki Districts, as well as around the OPF and OPFC.

In accordance with ornithological research methodology, the survey was carried out during the breeding period (May–July), when the birds are most visible. During the research, specialists assessed the condition of protected bird habitats, determined the species composition and abundance, distribution, long-term population dynamics, and demographic parameters. In 2021, in the course of the surveys carried out along the pipelines, 5,195 individuals of 27 protected bird species were observed. For the first time, the common moorhen and the broad-billed sandpiper were observed in the monitoring area. The total number of protected bird species observed along the pipeline route during all years of research has reached 46. Most of them have been encountered during migra-

tions. For the purposes of the study, birds that build nests on Sakhalin were selected as key monitoring species. These are the Japanese snipe, the mandarin duck, the cinnamon sparrow, the rustic bunting, the yellow-breasted bunting, the Siberian spruce grouse, the Japanese quail, the hobby falcon, and owls.

The results of tracking the condition of the Japanese snipe population demonstrate a positive growth trend in its numbers along the pipeline route over the years: in 2012, there were 390 courting snipes, in 2014 the number was 454, in 2017 it amounted to 668, and in 2021 it reached 763 individuals. The most noticeable increase is occurring in the monitoring area in the Tymovsk District, where the number of nesting sites increased from 52 in 2014 to 70 in 2017 and reached 214 in 2021. This is facilitated by the emergence of meadow habitats on reclaimed RoW that are suitable for the nesting conditions of this narrow-range island species.



There is a stable breeding flock of mandarin ducks in the Lesnaya River valley in the Makarov District; at least two pairs bred in the floodplain in 2021. Since the beginning of monitoring within the project, the number of the yellow-breasted bunting micro flocks near the pipeline route in the Tymovskaya Valley has fluctuated between 1 and 8 pairs; in 2021, two breeding pairs were observed. Two more yellow-breasted bunting pairs were found in the potential impact area in the Nogliki District. Japanese quails also nest in the Tymovskaya Valley every year. In previous years, one to four nesting sites of this species were recorded; in 2021, 13 sites were identified. Rustic bunting breeding pairs, a species that has recently been included in the list of protected species due to a decrease in numbers throughout its vast range, were observed on two sections of the pipeline route in the Nogliki District. The number of hobby falcons and cinnamon sparrows in all monitoring sites has remained stable for many years.

The spring monitoring of the Siberian spruce grouse around the OPF showed that the territorial distribution of the males' courtship display areas remains the same as in the previous years. According to the long-term monitoring results, interannual fluctuations in the number of Siberian spruce grouse were insignificant until 2014, within the range of 2.2–2.4 pairs per 1 km². But in 2016, due to linear infrastructure being laid by a third-party company through the habitat of this species and the removal of its courtship display areas, there was a decrease in abundance to 1.6–1.8 pairs/km². In 2021, the population of Siberian spruce grouse recovered and even increased, showing maximum abundance values of 2.5–2.7 pairs/km².

The long-term owl population along the pipeline route and in the OPF area varies significantly depending on the abundance of their basic food — mouse-like rodents. In 2021, due to a population depression in mouse-like rodents, the number



of owls in the area under research reached a minimum.

The results of monitoring in 2021 indicate that there is no negative impact of the compa-

ny's production assets on the status of protected bird species. A positive growth dynamic of some of them has been observed, while the number of other bird species varies within natural fluctuation limits.

8.3.7. STELLER'S SEA EAGLE MONITORING

The Steller's sea eagle is the world's largest fish-eating bird of prey. This species is listed in the IUCN (International Union of Conservation of Nature) Red List (Category VU, Vulnerable), in CITES (the Convention of International Trade in Endangered Species) Appendix II, in the Bonn Convention, in bilateral agreements on the protection of migratory birds between Russia and the USA, Japan, and South Korea, in the Red Book of Russia (Category III, Rare), and in the Red Book of Sakhalin Oblast (Category II, Rare).

Well ahead of time, at the Sakhalin-2 project feasibility study stage, Sakhalin Energy used the results of baseline studies to develop measures to protect nesting areas of Steller's sea eagle located within the production facilities' potential impact area, in line with the requirements of Russian legislation and international best practices.

The company monitors eagles and has implemented impact mitigation measures for the Steller's Sea Eagle and White-Tailed Eagle during construction, modification and operation of assets under Sakhalin-2 Project.

Monitoring is conducted in the Nogliki District within a 2 km corridor along the onshore pipeline routes, within a 3 km zone around OPF boundaries, and in the control zone at a distance of up to 2 km from the northern part of the Lunsky Bay shoreline.

The research is focused on the following parameters: the total number of Steller's sea eagles, their age composition, the number and quality of nests, the predator pressure by brown bears, and the degree of anthropogenic impact.

Comparison of the data obtained at the two company monitoring sites and the control zone makes it possible to assess the degree of influence of company assets on the nesting population of eagles.

In 2021, 117 Steller's sea eagle individuals and 2 white-tailed eagle individuals were identified during the field study; 189 nests were inspected, of which 15 were newly-built ones.

87 eagle nesting sites were inspected along the pipeline route. 13 nests were used by eagles for breeding, 13 nests were occupied by eagle pairs which did not breed in them, 12 nests were visited by eagles only occasionally, 29 nests were unoccupied, 8 nests were abandoned, and 12 were destroyed. All in all, 75 eagle nests were identified within the pipeline potential impact area, 83% of which were in good and satisfactory condition. Most of the nests had been built in trees, but 33% were located on power transmission line supports.

In the control zone located in the northern part of Lunsky Bay, 96 eagle nesting sites were inspected. There were 17 active nests inhabited by nesting pairs, 15 nests were permanently occupied, 14 nests were occasionally visited by eagles, 15 nests were unoccupied, and 3 nests had been abandoned. Within the control zone, 30 nests ceased to exist, as the trees in which the nests had been built in were blown down by strong gusts of wind, presumably in the autumn of 2019 and in the spring of 2020. The monitoring results of 2021 showed that there were 64 eagle nests within the control zone, 83% of them were in good and



satisfactory condition, as were those along the pipeline route.

Of the 13 eagle nests along the pipeline route, 8 nests were inhabited by pairs that successfully raised two chicks each, and 5 pairs raised a chick each. In total, 21 chicks left the nests.

Of the 17 nests in the control zone, 9 pairs raised two chicks per nest, and 6 pairs successfully raised one chick per nest. Chicks in two nests died, one of them of bear predation. The total number of chicks that left the nests was 24.

The average Steller's sea eagle brood size increased significantly in both zones, compared to the results of 2020: in the pipeline potential impact area it was 1.62 chicks per pair, and in the control zone it amounted to 1.60 chicks.

In 2021, six nesting sites were inspected in the OPF potential impact area. Two of the identified

nests had been abandoned, and four nests had been downed due to wind.

During the field study, young immature individuals accounted for only 9.4% of the total number of birds, which exceeds the results of 2020 (1.5%). The low proportion of immature individuals is due to the fact that in summer they tend to spend most of their time in the feeding areas, on the shores of shallow bays, and therefore cannot be included in the head count carried out at the nesting sites.

The anthropogenic load observed in recent years in the vicinity of OPF and on the adjacent sea coast persists.

The predator pressure of the brown bear in 2021 can be characterised as insignificant for the control zone (one nest was destroyed). In the pipeline route potential impact area, no confirmed cases of nests destroyed by bears were



identified; in two cases, however, fresh claw marks were noted in the lower part of the trees with nests.

The 2021 study showed that the breeding population of eagles in the pipeline potential impact area is not significantly affected by the asset. Every year eagles nest along the pipeline route,

and some of the nests are located in the immediate vicinity of the RoW. A comparison of the reproductive indicators between Steller's sea eagles in the pipeline route potential impact area and those in the control zone demonstrates a similarity in their long-term dynamics and reflects the general trend typical to the entire population of the north-east coast of Sakhalin.

Steller's Sea Eagles Nests Quantity in the Pipeline Potential Impact Area in 2018–2021, number of nests

	2018	2019	2020	2021
Total number of nests	66	70	67	75
Active and permanently occupied nests	19	22	35	26

8.3.8. SMALL MAMMAL MONITORING

Shrews and mouse-like rodents play an important role in natural ecosystems. Their high numbers and fertility, short lifespan, and fast population turnover make them great indicators of the state of the environment. Human-induced impact decreases the total number of species, changes species composition and the structure of small mammal communities. Animal mortality increases, which in turn results in intensified breeding. Breeding rates rise due to increased fertility and accelerated maturation of young-of-the-year. Decreases in the quality and quantity of forage resources impacts the values of exterior parameters. Individuals living in contaminated areas are smaller in size and body weight compared to those from reference sites.

In 2021, small mammal monitoring was performed in the vicinity of the OPFC construction area to assess cumulative effects, given the intensified anthropogenic activities. Studies were carried out on three test sites in the area of potential impact of the production facility, and on three corresponding reference sites located in similar plant communities more than 3 km

away from the asset. The structure of small mammal communities, species diversity, abundance of rodents and shrews, as well as morphometric and demographic parameters of the indicator species were assessed.

In total, five species of shrews and four species of rodents were observed at the monitoring sites. The results have shown that the Laxmann's shrew was the most abundant shrew species and the northern red-backed vole was the dominant species among the rodents. The long-clawed and the slender shrews and the gray red-backed vole were less abundant. A naturally low abundance of the least shrew, large-toothed shrew, wood lemming, and Korean field mouse was registered. The total number of shrews amounted to 12.8 ind./100 cds (individuals per 100 cone-days), that of rodents amounted to 19.8 ind./100 tds (individuals per 100 trap-days).

The shrew communities were characterised by a similar single-dominant structure in the test and reference zones with the Laxmann's shrew



being the dominant species (51.8% and 41.2%, respectively). The long-clawed and the slender shrews were subdominant species. Rodent communities demonstrated a stable single-dominant structure in all monitored sites with the Northern red-backed vole being the dominant species (81.8–99.0%). The analysis of the shrew and mouse-like rodent communities on monitoring sites, performed with the use of the Shannon, Simpson, and Margalef indices, showed no disturbances in the structure of communities on the test sites.

The tested morphometric and demographic parameters of the indicator species were within the natural range, both in the test and in the reference sites. No statistically significant differences indicating the possible impact of an industrial facility were found. The assumption made earlier (based on the results of studies conducted in 2019) about the possible anthropogenic impact on the population parameters of some small mammal species was not confirmed in 2021.

8.3.9. MONITORING OF MARINE BIOTA AND ITS ENVIRONMENT

Environmental safety and preservation of the vulnerable marine habitat and biota in the course of offshore field development are a key priority of Sakhalin Energy.

To ensure timely detection of possible impact on the quality of the sea water, bottom sediments, and the condition of biological communities, as well as to manage environmental aspects, the company implements regular environmental monitoring in the offshore assets area in accordance with the requirements of the environmental legislation of the Russian Federation and internal corporate standards for the protection of the marine habitat.

In 2021, as part of industrial environmental monitoring, Sakhalin Energy continued to study the state of the marine biota and its habitat near the company's production facilities in the shelf area of the Sea of Okhotsk off the north-eastern shore of Sakhalin and in the coastal area of Aniva Bay.

The field studies in the Piltun-Astokhskoye and Lunskeye fields (near the PA-A, PA-B, and LUN-A platforms and in the vicinity of underground drilling waste disposal assets) were conducted in the autumn period from the SCF Endurance platform supply vessel. The monitoring of the Prigorodnoye Port water area in Aniva Bay (near the tanker loading unit of the oil export terminal (TLU-OET) and the LNG jetty) was conducted from the company's tugs.

The comparative analysis of long-term data with consideration for baseline and regulatory assessment criteria made it possible to determine spatio-temporal variability of the parameters and allowed the researchers to make the following conclusions:

- the hydrochemical indicators and levels of contaminants (petroleum products, phenols, detergents) in sea water near the offshore production facilities complied with the standards, they were considerably below the maximum permissible concentrations (MPCf) values established for fishery waters and did not exceed baseline levels for these water areas;
- the distribution of chemicals (phenols, detergents, total petroleum hydrocarbons (TPH)) in bottom sediments was uneven due to the mosaic distribution of bottom sediment types and geological properties of the region. In general, concentrations of contaminants in the bottom sediments near the platforms does not exceed baseline levels for these shelf water areas. The maximum TPH value was 3.5 times lower than the baseline indicator, which is considerably below the concentration values that can cause primary biological effects on individuals or communities of marine ecosystems;
- the concentration of TPH determined by the studies in bottom waters and bottom sediments near the drilling waste disposal assets



did not exceed background levels. The maximum registered TPH concentration in the sea water amounted to 30.0 mg/dm³, which is 1.7 times lower than the MPCf. TPH levels in bottom sediments were lower than the method detection limit, which is lower than baseline values typical for this region;

- no accumulation of pollutants was recorded near the wellheads of the abandoned appraisal wells at the Piltun-Astokhskiye and Lunskiye fields — the concentrations of methane and TPH in bottom waters and bottom sediments do not exceed background values established for these licence areas;
- several benthic communities, depending on the depth and the type of bottom sediments, were identified near the platforms and at the borders of the fields. They are typical for the shelf of the Sea of Okhotsk and are characterised by high species diversity with great abundance indicators comparable to historic background values. The depth and type of bottom sediments are the main natural factors that determine the benthos structure;

- common sand dollars, sea anemones, bivalves and gastropods make up the basis of the benthos biomass; polychaetes and crustaceans are the most abundant representatives of the communities. Amphipods and polychaetes have the largest number of species; bivalves and gastropods are also quite diverse;
- the absence of negative trends in the structure of benthic communities, high indices of species wealth and abundance in the areas where offshore platforms are located indicate the well-being of local marine ecosystems;
- the water area of Prigorodnoye Port is characterised by low concentrations of contaminants both in the sea water and in bottom sediments, as well as by quantitative and qualitative indicators of benthic communities comparable with baseline values.

In general, the results of the long-term studies show that the local marine ecosystem indicators near the offshore production facilities have been stable during the operational stage.



They also demonstrate no impact of production activities of the assets on the quality of the sea water, bottom sediments, and the state of marine biota in the water areas of the Piltun-Astokhskiye and Lunskiye fields off the

north-eastern shelf of Sakhalin as well as in the Prigorodnoye Port water area in Aniva Bay. This reflects compliance with environmental standards at the production facilities of the company.

8.3.10. BALLAST WATER CONTROL

Annually, the Prigorodnoye Asset offloads more than 200 standard hydrocarbon cargoes to oil tankers and gas carriers, most of which arrive from ports in the Asia-Pacific Region.

The ballast water taken at the port of departure may contain non-indigenous (alien to the local environment) and invasive marine organisms, which, under favourable conditions, can adapt to the local environment, cause harm to human health, and disturb the balance of the ecosystem of Aniva Bay.

The company has developed a package of preventive measures to ensure ballast water management, which is based on international regulations and industry best practices. Currently, the most effective measures to prevent the introduction of invasive species are either ballast water exchange in the offshore deep-water areas (Regulation D-1) or employing a ballast water treatment system installed on the vessel (Regulation D-2). These methods (regulations) are established by the International Convention for the Control and Management of Ships' Ballast Water and Sediments (hereinafter the Convention), adopted by the International Maritime Organisation in 2004. The company included requirements to manage the risk of invasive species introduction in the corporate Prigorodnoye Port Ballast Water Management Policy in 2009 prior to the start of large-scale hydrocarbons transportation. Since September 2017, ballast water and sediment management requirements have become mandatory for all countries that have joined the Convention, including the Russian Federation, which ratified it in 2012.

The ballast water monitoring and control of the tankers to be loaded in the Prigorodnoye Port includes:

- checking vessels' logbooks for ballast water exchange in deep-water areas of the Pacific Ocean and the Sea of Japan (Regulation D-1 of the Convention);
- bacteriological analysis of ballast waters from the vessels with installed and operational ballast water treatment systems (Regulation D-2 of the Convention);
- planktonic organisms sampling for subsequent qualitative and quantitative analysis in the laboratory to identify potentially dangerous species.

A vessel is only allowed to commence discharging ballast water and loading hydrocarbons when an adequate exchange of ballast water or its treatment using a dedicated system has been confirmed.

The results of phyto- and zooplankton species analysis in the ballast waters from oil tankers and gas carriers in 2021 occasionally detected potentially dangerous phytoplanktonic organisms among those that are not typical for Aniva Bay. Since these organisms were found rarely and in small amounts, the risk of their adaptation and mass growth in Aniva Bay waters is insignificant.

Bacteriological analysis of ballast water samples from vessels that employ ballast water treatment systems did not reveal any pathogenic microorganisms.

The results of the 2021 environmental monitoring in the water area of Prigorodnoye Port confirm



the absence of adverse impact of ballast water on Aniva Bay.

Nevertheless, vessel control and monitoring in the active maritime traffic zone of the Prigorodnoye Port will continue.

As a result of long-term monitoring of Aniva Bay flora and fauna, over 750 species of phytoplankton, over 100 forms of zooplankton, about

40 species of ichthyoplankton, and 170 species of benthos have been identified. Also, new species of seaweed and animals in Aniva Bay have been first recorded, although they are considered local inhabitants in view of biogeographic and environmental characteristics.

No protected species of flora and fauna have been observed during the environmental monitoring of water area of the Prigorodnoye Port.

Number of Prigorodnoye Port Calls by Vessels Subjected to Ballast Water Sampling in 2018–2021

Year	2018	2019	2020	2021
Number of vessel calls	100	120	117	100*

8.3.11. GRAY WHALE MONITORING AND MARINE MAMMAL PROTECTION

23 species of marine mammals, including 17 cetacean species (whales, dolphins, and porpoises) and 6 pinniped species, can be observed in the coastal waters of the Sea of Okhotsk in the Sakhalin-2 project area. Of these, 8 species are listed in the Red Book of the Russian Federation — the gray whale, the bowhead whale, the North Pacific right whale, the fin whale, the Cuvier's beaked whale, the harbour porpoise, the Far-Eastern carnivorous population of killer whales, as well as pinnipeds, such as the Steller sea lion. The Sea of Okhotsk population (western sub-population) of gray whales has been assigned a high conservation status in the Red Book of the Russian Federation and the International Union for the Conservation of Nature (IUCN) Red List. The Sea of Okhotsk population of gray whales is also included in the List of Rare Species Requiring Priority Measures for Rehabilitation and Reintroduction of the Biodiversity Conservation and Ecotourism Development federal project as part of the Ecology national project.

* The decrease in the total number of vessel calls to Prigorodnoye Port in 2021 and the number of samples taken was due to the shut(see Section 4.2 Main Production Results in 2021).



waters of the north-eastern coast of Sakhalin are cetaceans such as the harbour and Dall's porpoises, the common minke whale, and the killer whale; pinnipeds such as the largha, or spotted seal, the northern fur seal, and the Steller sea lion.

As regards rare species, individual specimens of the Cuvier's beaked whale, the short-finned pilot whale, the northern right whale dolphin, and the North Pacific right whale have been observed off Sakhalin in different years.

In 2021, Sakhalin Energy continued to conduct acoustic noise monitoring on the border of the gray whales' Piltun feeding area. The measurements confirmed a low level of anthropogenic noise from the offshore assets of the company.





In March 2021, the XI International Conference on Marine Mammals of the Holarctic was held. At the conference, the company's representatives presented the first results of a pilot project on automation of the gray whale identification process to the academic community. The project involves the use of digital technology based on learning algorithms of neural networks. In the future, software solutions used by the company will make it possible to automatically identify gray whales in the field. This will significantly speed up the work of the research teams and reduce the time needed for photo pre-processing.

In 2021, Sakhalin Energy, in close cooperation with the Sakhalin-1 operator, continued implementing the Integrated Gray Whale Monitoring Programme near the north-eastern coast of Sakhalin that was launched in 2002. During the 2021 field season, 200 individual whales were prelim-

inarily identified (the highest for all monitoring years), including 20 new individuals: 18 calves and two adult whales. Updates on the newly registered gray whales have been included in the Sakhalin Photo Catalogue, which, as a result, now includes 352 registered animals.

Number of Gray Whales Registered in the Sakhalin Photo Catalogue in 2018–2021, individuals

Year	2018	2019	2020	2021
Gray whales	297	321	332	352

During the implementation of the Monitoring Programme, more than 100 academic works based on the research results have been published in leading Russian and international journals. The results of the long-term monitoring indicate the well-being of the gray whale feeding aggregation in close proximity to the offshore production facilities of the company. According to the experts from the IUCN Western Gray Whale Advisory Panel (WGWAP), the annual gray whale sub-population growth rate is 4.3–5.4% per year.

In November 2021, the closing WGWAP session was held. At the session, Sakhalin Energy representatives discussed the results of the gray whale monitoring, as well as plans and prospects for further research, with the members of the Advisory Panel. Sakhalin Energy will continue to implement the Gray Whale Monitoring Programme along with measures to minimise the

impact on both gray whales and other marine mammals. The participants of the session also discussed the issues of preservation, exchange, and subsequent use of experience and academic research data accumulated over 15 years of fruitful cooperation.

In 2021, Sakhalin Energy took part in the development of a project called Strategies for Conservation of the Sea of Okhotsk Gray Whale Population in the Russian Federation. This project is being implemented as part of the Business and Biodiversity initiative of the Ecology national project.

Not a single incident with marine mammals has been registered since Sakhalin Energy started its production activities on the north-eastern shelf of Sakhalin. This proves that the management of the environmental aspects of the company's activities and the actions implemented to minimise impact are effective.



8.4. PIPELINE RIGHT-OF-WAY MAINTENANCE

Currently, regular monitoring and geotechnical surveys are in place on the RoW. Their results are logged and used in the implementation of necessary measures.

The list of RoW monitoring actions for 2021 included:

- helicopter fly-overs and photography;
- photo and video recording with unmanned aircrafts;
- river surveys based on geomatic principles;
- monitoring of river hydrological characteristics;
- surveys of geological hazards, cover thickness;

- plant growth and local soil monitoring;
- groundwater surveys;
- satellite surveys of the pipeline RoW;
- boggy areas surveys.

Following the results of the onshore pipelines ROW monitoring, a plan was developed, under which ROW repair and maintenance were completed in December 2021. Natural erosion effects were eliminated at four sections; and erosion control structures were repaired. In 2021, a landslide protection structure was complete.

No pipeline integrity damage was registered in 2021.



8.5. OIL SPILL PREVENTION AND RESPONSE PREPAREDNESS

8.5.1. GENERAL INFORMATION

Oil spill prevention and oil spill response (OSR) preparedness are top priorities for Sakhalin Energy. The company applies a complex approach to addressing this important mission.

The company has developed OSR Plans for all onshore and offshore assets; all necessary approvals and expert review conclusions have been obtained from the relevant state agencies.

The Company has established a Crisis Management Team, an Emergency Coordination Team, and a Duty Dispatcher Service that are on duty 24/7 to coordinate the response in emergency situations.

The company has concluded contracts for OSR services to be provided by the Professional Emergency Response Teams (PERTs) of CREO (Centre of Rescue and Environmental Operations), Ecoshelf, and the Sakhalin branch of the Rosmorrechflot Offshore Rescue Service for offshore assets.

Furthermore, the company's own certified Non-Professional Emergency Response Teams (NERTs) have been established at Sakhalin Energy production assets.

OSR vessels with spills response equipment are continuously on standby in the areas of Sakhalin Energy offshore platforms and in the Prigorodnoye Port.

The number and volume of oil spills have decreased significantly in recent years. With 32 emergency oil spills totalling 133.5 litres of oil reported between 2010 and 2020 versus 21 emergency spills releasing 3,504.46 litres of oil in 2008–2009.

In 2021, there were no oil spills registered at the company facilities.

Over 22 years (1999–2021), more than 83.7 mln t of oil and condensate has been produced, while the total volume of hydrocarbon spills was 3.65 t, which is less than 0.000004%.

Since the start of operations, there have been no crude oil and/or petroleum product spills at the company assets that could be classified as an emergency situation.

Global practices in responding to emergencies have proven that an effective response to major oil spills is only possible with the integrated application of mechanical and non-mechanical technologies. In particular, using dispersants and in-situ burning can significantly mitigate environmental damage, reduce response time, and rescue unique wildlife species. The company has conducted a Net Environmental Benefit Analysis (NEBA) that confirmed the effectiveness of combining mechanical and non-mechanical recovery methods. Emergency Coordination Team members receive Level I and II OSR programme training, as well as Level I (ICS-100), Level II (ICS-200) and Level III (ICS-300) Incident Command System training. Level I is basic and is designed for ordinary rescuers and emergency responders, while Level II is designed for training supervisors, leaders of oil spill response teams and groups. Level III training is intended for Asset Managers, Department Heads, and Emergency Response Coordinators.

In order to increase the OSR preparedness of personnel and improve their practical skills, the company conducts monthly practical and theoretical training sessions of various levels



at all its assets. In October 2021, the company conducted large-scale corporate drills in oil spill response at the pipeline transport system.

The objectives of the exercise were fully met. As a follow-up to the exercise, recommenda-

tions were developed and measures were taken to improve the OSR systems. An analysis of the drills and exercises conducted by the company confirmed its readiness to respond in the event of an emergency spill of oil or petroleum products at any offshore or onshore Sakhalin-2 asset.





In August 2021, the company organised an oiled birds rescue training exercise for participants of the OstroVa All-Russian Youth Forum. The training exercise was attended by 28 volunteers from different Russian regions, and also Sakhalin Energy employees.

8.5.2. OILED WILDLIFE REHABILITATION

Oil spills can cause serious harm to coastal and marine fauna. Coastal bays and lagoons temporarily or permanently inhabited by birds and other wildlife species, many of which are protected species, as well as rivers and wetlands, are especially vulnerable to oil spills. Animals affected by crude oil and petroleum products need prompt and proper rescue actions, including capturing, rehabilitation, and subsequent release into the wild. This task can only be carried out by properly trained staff.

In keeping with its commitments to environmental protection and biodiversity preservation and in line with the international best practices, Sakhalin Energy has been organising training sessions and exercises for personnel under the Oiled Wildlife Rehabilitation programme since 2005.

The programme was developed in cooperation with the International Fund for Animal Welfare (IFAW) and the International Bird Rescue Research Centre (IBRRC), taking into account the particularities of Sakhalin avifauna and the severe climate. The programme provides opportunity for the participation of all company and contractor employees engaged in oil spill response drills.

In addition to oil spill response plans, a number of corporate documents were developed as part of the programme, the main one being the

Oiled Wildlife Response Plan, which identifies the necessary resources and procedures for coordinating actions between corporate units and external entities.

The company has developed the Personnel Training programme, which includes two modules: theoretical training (offline and online) and development of practical skills in the field at the Aniva Bay coast. The practical training, in turn, includes repelling, capturing and transportation of birds, and cleaning and stabilisation of birds at the rehabilitation centre for oiled wild animals.

Since 2011, the Sakhalin rehabilitation centre for oiled wild animals has been operating in the territory of the Prigorodnoye production complex. This is the first such centre in Russia and the only one in the Pacific Region.

To implement the programme, the company installed specialised equipment in the central and northern parts of the island, at the OPF in the area of Lunskey Bay, and at the Pipelines Maintenance Depot (PMD) in Gastello.

More than 500 people from 30 organisations mainly operating on Sakhalin Island, including representatives of government bodies, oil and gas companies and veterinarians, have been trained through the Oiled Animals Rescue Programme over the years.



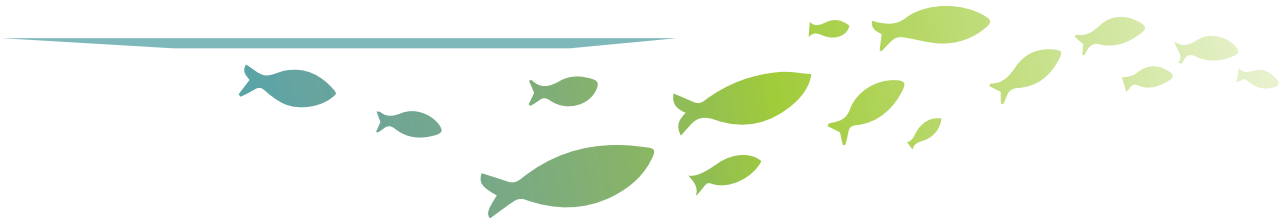
8.6. SANITARY PROTECTION AND SAFETY ZONES

In order to ensure public safety, and in accordance with Federal Law No. 52-ФЗ of 30 March 1999 On Sanitary and Epidemiological Welfare of the Population, a Sanitary Protection Zone (SPZ), a designated special-use area, shall be established around assets and production facilities that may impact human habitat and health. The size of said zone is established to keep pollution exposure to the atmospheric below values set by hygienic regulations and below acceptable risk levels to public health.

The sanitary protection zone boundaries confirmed by the Chief State Medical Officer of the Russian Federation for the Prigorodnoye production complex, OPF, and BS 2 were not changed in 2021.

The onshore main pipelines run in the same right-of-way and are clearly designated with special signs. A safety zone is established along the entire pipeline route and its boundaries are clearly marked with signs. The safety zone of the main pipeline system is designed to ensure the safety of the main pipeline facilities and provide the required conditions for operation; within the of the zone non-compliant activities are limited or prohibited.

The safety zone is determined in accordance with Technical Regulations of the Eurasian Economic Union No. 121 of 23 December 2020 On Requirements to Main Pipeline Systems for Liquid and Gaseous Hydrocarbons Transportation (TR EEU 049/2020) adopted by the decision of the Council of the Eurasian Economic Commission, and with the Main Pipelines Security Rules approved by Resolution of Gosgortekhnadzor of Russia (currently, Rostekhnadzor, or the Federal Environmental, Industrial and Nuclear Supervision Service) No. 9 of 22 April 1992. The safety zone along oil and natural gas pipeline routes is established in the form of a strip of land extending 25 m from the pipeline on each side.





SOCIAL IMPACT MANAGEMENT

Sakhalin Energy was ranked among the top 20 major companies and among the top 4 companies in the Energy and Mining industry in the Russia 2021 Employer Ranking by HeadHunter, the largest Russian online recruitment company.





Due to its comprehensive and effective approach to the assurance of decent working conditions, in April 2021 Sakhalin Energy won in the Personnel Pool Development category of the Leaders of Russian Business: Dynamics, Responsibility, Sustainability — 2020 competition, held by the Russian Union of Industrialists and Entrepreneurs.

According to the 2021 Best Russian Employers ranking performed by HeadHunter, the largest Russian online recruitment company, Sakhalin Energy placed in the top twenty among large companies and in the top four among energy and raw materials production enterprises. At the same time, the company ranked second among the companies with 1,001 to 5,000 employees. The ranking is based on employee and applicant surveys, as well as HR processes analysis. In 2021, 70% of Sakhalin Energy employees took part in the survey.

9.1. PERSONNEL: MANAGEMENT AND DEVELOPMENT

Personnel is the main asset of the company. Sakhalin Energy is committed to upholding the human rights of its employees, as required by the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, including non-discrimination, the prohibition of child and forced labour, the right to associate, to create and join trade unions, collective bargaining and conclusion of contracts and agreements, the creation of safe and favourable working conditions for the company's employees, as well as contractor, subcontractor, and agency personnel, including in the face of the new reality.

Strictly adhering to the principles of business ethics and corporate

culture, the company provides equal opportunities for all job applicants and employees in accordance with well-defined and established recruitment rules and labour standards, and prevents any discrimination.

Based on the principles of a culture of openness and business partnership, Sakhalin Energy undertakes to develop and comply with regulations pertaining to all aspects of personnel work in all aspects of employment relations, including recruitment, selection, hiring, assessment, promotion, training, maintaining discipline, professional development, remuneration, compensation, and termination of employment contracts.

9.1.1. APPROACHES TO HR MANAGEMENT AND HR POLICY

The HR Directorate ensures meeting the company's manpower needs, which include preparing organisational changes for upcoming large-scale projects, staff recruitment, training and retention. The Directorate is guided by the following strategic priorities:

- hire and develop highly qualified specialists, including residents of Sakhalin Oblast;
- meet the company resourcing requirements for key roles from among the internal successor pool and personnel reserve of shareholder companies;
- invest in the professional training and development of Russian employees capable of taking technical authority and managerial roles in line with succession planning;
- deliver an attractive and competitive employee value proposition (EVP);
- introduce digital HR technologies and deliver cost-effective HR processes in the environment of continuous improvement;
- maintain our unique corporate culture and strengthen our brand as an employer of choice.



The company's senior management believes that all employees should feel engaged in their work, be confident that the company supports and respects them, and be given the opportunity to contribute to the growth of the com-

pany using their knowledge, skills, and abilities. Employee engagement is measured annually via employee opinion surveys and is viewed as one of the most important indicators of employee work satisfaction at the company.

In 2021, the HR Directorate held the traditional HR Week remotely. The agenda of the event included issues related to the effective customisation of business processes, mentoring practices, the development of an HR strategy and an HR brand, the gamification of educational content, as well as the review of LNG projects in Russia and key changes in the Labour Code of the Russian Federation. Special attention was paid to health and safety, in particular, stress management and quality of sleep.

The event was attended by representatives of Shell, Gazprom Neft, NLMK and Sber, who shared best practices in the field of personnel management.

To achieve its people management goals and objectives, Sakhalin Energy implements an HR strategy through a personnel policy, which is a holistic, strategically-oriented system of methods, tools and documents that govern the relationship between the employer and employees, and also allow the company to quickly respond to changing conditions in the global oil and gas market and the labour market of qualified specialists.

- Code of Conduct;
- Human Rights Policy;
- Programme of Employment and Training of Russian Nationals;
- Manpower Plan;
- Internal Working Rules;
- Learning and Development Standard;
- Successor Pool Planning and Development Policy;
- Regulations on Labour Remuneration, Bonuses and Social Benefits.

The HR Director and the Committee of Executive Directors oversee the development, modification, and approval of the company's HR policy. These processes are based on a set of documents regulating HR management processes, which meets the requirements of international standards. The key Sakhalin Energy documents on the HR policy include:

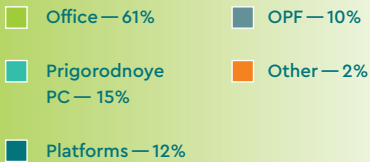
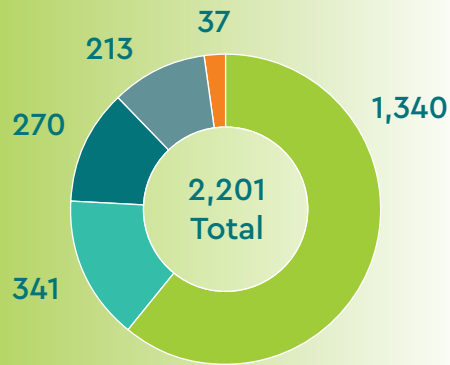
According to the employee opinion survey conducted in 2021, the level of employee engagement was 84%. It surpasses similar indicators in the oil and gas industry in Russia and abroad. Employees continue to point out the company's strong sense of responsibility in the field of health, safety, and environment (92% of respondents) and consider Sakhalin Energy to be a good employer with an excellent reputation (89% of respondents).



56%

of the personnel are
Sakhalin Oblast residents

Personnel Structure
in 2021 by Asset,
persons



9.1.2. GENERAL INFORMATION

As of 31 December 2021, the total number of people employed by the company was 2,201, including 2,103 Russian employees. Sakhalin Energy operates mostly in the territory of Sakhalin Oblast, Russian Federation. There are 2,178 employees working in the Sakhalin branch and 23 employees in the company's Moscow office.

Implementing the approach set forth in the company's HR policy and outlined by the PSA agreement, the company has made a point of hiring Russian citizens, mostly Sakhalin residents, to work on the Sakhalin-2 project. At the end of 2021, the number of Sakhalin Oblast residents working at the company was 1,231 people, which is 56 % of the total personnel.

Personnel Structure in 2021

	Total, persons	including, persons		Total, %	including, %	
		female	male		female	male
Russian personnel	2,103	578	1,525	96	99	94
including Sakhalin Oblast residents*	1,231	457	774	59	79	51
Foreign personnel	98	4	94	4	1	6
Total	2,201	582	1,619	100	100	100

The personnel structure is mandated by the specific nature of the company's operations: 86% are managers, specialists and clerks; 14% are workers. About 61% are office employees; the rest are employed at the Sakhalin-2 production assets.

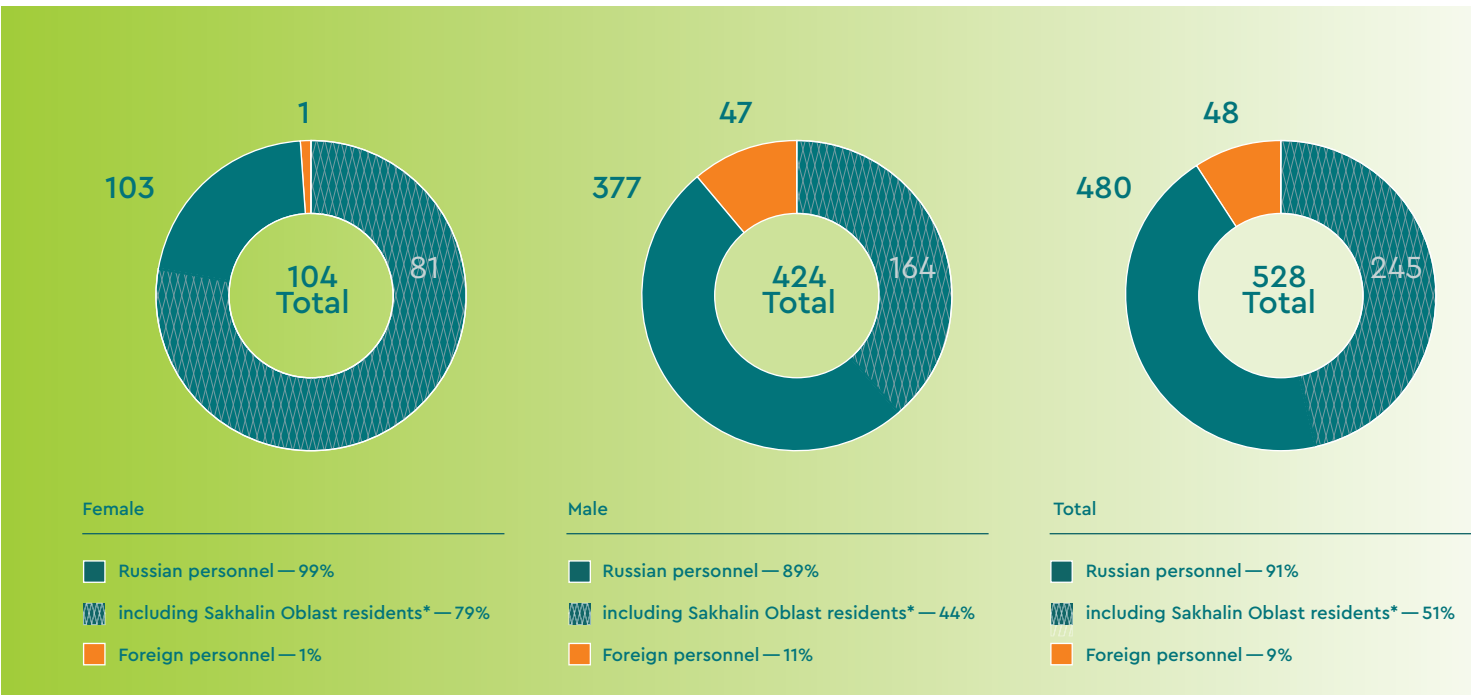
480 Russian employees hold managerial positions, 245 of which are residents of Sakhalin Oblast (see the Managerial Personnel Structure in 2021 table). In order to increase the share of Russian managerial personnel, the company is training, developing, and

promoting existing Russian staff, and actively recruiting new qualified Russian specialists. The implementation of the Traineeship Programme, as well as the formation and development of a successor pool make it possible to meet the company's needs for junior technical staff through the recruitment of trainees (see Section 9.1.7.4 Traineeship Programme and Section 9.1.7.5 Successor Pool Planning and Development).

There are 582 women among Sakhalin Energy employees (more than



Managerial Personnel Structure in 2021, persons



26% of the staff). Of these, 104 occupy managerial positions, making up 20% of the company's management team (see the Managerial Personnel Structure in 2021 chart).

ees (46 women and three men) resumed their job duties at the end of their child care leave.

In 2021, 54 employees were granted child care leave. Of these, two fathers took advantage of this right. During the same period, 49 employ-

* % of the number
of Russian personnel.

* % of the number of Russian personnel.



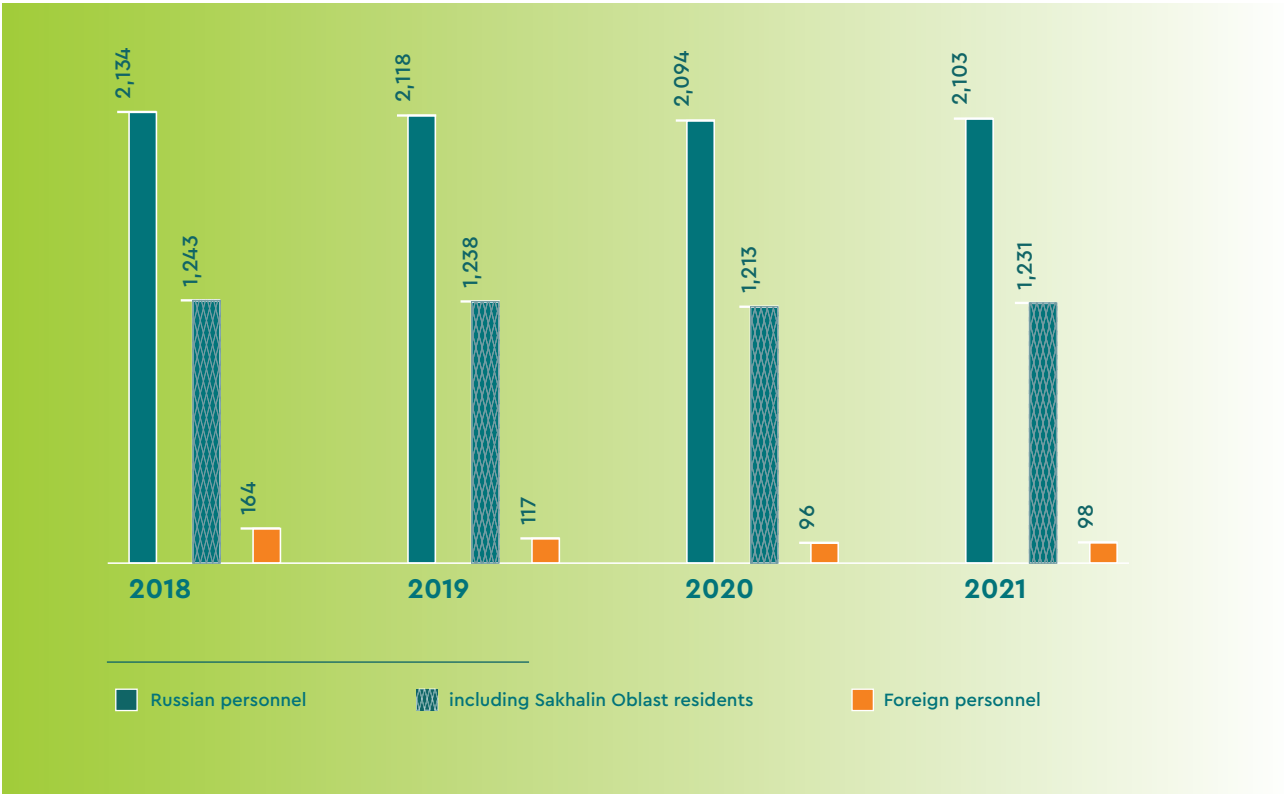
Number of Employees in Managerial Positions in 2018–2021
(as of the year end), persons

	2018			2019			2020			2021		
	Total	including female	male	Total	including female	male	Total	including female	male	Total	including female	male
Russian personnel	438	89	349	460	91	369	474	103	371	480	103	377
including Sakhalin Oblast residents	223	68	155	231	71	160	242	83	159	245	81	164
Foreign personnel	69	1	68	58	2	56	49	1	48	48	1	47

In the past four years, the number of employees has not changed significantly. The activities of the company do not require hiring personnel

for seasonal work, as, for example, in the tourism or agricultural sectors.

Number of Employees in 2018–2021 (as of the year end), persons



During 2021, 237 people (175 men and 62 women) left the company. These include 19 foreign and 218 Russian employees (130 Sakhalin Oblast residents). In 2021, the staff turnover rate was 4.6%, in 2020 — 3.9%, in 2019 — 3.5%,

and in 2018 — 4.3%. The statistics of personnel who left the company in 2021, broken down by age group and gender, are shown in the Structure of Personnel Who Left the Company in 2021 table.

Structure of Personnel Who Left the Company in 2021

Age, years	Total, persons	including, persons		Total, %	including, %	
		female	male		female	male
Below 36	122	30	92	51	48	52
36–50	82	30	52	35	48	30
Above 50	33	2	31	14	4	18
Total	237	62	175	100	100	100





Personnel Attrition in 2018–2021, persons

	2018	2019	2020	2021
Russian personnel	149	275	200	218
including Sakhalin Oblast residents	95	154	93	130
Foreign personnel	75	43	39	19
Total	224	318	239	237

At the end of 2021, the average employee age was 40 years. Employees under age 50 accounted for more than 86%.

Personnel Age and Gender Structure in 2021

Age, years	Total, persons	including, persons		Total, %	including, %	
		female	male		female	male
Below 35	668	175	493	30	30	30
36–50	1236	378	858	56	65	53
Above 50	297	29	268	14	5	17
Total	2 201	582	1 619	100	100	100

Taking into account the specific features of the company's operations, such as the presence of hazardous production facilities and workplaces with harmful working conditions, as well as the absence of full-time positions for low-

skilled personnel, as of December 2021, five employees with disabilities as part of quota jobs — three women and two men — have been working in the company.

With the onset of the new reality, employees who could do their work outside stationary workplaces located in the company's office were transferred to periodic remote work.



Sakhalin Energy's local regulations established the following work schedules:

- five-day working week with two days off;
- work schedule with irregular working hours;
- shift work schedule;
- work schedule with staggered days off according to individual schedules;

- rotation-based work schedule;
- remote work.

The working schedules used at the company's assets are shown in the Company's Employee Working Schedules by Asset table.

Company's Employee Working Schedules by Asset

Company asset	Working schedule
Offices	Five-day working week with two days-off; Work schedule with irregular working hours; Work schedule with staggered days off according to individual schedules; Remote work
Prigorodnoye PC	Five-day working week with two days-off; Work schedule with irregular working hours; Rotation-based work schedule; Work schedule with staggered days off according to individual schedules; Shift work schedule; Remote work
Platforms, OPF, BS-2	Rotation-based work schedule
Other	Five-day working week with two days-off; Work schedule with irregular working hours; Work schedule with staggered days off according to individual schedules; Shift work schedule Remote work

At the end of 2021, 28% of the company's employees were working on a rotational basis and living in hotels and rotational camps built and equipped in accordance with Russian legislation and best international practices. In an effort to adapt to the unprecedented conditions, in March 2020 the company arranged temporary accommodation facilities (TAF) for the observation of arriving employees in order to prevent the spread of the coronavirus disease at its

production facilities. In 2021, a differentiated approach was developed to the period of stay in TAFs, depending on the collective immune status of a facilities' personnel. The work and rest schedule for the personnel of all the company's assets is established in compliance with the regional and federal laws and regulations of the Russian Federation (see Section 9.3 Occupational Health).



9.1.3. RECRUITING, HIRING AND ONBOARDING NEW EMPLOYEES

In the conditions of the new reality, the process of searching for and recruiting personnel was transitioned to an on-line format: in 2021, practically all personal interviews with job candidates were conducted virtually.

The recruitment of the best professionals in the industry is one of the most important components of the HR strategy, which is based primarily on a culture of openness, business partnership and development.

In the reporting year, the focus was on optimising and digitalising the search and recruitment process, as well as developing the employer brand, including through the company's participation in on-line events conducted in cooperation with higher education institutions.

Openness in the selection of personnel means using all available up-to-date resources in searching for and hiring professionals. When choosing candidates for vacant positions, priority is given to residents of Sakhalin Oblast.

The main resources for attracting job candidates and the key channels for spreading information about vacancies are as follows:

- Sakhalin Energy's website. For the convenience of applicants, there is an automated service for submitting CVs on-line. Job candidates can submit their CV for the selected vacancy, and also edit it in their personal profile area. For job seekers who did not find a suitable vacancy at the time they applied, there is an alternative form for submitting their CV to the company's database — CV Registration (No Vacancy category) or Vacancy for Graduates (for job candidates who have recently received a university degree);



- provision of information on vacancies to the Yuzhno-Sakhalinsk Labour Centre (on a regular basis);
- cooperation with leading recruitment agencies;
- participation in local and regional specialised job fairs (including on-line);
- publication of vacancies in on-line resources;
- promotion of the Employee Referral Programme, per which Sakhalin Energy employees are given a bonus if their recommended candidates are hired to work at the company and undergo a probation period;
- recruitment of skilled employees from shareholder companies.

In 2021, the company yet again took part in the Professional Internships 2.0 federal project. In 2020 and 2021, the company posted more than 10 cases (practice-oriented tasks) on the project platform; more than 50 students who had solved the cases attended an on-line professional development session with the participation of company representatives. Three project participants were employed within the framework of the corporate Graduate Development Programme.

Following the principle of openness, Sakhalin Energy regularly engages with higher education institutions (with due regard for the new reality restrictions) to attract the best graduates to work for the company. In 2021, Sakhalin Energy participated in job fairs and career days on the Facultetus digital on-line platform, and held on-line events jointly with a number of higher education institutions, including:

- Vladivostok State University of Economics and Service;

- Khabarovsk State University of Economics and Law;
- Yaroslavl State Technical University;
- Amur State University;
- National Research University of Electronic Technology (MIET);
- Ufa State Petroleum Technological University;
- Kazan National Research Technical University named after A. N. Tupolev;
- Novosibirsk State University.

In June 2021, Sakhalin Energy took part in a specialised event for students and graduates of the Master's programme at ITMO University, devoted to one of the rarest and most sought-after areas — liquefied natural gas engineering and technology.

In May 2021, Sakhalin Energy held another regular on-line Company Day at Far Eastern Federal University. The audience learned about the Sakhalin-2 project, the Graduate Development Programme, employment opportunities and current vacancies at the company.

In 2021, as part of the continuous improvement initiative, the company continued to implement a recruitment automation project, aimed at improving the efficiency of recruiting processes, speeding up work with job candidates, and creating detailed HR analytics.



Sakhalin Energy continuously improves the existing personnel recruitment programmes by putting great stock in succession planning: a student who receives a company grant can take an internship and will be a candidate for participation in the Graduate Development Programme (see Section 9.1.7.7 Graduate Development Programme).

The company actively participates in regional projects that help unite local youth, share knowledge and experience with them.

- In 2021, the company took part in the annual OstroVa All-Russian youth forum. Sakhalin Energy's representatives told the forum par-

ticipants about promising occupations in the Sakhalin-2 project, so that young men and women could make informed choices about the area of their future career.

- In the framework of the Sakhalin Oil and Gas 2021 Far East Energy Forum, Sakhalin Energy held a focus session under the title "Experience of the Past for a Sustainable Future", which was attended by the company's Chief Executive Officer, long-service employees of the domestic oil and gas industry, including those who had been at the origins of the Sakhalin-2 project, as well as students of regional institutions of higher and secondary vocational education.

SAKHALIN ENERGY'S PRIORITY: LOCALISING QUALITY EDUCATION

In 2021, as part of cooperation with Sakhalin State University, the company signed a memorandum on the joint use of the Boiling Point training space. A tripartite memorandum was signed between SSU, SAP CIS and Sakhalin Energy to establish a laboratory for project-oriented student training under the SAP Next-Gen Lab programme to implement innovative developments for the company and other SAP CIS industry customers.

At the initiative of the company, the first forum of oil and gas industry employers was held together with the Human Capital Development Agency at the site of the SSU Technical Oil and Gas Institute. The programme included discussing the current staffing needs of the regional industry and joint ways to improve the quality of educational resources.

Another important event was the VI Regional Worldskills Russia Championship. Thanks to the company's support, the new Oil and Gas Production competition took place on Sakhalin for the first time. The winners of the championship were students of the SSU Polytechnic College. They were awarded certificates for an interview, which give them the opportunity to take part in the Traineeship Programme after graduation on condition of high academic performance. At the invitation of the company's management, the winners visited the onshore processing facility (OPF), where they had a short-term traineeship.



To onboard new employees, Sakhalin Energy holds special information sessions on key corporate policies and procedures, the specific features of the work of the company's organisational units, and cooperation between these units and stakeholders. Some of the onboarding activities have been converted to an on-line format.

In 2021, the company hired 251 people (201 men and 50 women), of which 26 people are foreign citizens and 225 — Russian nationals (including 151 resident of Sakhalin Oblast).

The statistics of personnel recruitment, broken down by age group and gender, are shown in the Personnel Recruitment Structure in 2021 table.

Personnel Recruitment Structure in 2021

Age, years	Total, persons	including, persons		Total, %	including, %	
		female	male		female	male
Below 36	172	35	137	69	70	68
36–50	69	15	54	27	30	27
Above 50	10	—	10	4	—	5
Total	251	50	201	100	100	100



Personnel Recruitment in 2018–2021, persons

	2018	2019	2020	2021
Russian personnel	175	250	168	225
including Sakhalin Oblast residents	95	133	80	151
Foreign personnel	11	19	16	26
Total	186	269	184	251

9.1.4. REMUNERATION AND BONUS SYSTEM

The company applies a time-based remuneration system, which also provides for additional payments based on the employee's skills and position. This encourages efficient work and provides motivation for excellent performance.

Remuneration of Sakhalin Energy's employees includes:

- base salary, hourly rate as per the employment agreement;
- compensatory or incentive allowances and rises to the base salaries and hourly rates payable as per the Regulations on Labour Remuneration, Bonuses and Social Benefits, RF Labour Code and other normative acts;
- bonuses payable as per the Regulations on Labour Remuneration, Bonuses and Social Benefits and other local normative acts.

Sakhalin Energy's remuneration policy, practices and methods are designed to recognise and encourage excellent individual and production performance. The company uses the same remuneration system for both male and female employees.

The existing incentive system uses a single unified, standard approach to incentivising employees in all the company's subdivisions.

This is achieved through the following types of bonuses as per the Regulations on Labour Remuneration, Bonuses and Social Benefits:

- Annual Performance Bonus;
- Special Recognition Award (SRA);
- Long Service Award (10 years or more);
- Employee Referral Reward;
- one-off payment to employees that have received awards;
- bonus for participation in a research-to-practice conference held by the company on a regular basis;
- Committee of Executive Directors Award to employees who achieved special success in teamwork;
- bonus to awardees of the Merit Pin for Outstanding Performance and Contribution to the Company.

Employees may be awarded certificates of merit and Honorary Letters on Oil and Gas Workers Day and the company's anniversaries. Recognition may also be given to their 50th birthday and then every five years.



In order to attract personnel to join and work as part of the non-professional emergency response teams (NERTs), as well as to encourage high operational discipline and competence in rescuers and firefighters in the Sakhalin-2 project, in 2021, the company introduced a new financial incentive — regular payments to NERT members (while a NERT member).

The company's remuneration and bonus system is adapted to changes in the working mode for all categories of personnel. It takes into account the specific features of the production processes and ensures a high level of personnel involvement.

Sakhalin Energy regularly monitors the financial segment of the oil and gas job market and annually adjusts employees' salaries, taking into account their individual performance (see Section

9.1.6 Individual Performance Review) to make sure that the salaries paid by the company to its staff are competitive.

In 2021, the minimum salary in the company was three times higher than the minimum wage established by the Russian legislation. In the reporting year, Sakhalin Energy's labour remuneration expenses totalled 13.01 bln roubles, with award/bonus payments totalling 3.03 bln roubles.

9.1.5. SOCIAL BENEFITS AND COMPENSATIONS

The company does everything possible to ensure the attractiveness and competitiveness of its compensation and benefits package in order to attract and retain skilled and high-potential personnel. The compensations and benefits provided to Sakhalin Energy's personnel ensure the well-being and social security of employees and their families.

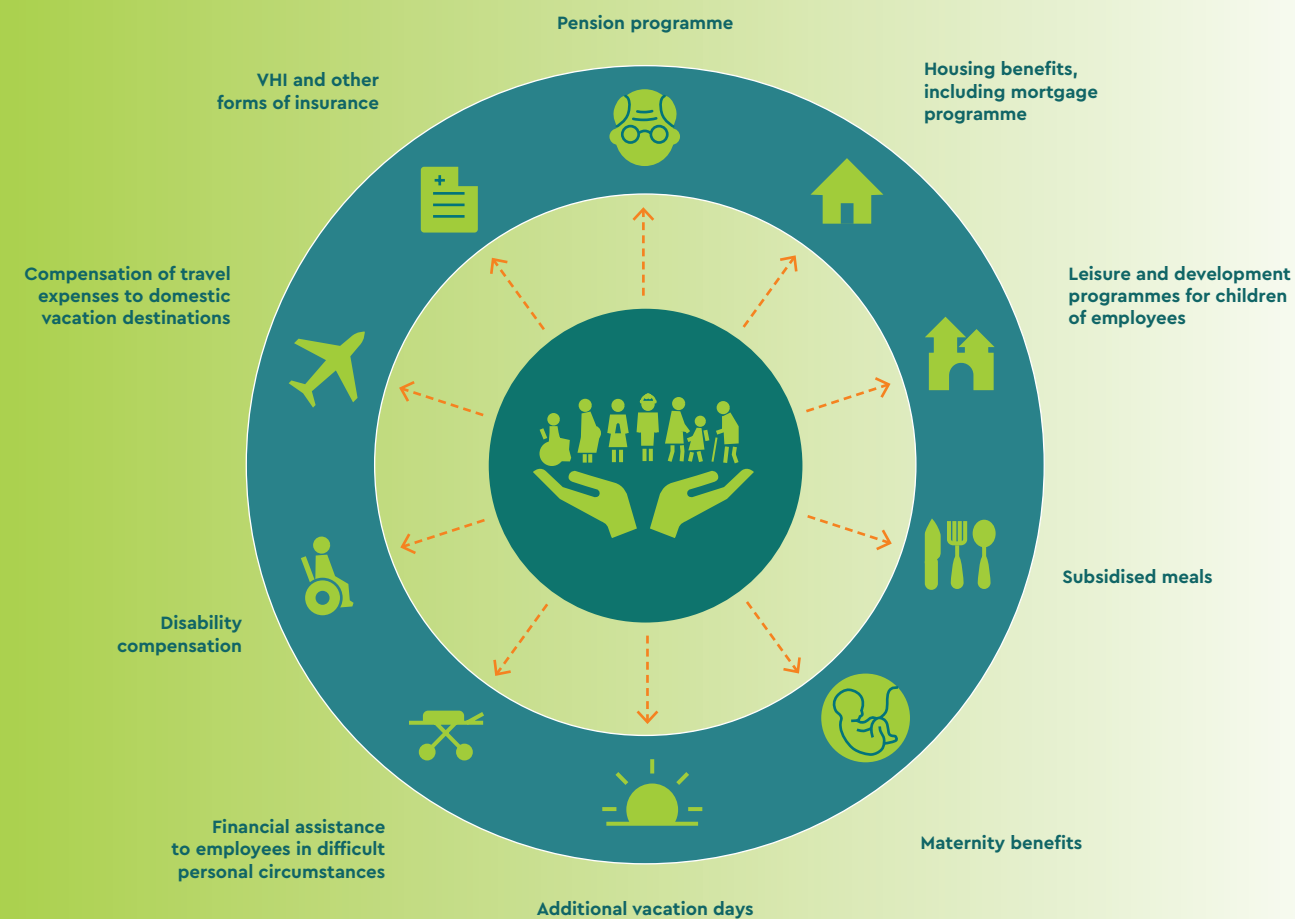
In addition to the guarantees and benefits provided for by Russian labour law, Sakhalin Energy provides its employees with:

- voluntary medical insurance, including for family members;
- accident and illness insurance;
- travel insurance, including for family members;
- temporary disability benefits;
- free meals at the company's production assets and in the company's offices;

- benefits related to the provision of housing for employees and their families for the duration of their employment (for those employed on terms of relocation from other regions);
- mortgage programme;
- compensation of a portion of round-trip travel expenses to vacation destinations within the RF territory (this applies to employees and non-working members of their families (spouses and minor children), living in the Far North and equivalent areas;
- corporate pension programme;
- financial assistance upon the birth (or adoption) of a child and in difficult personal circumstances;
- maternity benefits;
- additional paid vacation days;
- leisure and development programmes for children of the company's employees;
- sport and recreation facilities (see also Section 9.3 Occupational Health).



Social Benefits and Compensation at Sakhalin Energy



Housing Benefits

The company provides benefits related to the provision of housing for employees and their families who are hired on terms of relocation from other regions of the Russian Federation, the CIS member states, as well as from the Far North and equivalent areas. The benefits are provided in the form of housing from the housing stock of the company, or payments for the rental of accommodation.

Currently, the company's housing stock is represented by the premises of the Zima Highlands residential complex.

The company runs a mortgage programme, which provides for compensating a portion of mortgage interest for the purchase (construction) of residential premises in Sakhalin Oblast. Under the programme, the company reimburses 40% of interest payments actually paid by an employee during the accounting period, not exceeding the amount set by the company.

Since the beginning of the programme, 392 Russian employees have participated in it.

As of the end of 2021, there were 249 participants in the programme (more than 12% of total staff).



Medical Insurance

The company provides employees and their families with medical insurance benefits under insurance contracts with SOGAZ concluded as part of voluntary medical, accident and illness, and travel insurance programmes.

Under the insurance contracts, the company's employees have access to on-line services, in particular, the telemedicine service, provided by doctors of leading clinics in Moscow, which include modern digitalised medical services.

In accordance with Russian legislation, the company provides foreign employees with required medical assistance under voluntary medical insurance contracts in the territory of the Russian Federation. The company helps employees to acquire voluntary medical insurance policies for family members on favourable terms.

Corporate Pension Plan

The company offers a corporate non-state pension plan, under which employees and the company pay contributions towards occupational pension schemes.

Participation in the corporate pension plan is voluntary and allows each employee to independently pay into their retirement pension.

At the end of 2021, 25% of the company's Russian employees are enrolled in the corporate pension plan.

In 2021, the company contributed a total of 49.8 mln roubles to Gazfond.



Programmes for the Children of Company Employees

Company employees with children aged 3 to 7 years have the opportunity to use the services of the corporate Children's Centre under the operational management of Evrika Educational Centre, an autonomous non-profit organisation. The Centre is implementing the Evrika multilingual development programme, aimed at creating favourable conditions for the development and education of preschool children (with due account for the COVID-19 restrictions). As of the end of 2021, the Children's Centre was attended by 108 children.

In addition to its year-round work, the Centre runs the annual summer Happy Holidays programme. In 2021, 486 school-age children took part in the programme from June to August.

Other

Employees and their families can use the company's shuttle buses, which run along approved routes across Yuzhno-Sakhalinsk to the company's offices, with stops at educational institutions of Yuzhno-Sakhalinsk.

9.1.6. INDIVIDUAL PERFORMANCE REVIEW

The Individual Performance Review process is one of the main tools used to achieve the company's strategic goals of building a performance culture.

The Individual Performance Review is conducted on a yearly basis. An employee's performance is assessed based on the degree to which they reach business and individual goals set before each of them at the beginning of the year.

This assessment shows whether the employee needs to engage in professional development activities to ensure their further professional growth and to contribute to the improvement of the company's efficiency in general.

As of the end of 2021, 2,052 employees (93% of the company's personnel) had successfully underwent the Individual Performance Review (see the Individual Performance Review in 2018–2021 table).

Individual Performance Review



Individual Performance Review in 2018–2021

Personnel category	Gender	Total number of employees, persons				Employees who underwent the Individual Performance Review, persons				Share of employees who underwent the Individual Performance Review, %			
		2018	2019	2020	2021	2018	2019	2020	2021	2018	2019	2020	2021
Managers		507	518	523	528	503	510	510	515	99	98	98	98
including	male	417	425	419	424	416	421	414	415	100	99	99	98
	female	90	93	104	104	87	89	96	100	97	96	92	96
Specialists		1,475	1,401	1,365	1,371	1,431	1,342	1,312	1,297	97	96	96	95
including	male	948	898	896	901	939	890	882	871	99	99	98	97
	female	527	503	469	470	492	452	430	426	93	90	92	91
Salaried workers		15	13	10	3	11	11	9	3	73	85	90	100
including	male	—	—	—	—	—	—	—	—	—	—	—	—
	female	15	13	10	3	11	11	9	3	73	85	90	100
Workers		301	303	292	299	262	256	244	237	87	84	84	79
including	male	296	298	287	294	259	252	240	233	88	85	84	79
	female	5	5	5	5	3	4	4	4	60	80	80	80
TOTAL		2,298	2,235	2,190	2,201	2,207	2,119	2,075	2,052	96	95	95	93
including	male	1,661	1,621	1,602	1,619	1,614	1,563	1,536	1,519	97	96	96	94
		637	614	588	582	593	556	539	533	93	91	92	92



9.1.7. PERSONNEL TRAINING AND DEVELOPMENT

9.1.7.1. General Information

Sakhalin Energy's learning and development system is designed to meet the needs of the company for highly qualified personnel, necessary to achieve its short-term and long-term production goals.

Training and development of the company's personnel is based on the following principles (see the Personnel Training and Development Principles chart):

- compliance: training content is formed based on the needs of the personnel and business; the results of training contribute to achieving production goals and implementing the company's overall strategy;
- competence approach: the training and development process is based on an analysis of employees' competence;
- centralisation: the Learning and Development Subdivisions are responsible for all training processes in the company, planning and spending the budget allocated for training;
- cost effectiveness: achieving the maximum level of efficiency through the application of learning and development criteria coordi-

nated with the business needs of the company, as well as the choice of educational service providers without compromising the safety and reliability of production;

- equal opportunities: continuous, systematic, and consistent improvement of the professional level of employees and development of their potential throughout their career in the company;
- reasonable balance: the ratio of on-the-job training, distance learning, internal and external training according to the 70/20/10 model, in which 70% of time is on-the-job training through solving work problems; 20% of time is learning through communication with more experienced employees or a manager (mentoring, coaching, tutoring); 10% of time is theoretical learning in seminars, courses, etc.;
- partnership: maintaining partnerships with international and Russian educational institutions, expanding cooperation with universities in the framework of partnership agreements, cooperation with organisations and training centres of shareholder companies.

9.1.7.2. Staff Assessment

The company applies a competence-based development approach for HR management. A profile of functional, leadership and general business competences has been developed for each position. Competence assessment is used as the basis for recommendations regarding further development and training of the employee occupying a given position, as well as for other HR decisions. The job competency profile is a standard list of competences set for the company for every job.

Competence assessment gives a clear understanding of professional and behavioural quali-

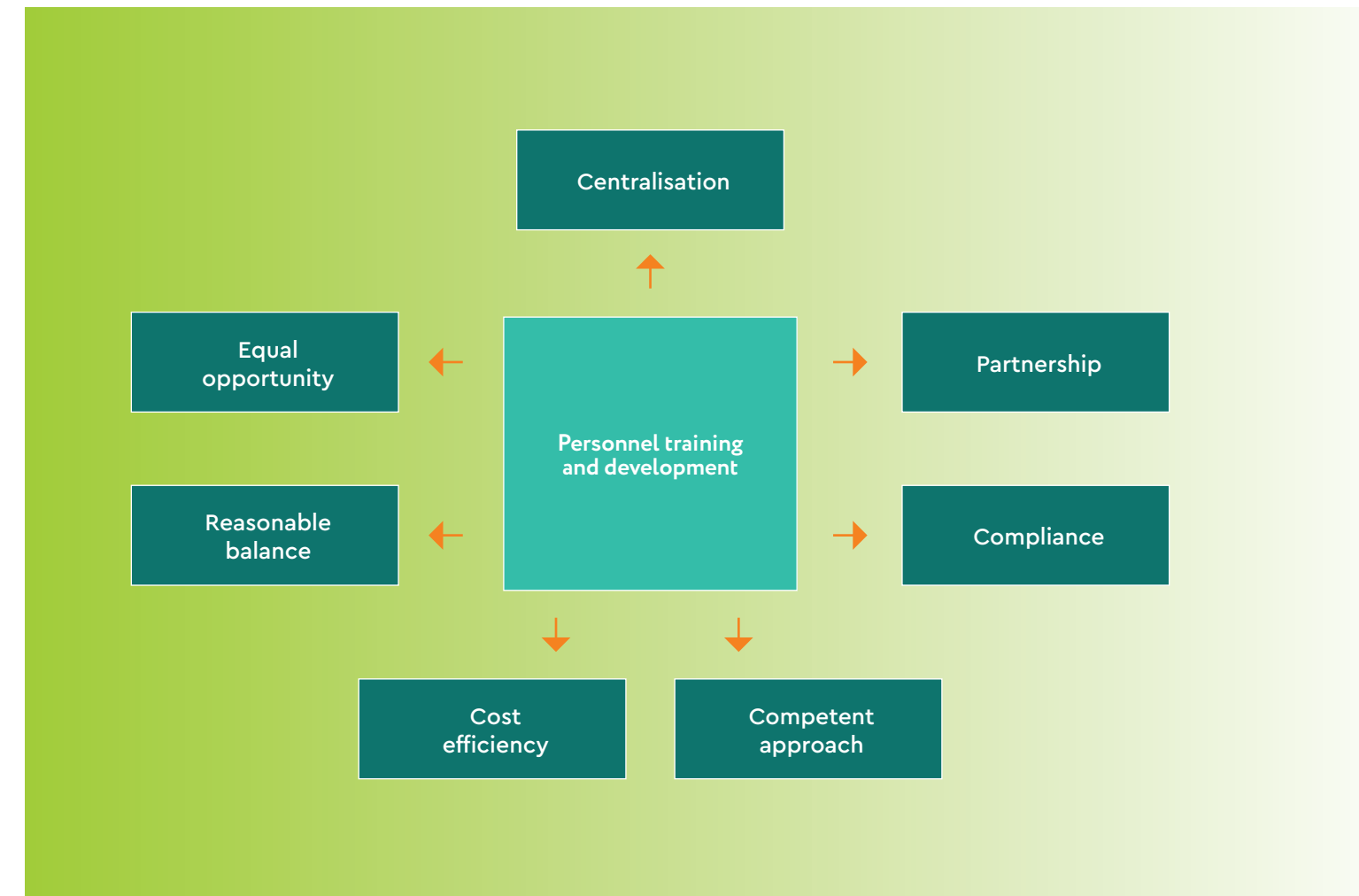
ties against established requirements, depending on their qualifications, positions, and tasks performed.

There are various tools in the company that can be used by managers in the process of competence assessment, in particular:

- observation of the employee in the course of work;
- studying competence evidence provided by the employee;
- conducting competence-based structured interviews;



Personnel Training and Development Principles



- knowledge testing;
- detailed recording of the employee's performance results;
- analysing the quality of employee performance;
- 360 Degree assessment;
- solving business cases;
- Assessment Centre integrated assessment (for leadership competences only).

To assess the leadership potential and managerial qualities of personnel, the company uses modern tools such as:

- Current Estimated Potential Ranking Exercise — a current estimate of the highest position that the employee can occupy at the peak of his/her career during his/her work at the company. The assessment is based on the criteria abbreviated as CAR: capacity, achievements and relationship.
- Assessment Centre — a technology for integrated expert assessment of employee leadership competence against their current job profiles. This method incorporates such components as business cases, business games, structured interviews, and feedback with



a detailed analysis of the employee's strengths and areas for further development. The target audience of the Assessment Centre is employees included in the successor pool for senior positions. In 2021, 77 employees of this category went through this assessment.

- **360 Degree Assessment** — an additional tool used to assess leadership competency and personal effectiveness of employees. In 2021, 192 employees went through this assessment. To do this, the employee, his supervisor, subordinates and peers fill in an online questionnaire designed on the basis of the company's model of leadership competences. The final results are presented as average ratings of each group of raters and are accompanied by the key findings regarding the employee's strengths and weaknesses as well as recommendations for employee development.

A structured interview is a highly recommended method for assessing professional competencies. This is an interview during which the competence of a job candidate or employee is determined by applying the appropriate methodology. The Professional Training Subdivision organised information sessions on the structured interview methodology, during which videos were shown that gave examples of proper and improper behaviour of managers during a competence assessment. The materials are available on the HR Directorate web page.

To assess employees' general business competencies, the use of tests with specifically designed tasks and questions that help the manager assess the level of each functional competence of his/her subordinate is recommended. A report, which includes recommendations for the manager and the employee, is automatically generated.

The Competence Assurance Programme is an important element of the company's HR strategy and an effective tool for ensuring that the production facilities are staffed with motivated and highly qualified employees who operate production facilities safely and smoothly. The programme is a system for examining and confirming the knowledge and skills of technicians involved in technical processes support, the repair and maintenance of production equipment. During the assessment, employees demonstrate professional knowledge acquired through training and professional development, as well as practical skills and abilities. In addition, when assessing employee competences, focus is made on the rules and standards of labour behaviour in the team and the attitude of employees towards their work, which is an important component of operating hazardous production facilities safely.

Competence assessment results are subsequently used to recommend areas for employee development, prepare individual development plans, and make decisions to promote and transfer employees to other areas of work within the production facility or to another asset of the company.

Since 2017, the accounting and control processes for the implementation of the Competence Assurance Programme have been automated using SAP HCM, which makes it possible to visualise competence profiles and their status for all parties involved, including workers and their managers. This ensures the high effectiveness of the programme as a tool for the development of highly qualified personnel. In 2021, 98.9% of the company's employees successfully passed the competence assessment, of which 94.6% showed the highest score in competence development.



9.1.7.3. Personnel Training

The company prepares annual plans for personnel training and professional development based on current production targets, career development plans, and employee competence assessment results.

Due to the COVID-19 pandemic, during the 2021 training plan implementation, certain factors had to be considered, namely:

- permanent and periodic remote work;
- extended shifts for the company's production facilities personnel;
- the production and technical personnel being engaged in the 2021 major turnaround (see Section 4.2 Main Production Results in 2021).

Based on the epidemiological situation, some adjustments were made to the plan, including:

- gradual replacement (where possible) of in-person training with remote training (mainly online);
- rescheduling of on-site training due to changes in the training organisations curricula;
- gradual transfer of group training on Sakhalin to a webinar format due to flight restrictions and mandatory observation of the personnel before entering the production facilities.

In 2021, 2,051 employees attended workshops and training courses, including distance learning (one or more courses per person). The company provides training for all categories of employees without exception (see the Employee Training in 2021 table). The average training duration was 6.3 man-days or 50 hours per employee (excluding on-the-job training).

In 2021, Sakhalin Energy invested 170 mln roubles in employee training.



Key Indicators of Personnel Training in 2018–2021

Indicator	2018	2019	2020	2021
Number of employees who completed training, persons	1,903	1,954	1,801	2,051
Share of employees who completed training, %	83	87	82	93
Average training duration per person, days/hours	8.14 / 65	8.09 / 65	4.44 / 35	6.3 / 50
Training costs, mln roubles	290	290	87	170

In 2021, the company continued implementing its digitalisation strategy, which included introducing and testing various forms of distance learning (webinars, online courses, mixed formats), involving internal and external re-

sources. Priority was given to distance learning and group training on Sakhalin instead of individual on-site training. This helps to maintain the high competence of the company's personnel.



Employee Training in 2021

Personnel category	Number of employees, persons	Number of employees who completed training, persons	Share of employees who completed training, %	Average training duration, man-hours	Average number of training courses per person
Managers	528	494	94	37	4.7
including					
men	424	400	94	40	4.7
women	104	94	90	21	4.7
Specialists	1,371	1,273	93	42	4.6
including					
men	901	888	99	46	4.6
women	470	385	82	33	4.4
Clerks	3	3	100	24	5.3
including					
men	–	–	—	—	–
women	3	3	100	24	5.3
Workers	299	281	94	111	4.5
including					
men	294	277	94	113	4.6
women	5	4	80	8	3.3
Total	2,201	2,051	93	50	4.6
including					
men	1,619	1,565	97	56	4.6
women	582	486	84	30	4.4

Sakhalin Energy's training resources are unique and varied as they include education materials from Russian and foreign training service providers. Line managers, the Human Resources Directorate, and the company's senior management monitor the implementation of training plans.

The company chooses the types of personnel training, resources for the training, competence examination, certification, and professional development of the employees in the four following areas.

1. Mandatory HSE Training in Accordance with the Requirements of RF Laws and Internal Standards

The company's activities are a good example of full compliance with RF laws and the internal standards of the company in terms of HSE competence assurance and providing HSE training. Regular mandatory training is an integral part of the Goal Zero programme (see Section 9.2.2 Labour Protection and Safety Culture).



The main objective in this field of training is to organise training, certification, and testing of the knowledge of managers, specialists, and technicians in the field of labour, industrial and process safety, special types of work.

In 2021, due to the large-scale revision and cancellation of a number of regulatory acts of the Russian Federation, the company introduced relevant changes, including new types of training. The company also verified the requirements for ongoing courses and organised training under the updated programme to ensure the required number of trained and certified personnel of non-professional emergency response teams at the company's production facilities.

Timely and efficient mandatory training, organised in accordance with Russian legislation, internal HSE standards, international standards,

and the requirements of certifying bodies, allows each employee to obtain the knowledge, certifications, and permits required to perform their work safely, both for themselves and for other employees, the environment, and the company's assets.

To deliver mandatory HSE training, the company continues engaging internal and external licensed educational organisations, including the OPITO (the Offshore Petroleum Industry Training Organisation — an international organisation for training personnel engaged in oil and gas production on the continental shelf), accredited educational institutions capable of providing training in accordance with the approved personnel safety programmes at offshore oil and gas assets. A significant part of compulsory training as per internal HSE standards is carried out with the involvement of experts in HSE disciplines.

MANDATORY REQUIREMENTS GUARANTEE PROPER CONTROL AND WELL-TIMED COMPULSORY TRAINING

The company has introduced a tool for automation of the requirements for each position and role (hereinafter referred to as the profile) as part of the SAP HCM platform. Each employee has an opportunity to independently monitor their compliance with compulsory training requirements and to plan their compulsory training time. The profile is a convenient tool for self-enrolment on training courses, which additionally enables users to undergo mandatory training online. The tool automatically sends notifications about the next training deadline. New employees get a complete list of compulsory training courses for their position and role. The profiles are continuously monitored and serve as the basis for automatic compulsory training planning.

In 2021, the company carried out 4,245 man-courses, including distance learning, under mandatory HSE training in accordance with Russian legislation and internal standards. The average training duration was 1.8 man-days or 14 hours per employee (excluding on-the-job training).

2. Professional Training
The main objective in this training area is to improve the professional competence of personnel. Ensuring that each employee's qualifications comply with the complexity of their work is a prerequisite for the safe, reliable, and



efficient operation of all the company's business units and production facilities.

The company's employees are enrolled in professional training in accordance with the qualification requirements for their position and when production necessity dictates.

Sakhalin Energy offers the following types of professional training for personnel:

- advanced training of managers and specialists, including advanced training courses,

participation in workshops, conferences, and round tables dedicated to professional issues;

- professional training and retraining in technical and non-technical areas;
- further training of technicians, obtaining an additional/related profession;
- obtaining international professional qualifications (IWCF, CIMA, CIPS, ACCA, NEBOSH);
- vendor training (training in engineering support and equipment maintenance organised by the manufacturers).

In 2021, about 55% of training events were held in distance and e-learning formats.

To enhance learning opportunities, the company utilises the e-learning platforms of their shareholders: Shell Workday Learning Enterprise and Gazprom Knowledge Base. The Alpina Digital library, which provides access to business literature, mini-video courses, and audio books, has become a popular learning tool. This resource can be used via a special application both online and offline (without an internet connection).

In 2021, the company designed and introduced four in-house e-courses. The company plans to further develop its internal expertise in this area.

A series of mass online broadcasts with renowned speakers and coaches under the Peak Corporate Championship has become a popular learning tool for employees (see Section 6.3 Engagement with Personnel). Developing a growth mindset, self-coaching, motivation and goal-setting, and managing emotions are just a few of the topics covered, which enhanced the 2021 training events and received a lot of positive feedback. For those employees who could not make it to the webinars, recordings of the broadcasts were posted on the internal corporate website.

Taking into account the new reality, the company amended the professional training programmes in agreement with training providers. International professional certifications are delivered in distance or hybrid training formats on the online platforms of the course providers and/or in limited face-to-face groups, while strictly complying with the anti-epidemic measures.

In 2021, the company carried out 2,190 man-courses of professional training, including distance learning. The average training duration was 5.5 man-days or 44 hours per employee (excluding on-the-job training).



3. In-House Technical Training

The growth of the company, the use of advanced technologies in constructing and operating the production facilities, and the implementation of the digitalisation strategy require technicians to have a particular level of knowledge and skills, digital competence, and the ability to safely and efficiently perform work tasks of any level of complexity.

- The technical competences of employees are developed through the in-house technical training system. The Production Training Centre implements and improves the system of continuous technical training for working-occupation personnel of the company's production facilities and major contractors. The centre is staffed with instructors and experts in teaching methodology of relevant disciplines, who have extensive production and teaching experience.



- The instructors participate in the implementation of targeted programmes, including the Traineeship Programme (see Section 9.1.7.4 Traineeship Programme) for future employees of the company's production facilities, the Internship Programme for students of secondary vocational education institutions (see Section 9.1.7.10 Internship Programme), and the Competence Assurance Programme.
- The portfolio of training programmes offered by the centre includes more than 180 targeted training courses in the following disciplines: Natural Gas Liquefaction Technology, Equipment Repair and Maintenance, Safe Operation of Production Facilities. Courses are necessary to improve the technical competence of employees in accordance with the agreed-upon professional development plan and competence assessment results. Training of the main contractors' personnel is also aimed at maintaining an appropriate level of professional competence to ensure the efficient and accident-free operation of the company's facilities.

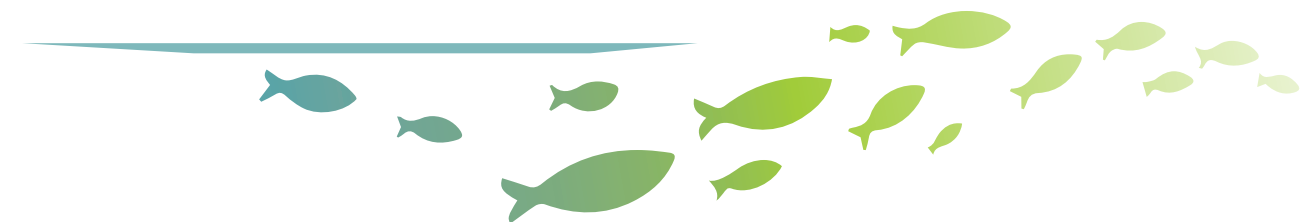
The systematic development of training programmes ensures uniform implementation of the competence standards at the production facilities. The programmes reflect the specific features of the assets related to workflow, material handling, and equipment operation. Fur-

thermore, the training programmes include the requirements and practices in the field of HSE, technology and personal safety, which allows them to be used as guidelines during the performance of any work tasks and when implementing initiatives at the production facilities.

The company has made it a priority to study the best practices of in-house technical training, the integration of Russian and international approaches, the use of modern technologies in the educational process, as well as further development of training portfolios and training facilities.

The Production Training Centre is actively involved in implementing the company's digitalisation strategy. The portfolio of e-learning and distance learning courses is constantly expanding. In cooperation with the Gazprom Training Simulator Computer Centre (TSCC), the company developed 20 e-learning modules (ELMs); 34 training courses were changed to a remote format (webinars). This allowed the company to continue training in the most in-demand areas for company and contractor employees at the remote sites during the pandemic.

Particular attention is paid to the standardisation of educational materials for target courses included in the portfolio of in-house technical training courses, taking into account the experience of the Gazprom TSCC.





TECHNICAL TEACHING AIDS AND DIGITALISATION OF THE LEARNING PROCESS

The company has been actively using various technical and digital training tools, including computer training systems (CTS), which accurately simulate the technological processes of the offshore oil and gas production facilities and the LNG plant. The control panel operators use the simulators to practise and improve their skills, not only for work during normal operations, but also in emergency situations. In 2021, the company completed the active phase of the LNG plant CTS upgrade project, which will be fully implemented in early 2022.

Also in 2021, a project was to upgrade the Onshore Processing Facility (OPF) CTS to integrate the new booster station model with the existing OPF model.

The company is developing a digital platform to organise various forms of training and instruction using VR technologies and equipment, including VR/AR simulators for training electricians to promptly switch electrical installations, as well as for and training repair and maintenance personnel to carry out maintenance of the General Electric gas turbines.

In 2021, the company carried out 1,531 man-courses of in-house technical training, including distance learning. The average training duration was 3.5 man-days or 28 hours per employee (not including contractor personnel training).

4. Personal, Business and Leadership Training

The development of general business skills is carried out within the framework of the designated training system, taking into account the existing competences, internal assessment, and using electronic resources, such as Skillsoft,

the Gazprom Knowledge Base, and the Alpina Digital library.

The leadership qualities development framework is specified in Section 9.1.7.6 Leadership and Management Development Programmes.

In 2021, the company carried out 2,977 man-courses of leadership, business and personal effectiveness skills development, including distance learning. The average training duration was 3.9 man-days or 31 hours per employee (excluding on-the-job training).

9.1.7.4. Traineeship Programme

The company's personnel strategy prioritises filling vacancies for technicians with candidates from among the Traineeship Programme graduates. The main goal of the programme is to create and maintain a pool of technicians for the production facilities. In total, 343 people have participated in the programme since its launch in 2003. At the end of 2021, there were 57 actively enrolled trainees.

The programme focuses on the professional development of young Sakhalin Oblast residents with occupations relevant to the company, and on their further employment. The programme is targeted at graduates of vocational schools, in particular, the Polytechnic College of Sakhalin State University.



When working at all assets of the company, the graduates demonstrate a high level of knowledge and skills acquired during their participation in the programme, steady motivation for further professional development, and commitment to the principles of industrial safety culture.

The key components of traineeship are the development of practical skills by trainees as well as gaining work experience. The practical part of the programme ensures that trainees develop their skills and learn the material so that they reach the required competence level.

The programme utilises various training methods such as:

- trainees participation in projects development;
- trainees preparing and delivering presentations on various topics;
- simulating production scenarios followed by analysis.

The Traineeship Programme consists of two parts with the overall duration of 32 months.

The first part of the programme lasts 14 months and includes:

- English language module (5 months) – an intensive training course with elements of general and technical English;
- general technical training programme (9 months), including theoretical and practical training in the relevant discipline, SAP and ePTW training, using computer training systems, work with training equipment in classrooms and workshops, etc.

The second part of the programme lasts 18 months and includes on-the-job training as part of a shift, or in an allocated work area.



Traineeship Programme

Late July–August	October	5 months	9 months	18 months	June
Selection/ recruitment of candidates for the Traineeship Programme	Employment Registration of labour relations (conclusion of a fixed-term employment contract)	English language module Intensive training course with elements of general and technical English	Technical training modules Theoretical and practical training in technical disciplines, SAP and ISSOW training, process simulator training, work with educational equipment in classrooms and workshops, etc.	On-the-job training as part of a shift or in an allocated work area	Transfer to a vacant position

In 2021, the first part of the Traineeship Programme included 13 events in off-line and on-line formats: round-table discussions, seminars, workshops aimed at HSE competence and corporate culture building. The events were organised by the company's specialists in information security, business conduct and regulations compliance management, environment, and HSE.

9.1.7.5. Successor Pool Planning and Development

Successor pool planning and development is a high priority activity for further development of the personnel capacity of the company. The key stages of the process are as follows:

- selection of potential candidates from among Russian personnel to replace foreign specialists and also Russian employees holding key engineering and executive positions;
- assessment of potential successors' readiness to succeed the positions according to the Successors Matrix;
- a potential successor's development in accordance with the job requirements for the positions planned for succession.

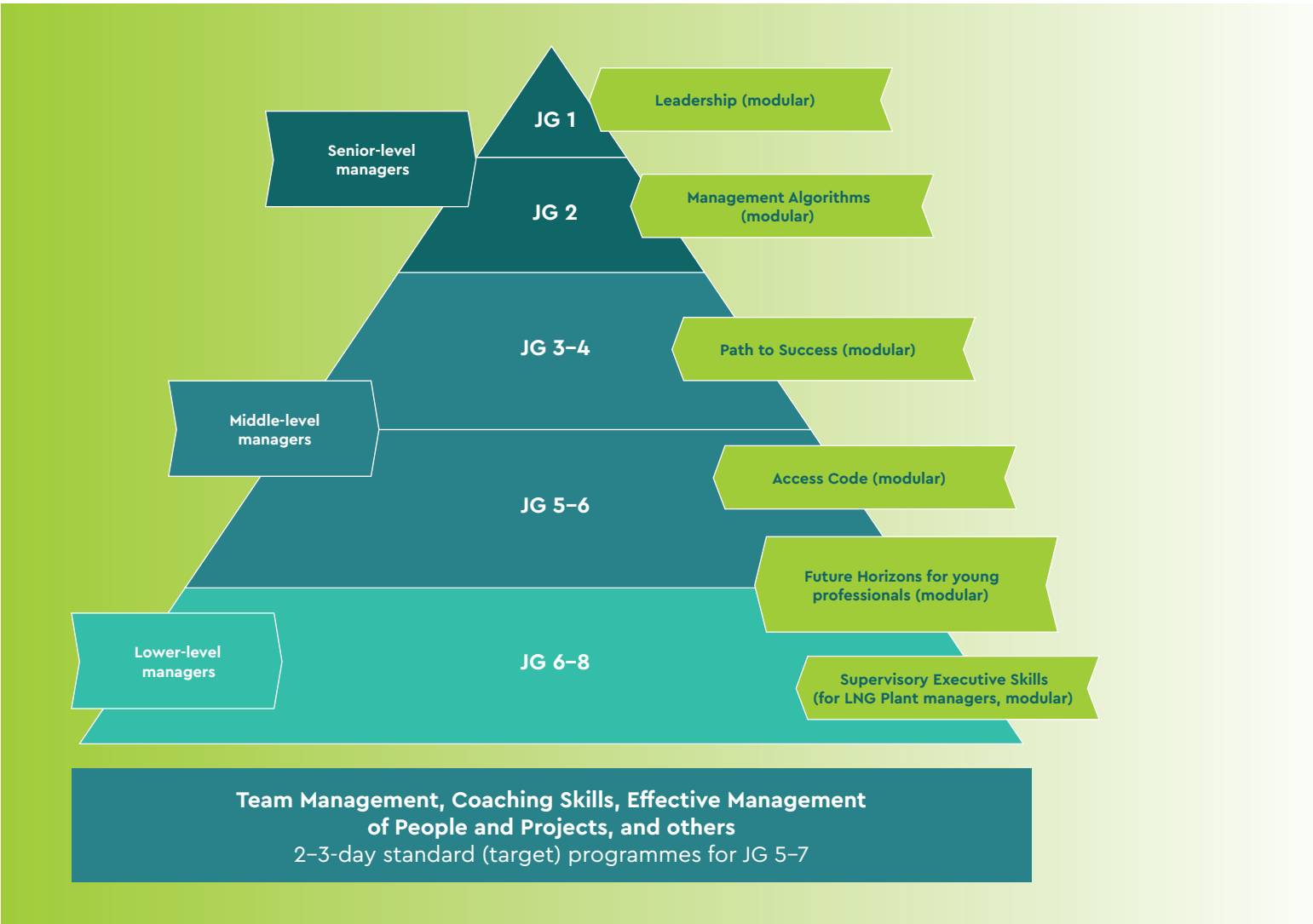
During the succession planning process for 2022–2026, potential successors (in the short- and long-

term) were identified for 835 of the 901 positions within the succession planning scope (93%). For all employees included in the successor pool, Individual Development Plans were developed, incorporating training and development activities to be taken under the company's learning and development framework (professional training, leadership and management skills development, developmental assignments, coaching, project management, etc.).

In 2021, 121 vacant positions out of the 143 included in the Successor Matrix were filled by internal candidates from among Russian personnel (85%), including 8 out of 10 positions occupied by foreign specialists.



Leadership and Management Development Programmes



9.1.7.6. Leadership and Management Development Programmes

The formation and development of employees' management and leadership skills through upgrading classroom and on-line training courses, as well as on-the-job training (coaching and mentoring) is an important component of training highly skilled leaders and managers at all levels of the company.

For managers of all Job Groups (JG), there are leadership and management development programmes, prepared on the basis of the Nine Planets Leadership Competency Model (see

the Leadership and Management Development Programmes chart).

As of the end of December 2021, 790 Russian employees of the company (251 women and 539 men) occupying various leadership positions completed training programmes in the field of leadership and management skills development, including using Skillsoft (e-learning portal).

The company also develops its leaders through the implementation of the Mentoring Programme,



which includes individual mentorship — a relationship, during which an experienced manager (Mentor) shares their knowledge, experience, and skills with an employee to facilitate the personal

9.1.7.7. Graduate Development Programme

Since 2010, the company has been implementing the Graduate Development Programme, aimed to meet Sakhalin Energy's needs for talented staff. Pursuant to the Memorandum on Cooperation in Personnel Management, signed by Gazprom PJSC and Shell, representatives of the shareholder companies have been involved in the Programme since 2016.

The company organises systematic work with graduates in accordance with the three-year development programme (see the Stages of the Graduate Development Programme chart).

9.1.7.8. Personnel Development Assignments

Having company employees complete personnel development assignments at shareholder enterprises is an integral part of Sakhalin Energy's HR strategy. Personnel development assignments are organised on the basis of relevant agreements signed between Sakhalin Energy and

and career advancement of the latter. As of the end of 2021, 72 employees of the company were engaged in individual mentorship under the Mentoring Programme.

In 2021, the company hired 17 graduates under the programme. Since 2010, 192 young specialists, including 55 residents of Sakhalin Oblast, have participated in the programme. As of the end of 2021, there were 49 programme participants, including 21 residents of Sakhalin.

Young Energy Graduates Club

The Young Energy Graduates Club has been functioning in the company since 2012. Its purpose is to facilitate graduates' quick adaptation and to develop their business and leadership skills.

shareholders. This form of cooperation allows trainees to study the practical aspects and specific features of work in corresponding units of the host company and to organise more effective interaction in the implementation of joint projects.

Stages of the Graduate Development Programme

Me and my company	Me and my profession	Me and my career
<ul style="list-style-type: none">Professional competency and leadership skills preliminary assessmentIndividual development plan preparation and approvalAssignment of a Mentor and a Coach	<ul style="list-style-type: none">Professional skills development and consolidationBuilding motivation for professional growthProfessional competency and leadership skills assessment and development	<ul style="list-style-type: none">Further professional developmentCareer prospects assessmentProfessional competency assessmentRotation to company production assets and participation in cross disciplinary projects



While participating in development assignments, employees gain extensive experience in project work and receive additional opportunities to use their knowledge and skills in various organisational environments, as well as to acquire new skills and experience in solving challenging tasks.

9.1.7.9. Developing Scientific Potential

Sakhalin Energy makes every effort to promote the development of scientific potential in its employees. The company cooperates with universities and research institutes in the development of joint technical projects. The company's specialists are involved in the work of student scientific societies, in the preparation and delivery of lectures, and in other activities.

Once every two years, the company holds a scientific and practical conference for young spe-

9.1.7.10. Internship Programme

In order to form an external skill pool for "Graduate" positions, the company has been implementing the Internship Programme since 2000.

In 2016–2021, personnel development assignments in shareholder companies were organised for 18 employees of Sakhalin Energy. In turn, 15 employees of shareholders completed their personnel development assignments at Sakhalin Energy.

cialists. The XI Sakhalin Energy Young Professionals Scientific and Practical Conference in 2021 was postponed until the epidemic situation caused by the coronavirus disease improves.

In 2021, three young professionals took part remotely in the 75th International Youth Scientific Conference "Oil and Gas — 2021" of the Gubkin Russian State University of Oil and Gas.

Working alongside highly qualified professionals, students of Russian universities and vocational schools get acquainted with advanced produc-



tion technologies and the best international and domestic business practices, as well as gain unique practical experience.

In 2021, 32 university students and 24 students of vocational schools underwent on-the-job training and pre-graduation internship at the company. 82% of the interns were residents of Sakhalin Oblast.

The company has a successful partnership with the Polytechnic College of Sakhalin State University (SSU) in the area of vocational education, annually accepting 20 to 30 third- and fourth-year students studying in fields relevant to Sakhalin Energy's operations to receive on-the-job training and pre-graduation internship at the Prigorodnoye production complex. Extending

the programme to cover secondary vocational education students allows the company to ensure the continuity of the system for training and development of technicians from among the residents of Sakhalin Oblast. After practical training, when students have ensured that they made the correct career choice, they can continue their professional development through participation in the Traineeship Programme. In the future, they can be hired by the company to fill in vacancies for technicians.

In 2021, 24 fourth-year students of the SSU Polytechnic College studying occupations relevant to the company, such as electricians, instrumentation and control technicians, and processing unit operators, underwent on-the-job training at the Prigorodnoye PC.

The Supervisor of the equipment repair and maintenance workshop at the Prigorodnoye PC has given a high appraisal of the Internship Programme for students of vocational schools: "An internship at Sakhalin Energy is a unique opportunity for vocational school students to get acquainted with an interesting and complex production facility fitted with advanced equipment and to participate in the daily routine work along with the team to make sure they have made the correct career choice. Production staff help students to consolidate their knowledge and skills in practice. Experienced colleagues look at students as their potential successors and note that vocational school students are well-trained and willing to learn production processes and contribute to team achievements".

In 2021, interaction with the SSU Polytechnic College broke new ground thanks to joint efforts with the Human Capital Development Agency (HCDA) Sakhalin Oblast State Autonomous Institution and WorldSkills Russia. Specialists of the company's Vocational Training Centre acted as experts in the Regional WorldSkills Russia Championship in Sakhalin. It was the first time when the Championship held the compe-

tition for young professionals in the Oil and Gas category. Participation in the Championship made it possible to assess the achievements and development areas of the competitors (students of the SSU Polytechnic College), as well as the educational process in general, and to develop measures to strengthen cooperation with the educational facility in terms of theoretical and practical training.



9.1.7.11. Scholarship Programme

The Scholarship Programme was launched by Sakhalin Energy in 2003.

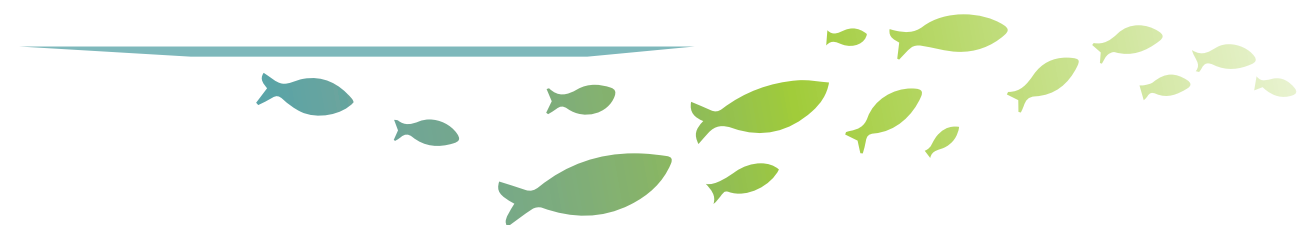
The Scholarship Programme is competitive and open to students of secondary comprehensive schools who are finishing their course of study under the complete general secondary education programme and to students of secondary vocational education institutions who are finishing their course of study for the first post-secondary degree (full-time), who reside in Sakhalin Oblast, and are interested in getting a university degree in oil and gas engineering or in related industries. The purpose of the programme is to provide financial support (scholarships) for gifted Sakhalin youth during their study

at the country's universities in disciplines that are relevant to the company, with the prospect of further employment at Sakhalin Energy.

In 2021, the competition was held in a remote format. Seven talented Sakhalin school leavers received a scholarship.

As of the end of 2021, 21 participants of the Scholarship Programme were studying at RF universities with the financial support of the company.

In 2021, five participants of the Scholarship Programme successfully passed the interview and were hired as graduates (see section 9.1.7.7 Graduate Development Programme).





9.2. PERSONNEL SAFETY AND LABOUR PROTECTION

9.2.1. GENERAL INFORMATION

Successful implementation of major projects and operation of hazardous production facilities requires special attention to health and safety. Industrial safety and preventing harm to people are Sakhalin Energy's priorities.

At present, there are ten mandatory Life Saving Rules applied by the company. The Rules are associated with high-risk activities.

Sakhalin Energy Corporate Life Saving Rules

Sakhalin Energy's Life Saving Rules

Do not appear at work under the influence of **alcohol** or **drugs**.

Do not **SMOKE** outside designated smoking areas. Do not carry or use unauthorised **ignition sources** in hazardous areas.

Do not walk under a **suspended load**.

Work with a valid **work permit** when required.

Verify equipment **isolation** before work begins.

Obtain authorisation before entering a **confined space**.

Protect yourself against falls when **working at height**.

Wear your **seatbelt**.

Follow the prescribed **journey management plan** and have a valid **defensive driving certificate**.

9. SOCIAL IMPACT MANAGEMENT

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Any violation of the Life Saving Rules will lead to serious consequences, including potential dismissal.

The company uses a consistent approach when handling HSE issues (see Section 3.5 HSE and Social Performance Management). This approach complies with both legal requirements and risk management so as to ensure continuous improvement in this area. The company also requires contractors to manage HSE issues in compliance with this approach and with international standards adopted by the company.

The company's main fields of activity in the area of safety are:

- leadership and commitment at all levels of the company;
- industrial and fire safety;
- road safety;
- preventive work with contractor organizations;
- learning from incidents in the industry and awareness-raising campaigns.

Injury Rates for the Company and Contractor Organisations in 2017–2021

Parameter	2017	2018	2019	2020	2021
Number of people injured in workplace accidents, total people	4	4	8	17	7
including fatalities	0	0	0	0	0
Number of accidents for contractor organisations at company assets, total people	4	4	5	17	6
including fatalities	0	0	0	0	0
Total registered incidents (per 1 mln man-hours)	0.26	0.23	0.46	0.77	0.32
Number of people injured in road traffic accidents (per 1 mln man-hours)	0	0	0	0	0

For all incidents, the company has held investigations involving management and HSE special-

ists from both the company and contractors, and has taken specific remedial actions.

9.2.2. LABOUR PROTECTION AND SAFETY CULTURE

Occupational health and safety is one of the company's core values. Sakhalin Energy sets high standards and ensures that all employees of the company, contractor, and subcontractor organisations comply with them.

To comply with international and Russian legislation requirements, Sakhalin Energy imple-

ments health and safety measures. The current cost of implementation in 2021 was 370.155 mln roubles. The cost structure of health and safety measures can be found in the diagram.

The company supports leadership development at all levels to ensure the creation of a Goal Zero safety culture and continuous improvement.



Cost Structure of Health and Safety Measures in 2021, %



Implementation of the Goal Zero programme has been an integral part of developing safety culture in the company. Continuous improvement of the corporate safety culture aimed at achieving Goal Zero is one of the priority tasks of Sakhalin Energy.

Goal Zero is a mindset that actively promotes no leaks, spills, harm or injury, both at work and in daily life. Employees' personal responsibility for compliance with HSE rules and intervention in unsafe situations (as one of the elements of safety culture) help the company to reach its safety targets as well as production goals.

Key objectives of Goal Zero are shown in the Goal Zero Culture model.

Sakhalin Energy promotes its HSE good practices accumulated during

the 28 years of the Sakhalin-2 project, not only within the company, but also among contracting organisations and other external stakeholders.

The commitment of the company's senior managers to safety culture is of vital importance, since it strongly influences the prevailing attitude towards HSE issues and safe behaviour patterns in the company. The HSE Leadership Site Visit Programme is one of the company's tools to achieve expected HSE leadership. In 2021, managers at all levels (directors, site controllers, subdivision heads) visited the company's and contractors' production facilities 115 times. After the introduction of strict quarantine restrictions related to the COVID-19 pandemic, some of these visits were made on-line.

Since 2021, the company has been implementing the Assistance and Control programme, aimed at increasing the involvement of mid-level managers in HSE issues by introducing structured safety control tools into daily work.

The company continues to promote the Effective Observation and Intervention Programme. The Programme aims to implement a systematic approach to the identification, assessment, and prevention of unsafe practices and conditions in the workplace, as well as to continuously improve safety culture and safe behaviour. All company and contractor employees can take a training course in Effective Observation and Intervention.

* Including organisational, technical and technological, sanitary and hygienic measures.



Goal Zero Culture Model



In 2021:

- 1,540 company and contractor employees completed the Goal Zero training course;
- 901 managers took part in the Assistance and Control programme;
- 315 newly-hired company and contractor employees took the Effective Observation and Intervention course;
- 4,686 people received training in various programmes for managers and workers as part of the preparation for the major shutdown of the integrated gas system;
- an on-line course on workplace hazard management was developed and introduced.



Exceptional HSE behaviours, production achievements and initiatives are encouraged by the Committee of Executive Directors (CED) in the framework of the programme. The I Am Goal Zero monthly bulletin with examples of good intervention practices, safe behaviour, and commitment to HSE issues is broadcast on TV screens of all organisational units.

The company has been holding Summer and Winter Safety Days for the last 14 years. All company and contractor organisation employees gather to discuss the ever-topical safety issues: how people's actions and behaviour influence the safety of others, and how to improve work safety. They also discuss following safety rules both at the workplace and outside working hours.

In 2021, Safety Days were included in the Peak comprehensive corporate project, a championship that brought together all company units. They presented initiatives in the field of im-

proving efficiency, safety and health, increasing professionalism, developing leadership, as well as social and environmental responsibility (see Section 6.3 Engagement with Personnel).

During the Safety Days in 2021, topics such as health and safety, the importance of learning from near misses, the prevention of autumn and winter hazards, the interrelation of safety culture and the company's core values were discussed. (see Section 5.1 Company's Mission, Vision, Values and Principles).

The success of activities is evaluated and feedback from the front-line to managerial level is obtained via regular confidential on-line surveys and feedback leadership visits, which ensure better understanding of employee perceptions and concerns, allow timely identification of emerging issues and better involvement of personnel in decision making related to safety improvement.



9.2.3. ROAD SAFETY

Road safety is of particular importance for Sakhalin Energy.

More than 700 vehicles with a total annual mileage over 10 million km are engaged in project activities. Sakhalin Energy's management and the Road Safety Steering Committee emphasise strict compliance with the norms of Russian transport legislation and the Company's Road Safety Standard.

To maintain and improve its road safety performance, the Company continues to implement the following actions:

- Meetings of the Road Safety Steering Committee chaired by the company's Chief Executive Officer;
- Monitoring of company and contractor driver compliance with road safety (RS) requirements. It is monitored by the In-Vehicle Monitoring System (IVMS) and the company's own RS (road safety) inspection service (RS Monitoring Team). IVMS makes it possible to monitor driver behaviour and identifies any non-compliances that may cause road traffic accidents (RTA). The monitoring system covers about 1,500 drivers. Every day, four RS Monitoring Teams inspect roads in different districts of the region;
- Defensive driving training. All professional drivers, and also non-professional drivers required to drive on company business, take defensive driving courses. Over 1,500 drivers of various categories take the training annually.
- Monitoring compliance of vehicles with the requirements of the company and Russian legislation. All company and contractor vehicles used in production activities undergo technical inspection. In 2020, taking into account the temporary recommendations of Rospotrebnadzor, an electronic vehicle condition conformity certificate with a QR-code for remote release was developed. The company continued to effectively use such certificates in 2021 and is considering their further use.
- Interaction with other organisations. Together with Gazprom Dobycha Shelf Yuzhno-Sakhalinsk (the company that develops the Kirinskoye

Field), Sakhalin Energy initiated and has been implementing measures to solve RS issues at the south access road to Lunskey Bay. The RS Monitoring team patrols the south access road together with the traffic police, when necessary.

- Active participation in various forums, where the company shares its experience in ensuring RS under the project. The company holds an Annual RS Conference for contract holders and contractors. Sakhalin Oblast Traffic Police representatives take part in the conference.
- Implementation of the Safe Journey Management Programme at the company's assets. Each of Sakhalin Energy's production facilities has appointed persons responsible for RS who monitor the daily operation of vehicles within the facility, including journey management and technical inspections of vehicles and transported cargoes.
- Cargo Attachment and Road Carriage training course. The tasks associated with the implementation of the Sakhalin-2 project include large-scale transportation of materials, oversize and heavy cargoes along Sakhalin Oblast roads. The company has developed a training course called Cargo Attachment and Road Carriage, which is mandatory for responsible persons and drivers involved in cargo transportation. The Cargo Securing Standard was developed and implemented with due regard for the best international practices. Transportation of all oversize and heavy cargoes within the project is controlled by the company's RS Department.
- Road Safety Management System automation. The company continued working on improving driver performance evaluation as part of an automatic RS data collection and analysis system.

Under the Road Safety Programme, the company has committed to promote and disseminate robust corporate safety standards outside of its and contractors' areas of responsibility, especially in those communities and locations in Sakhalin where Sakhalin Energy operates. This is implemented through cooperation with the Sakhalin Oblast Government, Yuzhno-Sakhalinsk Administration and Sakhalin Oblast Traffic Police.



9.3.

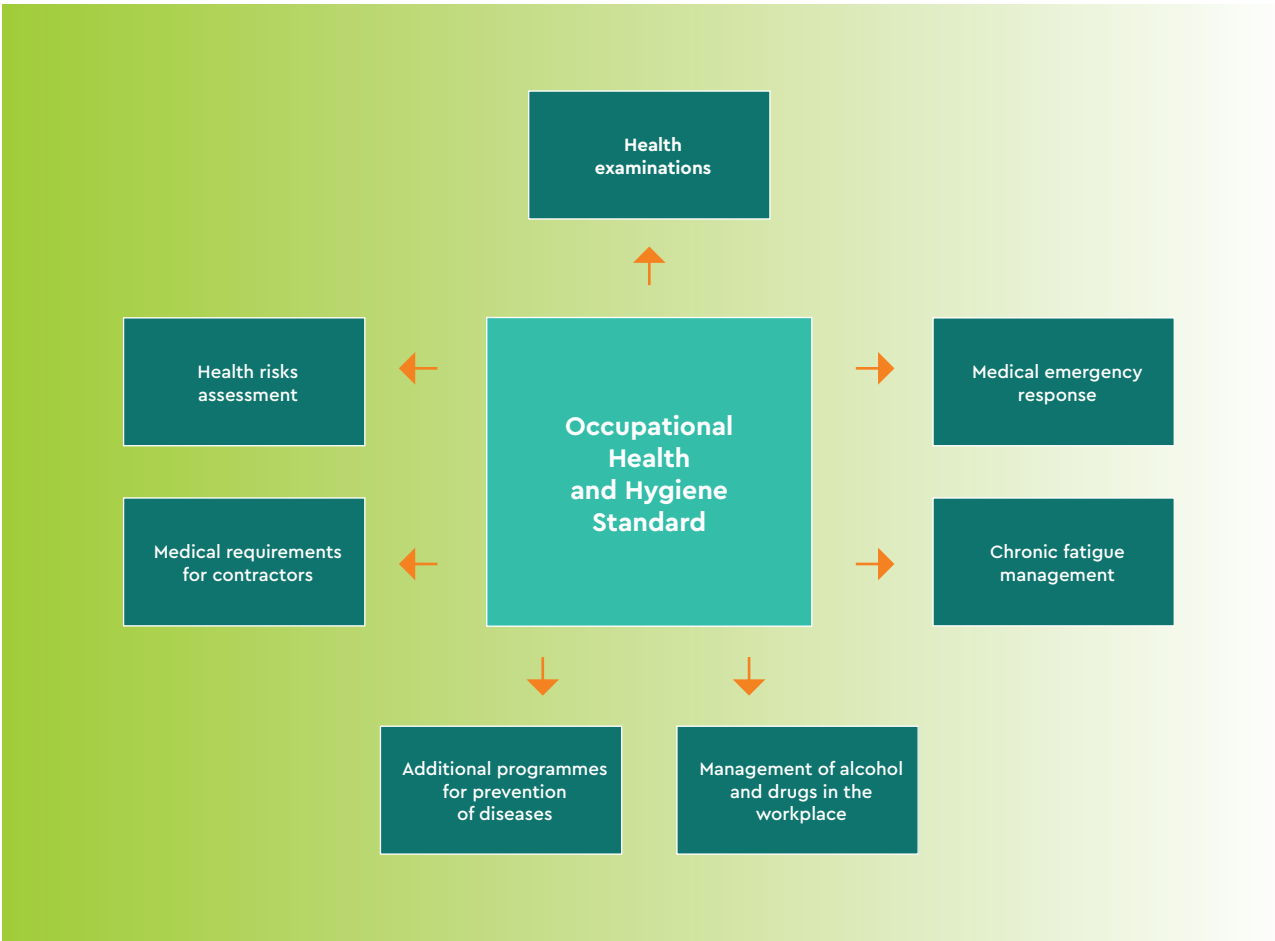
OCCUPATIONAL HEALTH

9.3.1. GENERAL INFORMATION

The company uses a systematic approach in protecting the health of its personnel. Sakhalin Energy has developed and approved a corporate occupational health and hygiene standard, which includes the following sections:

- occupational hygiene: health risk assessment and chemicals handling;
- personnel health and wellness;
- chronic fatigue management;
- management of alcohol and drugs in the workplace;
- public health.
- medical emergency response;
- medical requirements for occupational fitness;

Sakhalin Energy’s Occupational Health and Hygiene Standard



As required by the corporate occupational health and hygiene standard, in 2021 an assessment was made of the health status of company employees operating in harmful, hazardous, and arduous working conditions. Apart from that, conditions were created for all company employees to undergo a preventive medical examination (medical check-up).

In 2021, 94.1% of all company employees underwent a mandatory periodic health examination. More than 64% of office workers had medical check-ups (examinations were suspended due to quarantine restrictions imposed by the COVID-19 pandemic).

The company continues to focus on preventing employee fatigue. For this purpose, the company has issued the Fatigue Management Guidelines and has been introducing measures to assess and control the risk of employee fatigue (training materials). Company employees have access to an interactive on-line programme for managing risks associated with fatigue.

Health risks are assessed at all company assets. A system for monitoring harmful occupational factors is employed within the asset industrial monitoring programmes. The results are fed into a single database to increase the visibility of information on harmful factors and allow for efficient assessment.

An analysis of cause-and-effect relationships between indicators obtained by measuring various factors of the working environment (air, vibration, noise, microclimate, ionizing radiation, etc. in the working area) and data on the health status of personnel is carried out on a regular basis. The findings of the analysis are used to assess health risks and to develop measures to reduce them. The implementation of these measures is monitored by means of the Fountain electronic database. Data on the reportable occupational illness frequency in 2018–2021 are presented in the Table below.

Reportable Occupational Illness Frequency Indicators for 2018–2021

Total reportable occupational illness frequency (TROIF)	2018	2019	2020	2021
Company only	0	0.27	0.52	0.27
Company and contractors	0.40	0.50	0.41	0.41
With temporary disability (company only)	0	0.27	0.26	0
With temporary disability (company and contractors)	0.40	0.50	0.05	0.32

Occupational illness frequency indicators are analysed on a regular basis in order to develop and implement measures to improve working conditions, prevent illness, and promote a healthy lifestyle.

The company uses software for access control to remote facilities, which makes it possible to monitor that employees are undergoing mandatory medical examinations.

In addition to implementing mandatory health programmes, in 2021 the company continued to actively motivate employees to take care of their health and to create conditions for the prevention of diseases and the extension of professional longevity.



To this end:

- measures were taken to prevent acute respiratory viral infections and influenza, including informational campaigns and vaccination;
- the DAVID complex was used to prevent back pain. In 2021, more than 2,100 cycles of training and rehabilitation sessions were held for company employees and their families;
- step counting and competition in achieving maximum physical activity among the teams formed by company employees were initiated;
- an annual anti-smoking campaign was held, which included:
 - ▶ a staff meeting on World No Tobacco Day (31 May) to discuss tobacco addiction;
 - ▶ informing employees about the dangers of smoking, as well as offering employees who smoke free professional medical

consultations and substitution therapy courses;

- smoke free professional medical consultations and substitution therapy courses;
- high medical emergency response standards were introduced. In 2021, 336 Sakhalin Energy and contractor employees received first-aid training.

Company and contractor employees at remote assets of the Sakhalin-2 project, as well as company employees on business trips abroad are provided with high-quality medical support guaranteed by AEA International (Sakhalin). Company employees also receive medical services from other healthcare facilities included in the list of SOGAZ under the voluntary medical insurance programme (see Section 9.1.5 Social Benefits and Compensations).



In 2021, the company continued to respond to the global challenge of the coronavirus pandemic. Sakhalin Energy's general approach and measures to protect the health of company

and contractor personnel during the pandemic are set out in Section 9.3.2 Occupational Health amid COVID-19.

9.3.2. OCCUPATIONAL HEALTH AMID COVID-19

In the challenging epidemic and economic situation created by the global COVID-19 pandemic, the company quickly developed and introduced efficient response measures to ensure uninterrupted production and safeguard the health of the workforce. In 2021, same as in 2020, those measures were implemented under control by the General Coordinating Committee (GCC) and three task forces, which include epidemiology specialists of Corporate Health Section, as well as representatives of the Infrastructure Development and Operation Department, HSES Department, Human Resources Directorate, and Corporate Affairs Department.

To implement the measures, the company updated regulatory and current documents, as well as created several taskforce teams.

To prevent the spread of the infection, ensure early and effective detection of positive COVID-19 cases, and create barriers to the coronavirus spreading in the company, the following actions were implemented:

- supplying all assets, temporary accommodation facilities, and offices with a sufficient amount of personal protective equipment (medical masks, antiseptics, etc.);
- mandatory notification of the company (Corporate Health Section) about employees' and/or their household members' respiratory disease symptoms, checking for possible contact with sick people;
- reducing the number of personnel working in the offices and continue remote working;
- enhancing preventive measures, mandatory use of medical masks by food-serving counter workers in catering facilities, recom-

mending the use of masks in other crowded places;

- COVID-19 testing of all rotational shift employees arriving at the company assets;
- providing medical aid under voluntary health insurance policies;
- keeping personnel regularly informed about the statutory and corporate measures taken, about the necessity to comply with preventive measures, the personal and public hygiene rules, etc.;
- launching a project to study the herd immunity of the production facilities personnel;
- enhancing measures to control the health status of employees during the period of seasonal illnesses.

In 2021, the company approved the Main Principles of Operating Activities amid the Spread of Coronavirus based on the definition of three main modes, as well as the conditions for transition from one mode to another.

- Red mode: the level of herd immunity is 0–30%, the high-alert emergency mode is in effect.
- Yellow mode: the level of herd immunity is 30–80%, the high-alert emergency mode is in effect.
- Green mode: the level of herd immunity exceeds 80%, the high-alert emergency mode is cancelled.

Red and Yellow modes involve continuous analysis of external factors contributing to the spread of coronavirus. At the same time, the main focus is on monitoring the immune status of company employees and additional compensatory measures to control and contain the spread of coro-



navirus. Approaches to operations organisation at the company's production facilities are being gradually updated (subject to a favourable external epidemiological situation) so as to be able to switch to the Green operation mode.

In late 2021, the company was at the stage of transition from Red to the Yellow mode. Data collection and analysis was carried out to de-

termine the herd immunity level at production facilities, as well as an active vaccination campaign.

As of late 2021, 2,226 company and contractor employees (760 company employees, 1,466 contractor employees) were vaccinated; 1,767 of them work at production facilities, and 459 people work at the company's offices.

After the anti-COVID vaccines had been developed and approved for use in Russia, the company launched an active awareness campaign for employees regarding the importance of vaccination.

A web page has been created on the internal corporate website with information related to the company's actions with regard to the COVID-19 pandemic. Among other things, this page features a section with posters, memos, presentations, videos, and other vaccination-related materials.

In all the offices and assets of the company, we have posted materials about vaccination as an effective way of protection against the coronavirus, about the existing vaccines, contraindications, and many more.

To launch a project on studying herd immunity to COVID-19, the company conducted a survey among employees.

To protect the company's production facilities against COVID-19, it was decided to allow the delivery of employees to the facilities only after a 14-day observation, subject to the absence of clinical symptoms of the coronavirus infection and two negative COVID-19 tests. For this purpose, in 2020 the company organised temporary accommodation facilities (TAFs) for a 14-day observation period for company and contractor personnel before entering the company's sterile facilities. The premises of the TAFs were zoned in accordance with sanitary and epidemiological requirements (clean and dirty zones); the disinfection cycle was established; rules for catering, accommodation, waste disposal, medical supervision, and other activities were established.

During 2021, four TAFs (two in the south and two in the north of the island) were used. The company set up three additional isolation wards for sick employees or workers who may have come into contact with those infected with COVID-19. The TAFs and the isolation wards were arranged and provided with accommodation essentials according to the regulations of government authorities and corporate standards. All relevant costs were borne by the company.



9.4. HUMAN RIGHTS

9.4.1. HUMAN RIGHTS: PRINCIPLES AND MANAGEMENT SYSTEM

Sakhalin Energy's key business principles include running its business in a socially responsible manner, compliance with the laws of the Russian Federation, and also respect for fundamental human rights within the legal business framework.

This integrated approach to human rights has several interconnected components, in particular:

- Human Rights Policy commitment;
- incorporation of commitments into the company's strategy;
- human rights risks and impact assessment;
- stakeholder engagement in connection with human rights issues;
- efficient grievance mechanism;
- training of company and contractor personnel;
- human rights monitoring and reporting.

The company's human rights standards are laid out in corporate documents to ensure they are implemented on a day-to-day basis:

These include:

- Human Rights Policy;
- Code of Conduct, including General Business Principles;
- Business Management System;
- Commitment and Policy on Health, Safety, Environment, and Social Performance;
- Security Policy;
- Contracting & Procurement Policy;
- Human Resources Inquiries Procedure;
- Whistle Blowing Procedure;
- Community Grievance Procedure;
- Sustainable Development Policy.



Company Human Rights Activities



The Human Rights Policy sets forth the human rights commitments and discusses managing risks associated with potential or actual violations of human rights resulting from the company's activities (www.sakhalinenergy.ru).

Sakhalin Energy has adopted standards for observing human rights in all situations in which there is a potential for violating these rights, namely:

- employee relations;
- working in communities;
- contracting and procurement;
- asset security.

The company holds training courses and information sessions on human rights (see Section 9.4.4 Human Rights Training). Security contractors' personnel in particular are informed about the company's human rights standards.

Sakhalin Energy has become the only Russian company whose experience is included in the UN Annual Global Compact Best Practices for 2021. The company spoke about the implementation of a set of measures aimed at protecting the health of personnel and supporting local communities in the context of the COVID-19 pandemic. Among those measures were the development of a new logistics scheme for the delivery of rotational shift employees, the arrangement of temporary accommodation facilities and isolation units on Sakhalin, corporate social investment programmes to support healthcare institutions and families experiencing difficulties, and a number of other measures.

The UN Annual Global Compact International Yearbook is a recognised international publication, highlighting various approaches to the implementation of the UN Sustainable Development Goals (SDGs).



9.4.2. GRIEVANCE MECHANISMS

The company's stakeholder engagement strategy is focused on minimising impacts on human rights. It is obvious, however, that it is impossible to eliminate all adverse impacts of a project as large as Sakhalin-2. This is why the company has adopted various grievance mechanisms to effectively address grievances raised in connection with the project. The mechanisms include the following:

- Whistle Blowing Procedure to address violations of the General Business Principles, Code of Conduct, or other company procedures (related to conflicts of interest, bribery, corruption, etc.);
- Human Resources Inquiries Procedure, which concerns labour and employment issues raised by company personnel (violations of the labour laws of the Russian Federation and other regulatory legal acts of the Russian Federation containing labour laws, local regulations of the employer related to employee labour activities, as well as violations of the

terms of employment contracts concluded with employees);

- Community Grievance Procedure to address grievances from the public and contractor/subcontractor employees in connection with the Sakhalin-2 project. In addition to the Community Grievance Procedure, the company has a separate procedure for addressing grievances related to the Sakhalin Indigenous Minorities Development Plan (see Section 9.5 Social Investment and Contribution to the Sustainable Development of the Host Region).

The use of the above mechanisms helps to timely and effectively address and resolve complaints received by the company, carefully record them, and process and apply remedial actions, thereby reducing the likelihood of their recurrence. This approach contributes to the development of strong and effective long-term relationships among all parties affected by the company's activities.

9.4.3. GRIEVANCE HANDLING

In 2021, 86 grievances and requests were received from company personnel and external stakeholders via various corporate grievance mechanisms.

As part of the Whistle Blowing Procedure, 30 grievances were registered regarding the safety of company property, conflicts of interest, and unethical behaviour. Among those, 28 grievances were addressed, brought to the attention of the Business Integrity Committee, and closed on time. The remaining two grievances were under review by the Internal Audit Subdivision and the Corporate Security Department in late 2021.

As part of the Human Resources Inquiries Procedure, three grievances from company employees

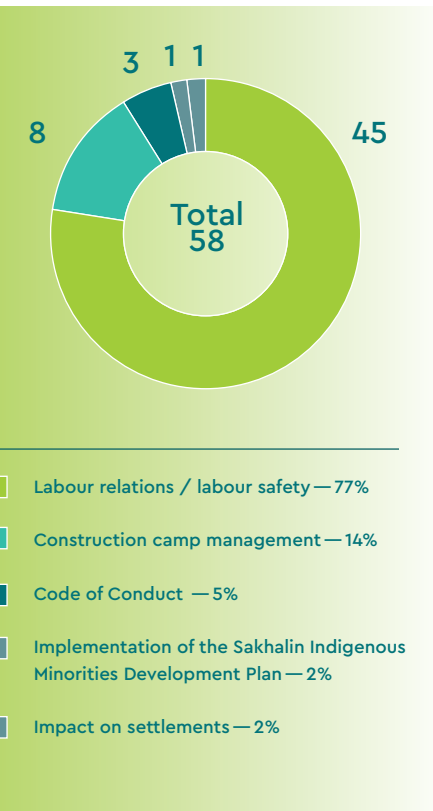
were registered. They related to the labour issues at Sakhalin Energy and the application of the employer's local regulations. All grievances were addressed within the period stipulated by the procedure.

Under the Community Grievance Procedure, 58 grievances were registered. They were related to labour relations (in contractor and subcontractor organisations), impact on settlements, construction camp management, compliance with the Code of Conduct, and the implementation of the Sakhalin Indigenous Minorities Development Plan.

Among those listed, five grievances were related to the COVID-19 pandemic. The company re-



Categories of Community
Grievances in 2021



* The grievance refers to the Sakhalin Indigenous Minorities Development Plan. Its settlement was delayed until 2022 due to the postponement of the elections of the SIMDP governing bodies responsible for decision-making on the grievance.)

ceived grievances from contractor and subcontractor employees regarding the inconveniences related to their stay at the temporary accommodation facilities (TAFs), changes in rotational work schedules, non-compliance by contractors with contractual obligations to pay remuneration to employees for the time spent under observation at the TAFs. Information on such grievances, as well as the progress of their handling, was regularly reported to the General Coordinating Committee (see Section 4.5 Business Continuity Management).

9.4.4. HUMAN RIGHTS TRAINING

A certain level of employee awareness is required to incorporate human rights standards into the daily operations of the company and its contractors. Therefore, the company conducts systematic training and awareness sessions for Sakhalin Energy personnel, contractors, and other stakeholders.

The company's requirements in the area of human rights are included in a number of educational briefings and courses mandatory for all company and contractor employees, for example:

- general induction upon employment at Sakhalin Energy;

By the end of 2021, 57 of 58 grievances from the community, contractor and subcontractor employees had been settled within the time frame established by the Grievance Procedures (less than 45 working days). In addition, four grievances received in late 2020 were settled. Two grievances remained unsettled by the end of 2021: one of them had been received in late 2021, and the other one — in 2020*.

The status of requests and grievances that remained open at the end of 2021 will be set out in the company's 2022 Sustainable Development Report.

- Code of Conduct training;
- health, safety, environmental, and social performance training.

The company conducts specialised courses for specific personnel that have a higher risk of violating human rights. The process of appropriate training selection is shown in the Appropriate Training Selection chart.

In 2021, in addition to its regular Human Rights Training Programme, Sakhalin Energy's Corporate Security Department continued to hold regular meetings with security service personnel at the assets to address potential risks of human rights violations.



Appropriate Training Selection



The Community Grievance Procedure training course is offered to employees whose scope of work includes receiving or resolving grievances from the general public (e.g. subdivision heads, reception desk employees, company representatives who directly supervise the

work of contractor organisations). In 2021, such training was organised for the managers of the Infrastructure Development and Operations Department and employees of the HR Business Operation, Learning and Development Division.

In 2021, the company held a seminar for contractors to discuss human rights in enterprise activities. This event coincided with the tenth anniversary of the adoption of the Guiding Principles on Business and Human Rights. The seminar addressed the issues of applying human rights standards in supply chains, the effectiveness of non-judicial mechanisms for grievances addressing, the importance of assessing the risks of negative impacts on human rights.

9.4.5. HUMAN RIGHTS MONITORING

Monitoring is important for ensuring human rights are observed. The observance of human rights is monitored both internally and externally. In 2021, the company conducted the following controls:

- surveying the personnel of contractors and subcontractors. Due to the COVID-19 restrictions, the survey was carried out on-line in the form of an electronic questionnaire;



- feedback meetings with internal and external stakeholders, including representatives of contractors. In the context of the COVID-19 pandemic, meetings with representatives of contractors and subcontractors were held via video-conferences;
- reviewing contracts to make sure they contain human rights provisions.

Internal monitoring is done at the subdivision level as well as by the Internal Monitoring Department. External monitoring includes regular audits by lenders, shareholders, and independent experts. In 2021, the audits were

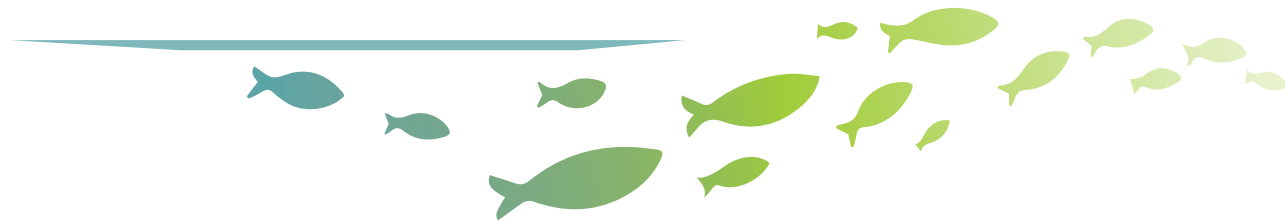
conducted on-line due to restrictions imposed by the COVID-19 pandemic.

The Business Integrity Committee, which includes the Chief Executive Officer and a number of other directors, oversees compliance with the established Grievance Procedure.

Conclusions on the application of human rights standards are included in regular internal reports for the senior management and shareholders of Sakhalin Energy, as well as in the company's annual Sustainable Development Reports.

In 2021, the company took part in the nationwide research on the implementation of the UN Guiding Principles on Business and Human Rights in the strategies and practices of Russian companies. The research was carried out by Deloitte in the CIS as part of the all-Russian project of the UN Global Compact (UNGC) National Network in Russia.

The first project of this kind in Russia, it has been implemented by the UNGC National Network together with the Office of the UN High Commissioner for Human Rights with the support of the Ministry of Foreign Affairs of the Russian Federation, the Russian Union of Industrialists and Entrepreneurs, and four companies participating in the UNGC National Network, including Sakhalin Energy.



9.5. SOCIAL INVESTMENT AND CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT OF THE HOST REGION

In 2021, Sakhalin Energy continued to implement measures to minimise the negative impact of the coronavirus pandemic. During this challenging period, the company did its best to perform social investment programmes in the host region. In particular, as part of the Prevention and Treatment project, the Korsakov Central District Hospital received two ambulances to provide timely and effective medical care.

In 2021, the Company's Social Investment Programme under Covid-19 Conditions ranked first:

- in the Best Charity Project category of the 2020 contest for PR and Corporate Media among PJSC Gazprom affiliates;
- in the category For Contribution to the Social Development and Support of Territories amid COVID-19 of the Leaders of Russian Business: Dynamics and Responsibility 2020 contest of the Russian Union of Industrialists and Entrepreneurs.

9.5.1. COMPANY'S PRINCIPLES AND APPROACHES TO SOCIAL INVESTMENT AND SUSTAINABLE DEVELOPMENT

Since its establishment in 1994, the company has paid close attention to the implementation of social programmes in the territory of Sakhalin Oblast. The significant and consistent investments in the social sphere, as well as the long-term policy focused on addressing topical social issues are in line with the principles of sustainable development that the company is committed to. The company's social activi-

ties include the involvement of Sakhalin Energy personnel in corporate social programmes, the development of charity and volunteering in the region and active engagement in resolving vital issues.

In 2021, the company's total investment in the implementation of external social programmes amounted to approximately 76 mln roubles.

The company's total investment in the implementation of external social programmes, mln RUB

Year	2018	2019	2020	2021
Social investment	72	90*	92**	76

* The increase in investment is due to additional cultural projects implemented in conjunction with the company's anniversary (in 2019, Sakhalin Energy celebrated its 25th anniversary. Traditionally, in its anniversary years, the company implements special cultural projects introduced as a gift to the host region).

** The increase in investment is due to measures executed to minimise the negative impact of the coronavirus pandemic in the host region.



In 2021, an internal assessment of social investment activities was performed to adjust the priorities in the area. For this purpose, the local context was analysed, and surveys were conducted among the company's employees and external stakeholders. As a result, five focus areas have been identified, including security, culture, environment, education and Sakhalin indigenous minorities development. The company has developed relevant strategies, including long-term goals and objectives, implementation approaches and principles, performance indicators, etc.

The company's social investment activities are regulated by certain documents that define the objects and principles of charity and social investment and describe the process of managing these issues, including planning, decision-making and financing procedures. Such documents include the Social Investment Strategy as part of the Social Performance Management Standard.

In line with the Strategy, Sakhalin Energy is implementing projects that:

- result from public discussions and meet the identified needs of those communities impacted by the company's activities,
- relate to issues affecting the company's reputation,
- may not directly relate to the company's activity, while contributing to the economic and social development of Sakhalin Island,
- contribute to the sustainable social and economic development of the region and the improvement of the environmental situation and demonstrate to stakeholders the company's commitment to sustainable development.

9.5.2. ENERGY SOCIAL INITIATIVES FUND

The Energy Social Initiatives Fund is one of Sakhalin Energy's charity programmes that demonstrate the company's integrated and consistent approach to social transformations in the host region, and its commitment to addressing topical issues of local communities. Launched in 2003, the grant programme allows the company to support the most ef-

Sakhalin Energy's social investment programmes are aligned with the company's long-term goals in its host region, Sakhalin Island. The company is focused on employing strategic long-term partnership projects with the engagement of external stakeholders, company and partner resources, and on using various tools and techniques to implement social programmes, including competitive funding distribution. Governing bodies and expert councils have been established to make decisions under key programmes. These are collegial coordinating and advisory bodies that involve company representatives, government authorities, partnership organisations, and members of non-governmental organisations in the territory where the company operates.

Over the years of developing its Social Investment Programme, Sakhalin Energy has built its own model for managing external social investments, which is based on the company's policies and the best international charity practices. Not only does the company seek to adapt and use the best international practices, but it has become an example of corporate philanthropy.

fective solutions to community problems, proposed by local non-profit organisations and institutions. Targeted efforts can make a substantial contribution to the handling of issues which are small in scale but relevant for certain target groups, and boost the confidence of active citizens and organisations in their ability to make a difference. When selecting projects,



the company has been guided by the principle of openness and transparency. The Expert Council, consisting of representatives of the company, NGOs, and government authorities, evaluates proposals and selects the winning projects.

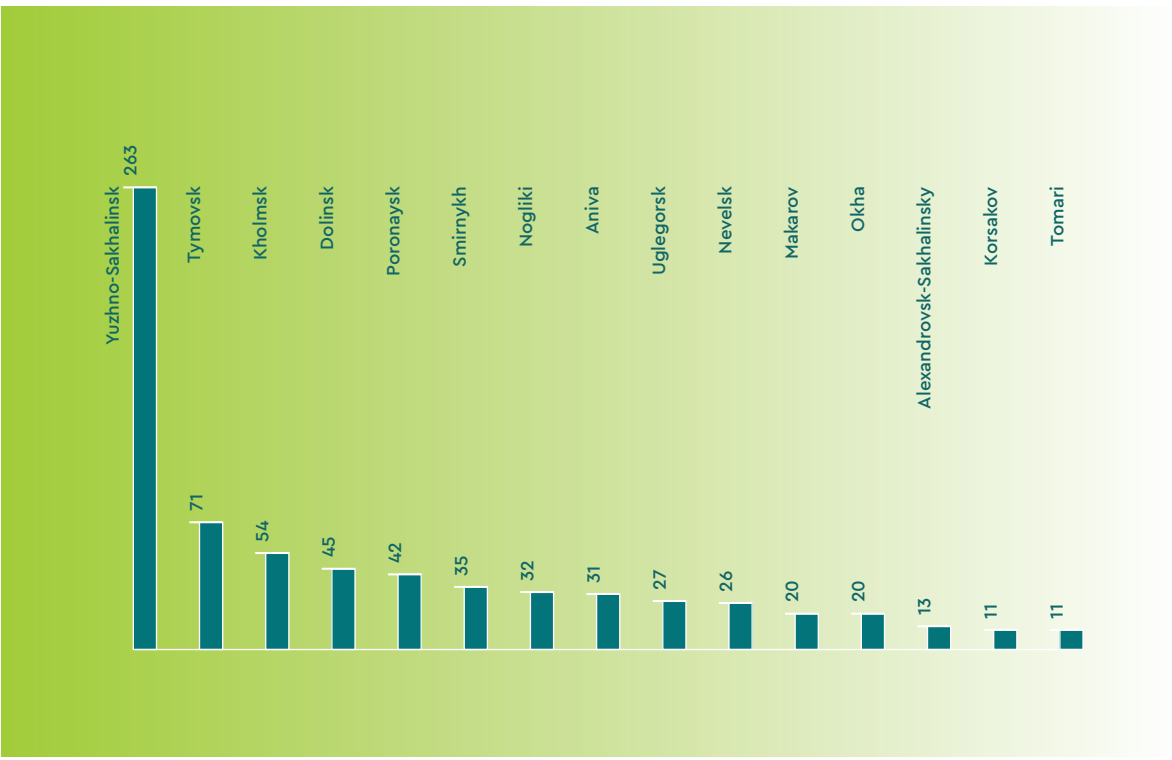
Financing is provided for projects in several focal areas, including education, culture and arts, environment, and safety. In 2021, an electronic form for project assessment was developed to make the process more convenient and allow

for experts to participate remotely. Its use has significantly facilitated the work of the experts and the programme coordinator, and has optimised the project review process.

A total of 16 projects were supported by the Energy Fund in 2021. Information on the terms and conditions for participation in the competitions, as well as the selection criteria is available on the website of the Energy Social Initiatives Fund (www.fondenergy.ru).

Since 2003, more than 340 non-profit organisations and social institutions in 66 Sakhalin settlements have received financial support as part of the Energy Social Initiatives Fund. In total, 701 projects have been implemented over the course of the programme.

Number of Projects That Received Funding in 2003–2021 (by District)





9.5.3. SAFETY IS IMPORTANT PROGRAMME

Safety is one of Sakhalin Energy's top priorities. In 2005, the company initiated the Safety Is Important Programme, and has been implementing it in partnership with the Sakhalin Oblast Chief Directorate of Emercom and the Sakhalin Oblast Ministry of Education ever since.

Projects under the programme have been implemented with the participation of public organisations and state institutions such as the Sakhalin Search and Rescue Team named after V. A. Polyakov, the Department of the State Road Safety Inspectorate of the RF Ministry of Internal Affairs for Sakhalin Oblast, the Sakhalin Branch of the All-Russian Voluntary Fire Organisation, the Rossoyuzspas Sakhalin Regional Public Organisation, the Regional Extracurricular Educational Centre, the Sakhalin Regional Branch of the School of Safety All-Russian Children and Youth Public Movement, the SSU fire and rescue team, and others.

The programme is developing in several key areas, one of which is the creation and promotion of educational cartoons about the rules of safe behaviour in various situations. The collection of educational videos totals 42 episodes, each of which is devoted to a relevant topic in the safety field. The themes of the cartoons are used for publishing comic books to be later distributed among Sakhalin children. Senya, the main character of the cartoons and a constant participant in all programme events, is the symbol of the Safety Is Important Programme.

In 2021, one of the important projects aimed at developing safe behaviour skills during the pandemic was the Virus Will Not Pass! information campaign, with the Sakhalin Oblast Ministry of Health as a special partner. The campaign consisted of several stages, including the presentation of a topic-related cartoon, a regional competition for creating handmade protective masks, posters, and videos. There were more than 400 entries from participants aged from 3 to 65. In addition, special events of the Virus

Will Not Pass, or Rules for Saving the World programme were held in the children's summer camps of the Sakhalin Oblast educational facilities, which were attended by nearly 1,000 schoolchildren. Information posters about the rules for using masks, gloves, and sanitisers were handed out to schools and kindergartens of the region.

In October, the municipal stage of the annual regional Safety Day was held. For the first time, the event was in an on-line format, with more than 500 Sakhalin Oblast sixth-formers participating. The final regional stage of the competition, held in compliance with all anti-epidemic requirements, was attended by 64 winners from 15 districts of Sakhalin Oblast. For three days, schoolchildren demonstrated their knowledge in 13 competition stages that covered various safety topics. Representatives of the Department of the State Road Safety Inspectorate of the RF Ministry of Internal Affairs for Sakhalin Oblast, the Main Directorate of Emercom of Russia for Sakhalin Oblast, regional and city search and rescue teams, companies such as Russian Railways and MTS, and others acted as experts at the sites. For the first time, representatives of the Rodnik Environmental Centre and the Sakhalin Oblast Centre for Public Health and Medical Prevention joined the event. A total of about 50 experts in various safety areas were engaged in preparing and holding the event.

Apart from the competition tests, experts prepared practical master classes for children dedicated to first aid, road safety, and others. The teams had a chance to demonstrate their creativity in the safety video competition.

A big surprise for all participants of the holiday was the presentation of a new cartoon, in which the characters of the Safety Is Important Programme, Senya the boy and Vaska the cat, talked about the importance of selective (eco) waste collection. These days, Sakhalin Oblast is paying serious attention to this topic.



Creating and distributing various educational materials, as well as holding events for target groups improves the quality of teaching Life Safety to schoolchildren and develops a culture of safe behaviour.

Information about the programme, as well as its materials are available on the website (www.senya-spasatel.ru) and on Instagram.

9.5.4. "HURRY UP FOR GOOD DEEDS" EMPLOYEE CHARITABLE INITIATIVES SUPPORT PROGRAMME

Corporate volunteerism is a component of corporate social responsibility that expands the company's charity scope, as favourable charity conditions are created, and volunteer initiatives are supported. It brings employees together and makes the internal corporate culture stronger.

The programme was launched in 2003 as a grant competition to support the charity initiatives of company personnel. Since then, some changes have been introduced.



Today, employees have several options:

- volunteer in corporate fundraising campaigns in support of social enterprises corporately voted for at the intranet website;
- participate in corporate ecological campaigns;
- initiate and implement charity campaigns with colleagues;
- provide professional assistance pro bono either of their own initiative or by taking part in company campaigns aimed at developing the potential of charity programme participants (non-profit/governmental organisations).

By having various ways to participate in the programme, both those willing to be initiators and supervisors, and those willing to join the charity campaign, can be engaged. According to assessment of the social programmes, almost 30% of employees are programme participants. Employees may also engage their families, including children.

In 2021, the company ran a series of charity initiatives. All events were held in compliance with anti-epidemic measures.

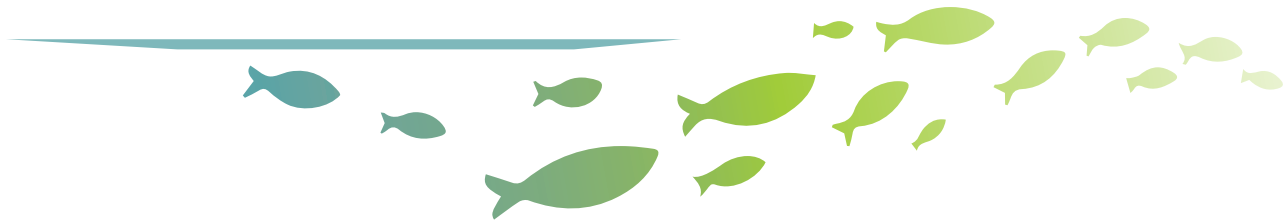
In March, the Ski for Good Deeds campaign took place, celebrating company's birthday and involving employees in a corporate ski race. The company matched the funds raised as per the Hurry up for Good Deeds rules and purchased an interactive sandbox for Raduga boarding school children in Smirnikh.

Then, two corporate eco-events took place in the summer and autumn (Green Peak and Green Peak-2) in cooperation with company partners (Gorny Vozdukh Sports Tourism Complex and the Sakhalin Botanical Garden). Employees engaged in planting trees on the slopes of the city's premier skiing mountain and preparing the Botanical Garden for the winter. According to the Botanical Garden's specialists, the charity event involving Sakhalin Energy employees was the largest in the institution's history, with over 130 people.

As part of the traditional New Year's Miracles charity event, company employees fulfilled the New Year's dreams of 94 children, including children from the Mayachok and Preodoleniye social rehabilitation centres.

In 2021, the initiative was joined by the Joy of Life Foundation, aimed at assisting people in difficult life situations. Another category of beneficiaries, over one hundred lonely elderly people, also received New Year presents. Sakhalin Energy managed to raise almost 280 thousand roubles to support them, which the company then matched.

As part of the pro bono initiatives, HSE employees gave lectures to Gorny Vozdukh volunteers on safety, and helped to conduct safety lessons for children from the Sakhalinsky Artek summer camp. The company's employees also acted as experts at various regional events, such as the All-Russian OstroVa Youth Forum, the 4th Regional 'Museums in the 21st Century' Festival, and others.



9.5.5. KORSAKOV SUSTAINABLE DEVELOPMENT
PARTNERSHIP COUNCIL

In 2003, Sakhalin Energy initiated the Sustainable Development and Social Investment Programme in the Korsakov Municipal District of the Sakhalin Oblast to render financial assistance to social projects. In February 2019, Sakhalin Energy and the administration of the municipal district signed a cooperation agreement to implement yet another phase (2019–2021) of the Programme.

The programme is managed by the Korsakov Sustainable Development Partnership Council. It consists of nine members – three representatives from each party, namely, Sakhalin Energy, the government authorities, and the community of the Korsakov Municipal District.

Since 2019, an expert Programme council has evaluated competing projects using a set of criteria. The final decision on project financing is made by the members of the Korsakov Sustainable Development Partnership Council, with due regard to the preliminary rating of the project, determined as the sum of the points assigned by the experts.

In 2021, six projects of local non-profit organisations and state-funded institutions received support. The projects will continue to be implemented in 2022.

Materials on the activities of the Council and implemented projects are available at www.korsakovsovet.ru.

9.5.6. SAKHALIN INDIGENOUS MINORITIES DEVELOPMENT PLAN

9.5.6.1. General Information

The Sakhalin Indigenous Minorities Development Plan (hereinafter referred to as SIMDP or the Plan) is a partnership programme that has been jointly implemented by Sakhalin Energy,

the Regional Council of Sakhalin IP (SIM) Authorised Representatives, and the Sakhalin Oblast Government since 2006. It has been divided into 5-year periods.

- The Sakhalin Indigenous Minorities Development Plan programme has won a competition among the best practices and stories of success in the implementation of the 2030 Agenda and achievement of the SDGs, held by the UN Department of Economic and Social Affairs. Information about the Plan has been posted on the UN website on a platform dedicated to experiences in implementing the best projects.
- The Sakhalin Indigenous Minorities Development Plan programme became one of the top three in the Leaders of Corporate Philanthropy competition (a Donors Forum project) in the category of Best Programme Promoting Sustainable Development through Grant Competitions (Best Grant Competition).



9.5.6.2. SIMDP 3

Due to the exacerbation of the epidemic situation in the region caused by the spread of the coronavirus infection COVID-19 and the introduction of anti-epidemic restrictions, the implementation of some projects under SIMDP 3 was postponed from 2020 to 2021. Among them is the publication and presentation of the books "People of the Sea. Tales of Ykh-Mif People" and "Legends of the Tymovskaya Valley"; the championship in national sports among the SIM children; a regional workshop for referees in the northern all-around, and others.

In November 2021, internal monitoring of the SIMDP 3 projects was conducted. The internal monitoring group included representatives of all SIMDP partners.

The meetings were held in nine settlements where Sakhalin indigenous minorities traditionally reside — the cities of Yuzhno-Sakhalinsk, Poronaysk, Okha, the urban-type settlements of Smirnykh and Nogliki, the villages of Chir-Unvd, Trambaus, Viakhtu, and Nekrasovka. The group monitored 64 projects, which included the analysis of reports, documents, a visit to and survey among grantees, partners, and other project participants, as well as monitoring publications in the media. In the process, it turned out that the vast majority of projects had been successfully implemented and the community considered the Plan as a whole as a programme of high social effectiveness.

In April 2021, with the support of Sakhalin Energy, the Sakhalin Regional Folk Arts and Crafts Centre presented the first graphic novel based on Nivkh legends, "Tugun. Conqueror of Two Suns". Its genre is close to comics. At the same time, "Tugun. Conqueror of Two Suns" tells a story of love and adventure, not only with the help of images, but also with vivid descriptions and lively dialogues, which makes the book original and expressive.

9.5.6.3. SIMDP 4

The preparation of SIMDP 4 began in 2020 (the last year SIMDP 3 was implemented) and included the final assessment of SIMDP 3, the first round of public consultations to collect and analyse public opinion, a survey as part of public opinion research on the implementation of SIMDP 3 and the preparation of SIMDP 4 (see the 2020 Sustainable Development Report, Section 9.5.7 Sakhalin Indigenous Minorities Development Plan). Due to the introduction of anti-epidemic restrictions in the region caused by the spread of COVID-19, further activities for the development, discussion, and adoption of SIMDP 4 were postponed.

In April 2021, to ensure that the views of SIM are taken into account in the new Plan, the second round of open public consultations was held in all areas of traditional SIM residence. The objectives of the meetings with community representatives was to collect relevant suggestions and determine priorities in the development of SIMDP 4 programmes and governing structure. 13 public meetings, attended by 205 people, were held in 12 communities. Stakeholders were informed about the results of the first round of consultations, the results of the survey and independent assessment of the previous programme, and began reviewing and discussing draft SIMDP 4.



Meetings, consultations, and the public opinion research showed that the indigenous minorities of all age groups considered it necessary for SIMDP 4 to take into account such areas of support as educational projects, national culture, languages, capacity building of indigenous minorities, and traditional economic activities. Many noted the need to support environmental projects, activities for the preservation of traditional knowledge, national sports, development of ethno-tourism and healthcare projects.

In June 2021, draft SIMDP 4 was circulated for consideration in the areas of traditional residence and economic activity of SIM. At the end of the same month, a special conference of SIM was held in Yuzhno-Sakhalinsk to discuss the draft Plan, obtain consent for its implementation, and sign a trilateral agreement. The conference was attended by SIM delegates, elected at meetings in all settlements where SIM traditionally reside, as well as representatives of the

Plan partners and invited persons — the elders, representatives of the government and public organisations.

At the conference, 52 out of 56 SIM people entitled to vote supported the approval of SIMDP 4 and the conclusion of a trilateral partnership agreement. Consent to the implementation of SIMDP 4 was accepted following the principle of free, prior and informed consent, set forth in the UN Declaration on the Rights of Indigenous Peoples.

In December 2021, a new trilateral agreement for the implementation of SIMDP 4 was signed by three partners: the Sakhalin Oblast Government, Sakhalin Energy, and the Regional Council of Sakhalin IP Authorised Representatives.

Information on the implementation of the Plan can be found on the programme website (www.simdp.ru).



9.5.7. SPECIAL PROJECTS FOR CAPACITY BUILDING IN THE
SAKHALIN OBLAST NON-PROFIT SECTOR AND DEVELOPING
VOLUNTEERING IN THE REGION

9.5.7.1. My Contribution to the Development of the Island:
Developing Volunteering in the Region

My Contribution to the Development of the Island, a project implemented as a partnership between the Company, the Sakhalin Oblast Ministry of Sports, and the Gorny Vozdukh Sports and Tourism Complex (Gorny Vozdukh STC), aims to promote the youth volunteer movement in Sakhalin Oblast.

Gorny Vozdukh is one of the most popular ski resorts in the Russian Far East and one of the main venues for all-Russian and international competitions in various sports. The facility has become a point of attraction for the region's residents and visitors alike. The project offers the opportunity to be directly involved in its development.

In September 2018, on the sidelines of the Eastern Economic Forum in Vladivostok, Sakhalin Energy and the Sakhalin Oblast Government signed a Memorandum of Intent to cooperate in the development of Gorny Vozdukh STC. This marked a continuation of the pilot phase of the My Contribution to the Development of the Island project launched in 2017. The document paves the way for cooperation in promoting and supporting the volunteer movement and improving safety culture at Gorny Vozdukh.

9.5.7.2. Social Project Manager School

In supporting grantees and partners within the framework of various social programmes, Sakhalin Energy does not limit itself to only providing grants. Organising and conducting seminars on topics relevant to non-profit organisations and institutions is another area in this scope. The Garant Centre of Social Technologies in Arkhangelsk, which engages representatives of leading Russian NPOs in conducting training and development events, is the company's partner.

Every August and September, college and high-school students join the project to form volunteer teams. Since 2021, the teams have also featured "silver (senior) volunteers".

Before the start of the winter season, all volunteers receive an initial safety orientation and training in the rules of conduct at the Gorny Vozdukh Ski Resort, while also being offered training in personal development, the English language, safe and effective event management, and other topics throughout the year.

Once the season is open, the volunteers take an active part in all major sporting events hosted by the facility, including international events (e.g., the Para Alpine Skiing World Cup and the Winter Children of Asia International Sports Games).

More than 200 volunteers received relevant instruction and training between 2017 and 2021. They participated in more than 400 sporting events, provided information support to the guests of Mountain Air, and helped to ensure safety within the ski resort.

In November 2021, with the support of Sakhalin Energy, Social Design workshops were held in Yuzhno-Sakhalinsk for representatives of the non-profit sector. Over one hundred associates united in a common goal of committing to developing the region took part in the workshops.

Separate workshops were held for the Gorny Vozdukh volunteers, during which master classes focusing on teamwork and event management skills were held.



9.5.8. CULTURAL PROJECTS

9.5.8.1. "Sakhalin Energy Laboratory"

Sakhalin Energy has been implementing the "Sakhalin Energy Laboratory" art project in collaboration with artists, art curators and cultural institutions since 2021. The project, which is a pilot for the region, provides for a set of activities contributing to the integration and development of the local art community. This is a practice of creative interaction between the Company and artists aimed at re-invisioning the role of the Operator of the Sakhalin-2 Project as a source of relevant creative initiatives for both employees of the Company and residents of the region.

Over 70 events were held in Sakhalin region from April to December 2021, in which representatives of non-profit organisations, artists, art experts and other interested parties took part. Over 3,000 people attended these events, including the Company's employees, residents and guests of the island region, external experts, including the ones of the international level. The Laboratory provides for further development and consistent activities, which lay the foundation for using modern art to explore new themes.

In July 2021, "The Fuel" theatre project took place on Sakhalin; it included four documentary solo shows of the same name and a theatrical laboratory "House on Fire", directed by Semyon Aleksandrovsky. Some 300 Sakhalin residents took part in the project, with the Company also arranging live broadcasts of the play for the employees at its remote assets.



9.5.8.2. Preservation of Indigenous Culture and Languages

Preservation of native languages and national culture of the Sakhalin indigenous minorities is one of the key topics in the company's interaction with SIM. In 2021, work with partners (indigenous peoples, experts, cultural and educational institutions, non-profit organizations, etc.) continued to preserve the intangible cultural SIM heritage. The following initiatives were implemented:

- publication of the Nivkh Dif (Nivkh Word), the only newspaper in the Nivkh language (published twice a month in full-colour print, distributed among SIM peoples and stakeholders);
- various events (presentation of an animation film on the work of Nivkh writer Vladimir Sangi, organization of workshops on making souvenirs of birchbark and wood, painting Evenk bead ornaments, paper silhouette

compositions, excursions, etc.) within the framework of the exhibition project "Fairy World of Vladimir Sangi";

- annual Regional Children and Youth Conference on SIM languages "Native speech"
- participation of the Sakhalin delegation in the section "Education, Culture and Native Languages" within the framework of the Second Forum of Indigenous Minorities of the North, Siberia and the Far East of the Russian Federation;
- participation of the Sakhalin delegation in the work of the International Exhibition & Fair "Treasures of the North. Craftsmen and Artists of Russia — 2021" (participation in festivals, contests, a stand exposition, presentation of the graphic novel "Tugun. The Conqueror of Two Suns", conducting master classes on making souvenirs, on working with birchbark, Nivkh embroidery and others). Sakhalin



Oblast received the second prize in the category of "Best Regional Exposition";

- a series of events as part of the exhibition project "The Power of Traditions" — a presentation of the book with the same name in Russian, Nivkh and English by Efrosinha Shkalygina, an elder of the ancient Nivkh tribe Koivongun

(Larch), an exhibition of SIM household goods, culture and crafts from Sakhalin museums, a cultural and educational programme for various target audiences and age groups (excursions, workshops, a quiz on Sakhalin vegetation) and much more for the residents and guests of the region.

9.5.8.3. Fourth Regional Festival "Museums in the Twenty-First Century"

In commemoration of the 125th anniversary of museum studies in Sakhalin and the Kuril Islands, a major cultural event — the Fourth Regional Festival "Museums in the XXI century" was held in the region from November 30 to December 6, 2021.

It was organized by the Association of Museums of Sakhalin Oblast, the regional Ministry of Culture and Archives and Sakhalin Energy.

The festival brought together more than 150 museum affairs specialists from regional, municipal, and school museums of Sakhalin and Kuril, as well as federal and international experts.

For the first time the programme of the event included refresher courses, including ones on the technology of exhibition production. Under the guidance of Russian experts, regional museum specialists worked on forming an inclusive environment. The participants discussed the issues of exhibition operations, became acquainted with various work formats and approaches to arranging exhibition space.

Museum staff attended a methodical session on the "Artifact" platform of the national "Culture" project (see Section 3.4.2 National Projects of the Russian Federation), aimed at strengthening the identity of society based on cultural values.

During the festival, a large number of events for residents and guests of the island region took place: a trivia game called "In Search of the Antiquities", exhibitions in museums of the regional centre ("Little Bear in the Book" in the museum and exhibition centre, "Your Novel Has been Read: How Mikhail Bulgakov became a famous writer" in the Literary and Art Museum of Anton Chekhov's Book "The Sakhalin Island", "Container. The New Collection" in the Sakhalin Regional Art Museum and "Gifts to the Museum. Vases" in the Sakhalin Regional Museum of History and Local Lore) and many others.

The book "Wise Seal", published with the support of Sakhalin Energy, won the federal competition of the Association of Directors of Communications and Corporate Media of Russia (ACMR) — "Best Corporate Media of 2021" in the category of "Effective tool for corporate culture formation and promotion of socially responsible business principles".

Two books of classic of Nivkh literature by Vladimir Sangi and an animated work based on his tale became the winners of the international competition "White World of the Arctic through the Prism of a Children's Book». All three projects — the books "Wise Seal", "Obolorgo" ("For the Children") and the cartoon "Chipmunk is looking for a friend" — have been implemented with the support of Sakhalin Energy. The competition, organised by the children's reading centre of the National Library of the Republic of Sakha (Yakutia), was attended by representatives of Russia's regions, Norway, Finland, Sweden, Denmark, the USA and other countries.

10

THE COMPANY'S PLANS FOR 2022. DEVELOPMENT STRATEGY UP TO 2026

The company's development in 2022 and subsequent years will be based on a growth strategy. In particular, Sakhalin Energy will focus on the following key areas:

- assuring good corporate governance;
- developing the mineral resource base;
- achieving high production efficiency.



VISION AND MISSION

Our people, whilst living our core values and delivering our targets, drive the company strategy to achieve our mission and vision.

VISION

To be the premier energy source for the Asia-Pacific.

MISSION

Sakhalin Energy is committed to being a premier energy supplier in the global market. We conduct our business in an ethically, socially, and environmentally responsible manner.

Sakhalin Energy will continue to strengthen its position in accordance with its mission and vision.

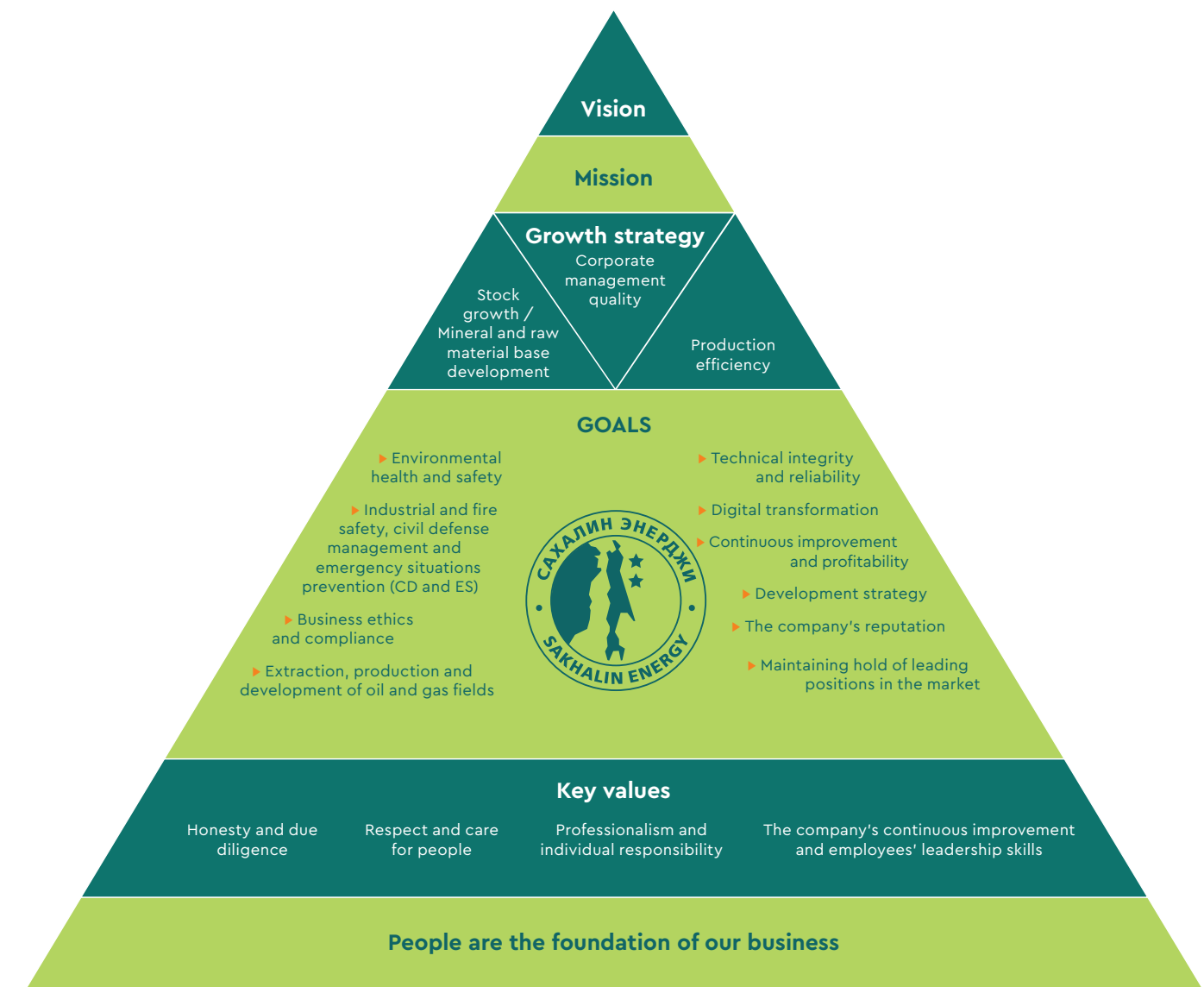
The company's development in 2022 and subsequent years will be based on a growth strategy. In particular, Sakhalin Energy is pursuing activities in the following key areas:

- assuring good corporate governance;
- developing its mineral resource base;
- achieving high production efficiency.

The company's priorities for the coming years are the same as before – health, safety and environment (HSE), as well as Goal Zero commitments.

As part of the HSE strategy, the company has adopted and included the following main objectives in the 2022–2026 plans:

- work safely, not because we are forced to, but because we want to;
- support development of leaders at all levels so that they will be able to make the right decisions, particularly in challenging circumstances, and to build safety and continuous improvement culture;
- work as one team, both within the company and jointly with customers, suppliers, contractors, and subcontractors;
- demonstrate leadership and commitment to HSE, and develop trusted relationships at all levels;
- inspire and support people to be proactive and open-minded, recognise personal examples of effective intervention and responsibility;
- sustain a culture of conscientious accountability and fairness;
- inspire and support the health, fitness, and well-being of our people for their healthy and productive life;
- ensure the HSE and process safety competence of people to support safe project implementation, contract execution, and asset operation;
- bring significant risks down to as low as reasonably practicable, following the principle of "Our assets are safe and we know it";
- focus on controls to save lives, prevent injuries, and protect the environment;
- focus on hazards associated with the operation of production facilities, worksite hazards during implementation, and transport operations;
- apply a systemic approach to HSE management to ensure compliance with Russian and international requirements, and promote industry best practices.



Particular attention will be paid to:

- preventing the spread of coronavirus disease and providing effective medical aid in the event of infection with COVID-19, stress management, creating conditions for maintaining good health, ensuring adequate sanitary and living conditions for personnel. Using the company's best practices and experience to ensure the epidemic resilience of the company;
- improving the technical knowledge and skills of employees in safe work performance, optimally involving contract holders in HSE issues when managing contracts;
- promoting internal corporate interaction to participate in the development and impact assessment of new laws and regulations, in particular, on occupational safety and greenhouse gases, supporting the harmonisation of Russian and international standards;
- ensuring safe and efficient remote work.

In 2022, key performance indicators in this area (progress towards SDGs 3, 6, 8, 12, 14, 15) include the implementation of industrial environmental control, environmental monitoring and biodiversity conservation programmes, the achievement of planned total recordable case frequency (no more than 0.6 incidents per million man-hours) and total recordable occupational illness frequency (no more than 1 case per million man-hours). While developing its Green LNG strategy, the company is committed to maintaining specific energy consumption and GHG emission indicators at the industry average level or lower in 2022 and subsequent years (progress towards SDGs 7, 13 and other related objectives).

In 2022 and subsequent years, the main production activities will be related to (for more detail, see Section 4.2 Main Production Results in 2021):

- enhancing safety and equipment reliability through proactive monitoring systems and equipment condition analysis;
- optimising hydrocarbon extraction, LNG production, and operational improvement of existing assets;
- improving fields development efficiency and mining capacity;
- developing and implementing development projects.

A separate scope of work is associated with project implementation for the establishment of the industry competencies centre, including:

- improvement of training programmes for specialists in offshore oil and gas fields development, development and implementation of the advanced training programme in Oil and Gas Production Practices to proactively train specialists;
- participation in the development of WorldSkills (WSSC) professional standards to organise competitions in occupations, specifically, offshore oil and gas fields development, and search among students for the best future employees;

- development and implementation of the corporate professional standards for each specialisation in offshore oil and gas fields development;
- ensuring the development of professional standards for specialists in offshore oil and gas fields development to be approved at the government level.

In 2022, particular attention will be paid to:

- delivering the OPF booster station project to be ready to start up in 2022;
- conducting 4D seismic monitoring in 2022 with data interpretation in subsequent years and completion of the third final stage in updating geological and hydrodynamic models.

One of the priority areas for the development of Sakhalin Energy in 2022 and subsequent years will remain the implementation of the digital strategy (digital transformation) which includes:

- implementation of digital solutions as part of a coordinated prioritising, planning and performance control process;
- digital culture development; improvement of employee knowledge and skills in digitalisation and new technologies;
- business transformation; changes in approaches to management, performance and continuous improvement of the company's operations based on digital technologies; assessment of the applied digital solutions efficiency.

To ensure the company's leading position on the hydrocarbons market, the strategy includes the following objectives:

- maintain the existing portfolio of LNG and Sakhalin Blend oil buyers, seek opportunities to further increase competition by expanding the customer portfolio;
- maintain a strong reputation as a reliable supplier of hydrocarbons in the Asia-Pacific region;



- increase the company's revenues through the sale of LNG and oil at the best prices;
- conduct marketing and provide buyers with shipments of carbon-neutral LNG to gain additional awards;
- position Sakhalin Energy as a modern global supplier committed to environmental protection;
- provide customers with safe, environmentally friendly, reliable, competitive and cost-efficient hydrocarbon export and sea transportation services;

- ensure permanent availability of an economically feasible number of transport vessels for uninterrupted production and supply of products;
- introduce improvements into business processes based on digital solutions.

Sakhalin Energy plans to further focus more on ethics issues and compliance with legal



norms and requirements in terms of business integrity. In this area, the company pursues the following strategic objectives:

- develop and improve corporate culture by introducing a business ethics and compliance programme into the business strategy and expand it for further integration into the company's business operations;
- enhance the company's business ethics and compliance culture in a way similar to the

company's safety culture, using knowledge and efficient approaches accumulated during its development;

- have members of the Committee of Executive Directors and managers focus on promoting and enhancing the organisational culture, values, and models of conduct by taking responsibility for ethics and compliance indicators.

In 2022, key performance indicators in this area (progress towards SDG 16) include completion of the ethics and compliance roadmap, update of sponsored specialised face-to-face training programmes (with a 99% training completion rate), as well as the implementation of a compliance monitoring programme for contractors.

As part of the HR management strategy implementation, in 2022 and subsequent years, Sakhalin Energy will continue to:

- recruit highly qualified specialists and talented young professionals and create opportunities for maximising their potential. Create priority opportunities for the comprehensive development of the potential of local personnel, including through cooperation with the higher and secondary vocational education institutions of Sakhalin Oblast on improving the quality of industry-specific/discipline-specific education;
- meet the company's manpower needs for key roles with a focus on the internal skill pool, as well as shareholders' resources;
- actively invest in the professional training and development of Russian personnel capable of taking technical authority and managerial roles;
- deliver an attractive and competitive employee value proposition (EVP);
- introduce digital HR technologies and ensure the efficiency of HR processes to provide for continuous improvement in the face of the new reality;
- maintain our image as an employer of choice and further develop our unique corporate culture by adapting it to the rapidly changing external environment.

In 2022 and subsequent years, key performance indicators in this area (progress towards SDGs 4 and 8) include reaching workforce targets (filling at least 95% of key positions), filling existing vacancies with internal candidates (within a succession planning scope of at least 85%), and

achieving the planned personnel engagement target (at least 80%).

Stakeholder engagement remains a critical component of Sakhalin Energy's successful operations and corporate social responsibility (CSR). The key elements of the strategy are as follows:

- apply a systematic and structured approach to open, regular, and constructive engagement with stakeholders in relation to Sakhalin-2 activities and growth projects;
- maintain the company's good reputation with its employees;
- maintain effective communication across company functions, particularly in the face of the new reality;
- use digital technologies and solutions to manage the company's reputation;
- make sure the company complies with established Russian and international standards governing corporate social responsibility and sustainable development.

In 2022, key performance indicators in this area (progress towards SDGs 8 and 16) include holding public hearings and meetings with the community (at least once a year in the location of the company's key assets), and the number of grievances resolved within the established time frame (at least 90% of the total number of resolved grievances).

In its social investment and sustainable development programmes, in 2022 and subsequent years, Sakhalin Energy will continue to give priority to partnerships with external stakeholders and to long-term strategic social programmes. The company's objectives in social investments include:

- developing new strategies aimed at supporting the development and growth of the company and increasing the effectiveness of its contribution to solving regional problems, as well as reaching the UN Sustainable



Development Goals, implementing Russian National Projects, and applying the Guiding Principles on Business and Human Rights;

- identifying and supporting new partnership initiatives and developing existing partnerships;
- maintaining a dialogue with stakeholders aimed at the creation of a sustainable social basis for the company's initiatives;
- improving social programmes efficiency, primarily by involving key stakeholders in their development, implementation and assessment. Specifically, in 2022, the company is intending to conduct an internal and external

assessment of social investment programmes and projects, the primary objective of which is to determine achievements and problems in social investment programmes implementation, their efficiency and social effect, and activities to improve the company's operations in this area.

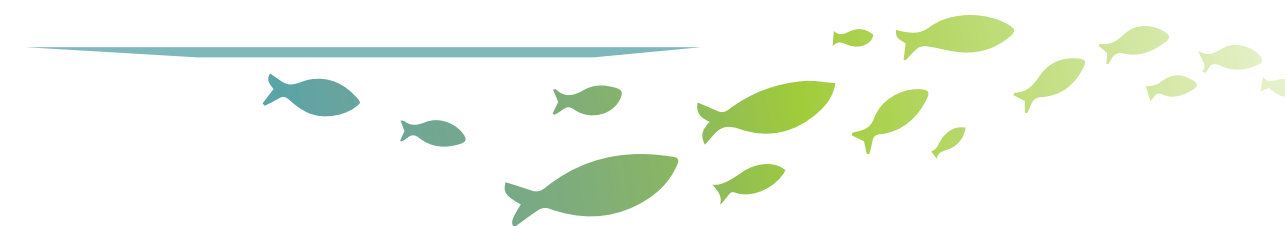
In 2022, key performance indicators in this area (progress towards SDGs 3, 4, 9, 11, 16, 17 and others) include implementation and update of comprehensive social investment strategies and engagement of employees in various charitable and volunteer activities,



initiatives, and projects (at least 30% of employees).

Sakhalin Energy will continue to conduct its business in compliance with the adopted General Business Principles, Code of Conduct, Sustainable Development Policy, and corporate social responsibility standards. Sakhalin Energy will

make every effort to further improve its work and conduct its business on the basis of efficient, reliable, and safe production and corporate governance, digital transformation, and a responsible attitude towards social and environmental issues, thereby contributing to the implementation of the UN Sustainable Development Goals and the Russian Federation National Projects.



APPENDIX

APPENDIX

Appendix 1.

GRI Standards Compliance Table

For explanation of the material topics and their boundaries, see Section 2. Defining Material and Priority Topics to Be Included in the Report.

General Standard Disclosures

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
1. Organisational Profile				
102-1	Name of the organisation	About the Company	50	
102-2	Primary brands, products, and services	About the Company	64-69	
102-3	Location of organisation's headquarters	http://www.sakhalinenergy.ru/ru/contactus.asp		
102-4	Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report.	About the Company	50 64-69	
102-5	Nature of ownership and legal form	Corporate Governance	89-90	
102-6	Markets where the organisation operates	About the Company	64-69	
102-7	Scale of the organisation	About the Company Economic Impact Management Personnel: Management and Development	64-69 134-137 194	
102-8	Total number of employees by employment type, gender, employment contract and region	General Information	194-198	8
102-9	Organisation's supply chain	Supply Chain Management	146-147	8 12
102-10	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	No significant changes in 2021		

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
102-11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Sakhalin Energy's CSR System Sustainable Development Policy Risk Management System Impact Assessment	31-32 33-34 96-97 46-47	3 6-8 11-16
102-12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	Performance Standards	33	3 6-8 11-16
102-13	Memberships of associations (such as industry associations) and national or international advocacy organisations	Performance Standards Engagement with Non-Governmental and Non-Profit Organisations International and Regional Cooperation In 2021, the company was a member of: <ul style="list-style-type: none">■ UN Global Compact■ International Business Congress (IBC);■ Russian Union of Industrialists and Entrepreneurs (RUIE);■ Donors Forum;■ Association of Managers;■ Association "Association of organisations performing engineering surveys in the gas and oil industry" Engineer-Surveyor "";■ Self-regulatory organisation "Interregional Association of Builders";■ Self-regulatory organisation "Association of organizations performing design work in the gas and oil industry" Design Engineer "";■ Society of Petroleum Engineers SPE	33 125-131	
2. Strategy				
102-14	Statement from the most senior decision-maker of the organisation	Message from the Chief Executive Officer	8-11	
102-15	Description of key impacts, risks, and opportunities	Message from the Chief Executive Officer Risk Management System HSE and Social Performance Management Economic Impact Management Environmental Impact Management Social Impact Management 2022 Plans and Development Strategy up to 2026	8-11 96-101 43-47 150-189 192-257 260-267	1-16

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
3. Ethics and Integrity				
102-16	Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Corporate Social Responsibility and Sustainable Development Corporate Governance	30-34 102-105	16
102-17	Internal and external mechanisms for advice and concerns about ethics and matters related to lack of integrity in the organisation	Corporate Governance System and Structure Corporate Culture, Business Ethics and Compliance Stakeholder Engagement Management Human Rights	88 102-105 112-113 239-242	16
4. Governance				
102-18	Governance structure of the organisation, including committees of the highest governance body	Corporate Governance Model	89-95	
102-20	Executive-level position or positions with responsibility for economic, environmental and social topics	Corporate Governance Model	89-95	
102-21	Consulting stakeholders on economic, environmental, and social topics	Impact Assessment Sakhalin Energy's CSR System Stakeholder Engagement Management	46-47 31-32 114-131	16
102-22	Composition of the highest governance body and its committees	Corporate Governance Model	89-93	5 16
102-23	Whether the Chair of the highest governance body is also an executive officer	The chairperson of the highest governance body is not an executive officer		16
102-26	Highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	Corporate Social Responsibility and Sustainable Development Corporate Governance	44 89-93	
102-30	Highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics	Risk Management System	96-97	
102-32	Highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material Aspects are covered	About the Report	15-16	

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
5. Stakeholder Engagement				
102-40	List of stakeholder groups engaged	About the Report Stakeholder Engagement Management	20-26 112-113	12 16
102-42	Basis for identification and selection of stakeholders with whom to engage	Stakeholder Engagement Management	112-113	12 16
102-43	Organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the Report preparation process	About the Report Stakeholder Engagement Management	20-26 112-113	12 16
102-44	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. Stakeholder groups that raised each of the key topics and concerns	About the Report Stakeholder Engagement Management Grievance Handling in 2021 Appendix 2	20-26 112-131 241-242 285-291	12 16
6. Reporting Practice				
102-45	Entities included in the organisation's consolidated financial statements or equivalent documents	About the Report Economic Impact Management	26 134	12 16
102-46	Process for defining the Report content and the Aspect Boundaries. Reporting Principles for Defining Report Content	About the Report	19-26	12 16
102-47	List of all the material Aspects identified in the process for defining the Report content	About the Report	22-26	12 16
103-1	Material topic and its boundary	About the Report	22-26	12 16
102-48	Restatements of information provided in previous reports, and the reasons for such restatements	No restatements of information		12 16
102-49	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	No significant changes in the scope and aspect boundaries		12 16
102-50	Reporting period (such as fiscal or calendar year) for information provided	2021		12 16

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
102-51	Date of most recent previous report (if any)	April 2021		12 16
102-52	Reporting cycle (such as annual, biennial)	About the Report Annual	14	12 16
102-53	Contact point for questions regarding the Report or its contents	Appendices 5-6	299-301	12 16
102-54	Claims of reporting in accordance with the GRI Standards	About the Report	17	12 16
102-55	GRI Content Index. Reference to the External Assurance Report	This Appendix Appendices 7-8	270-284	12 16
102-56	Organisation's policy and current practice with regard to seeking external assurance for the Report	About the Report	27	12 16

Specific Standard Disclosures

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
Category: Economic				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	About the Company Economic Impact Management Remuneration and Bonus System Grievance Handling in 2021 Social Investment and Sustainable Development: Sakhalin Energy's Principles and Approaches	50 134-147 204-205 241-242 245-246	1 16
GRI 201: Economic Performance (2016)				
201-1	Direct economic value generated and distributed	About the Company Economic Impact Management Remuneration and Bonus System	50 134-147 204-205	2 5 8 9 13
201-3	Coverage of the organisation's defined benefit plan obligations and other retirement plans	Social Benefits and Compensations	207-208	
201-4	Financial assistance received from government	The company received no financial assistance from the government in 2021		
GRI 202: Market Presence (2016)				
202-1	Ratio of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Remuneration and Bonus System	205	1 5 8
202-2	Proportion of senior management hired from the local community at significant locations of operation	General Information Recruiting Personnel and Onboarding New Employees	195-196 203	8
GRI 203: Indirect Economic Impacts (2016)				
203-1	Development and impact of infrastructure investments and services supported	Importance of the Sakhalin-2 Project for the Russian Federation and the Sakhalin Oblast Social Investments and Contributions to Sustainable Development of the Host Region Natural Gas	134 245 68-69	2 5 7 9 11
203-2	Significant indirect economic impacts, including the extent of impacts	Economic Impact Management Natural Gas	134 68-69	1 2 3 8 10 17

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
GRI 204: Procurement Practices (2016)				
204-1	Proportion of spending on local suppliers at significant locations of operation	Russian Content	137-139	8
GRI 205: Anti-Corruption (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Anti-Bribery and Corruption	106-109	16
205-2	Communication and training on anti-corruption policies and procedures	Anti-Bribery and Corruption	106-109	16
205-3	Confirmed incidents of corruption and actions taken	No cases of corruption were registered in 2021		16
Category: Environmental				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	HSE and Social Performance Management System Environmental Impact Management Grievance Handling in 2021 Environmental Protection Costs and Payments for the Negative Impact	43-45 150-189 241-242 164-165	12 13 14 15 16
GRI 302: Energy (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Energy Production and Consumption Green LNG Strategy	157-158 161-163	7 8 12 13
302-1	Energy consumption within the organisation	Energy Production and Consumption	157-158	7 8 12 13
302-3	Energy intensity	Energy Production and Consumption	157-158	7 8 12 13
GRI 303: Water and Effluents (2018)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Impact on Water Bodies Environmental Protection Costs and Payments for the Negative Impact	153-155 164-165	6

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
303-2	Management of water discharge-related impacts	General Information Impact on Water Bodies	151 153-155	6
303-3	Total water withdrawal by source	Impact on Water Bodies	153-155	6
303-4	Total water discharge by quality and destination	Impact on Water Bodies	153-155	3 6 12 14
GRI 304: Biodiversity (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Environmental Monitoring and Biodiversity Conservation Environmental Protection Costs and Payments for the Negative Impact	166-184 164-165	6 14 15
304-1	Operational sites on, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environmental Monitoring and Biodiversity Conservation	166-184	6 14 15
304-2	Significant impacts of activities, products, and services on biodiversity on protected areas and areas of high biodiversity value	Environmental Monitoring and Biodiversity Conservation There are no significant impacts of activities, products or services on biodiversity	166-184	6 14 15
304-4	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations	Environmental Monitoring and Biodiversity Conservation	166-184	6 14 15
GRI 305: Emissions (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Greenhouse Gas and Ozone-Depleting Substance Emissions Environmental Protection Costs and Payments for the Negative Impact Green LNG Strategy and Carbon Regulation	159-161 164-165 161-163	12 14 15
305-1	Direct greenhouse gas (GHG) emissions	Greenhouse Gas and Ozone-Depleting Substance Emissions	159-161	3 12 13 14 15
305-2	Energy indirect greenhouse gas (GHG) emissions	Greenhouse Gas and Ozone-Depleting Substance Emissions	159-161	3 12 13 14 15

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
305-6	Emissions of ozone-depleting substances (ODS)	Greenhouse Gas and Ozone-Depleting Substance Emissions	159-161	3 12
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	Impact on Atmospheric Air	151-153	3 12 14 15
GRI 306: Effluents and Waste (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Impact on Water Bodies Waste Management Oil Spill Prevention and Response Preparedness Environmental Protection Costs and Payments for the Negative Impact	153-155 155-157 164-165	12 14 15
306-2	Total weight of waste by type and disposal method	Waste Management	155-157	3 6 12
306-3	Total number and volume of significant spills	Oil Spill Prevention and Response Preparedness	186-189	3 6 12 14 15
GRI 307: Environmental Compliance (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	HSE and Social Performance Management System Environmental Impact Management Grievance Handling in 2021 Environmental Protection Costs and Payments for the Negative Impact	43-45 150-189 241-242 164-165	12 14 15
307-1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Environmental Protection Costs and Payments for the Negative Impact	164-165	16
GRI 308: Supplier Environmental Assessment (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Approaches to HR Management and HR Policy Grievance Handling in 2021	147 43-45 47	12
308-1	Supplier Environmental Assessment	100%		12

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
Category: Social				
GRI 401: Employment (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Approaches to HR Management and HR Policy Grievance Handling in 2021	192-194 241-242	
401-1	New employee hires and employee turnover by age group, gender, and region	General Information Recruiting Personnel and Onboarding New Employees	197 203	5 8
401-3	Return to work and retention rates after parental leave, by gender	General Information	195	5 8 10
GRI 402: Labour/Management Relations (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Engagement with Personnel Approaches to HR Management and HR Policy Grievance Handling in 2021	114-117 192-194 241-242	
402-1	Minimum notice periods regarding operational changes	In accordance with the effective Labour Code of the Russian Federation, federal laws, and other regulatory legal acts containing norms of labour law, agreements and employment contracts		8
GRI 403: Occupational Health and Safety (2018)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Personnel Safety and Labour Protection Occupational Health Grievance Handling in 2021	228-233 234-238 241-242	
403-1	Occupational health and safety management system	Personnel Safety and Labour Protection Occupational Health	228-233 234-238	3 8
403-2	Hazard identification, risk assessment, and incident investigation	Risk Management System HSE and Social Performance Management System General Information	96-98 43-45 228-229	3 8

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
403-3	Occupational health services	Occupational Health	234-238	3 8
403-5	Worker training on occupational health and safety	Personnel Training Personnel Safety and Labour Protection Occupational Health	215-216 230-233 234-236	3 8
403-6	Promotion of worker health	Occupational Health	234-238	3 8
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	HSE and Social Performance Management System Personnel Safety and Labour Protection Occupational Health	43-45 228-233 234-238	3 8
403-9	Work-related injuries	Personnel Safety and Labour Protection	229	3 8
403-10	Work-related ill health	Occupational Health	235	3 8
GRI 404: Training and Education (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Personnel Training and Development Grievance Handling in 2021	210-227 241-242	
404-1	Average hours of training per year per employee by gender, and by employee category	Personnel Training	213-227	4 5 8 10
404-2	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Personnel Training and Development	210-227	8
404-3	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Individual Performance Review	208-209	5 8 10

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
GRI 405: Diversity and Equal Opportunity (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Approaches to HR Management and HR Policy Grievance Handling in 2021	192-194 241-242	
405-1	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	General Information	194-196	5 8
405-2	Ratio of basic salary and remuneration of women to men by employee category	Basic salaries of men and women of all personnel categories do not differ		5 8 10
GRI 406: Non-Discrimination (2016)				
406-1	Total number of incidents of discrimination and corrective actions taken	No cases of discrimination on any grounds were registered in 2021		5 8 16
GRI 407: Freedom of Association and Collective Bargaining (2016)				
407-1	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	No operations in which the right to exercise freedom of association and collective bargaining may be at significant risk		8
GRI 408: Child Labour (2016)				
408-1	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	No operations risk of involving child labour		8 16
GRI 409 Forced or Compulsory Labour (2016)				
409-1	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	No operations risk of involving forced or compulsory labour		8

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
GRI 410: Security Practices (2016)				
410-1	Percentage of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations	100%		16
GRI 411: Rights of Indigenous Peoples (2016)				
411-1	Total number of incidents of violations involving rights of indigenous peoples and actions taken	No registered cases of violation of rights of Indigenous Peoples in 2021		2
GRI 412: Human Rights Assessment (2016)				
412-2	Employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Human Rights Training	242-243	
GRI 413: Local Communities (2016)				
103-1 103-2 103-3	Explanation of the material topic and its boundary Management approach Evaluation of the management approach	Corporate Social Responsibility and Sustainable Development Stakeholder Engagement Management Social Investment and Sustainable Development: Sakhalin Energy's Principles and Approaches Grievance Handling in 2021	30-31 112-122 245-246 241-242	
413-1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Impact Assessment Stakeholder Engagement Management Social Investment and Contribution to the Sustainable Development of the Host Region 100%	46-47 112-122 245-257	
413-2	Operations with significant actual and potential negative impacts on local communities	Impact Assessment In 2021, the company did not carry out operations with significant actual or potential negative impacts on local communities	46-47	1 2

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
GRI 415: Public Policy (2016)				
415-1	Total value of political contributions by country and recipient/beneficiary	As per the company`s Code of Conduct, Sakhalin Energy does not support any political parties, organisations, or their representatives financially and does not participate in political activities		16
GRI 416: Customer Health and Safety (2016)				
416-2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	No incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services in 2021		16
GRI 417: Marketing and Labelling (2016)				
417-2	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	No incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling in 2021		16

Sector Disclosures (in Addition to General and Specific Standard Disclosures)

GRI index	GRI disclosure	Report section and/or comments or references to other sources	Page in the Report	UN Sustainable Development Goals
Category: Environmental				
OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored	Environmental Monitoring and Biodiversity Conservation	166–184	6 14 15
OG5	Volume and disposal of formation or produced water	Impact on Water Bodies	153–155	3 6 8 12 14
OG6	Volume of flared and vented hydrocarbon	Impact on Atmospheric Air Greenhouse Gas and Ozone-Depleting Substance Emissions Utilisation of Associated Gas in Production	151–153 159–161 164	3 7 8 12 13 14
OG7	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal	Waste Management	155–156	3 6 12
Category: Social				
OG9	Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place	Engagement with the Sakhalin Indigenous Minorities Sakhalin Indigenous Minorities Development Plan Preservation of Indigenous Culture and Languages www.simdp.ru	120–121 251–253 256–257	1 2
OG10	Number and description of significant disputes with local communities and indigenous peoples	In 2021, there were no significant disputes with local communities and indigenous minorities		1 2
OG12	Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process	In 2021, there was no activity due to which involuntary resettlement took place Use the link specified in Appendix 4. Resettlement: Experience of Sakhalin Energy brochure		1 2 11

Appendix 2.

Comments and Suggestions of Stakeholders on Individual Aspects, Indicators and/or Programmes, and the Company's Response and Commitments

Information on the stakeholder engagement activities carried out as part of the preparation of this Report, including dialogue meetings, surveys, etc., is set out in Section 2 About the Report.

In addition to identifying material topics, stakeholders have made comments and suggestions on the company's individual aspects, indicators and/or programmes for inclusion in the 2021 Report.

In November 2021, Sakhalin Energy held the first dialogue as part of the 2021 Report preparation. At this meeting, the company provided stakeholders with advance information on its activities during the reporting period. In February 2022, a second dialogue was held to provide responses to the comments, suggestions, and questions received during the first dialogue, as well as to make additional remarks. In addition to the dialogue meetings in December 2021, the company conducted an electronic survey

among internal and external stakeholders (see Section 2.3 Defining Material and Priority Topics to Be Included in the Report).

Stakeholders' comments and suggestions, as well as Sakhalin Energy's relevant responses and commitments, are listed in the Table below.

On the left side of the Table, there are questions, comments or suggestions that were voiced during the above-mentioned events. If they were expressed at the dialogue meetings, the participant's name, position, and organisation are indicated. In other cases, the event format aimed at collecting stakeholders' opinions (electronic surveys) is specified.

The right column contains the responses that the company provided either during the meetings or soon after (in case a question required additional time for examination and/or response).

Comment, Question, Critical Remark or Suggestion	Company's Response and/or Commitment
EVENT: FIRST DIALOGUE MEETING (NOVEMBER 2021)	
Ekaterina Koroleva, Member of the Public Chamber of Sakhalin Oblast	
The SIMDP Implementation Conference (Sakhalin Indigenous Minorities Development Plan — Ed.) was held in June. When will the trilateral cooperation agreement be signed? When will SIMDP be implemented?	The trilateral agreement was signed in December 2021 (see Section 9.5.6 Sakhalin Indigenous Minorities Development Plan). In early 2022, its coordinating bodies will be formed; these bodies will determine and approve the provisions of the grant programmes. After that, competitions will be announced, and public meetings and consultations will be held to raise awareness about SIMDP and its programmes
I have been an active participant of the company reporting events for many years. I would like to give my warmest regards to the personnel who prepared the presentation and to thank them. The mechanism for obtaining prior voluntary consent of indigenous minorities is not documented anywhere in the Russian Federation. I would like this to be fixed. Let me express my gratitude to the company for its commitment to high international standards. May your preparation for the second dialogue be rewarding	The company is grateful for the comment. SIMDP 4, like the previous three Plans, is based on the principle of free, prior and informed consent. A detailed description of this mechanism can be found on the Plan's website (www.simdp.ru, SIMDP)

Comment, Question, Critical Remark or Suggestion	Company's Response and/or Commitment
Galina Samenko, Head of the Indigenous People Culture Department, Sakhalin Regional Folk Arts and Crafts Centre	
I would like to thank the company for the invitation to the meeting and for SIMDP. We have cooperated with the company and received its support since 2007. In 2020, our grant application won in the competition, and we published a book under the title "Tugun. Conqueror of Two Suns". In September 2021, the book was presented in Moscow, and an extra edition was published thanks to the support of the company. The districts of the region, including the libraries of Sakhalin Oblast, have received the book too	The company is grateful for the comment. Sakhalin Energy cooperates with the Regional Folk Arts and Crafts Centre, both within the SIMDP framework and on other projects, including those dedicated to indigenous people cultural heritage and other social programmes of the company
Evgeniy Getz, Deputy Minister of Digital and Technological Development of Sakhalin Oblast	
Sakhalin Energy plays a major role in the technological development on our island. What are the company's plans for developing a system of interaction with technology companies, including those in the newly opened IT Park, and what kind of help or assistance can we provide in this regard?	The company is grateful for the comment. Sakhalin Energy is ready for a dialogue on possible ways of interaction with technology companies in the field of IT. For more information on the digital transformation strategy, see Section 4.4.1 Digital Transformation
EVENT: SECOND DIALOGUE MEETING (FEBRUARY 2022)	
Ekaterina Koroleva, Member of the Public Chamber of Sakhalin Oblast	
Information on SIMDP may sound nice, but it is actually far from being so great. Since 14 October, there has been no response from the company to my questions regarding the implementation of SIMDP. An open letter with questions from SIM people was sent to the Chief Executive Officer, but no reply was received. We would really appreciate it if we received answers to all the questions raised during the Report preparation. We have not received a reply to the group letter. It raises specific questions, and the company should give clear answers to them. I insist on a meeting and an opportunity to discuss the situation, as it remains unsettled	The company and SIMDP partners discussed the questions from the open letter during various events: at public meetings during the SIMDP 4 preparation, the special SIMDP Conference, and meetings of the Council of SIM Authorised Representatives affiliated to the Sakhalin Oblast Government, which took place in 2021. In 2021, the company received a grievance regarding this letter, which was registered in accordance with the Community Grievance Procedure. The company responded to this grievance in 2021 in accordance with the above Procedure. The company pays extra attention to stakeholder engagement activities. Meetings to discuss these issues were held with the management of the Social Performance Subdivision and the Public Relations Department
How many visitors, other than the organisers, are present at the meeting?	The second dialogue meeting was attended by 37 representatives of external stakeholders

Comment, Question, Critical Remark or Suggestion	Company's Response and/or Commitment
Evgeniy Getz, Deputy Minister of Digital and Technological Development of Sakhalin Oblast	
Could you provide the digital strategy of the company (its public part)? We are ready to assist the development of the Sunrise project	Information on the company's digital transformation strategy is included in the Report (Section 4.4.1 Digital Transformation). Moreover, digital solutions for various company activities can be found in other sections of the Report (Section 4.2 Main Production Results, Section 8.3.11 Gray Whale Monitoring and Marine Mammal Protection). By now, the company has selected contractors for the Sunrise (Voskhod) project, has drawn up a roadmap, and interaction with the software manufacturer has already begun. In this focus area, the company's targets are effective cooperation and engagement with stakeholders. Sakhalin Energy always invites various stakeholders to dialogue, as this is beneficial not only for the company, but also for Sakhalin Oblast in general, and in particular for the company's future specialists
How many events were held at the SSU Boiling Point in 2021?	The event programme within the Boiling Point framework is formed by SSU. You can find detailed information about this programme on the university's website http://sakhgu.ru/tag/tochka-kipeniya/ A Memorandum of Understanding was signed between Sakhalin Energy and SSU in September 2021. The company is ready to take part in various Boiling Point events with interesting and useful content for students (these could be events in different formats, including lectures, business games, etc.)
Andrey Strelnikov, Minister of Ecology of Sakhalin Oblast	
Is it possible to provide information within the scope of financial reporting on the entire waste movement chain, up to its final disposal and treatment?	Information is provided as part of the Sustainable Development Reports (see Section 8.2.4 Waste Management), including that on the volume of waste sent for treatment, or stored at the company's own disposal sites, at the landfills of Sakhalin Oblast and beyond, and transferred to the regional operator
You are a category I enterprise, which implies environmental monitoring with the use of automated measuring instruments. Is it possible to grant Sakhalin Oblast authorities the right to access the monitoring system?	The monitoring system has not yet been established, therefore, the issue of granting the right of access to certain parties will be discussed accordingly
Irina Lindberg, Head of the Green Economy Development Subdivision, World Wildlife Fund	
Please elaborate on the company's plans, on the future of your corporate biodiversity conservation programme, and your energy transition plans	In 2021, the company updated the Biodiversity Action Plan, which will be published on the company's website and made available to the public at large. Information on the results of environmental monitoring and biodiversity conservation programmes can be found in Section 8.3 Environmental Monitoring and Biodiversity Conservation. As for the company's activities related to energy transition, see Section 8.2.5 Energy Production and Consumption, Section 8.2.6 Greenhouse Gas and Ozone-Depleting Substances Emissions, and Section 8.2.7 Green LNG and Carbon Regulation

Comment, Question, Critical Remark or Suggestion	Company's Response and/or Commitment
Elena Prosvirkina, Digital Transformation Adviser to the Rector of SSU	
Is the company interested in information security specialists?	The number of information security positions in the company is relatively small. The company always posts relevant vacancies, including those in this field, on its website
Natalya Novikova, Leading Researcher of the Department for the North and Siberia at the RAS Miklouho-Maclay Institute of Ethnology and Anthropology	
What role does the new ESG agenda play for the company today? How can it be used with respect to indigenous minorities? Does the company consider these programmes effective? I have the impression that there is some stagnation and lack of competition, since Sakhalin Energy is so much better than all other companies that work in Russia in this area	From the very beginning of its business activity, the company has followed the principles of sustainable development, which were included in the first revisions of the SD Policy and the Code of Conduct, in particular, the responsibility to stakeholders as regards social impact (S), environmental impact (E) and corporate governance (G) (see Section 3 Corporate Social Responsibility and Sustainable Development). Programmes and practices are being constantly improved with consideration to the development of the ESG agenda and advanced international standards and best practices (see Section 5 Corporate Governance, Section 6 Stakeholder Engagement Management, Section 8 Environmental Impact Management, and Section 9 Social Impact Management. This is gaining national and international recognition (see Section 3 Corporate Social Responsibility and Sustainable Development). The company and its partners strive to apply ESG principles to specific programmes as well, such as the Sakhalin Indigenous Minorities Development Plan (see Section 9.5.6. Sakhalin Indigenous Minorities Development Plan). This concerns both the objectives, principles and structure of the SIMDP management, as well as the focus and criteria of the projects when making decisions on providing support for them (see SIMDP 4 on the programme's website www.simdp.ru)
In view of the company's focus on environmental and social issues, are there any plans to include these issues in training personnel and in the students' curriculum at SSU?	The company has developed a series of training events (workshops, briefings, etc.) which include corporate social responsibility issues, environmental issues, etc. As additional awareness-raising measures for personnel in this field, the company holds various outreach sessions, with the engagement of experts, and distributes communication materials. As for the students, the company's environmental monitoring and biodiversity conservation specialists regularly take part in SSU's educational events
How many indigenous people are participating in the discussion today?	The company does not track the participants in the dialogues by their ethnic identity. Indigenous people stakeholders are always invited to all events held by the company. According to the list of participants, indigenous people representatives took part in the dialogues (see Appendix 3. List of Participants in the Dialogues with Stakeholders as Part of Preparation of the 2021 Sustainable Development Report)

Comment, Question, Critical Remark or Suggestion	Company's Response and/or Commitment
ELECTRONIC SURVEY	
Employing Sakhalin residents so that local people are hired	The information is provided in the Report, see Section 9.1.2 General Information, Section 9.1.3 Recruiting, Hiring and Onboarding New Employees
Creation and implementation of a programme that would help analyse the discrepancies between global practices implemented in the company and regulations (Russian legislation), and then introduction of an action plan without prejudice to the company's operations	The information is provided in the Report, see Section 7.3.2 Standards Harmonisation Project
The company's response in different focus areas and activities to the changed reality; implemented solutions	This Report focuses on the "new reality" caused by the COVID-19 pandemic, social, economic and environmental trends, and the need for advanced and innovation-driven growth for achieving strategic goals
Interaction with the Sakhalin Oblast Government and participation in federal projects for development and growth, infrastructure, production, social financing, public support, etc. (e.g. the industrial park, the experiment on greenhouse gas emissions management)	The information is provided in the Report, see Section 3.4.2 National Projects of the Russian Federation, Section 7.3.3 Sakhalin Energy Maintenance and Repair Facility in Sakhalin Industrial Park, Section 8.2.7 Green LNG Strategy and Carbon Regulation, Section 9.1.3 Recruiting, Hiring and Onboarding New Employees
Measures to reduce hydrocarbon emissions, and the effectiveness (efficiency) of these measures	The information is provided in the Report, see Section 8.2.6 Greenhouse Gas and Ozone-Depleting Substances Emissions, Section 8.2.7 Green LNG Strategy and Carbon Regulation
The future of the company, the likelihood of obtaining licenses for the development of new fields	The information is provided in the Report, see Section 4.2.2 Development Projects
Section 10 (The Company's Plans for 2022. Development Strategy up to 2026. — Ed.) reflects the company's contribution to the development of Sakhalin, not at the global level	The information is provided in the Report, see Section 4.2.3 Hydrocarbon Production and Export, Section 3.4.2 National Projects of the Russian Federation, Section 3.4.3 UN Sustainable Development Goals, Section 8.2.7 Green LNG Strategy and Carbon Regulation, etc.
Cancellation of the observation period for rotational shift personnel	The information is provided in the Report, see Section 9.3 Occupational Health
Gasification of Sakhalin	The information is provided in the Report, see Section 4.2.3.3 Natural Gas
Replacing foreign employees with Russian personnel, including those transported from other RF regions	The information is provided in the Report, see Section 9.1.7.5 Successor Pool Planning and Development
Personnel development, engagement of existing personnel in the development of new projects	The information is provided in the Report, see Section 9.1.7.3 Personnel Learning and Development
The company's organisational structure and the ability to timely respond to sustainable development challenges	The information is provided in the Report, see Section 5.3 Corporate Governance Model
The company's prospects	The information is provided in the Report, see Section 10 The Company's Plans for 2022. Development Strategy up to 2026

Comment, Question, Critical Remark or Suggestion	Company's Response and/or Commitment
The company's short-term and long-term action plan regarding its work during of the energy transition, which is currently taking place worldwide and is not limited to controlling greenhouse gas emissions, but considers both the production of hydrogen and the transition to renewable energy sources. What is the company doing to promote the use of electric vehicles, for example? On Sakhalin, electricity is increasingly gas-generated, which means that electric vehicles will use gas if the relevant infrastructure is created. As for infrastructure, it should be created by concerned companies that prioritise environmental issues and care about the environment. Sakhalin Energy is one of those companies	For information on the company's measures to improve energy efficiency, reduce and offset greenhouse gas emissions, see Section 8.2.5 Electricity Production and Consumption, Section 8.2.6 Greenhouse Gas and Ozone-Depleting Substances Emissions, and Section 8.2.7 Green LNG Strategy and Carbon Regulation. The company is considering optimisation and synchronisation of relevant activities with regional programmes
The company's strategic development plans for the new focus areas (LNG train 3; participation in hydrogen projects; participation in the development of the Triton and Neptune fields)	The information is provided in the Report, see Section 4.2.2 Development Projects, Section 10 The Company's Plans for 2022. Development Strategy up to 2026
Upgrade, repair and production expansion programme	The information is provided in the Report, see Section 4.1 Assets, Section 4.2.2 Development Projects, Section 10 The Company's Plans for 2022. Development Strategy up to 2026
Statistics on HSE incidents (Health, Safety and Environment incidents — Ed.), LSR violation cases (violation of Life-Saving Rules — Ed.)	The information is provided in the Report, see Section 9.2 Occupational Safety and Health
Social responsibility, charity	The information is provided in the Report, see Section 3 Corporate Social Responsibility and Sustainable Development, and Section 9.5 Social Investment and Contribution to the Sustainable Development of the Host Region
Development of the company's resources	See Section 4.2.2 Development Projects, Section 10 The Company's Plans for 2022. Development Strategy up to 2026
Fair market competition	See the company's Code of Conduct (www.sakhalinenergy.ru)
Getting back to the previous 28/28 rotational shift personnel schedule	The information is provided in the Report, see Section 9.3 Occupational Health
RECOMMENDATIONS OF THE RUEI COUNCIL FOR NON-FINANCIAL REPORTING FOLLOWING THE REVIEW OF THE SAKHALIN ENERGY INVESTMENT COMPANY LTD. 2020 SUSTAINABLE DEVELOPMENT REPORT FOR THE PURPOSE OF PUBLIC ENDORSEMENT	
The recommendation on the necessity to define targets for the coming year and the medium term more clearly, reflect them in the appropriate sections and present actual achievements against the tasks set in order to better correlate plans, targets and performance results, remains relevant.	The recommendation has been considered: see Section 10 The Company's Plans for 2022. Development Strategy up to 2026, Sections 4, 7, 8, and 9
It is also recommended to present the results of the company's activities in the context of the national development goals and national projects, which are significant for the stakeholders of the company	The recommendation has been considered: see Section 3.4.2 National Projects of the Russian Federation

Comment, Question, Critical Remark or Suggestion	Company's Response and/or Commitment
A considerable number of indicators reflecting the economic, social and environmental performance of the company over the previous four years are presented. In the future, it is advisable to extend this approach to all aspects of the company's activities, disclosing data for a period of no less than three years	The recommendation has been considered: see Section 7 Economic Impact Management, Section 8 Environmental Impact Management, and Section 9 Social Impact Management
It would be appropriate to support the data on the programme's performance with information about the economic effects of the company's innovative projects and initiatives, including the digitalisation strategy and energy efficiency programmes	The recommendation has been considered: see Section 4.4 Innovations and Continuous Improvement
Given the production and geographical specifics of the production, transportation and processing of hydrocarbons by the company, it is recommended to include all environmental performance indicators with a breakdown by the company's main process facilities	The recommendation has been considered: the main environmental indicators by assets can be found in Section 8.2 Industrial Environmental Control, and Section 8.3 Environmental Monitoring and Biodiversity Conservation
The Report highlights the focus of social programmes that are in demand and are realised in partnership with the local communities and government authorities, many of which are designed for long-term implementation. This information, which is exceptionally important for stakeholders, will be more complete and meaningful if the company includes, in its future sustainable development reports, an analysis of the impact of these programmes, positive changes and sustainable improvements in the living conditions in the host region that have occurred as a result of their implementation, and progress in resolving topical issues. This will show the company's contribution to the sustainable development of local communities more clearly	For the examples of individual projects results, see Section 9.5 Social Investment and Contribution to the Sustainable Development of the Host Region. An internal and external assessment of social investment programmes and projects is scheduled for 2022. The main purpose of the assessment is to identify achievements and problems in the implementation of social investment programmes, their effectiveness and social return, as well as measures to improve the company's activities in this area. The key findings will be included in the 2022 Report

Appendix 3.
List of Participants in the Dialogues
with Stakeholders as Part of Preparation
of the 2021 Sustainable Development Report

Russian Managers Association, V. Kovalev, First Deputy Executive Director.

Russian Association of Indigenous Peoples of the North, Yu. Yakel, Expert Lawyer of the Association, First Vice-President of Slow Food in Russia.

World Wildlife Fund (WWF), I. Lindberg, Head of Green Economy Department, Amur branch.

Sakhalin Regional Art Museum, I. Chirkov, Deputy Director-at-Large

Sakhalin Regional Art Museum, E. Nitkuk, Head of the Regional Art Projects Department of the Sakhalin Regional Art Museum, Chair of the Ykh Mif People (People of Sakhalin) Ethnocultural Centre (Yuzhno-Sakhalinsk SIM community-based organisation)

Sakhalin Regional Art Museum, S. Sangi, Senior Researcher of the Regional Art Project Department, member of the Regional Council of Authorised SIM Representatives.

Sakhalin Regional Folk Arts and Crafts Centre, G. Samenko, Head of the SIM Culture Department.

RAS Miklouho-Maclay Institute of Ethnology and Anthropology, N. Novikova, Lead Researcher of the Department for the North and Siberia.

Dachnoye Secondary School, A. Smolyanova, Deputy Director for Education, member of the Korsakov Partnership Council for Sustainable Development.

International Organisation for Migration, N. Hofmann, expert.

Dolinsk City District Municipality, A. Yakuba, Deputy Mayor.

Yuzhno-Sakhalinsk City District Municipality, P. Pavlenko, Director of the Economic Development Department.

Aleksandrovsk-Sakhalinsky City District Municipality, V. Antonyuk, Mayor.

Aleksandrovsk-Sakhalinsky City District Municipality, T. Nasyrova, Expert of the Economic Development Department.

Public Chamber of Sakhalin Oblast, E. Koroleva, Chamber member, Vice-President of Slow Food in Russia.

Sakhalin Oblast Government, Sakhalin Oblast Ministry of Digital and Technological Development, E. Getz, Deputy Minister.

Sakhalin Oblast Government, Sakhalin Oblast Ministry of Ecology, A. Strelnikov, Minister.

Sakhalin Oblast Government, Sakhalin Oblast Ministry of Economic Development, N. Nikitina, Head of the PSA Implementation Department.

Sakhalin Oblast Government, Sakhalin Oblast Ministry of Education, L. Chistyakova, Specialist of the Department for Implementation of the General Education State Policy.

Sakhalin Oblast Government, R. Fedulova, Head of the Sakhalin Indigenous Minorities Department.

Representative of the Sakhalin Indigenous Minorities, M. Kragina.

Representative of the Sakhalin Indigenous Minorities, O. Sadinova.

Sakhalin State University, M. Ganchenkova, Acting University Rector.

Sakhalin State University, E. Prosvirkina, Adviser to the University Rector.

Sakhalin Chamber of Commerce and Industry, G. Dzyuba, President.

Expert on SIM legislation, M. Todyshev.

Shell Russia, Kh. Vezirov, Communications Advisor.

Shell Russia, N. Sharapova, Social Performance Advisor.

In addition to the above list, 17 more people were present in the dialogues online without indicating their full name, position or organisation.

Appendix 4.
Useful Links

The company's official website	http://www.sakhalinenergy.ru/en/
Jobs and Career	http://www.sakhalinenergy.ru/en/ (section Jobs and Career)
Vesti newsletter	http://www.sakhalinenergy.ru/en/ (section Media Centre)
About the company	http://www.sakhalinenergy.ru/en/ (section About the Company)
Information for contractors	http://www.sakhalinenergy.ru/en/ (section Contracting with us)
Media Centre	http://www.sakhalinenergy.ru/en/ (section Media Centre)
Sustainable Development Principles	http://www.sakhalinenergy.ru/en/ (section Social Performance)
Whistle Blowing/Grievance Procedure	http://www.sakhalinenergy.ru/en/ (section About the Company — Our Principles)
Grievance Procedure	http://www.sakhalinenergy.ru/en/ (section Social Performance)
Company Documents and Materials Referenced in the Report	
Sakhalin Energy Investment Company Ltd. Statement on the Application of ISO 26000:2010 Guidance on Social Responsibility	http://www.sakhalinenergy.ru/en/ (section Social Performance — Sustainable Development Principles)
Code of Conduct	http://www.sakhalinenergy.ru/en/ (section About the Company — Our Principles)
Health, Safety, Environment, and Social Performance Commitments and Policy	http://www.sakhalinenergy.ru/en/ (section Safety and Environment — HSE and Social Performance Management System)
Reports on information campaigns and public consultations (annual)	http://www.sakhalinenergy.ru/en/ (section Library — Social Aspects / Stakeholder Engagement)
Environmental and social monitoring reports of the lenders' independent consultant	http://www.sakhalinenergy.ru/en/ (section Safety and Environment — Health, Safety, Environment and Social Action Plan)
Sustainable Development Reports (annual)	http://www.sakhalinenergy.ru/en/ (section Media Centre)
Health, Safety, Environment and Social Performance Action Plan; company's policies and standards in health, safety, environment and social performance, human rights (Note: set of documents)	http://www.sakhalinenergy.ru/en/ (section Safety and Environment — Health, Safety, Environment and Social Action Plan)
Biodiversity Action Plan	http://www.sakhalinenergy.ru/en/ (section Library — Environmental Documents)

Public Consultation and Disclosure Plan (updated annually)	http://www.sakhalinenergy.ru/en/ (section Social Performance — Community Awareness and Community Liaison Organisation)
Oiled Wildlife Response Plan	http://www.sakhalinenergy.ru/en/ (section Library — Environmental Documents — Oil Spill Response Documentation)
Oil Spill Prevention and Response Plans	http://www.sakhalinenergy.ru/en/ (section Library — Environmental Documents)
Contracting and Procurement Policy	http://www.sakhalinenergy.ru/en/ (section Contracting with Us)
Human Rights Policy	http://www.sakhalinenergy.ru/en/ (section About the Company — Our Principles)
Sustainable Development Policy	http://www.sakhalinenergy.ru/en/ (section About the Company — Our Principles)
Social Performance Standard	http://www.sakhalinenergy.ru/en/ (section Safety and Environment — Health, Safety, Environment and Social Action Plan)
Websites of Projects and Programmes	
Korsakov Partnership Council for Sustainable Development	http://www.korsakovsovet.ru/
Sakhalin Indigenous Minorities Development Plan	http://www.simdp.ru/eng.php
The Safety is Important Programme	http://senya-spasatel.ru/
The Energy Social Initiatives Fund	http://www.fondenergy.ru/
Printed Materials	
Archaeological Heritage of Sakhalin Island brochure	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Steller's Sea Eagle (photo album)	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
The Energy Social Initiatives Fund brochure	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
The Universal Declaration of Human Rights in the Nanai Language	http://simdp.ru/eng.php (section Multimedia — Other Materials)
The Universal Declaration of Human Rights in the Nivkh Language	http://simdp.ru/eng.php (section Multimedia — Other Materials)
The Universal Declaration of Human Rights in the Uilta Language	http://simdp.ru/eng.php (section Multimedia — Other Materials)
Nivkh Dif (Nivkh Word) newspaper	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)

To the 80th Anniversary of Vladimir Sangi, Patriarch of Nivkh Literature	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Uiltadairisu	http://simdp.ru/eng.php (section Multimedia — Other Materials)
Family Delicacies Cookery Book	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Comics	http://www.senya-spasatel.ru/ (Comics section)
Indigenous Peoples and Industrial Companies: Best Practices of Cooperation in the Russian Federation	http://simdp.ru/eng.php (section Multimedia — Other Materials)
Uilta Legends	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
The Wise Seal	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Environmental Protection at the Prigorodnoye Production Complex	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Environmental Protection at Northern Assets of Sakhalin Energy	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Resettlement: Experience of Sakhalin Energy	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Human Rights: Experience of Sakhalin Energy	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Self-Assessment of the Application of ISO 26000:2010 Guidance on Social Responsibility	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Birds of Sakhalin Island (photo album)	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Flora of Sakhalin	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Rivers of Sakhalin Island	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Russian Content: Success Stories and New Opportunities	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Collection of Materials of the Second International Symposium in the Languages of the Indigenous Minorities of the Russian Far East	http://simdp.ru/eng.php (section Multimedia — Other Materials)
Collection of Materials of the Folklore of Paleo-Asiatic Peoples III International Scientific Conference	http://simdp.ru/eng.php (section Multimedia — Other Materials)

Basics of Life Safety. Collection of Methodological Plans	http://www.senya-spasatel.ru/ (Media section)
Best Practices Book, volumes 1–3	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
EA Best Practices Book, volume 4 (Work During the COVID-19 Pandemic)	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Gray Whales. The Sakhalin Story	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Liquefied Natural Gas (Digest of Interesting Facts)	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Power of Traditions	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Sakhalin Fairy Tales	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Sakhalin Energy Trans-Sakhalin System: Environmental Protection	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
The World Through the Lens photo album	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Sakhalin-2 Encyclopaedia	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Poisonous Plants and Fungi	http://www.sakhalinenergy.ru/en/ (section Library — Published Editions — List of Publications)
Reference Materials and Other	
IUCN Western Gray Whale Advisory Panel (WGWAP)	https://www.iucn.org/western-gray-whale-advisory-panel
UN Global Compact	www.unglobalcompact.org
Mapping the Oil and Gas Industry to the Sustainable Development Goals: An Atlas	https://www.ipieca.org/resources/awareness-briefing/mapping-the-oil-and-gas-industry-to-the-sustainable-development-goals-an-atlas/
SDG Compass	https://sdgcompass.org/
SDG Industry Matrix	www.unglobalcompact.org
Global Initiative Sustainability Reporting Guidelines	http://www.globalreporting.org
Decent Work — Sustainable Business. Collection of Corporate Practices of RUIE	https://rspp.ru/activity/social/

Appendix 5.

Company's information centres list

Russian Business and Sustainable Development Goals. RUIE Corporate Practices Collection	http://media.rspp.ru/document/1/b/2/b24091d44c9660fcf3a9fdad6551b88f.pdf
Business. Environment. Human. RUIE Corporate Practices Collection	https://rspp.ru/activity/social/
Russian Business and Human Rights. RUIE Corporate Practices Collection	https://media.rspp.ru/document/1/7/d/7d00eeb3d677c5e587d24c0ce8103b2b.pdf
Social Charter of Russian Business / Responsible Business Principles. RUIE Corporate Practices Collection	http://media.rspp.ru/document/1/6/d/6d3d27cdf73435bb86b41daf5d39c772.pdf
Sustainable Development Goals	http://www.un.org/sustainabledevelopment/ru/sustainable-development-goals/
UN Sustainable Development Goals: Sakhalin Energy's Measures	http://www.sakhalinenergy.ru/ru/social/sdg/

District	Locality	Organisation	Address
Aniva	Troitskoye	Rural library, Branch No.7, Sub-division of the Municipal Institution Aniva Municipal Centralised Library System	13, Sovetskaya Str.
Dolinsk	Vzmorye	Rural library, Branch No.6, Sub-division of the Municipal Institution Dolinsk Municipal Centralised Library System	22, Pionerskaya Str.
	Sovetskoye	Rural library, Branch No.10, Sub-division of the Municipal Institution Dolinsk Municipal Centralised Library System	127a, Tsentralnaya Str.
	Dolinsk	Dolinsk Central City Library, Sub-division of the Municipal Institution Dolinsk Municipal Centralised Library System	31, Lenina Str.
	Sokol	Rural library, Branch No.5, Sub-division of the Municipal Institution Dolinsk Municipal Centralised Library System	14, Shirokay Str.
Kholmsk	Kholmsk	Central Regional Library named after Yury Nikolayev, Sub-division of the Municipal Institution of Culture Kholmsk Centralised Library System of Kholmsk Municipality	124, Sovetskaya Str.
Makarov	Vostochnoye	Rural library, Branch No.2, Sub-division of the Municipal Institution Makarov Municipal Centralised Library System	8, Privokzalnaya Str.
	Makarov	Makarov Central Library, Sub-division of the Municipal Institution Makarov Municipal Centralised Library System	9a, 50 Let Oktyabrya Str.
	Novoye	Rural library, Branch No.4, Sub-division of the Municipal Institution Makarov Municipal Centralised Library System	11a -7, Tsentralnaya Str.
Poronaysk	Poronaysk	Poronaysk Central Library, Sub-division of the Municipal Institution of Culture Poronaysk Municipal Centralised Library System	45, Gagarina Str.
	Gastello	Rural library, Branch No.4, Sub-division of the Municipal Institution of Culture Poronaysk Municipal Centralised Library System	42-2, Tsentralnaya Str.
	Vostok	Rural library, Branch No.13, Sub-division of the Municipal Institution of Culture Poronaysk Central Library System	13a, Gagarina Str.

Appendix 6. Feedback Form

District	Locality	Organisation	Address
Smirnykh	Onor	Rural library, Branch No.3, Sub-division of the Municipal Institution of Culture Smirnykh Centralised Library System	21, Sovetskaya Str.
	Pobedino	Pobedino Rural Library-Museum, Branch No.4, Sub-division of the Municipal Institution of Culture Smirnykh Centralised Library System	60, Tsentralnaya Str.
	Smirnykh	Smirnykh Central Library, Sub-division of Municipal Institution of Culture Smirnykh Centralised Library System	12, Lenina Str.
	Roschino	Rural library, Branch No.6, Sub-division of the Municipal Institution of Culture Smirnykh Centralised Library System	4, Komsomolskaya Str.
	Buyukly	Rural library, Branch No.7, Sub-division of the Municipal Institution of Culture Smirnykh Centralised Library System	44, Shkolnaya Str.
Tymovsk	Molodezhnoye	Rural library, Branch No.17, Sub-division of the Municipal Institution of Culture Tymovsk Centralised Library System	14a, Sovetskaya Str.
	Tymovskoye	Central District Library, Sub-division of the Municipal Institution of Culture Tymovsk Centralised Library System	77, Kirovskaya Str.
	Yasnoye	Rural library, Branch No.13, Sub-division of the Municipal Institution of Culture Tymovsk Centralised Library System	2, Titova Str.
	Kirovskoye	Rural library, Branch No.8, Sub-division of the Municipal Institution of Culture Tymovsk Centralised Library System	70, Tsentralnaya Str.
Nogliki	Nogliki	Nogliki District Central Library, Sub-division of the Municipal Institution of Culture Nogliki Centralised Library System	5a, Pogranichnaya Str.
Korsakov	Korsakov	Korsakov city Youth Library, Branch No.13, Sub-division of the Municipal Institution of Culture Korsakov Centralised Library System	7, Molodezhny Per.

DEAR READERS,
You have just read 2021 Sakhalin Energy Sustainable Development Report (hereinafter — Report). Your opinion on this Report is very important to us and we would really appreciate if you help us improve the quality of reporting by answering questions stated in this Form.

1. After reading Report, do you have a better idea and understanding of Sakhalin Energy activities in sustainable development?

☐ Yes

☐ Mostly Yes

☐ Equal

☐ Mostly No

☐ Unsure

☐ Please provide comments in support of your answer

3. How do you rate this Report in terms of credibility and unbiasedness of information provided?

☐ Very favourable

☐ Mostly favourable

☐ Equal

☐ Mostly unfavourable

☐ Very unfavourable

☐ Unsure

☐ Please provide comments in support of your answer

2. What is your impression on information contained in this Report?

☐ Very interesting

☐ Mostly interesting

☐ Equal

☐ Mostly uninteresting

☐ Greatly uninteresting

☐ Unsure

4. How do you rate the Report in terms of how easy it to find required information?

☐ Very easy

☐ Mostly easy

☐ Equal

☐ Mostly uneasy

☐ Very uneasy

☐ Unsure

☐ Please provide comments in support of your answer

5. What Section of the Report was most interesting and valuable to you?

6. What aspects of Sakhalin Energy activity, in your opinion, are to be improved in order to enhance its social responsibility?

7. What other information would you like to have in the next Sakhalin Energy Sustainable Development Reports?

8. Please provide general comments on the Report:

9. Are you or your organisation interested in participating in dialogues about preparation of 2022 Sustainable Development Report?

☐ Yes (please provide your contact information)

☐ No

10. What other organisations in your opinion may be invited to take part in subsequent dialogues about preparation of the Sustainable Development Report?

11. Which group of parties or persons concerned do you belong?

☐ Sakhalin Energy employee

☐ Sakhalin Energy management

☐ Shareholder

☐ Customer

☐ Contractor / Supplier

☐ Authorities

☐ Business/industry representative

☐ Public organisation

☐ Community

☐ Representative of scientific community / expert

☐ Mass media

☐ Other stakeholder group (please specify)

Please indicate your contact information below:

Name:

Job title:

Organisation:

Telephone:

Fax:

Address:

E-mail:

What type of communication is preferable?

☐ By mail

☐ By E-Mail

Please return the completed Form on the 2020 Sustainable Development Report to:

35 Dzerzhinskogo Str., Yuzhno-Sakhalinsk, Sakhalin Region, Russian Federation, 693020

You may also send this Form by e-mail: ask@sakhalinenergy.ru or leave it at the Company's Information Centre

List and addresses of information centres are given in Appendix 5 to the Report.

Fill the on-line questionnaire (http://www.sakhalinenergy.com, page: Media-Centre, "Sustainable Development Report")

THANK YOU FOR YOUR FEEDBACK

Appendix 7. Certificate of Public Endorsement



Appendix 8. Conclusion on the Results of the Review of Sakhalin Energy's 2021 Sustainable Development Report by the RUIE Non-Financial Reporting Council for the Purpose of Public Endorsement

The Non-Financial Reporting Council (the Council) of the RUIE (Russian Union of Industrialists and Entrepreneurs), established by the Bureau of the Board (Resolution dated 28 June 2007), has reviewed the 2021 Sustainable Development Report (the Report) at the request of Sakhalin Energy Investment Company Ltd. (the company).

The company requested the RUIE to arrange the process of public endorsement by the Council. The Council issues its opinion on the relevance and completeness of information disclosed in the company's Report in accordance with responsible business principles, which are set out in the Social Charter of Russian Business and are in line with the provisions of the UN Global Compact, as well as Russian and international social responsibility and sustainability standards and guidelines.

During the period from 5 to 24 March 2022, the Council's members reviewed the company's Report and prepared this Conclusion based on the Council-approved Rules for Public Endorsement of Non-Financial Reports. The Council's members possess the required competencies in the areas of corporate responsibility, sustainable development, and non-financial reporting; they abide by ethical requirements for making independent and objective assessments; and they express their personal opinions as experts, but not the opinions of their respective organisations.

The relevance and completeness of the Report were assessed based on the following criteria:

The information is deemed substantive, since it demonstrates the company's compliance with responsible business principles as set forth in the Social Charter of Russian Business (www.rspp.ru).

Complete information means that the company's Report provides integrated information on all the main aspects of the company's activities — the underlying values and strategic goals, management systems and structures, stakeholder engagement, major achievements and key results, performance indicators.

The fact that the company has applied international reporting principles is taken into account as part of the public endorsement process. However, it is outside the scope of this Conclusion to assess the extent of the compliance of the Report with international reporting principles.

Sakhalin Energy bears all responsibility for the information and declarations in the Report. The authenticity of the factual data provided in the Report is outside the scope of the public endorsement process.

This Conclusion is issued for Sakhalin Energy. The company may use this Conclusion for internal purposes, as well as for its engagements with stakeholders, provided the Conclusion is published as is, without any changes.

CONCLUSIONS

Based on the review of the Report and the public information published on the company's website and following a subsequent discussion of the results of the independent review of the Report by the RUIE Non-Financial Reporting Council, the Council confirms the following:

The 2021 Sustainable Development Report of Sakhalin Energy Investment Company Ltd. contains substantive information and covers key areas of responsible business practices in accordance with the Social Charter of Russian Business. It provides sufficiently detailed information on the company's activities in these areas.

The 2021 Report addresses the Council's recommendations upon public endorsement for the 2020 Sakhalin Energy Report. The Report includes the information on the company's plans for 2022 and the development strategy up to 2026, on the company's contribution to national projects of the Russian Federation, to cases of individual social investment projects implementation and contribution to sustainable development of the territory.

The company's 2021 Report contains substantive information regarding the following aspects of responsible business practices:

Economic Freedom and Responsibility. The Report shows information on oil and gas field development projects, LNG production in Sakhalin Oblast, and strategic objectives up to 2026. It presents the production and financial results for the reporting year, the main types of products and measures to ensure reliable supplies, and the impact of the company's business on the economy of the region and the Russian Federation. It describes the company's contribution to achieving the goals of national projects of the Russian Federation, including the objectives of the Environment, Culture, Demography and Education national projects, which is confirmed by the company's status as National Project Partner. The Report addresses the

principles and areas of digital transformation, the ongoing implementation of the Continuous Improvement Programme, and the development of the Business Continuity Management System. The document outlines the company's mission and values, the corporate social responsibility management system and the provisions of the Sustainable Development Policy. It shows the company's relevant objectives and areas to act on, as well as indicators describing the company's contribution to achieving the UN Sustainable Development Goals (SDGs 2030). The Report describes the company's international responsible business standards and corporate standards in this area. It provides information on corporate culture principles and measures that support compliance with the Code of Conduct. The document lists measures to prevent bribery and corruption. The Report discloses information on corporate governance, including the activities of the Board of Directors and the functions of relevant committees. The risk management system is covered, including impact assessment prior to any work and monitoring after work has begun.

Business Partnership. The Report describes the strategy, principles, mechanisms and tools for stakeholder engagement, and relevant governing documents. It presents information on engagement with the shareholder companies to inform shareholders on the progress of projects and activities related to sustainable development; on attracting qualified personnel and suppliers. There is a detailed description of the personnel management system and personnel policy; information is provided on the main areas of social support, training programmes and personnel motivation. Channels of engagement with employees are presented. The document describes the measures to protect the health of employees as well as information measures related to the COVID-19 pandemic. The Report includes information on the company's interaction with customers and shipowners, and suppliers of works and services, including the implementation of the Supplier Development Programme.

The results of two LNG customer satisfaction surveys are shown. According to the Report the company has extended responsible business principles to its contractors, and has included special provisions on social and environmental impact and business ethics requirements in contracts. The document offers information on the company's involvement in the implementation of capacity development projects in Sakhalin Oblast. The Report covers the participation of government officials in regular dialogues held by the company as well as interaction with them under various consultative structures. It includes information on the company's cooperation with international organisations, industry associations on matters related to the company's business, and with scientific and educational institutions. It is also stated that regular stakeholder representatives surveys are conducted under the procedures for identifying important topics of the Report.

Human Rights. The Report communicates the company's position on human rights. The company's standards in this area, as set out in corporate documents, are presented. According to the Report the full scope of human rights commitments, as well as the risk management matters in this area are described in the corporate Human Rights Policy. Information is provided on ensuring the rights of employees, representatives of the Sakhalin Oblast Indigenous Minorities, and measures to monitor compliance with human rights. The document lists the results of how the company handled the grievances and requests of various stakeholders. It provides information on the organisation of training and awareness-raising for employees on human rights and measures to ensure the observance of these rights. According to the document, in 2021 the company participated in the national study of the specifics of the UN Guiding Principles on Business and Human Rights implementation in the strategies and practices of Russian companies.

Environmental Protection. The Report presents management approaches based on international standards, commitments and policies related to environmental protection; it lists measures for preventive risk management and environmental impact assessment. It includes information on organisational and technical measures aimed at reducing the negative impact on environmental components and the climate. The document reports on the implementation of the Green LNG strategy, including the delivery of the first cargo of carbon-neutral products. Information is presented on the assessment of the potential for the use of alternative low-carbon technologies and renewable energy sources. The Report discloses information on industrial environmental control, impact on atmospheric air and water bodies, waste management, energy production and consumption, greenhouse gases and ozone-depleting substances emissions, disposal of associated petroleum gas, as well as environmental protection costs. Gross and specific environmental indicators are presented. The document reports on energy saving and efficiency improvement efforts under the Continuous Improvement and Operational Excellence Programme. Measures to preserve biodiversity, including endangered species, are highlighted. The Report covers the expansion of measures aimed at preventing accidental oil spills. Environmental issues and the company's environmental protection activities are included in in-person event programmes, which are conducted under the stakeholder engagement strategy.

Local Community Development. The Report contains information on the company's contribution to the sustainable development of the host region, social investment principles and approaches. The Report covers the implementation of the Sakhalin Industrial Park project and joint partnership programmes to develop the region's talent pool. The document offers information on measures to promote import substitution, on the expansion of purchasing services from local companies, and on the expansion of strategic partnerships with major Russian

industrial companies operating in the region. It is stated that the goals of the social programmes are in line with the company's strategic goals. The document reports on the internal assessment of the company's social investment activities to adjust the priorities in this area, taking into account the position of the stakeholders. The Report offers the management model for external social programmes. It covers the activities of the Energy Social Initiatives Fund and the Korsakov Sustainable Development Partnership Council. The document contains information on the progress of major programmes based on employees' charitable initiatives, including the Safety is Important and the Hurry Up for Good Deeds programmes. It presents the results of the implementation of the Sakhalin Indigenous Minorities Development Plan, special projects to develop the capacity of the non-profit sector, and the company's cultural projects in the host region, including projects to support the culture of indigenous minorities. The document reports on the practice of holding regular meetings with local residents, including public discussions of Sakhalin-2 project development plans, and community outreach through information centres. Information on the results of a number of social programmes is included, as well as data on the scale of social investments.

Final Provisions

Overall, the Report comprehensively characterises the company's business practices, which are based on the principles of corporate social responsibility and sustainable development. It provides adequate details about the company's impact on society and the environment, the management of said impact, and about the strategy, policies and results of economic, social and environmental activities. The company's goals and objectives are presented in relation to the SDGs 2030 and national projects of the Russian Federation. The key areas and forms of stakeholder engagement are highlighted under the sustainable development agenda.

The Report was prepared with due regard for the recommendations used in the domestic and international reporting practice (GRI Standards, including sector standards), which allows for comparability of information with that provided by other representatives of the industry. When preparing the Report, the company also took into consideration the UN Global Compact, the UNCTAD Guidance on Core Indicators for Entity Reporting on Contribution Towards Implementation of the UN SDGs for 2030, and other documents. It is noted that the material subjects to be included in the Report were decided with due consideration of the opinions of the stakeholders.

The 2021 Report is Sakhalin Energy's thirteenth public non-financial report, which confirms the continuity of the non-financial reporting process and the company's adherence to transparency and openness.

RECOMMENDATIONS

Recognising the merits of Sakhalin Energy's 2021 Sustainable Development Report, the Council would like to bring to the company's attention a number of aspects related to the informational relevance and completeness of disclosure that are essential for the stakeholders. We advise the company to consider these recommendations in subsequent reporting cycles.

The Council would like to point out that the recommendations made following the analysis of the company's previous report for 2020 are still relevant and can be used in future reporting.

The recommendation on the necessity to more clearly define targets for the coming year and the medium term, to address them in the appropriate sections and present actual achievements against the tasks set in order to better correlate plans, the company's targets and performance results, remains relevant. It would also be useful to focus on (highlight) and comment on the main results of the reporting period in the sections on the company's key activities.

The Report provides information on the forms and mechanisms of stakeholder engagement. It is recommended to support this information in the next report with the results of stakeholder engagement on environmental protection, climate and energy efficiency, including the company's contribution to the experiment of the greenhouse gas emission management system in Sakhalin Oblast.

It would be appropriate to further expand information on the opinions of external stakeholder groups representatives on the company's social, economic and environmental impact.

The Report presents the UN Sustainable Development Goals, and the company's activities and indicators correlating with them. To better understand the company's contribution to achieving the SDGs 2030, given its advanced experience, it is recommended to evaluate these indicators in quantitative or qualitative terms in relation not only to the goals, but also to the UN SDG targets, and include this information in reports.

It would be advisable for future reports to support the description of the corporate governance system with corporate governance bodies' decisions on sustainable development made in the reporting year.

It is also important to pay attention to the context in which the reporting information will be perceived by stakeholders if, during the reporting period, events occurred outside the reporting period that produced a significant impact on the escalation of risks that the company, region or country may face in the near future. Responding to stakeholders' expectations, it would be useful to highlight those priorities that remain essential for the company in any situation (e.g. industrial safety, environmental safety, occupational safety, social support for employees, etc.).

It is also recommended that the next Report should focus on the risks that stakeholders may face in the coming reporting period and which the company can mitigate through its actions.

The RUIE Non-Financial Reporting Council expresses a positive opinion on the Report and, supporting the company in its adherence to responsible business principles and noting the consistency of the reporting process development, confirms that the 2021 Sustainable Development Report of Sakhalin Energy Investment Company Ltd. has received public endorsement.

Non-Financial Reporting Council



Appendix 9.
Abbreviations and Definitions

ALARP	As Low As Reasonably Practicable
ANPO	Autonomous Non-Profit Organisation
APC System	Advanced Process Control System
APR	Asia-Pacific Region
BAP	Biodiversity Action Plan
BCMS	Business Continuity Management System
BoD	Board of Directors
BS 2	Booster Station 2
BEWG	Biodiversity Expert Working Group
CED	Committee of Executive Directors
CI	Continuous Improvement
CREO	Centre of Rescue and Environmental Operations
CSR	Corporate Social Responsibility
DP	Delivery Point
ES	Emergency Situation
ESHIA	Environmental, Social and Health Impact Assessment
FES	Fuel and Energy Sector
FOB	Free on board
Gazfond NSPF	Gazfond Non-State Pension Fund
Gazprom TSCC	Gazprom Training Simulator Computer Centre

GCC	General Coordinating Committee
GG	Greenhouse Gases
Gorny Vozdukh STC	Gorny Vozdukh Sports and Tourism Complex
GRI	Global Reporting Initiative
HPF	Hazardous Production Facility
HSE	Health, Safety, and Environment
HSES	Health, Safety, Environment and Security
HSES-SP	Health, Safety, Environment, Security and Social Performance
IBC	International Business Congress
IC	Information Centre
IEC&LMS	Industrial Environmental Control and Local Monitoring System
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
ILO	International Labour Organisation
IMO	International Maritime Organisation
ISMS	Industrial Safety Management System
ISO	International Organisation for Standardisation
IUCN	International Union for the Conservation of Nature
IVMS	In-Vehicle Monitoring System
KChS	Committee for Emergency Situations
KPCSD	Korsakov Partnership Council for Sustainable Development
LNG	Liquefied Natural Gas
LUN-A	Lunskoye-A Platform
MBIC	Municipal Budgetary Institution of Culture

MChS	Ministry of Emergency Situations
Media	Mass Media
MMPP	Marine Mammal Protection Plan
MNR	Ministry of Natural Resources
MPC	Maximum Permissible Concentrations
MPE	Maximum Permissible Emissions
MSH	Minimum Standards for Healthcare
NERT	Non-Professional Emergency Response Team
NPO	Non-Profit Organisation
OET	Oil Export Terminal
OPF	Onshore Processing Facility
OPFC	Onshore Processing Facility Compression Station
OR	Oil Refinery
OSR	Oil Spill Response
PA-A	Molikpaq Platform (Piltun-Astokhskoye-A Platform)
PA-B	Piltun-Astokhskoye-B Platform
PERT	Professional Emergency Response Team
PMD	Pipeline Maintenance Depot
Prigorodnoye PC	Prigorodnoye Production Complex
PSA	Production Sharing Agreement
RAIPON	Russian Association of Indigenous Peoples of the North
RAS	Russian Academy of Sciences
RES	Renewable Energy Sources
Rosnedra State Commission for Mineral Reserves	State Commission for Mineral Reserves of the Federal Agency for Mineral Resources

RPM	Reservoir Pressure Maintenance
RS	Road Safety
RTA	Road Traffic Accident
RTD	Regulatory Technical Document
RUIE	Russian Union of Industrialists and Entrepreneurs
SCM	Supply Chain Management
SDG	Sustainable Development Goals
SIM	Sakhalin Indigenous Minorities
SPZ	Sanitary Protection Zone
SSU	Sakhalin State University
STC	Scientific and Technical Council
TAF	Temporary Accommodation Facility
TLU	Tanker Loading Unit
TPH	Total Petroleum Hydrocarbons
UN	United Nations
UNDP	United Nations Development Programme
UNGC	UN Global Compact
WGWAP	Western Gray Whale Advisory Panel
WWF	World Wildlife Fund

