



**Sakhalin Energy Investment Company Ltd.**

**OPF COMPRESSION PROJECT  
Public Consultation and Disclosure Plan, 2020**

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# 1 INTRODUCTION

Sakhalin Energy Investment Company Ltd. (hereinafter referred to as “Sakhalin Energy”) regards regular and constructive engagement with the community and other key stakeholders, as well as public disclosure of relevant information about Sakhalin-2 as essential for the success of the project. To this end, since the very beginning Sakhalin Energy has actively sought to engage with stakeholders and provide information about its activities. This will continue throughout the life of the project.

The Sakhalin Energy General Business Principles establish rules for transparent and open stakeholder engagement. The Company is guided by these rules to achieve the following engagement goals and approaches:

- it should be meaningful, purposeful and open, as inclusive as possible and practicable, and should incorporate as diverse range of views and interests as possible;
- it should aim to build strong, positive relationships with the community and other stakeholders to provide effective mechanisms for the exchange of views about previously identified issues and the ways in which Sakhalin Energy manages them, and to create conditions where emerging issues of concern are brought to its attention and addressed in a timely manner;
- it should be documented, and the records or summary of the records made public where possible, except for those issues relating to personal information and privacy of individuals.

Sakhalin Energy has been developing its strategy of disclosure campaigns and public consultations for more than 25 years as part of its engagement with the residents of Sakhalin Island and other stakeholders based on the information received from them. This strategy shows the constructive approach of the Company to ensuring proper disclosure of information about the project activities and proves that the Company has enough capabilities to consider public concerns. In addition to feedback received as a result of stakeholder engagement, Sakhalin Energy complies with the requirements of RF legislation on public consultation, as well as the requirements of the International Finance Corporation (IFC Performance Standard 1, 2012) for the preparation of a Public Consultation and Disclosure Plan (hereinafter referred to as the “PCDP” or “Plan”).

This PCDP describes plans for public consultation and the disclosure of information associated with execution of the OPF Compression Project (hereinafter referred to as the Project or the OPFC Project) by Sakhalin Energy.

The PCDP has been developed to ensure that adequate and timely information is provided to people and other stakeholders who could potentially be affected by Project, and that these groups are given enough opportunity to voice their opinions and concerns. The Project is aimed at open and regular communication with stakeholders in order to:

- build trust, as well as understand and address stakeholders' concerns;
- develop and maintain positive relationships with stakeholders that may be affected by or have an interest in the OPF Compression Project;
- be informative so that stakeholders are fully aware of the Company's activities and maximise acceptance of the Project, as well as develop realistic expectations of the Project in terms of both the benefits and impacts;
- provide a continuous mechanism to receive and respond to feedback from communities and to incorporate such feedback into the Project decision making;
- develop measures to mitigate the potential for negative publicity and thus avoid reputation damages;
- assess the effectiveness of mitigation measures through regular monitoring and make improvements where deemed necessary.

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

## **2 PROJECT DESCRIPTION**

### **2.1 Sakhalin-2 project**

Sakhalin Energy is developing the Piltun-Astokhskoye oil field and the Lunskeye gas field off the north-eastern coast of Sakhalin. Its activities include production, transportation, processing, and marketing of oil and natural gas.

The company operates under the Production Sharing Agreement (PSA) signed between Sakhalin Energy and the Russian Federation (represented by the RF Government and Sakhalin Oblast Administration) in June 1994. This Agreement was the first PSA in Russia.

The Company's major assets include:

- three offshore ice-class oil and gas platforms: Piltun-Astokhskoye-A (PA-A / Molikpaq), Piltun-Astokhskoye-B (PA-B) and Lunskeye-A (LUN-A);
- trans-Sakhalin pipeline system;
- onshore processing facility (OPF);
- booster stations;
- Prigorodnoye production complex (incl. oil export terminal (OET) and liquefied natural gas (LNG) plant.

Detailed information about the Sakhalin-2 project is available at [www.sakhalinenergy.ru](http://www.sakhalinenergy.ru) and [www.sakhalinenergy.com](http://www.sakhalinenergy.com).

### **2.2 OPFC Project Scope**

The OPF is the main facility to process liquid and gaseous hydrocarbons coming from the LUN-A platform and to prepare them for further transportation via the onshore main pipeline system to the Prigorodnoye production complex. It also receives oil and gas streams from the PA-A and PA-B platforms for onward transportation by pipeline to oil export terminal.

Due to the gas and condensate production, the Lunskeye reservoir pressure will decrease to below the level required for maintaining >86.5 bar pressure at the Joule-Thompson (JT) valve inlet.

To compensate future pressure drop and maintain continuous production level at OPF, new compression facility will be installed at the inlet of existing OPF.

New facility will include:

- new inlet receiving facilities;
- new feed gas compression and cooling facilities;
- new high-pressure flare system;
- new process and utility piping;
- field auxiliary room, and

- auxiliary equipment.

The new inlet compression facility will be fully integrated with existing OPF including Integrated Control and Safety System (process control system, emergency shutdown system). Electrical power will be provided from the main OPF power generation plant. Other utilities (e.g. MEG system, fire water systems, methanol, etc.) will be interconnected via identified interfaces points and tie-ins.

Additional OPFC Project facilities also include:

- temporary construction personnel accommodation camps and related utilities;
- temporary site facilities (TSF) which include site fabrication workshops and cargo laydown areas.
- temporary beach landing facility (BLF) to supply and offload a large-size equipment during the OPFC Project construction period.

The OPFC Project is co-located with existing OPF and has Brownfield (construction within the existing OPF area) and Greenfield (construction on the new land plot) parts.

OPFC Project Implementation Area

Geographically, the OPFC Project site is in the north-east of Sakhalin Island, within the Nogliki Urban District (population is estimated to be more than 11.3<sup>1</sup> thousand people as of 01 January 2019), Russian Federation.

The site is located 6 km from the Sea of Okhotsk shoreline, in the area already affected by previous economic activities of Sakhalin Energy

The nearest settlement, Nysh village, (estimated population – 700 people), is located 70 km to the north-west and connected with the OPFC Project site by a motor road.

Urban-type settlement of Nogliki (since 1960) is the key settlement in Nogliki Urban District. The population of Nogliki is estimated to be more than 10.1<sup>2</sup> thousand people as of 01 January 2019. The settlement is located 110 km away from the OPFC Project site.

Yuzhno-Sakhalinsk, the capital of the Sakhalin Oblast, is located 659 km from Nogliki. Yuzhno-Sakhalinsk and Nogliki are connected by the regional motor road and railroad.

The lands surrounding the OPFC Project site are the forest fund lands. No agricultural lands are located within a range of 10 km from the OPFC Project site.

In 2012, Gazprom has launched gas production from the Kirinskoye gas and condensate field under the Sakhalin-3 project and is now operating the Kirinskoye OPF, which is located 8 km to the north-west from the OPFC Project site. No other types of economic activities are conducted within a reasonable range of 10 km from the OPFC Project site.

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<sup>1</sup> According State Statistics Service of Sakhalin Region

<sup>2</sup> According State Statistics Service of Sakhalin Region

The Nogliki Urban District is the area of traditional residence of the Sakhalin Indigenous Minorities: the Nivkh, the Nanai, the Evenki, the Ulta (Oroki or Orochen), and others. According to the information provided by the Sakhalin Oblast Administration<sup>3</sup>, 1,135 persons of indigenous minorities lived in the Nogliki Urban District as of 1 January 2015.

According to Project's ESHIA there are no areas of traditional activities of indigenous minorities, including pasture or encampments of reindeer herders close to the OPFC Project site.

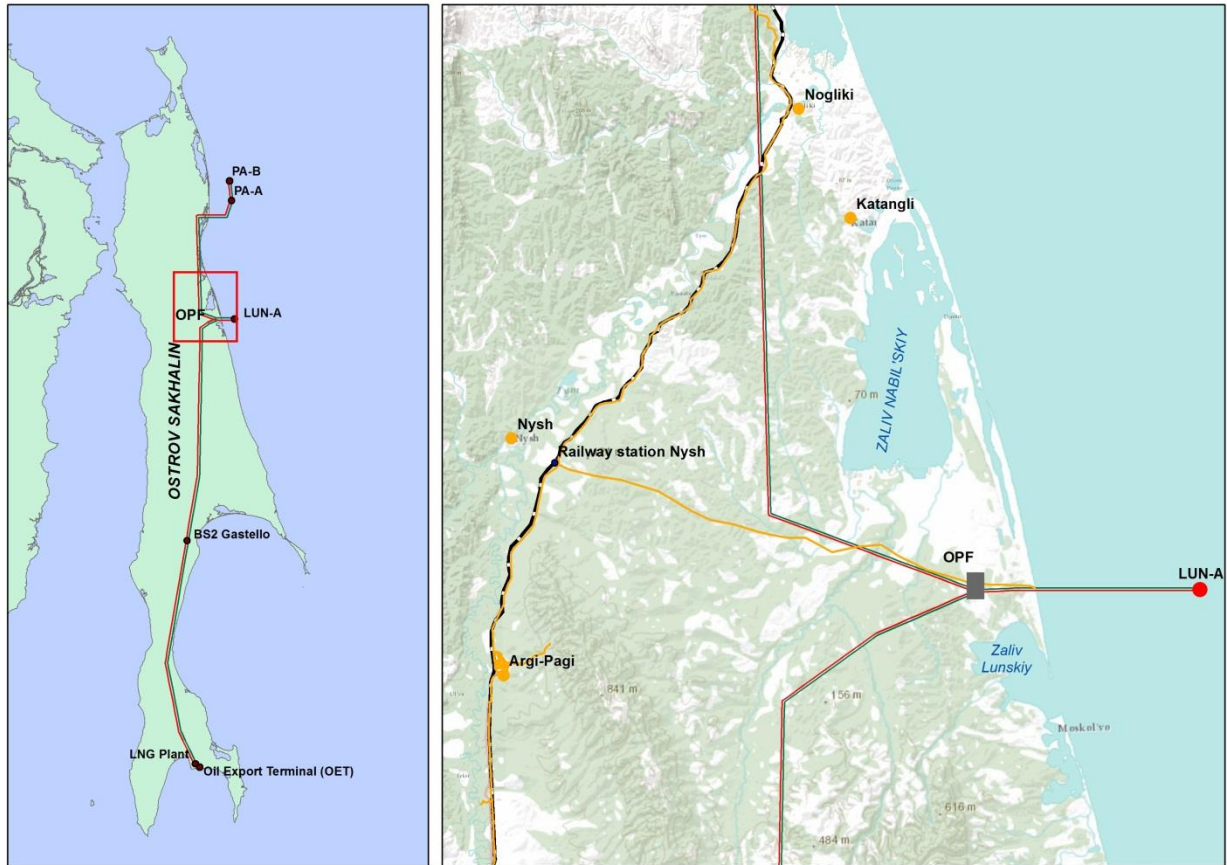


Figure 1. Map of Sakhalin Energy operated assets on Sakhalin Island. The OPFC Project site.

### 2.3 OPFC Project Schedule

The Company completed OPFC Project FEED in 2015.

In 2015 Sakhalin Energy signed a contract with REP Holding for manufacturing and supplying gas pumping units for the OPFC Project.

In Q2 2017 Sakhalin Energy signed Engineering, Procurement and Construction (EPC) contract with Petrofac. During 2017 Petrofac performed preparatory works, carried out personnel

<sup>3</sup> The information was provided for Sakhalin Indigenous Minorities Development Plan (SIMDP) for 2016-2020, see SIMDP at <http://www.simdp.ru/>

mobilisation, and initiated detailed engineering. Construction works under EPC contract began in May 2018.

In May 2018 Contractor Zapolyarpromgrazhdanstroy completed early site preparation scope of work at the OPFC Project site.

In Q1 2019 first 800 beds of OPFC Construction camp were accepted for operation.

In 2019 new main construction subcontractor, Velesstroy, was awarded. Piling works, construction of foundations, brownfield activities were continued. Velesstroy started civil, mechanical, electrical and instrument works (CMEI) and construction of new accommodation camp.

The activities at BLF were started and successfully completed in 2019. All major cargoes were delivered to OPFC laydown area. The BLF was disassembled, and the land plot was reinstated.

The underground works and construction of pipe racks, field auxiliary room, gas compressors shelters and Velesstroy accommodation camp completion is scheduled for 2020.

The OPFC facility mechanical completion (end of construction) is scheduled for Q4 2021.

#### Key OPFC ESHIA Conclusions

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

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

- ambient air, physical factors;
- surface waters;
- geological environment and ground waters;
- soils and soil cover;
- plant and animal communities, terrain;
- the living and working conditions of the OPFC contractor staff; and
- the social environment in the Nogliki Urban District.

Key conclusions on the impacts to be expected from the Project are as follows:

The most sensitive recipients will be Steller's sea eagles and the protected species of lichens, but the OPFC Project envisages several environmental measures to mitigate/eliminate the impacts.

Impacts and risks are generally limited to a small area and a relatively short duration of construction, the Company's similar experience during construction of the OPF, and the existing system of environmental protection, social policy and safety standards.



As was already stated above during operation phase new inlet compression facility will be fully integrated with existing OPF, therefore some impacts and risks will be significantly reduced as also confirmed by the long-term monitoring data of the OPF impact area.

About the social sphere, the implementation of the OPFC Project will have an overall positive effect on the social sphere resulting from increased availability of new workplaces and tax payments. The overall positive effect is expected not only in Nogliki, but also in the entire Sakhalin Oblast.

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

No significant risk of impact on the health of the inhabitants or the Company's/(Sub) Contractors' personnel is expected.

The Project affected minor negative impact due to cargo transportation by road in 2019, during interruption of cargo transportation by railway road. The roads will be used during construction in next years, but impact will be even less.

The detailed findings of the assessment of the impact and risks for environment, social sphere and human health as well as relevant mitigation and control measures are shown in ESHIA Sections 9–15 (publicly available). The full list of potential impacts and their risk assessment are shown at table 15-1 of ESHIA. Moreover, materials containing non-technical aspects of ESHIA results were presented during public meetings and provided to the Sakhalin Energy's information centres in Q2 2016.

### **3 LEGAL REQUIREMENTS AND STANDARDS**

Sakhalin Energy aims to ensure that the project (including project expansions) complies in all respects with the Russian law and the regulatory requirements for public consultation. Sakhalin Energy's objective is also to comply with the 2012 IFC Performance Standards (IFC PS) which serve as an international benchmark for good practice. It also takes into account the consultation and disclosure commitments made publicly in the Company's Statement of General Business Principles, Sustainable Development Policy, Human Rights Policy, Commitments and Policy on Health, Safety, Environment and Social Performance (the HSE and SP Policy).

Furthermore, as per the Health, Safety, Environmental and Social Action Plan (HSESAP), the Company seeks to act in keeping with key conventions and treaties which are not yet ratified by the Russian Federation. The Russian and English versions of the HSESAP (edition 1) were published on the Company's website in January 2006. In 2014, the Company completed revision 4 of HSESAP accommodating recent changes to the Russian laws and regulations, as well as the updated international requirements and the Company's hands-on experience. Revision 4 of the HSESAP was uploaded to the Company's website in 2015. For more details on legal requirements and standards applied by Sakhalin Energy see the corporate PCDP, Section 2 ([http://www.sakhalinenergy.ru/upload/medialibrary/657/PCDP-2019\\_eng\\_final.pdf](http://www.sakhalinenergy.ru/upload/medialibrary/657/PCDP-2019_eng_final.pdf)).

## 4 STAKEHOLDER ENGAGEMENT

### 4.1 Introduction

Stakeholders are persons or groups who have an interest in the Company's activity, are directly affected by, and/or are able to influence Sakhalin Energy's activities.

Sakhalin Energy has been informing and consulting a range of stakeholders about the Sakhalin-2 project since 1994. Stakeholders addressed in this document include:

- directly affected communities ;
- vulnerable community groups ;
- stakeholders in Japan, in particular on Hokkaido Island;
- community and other non-governmental organisations (local, regional, international);
- media (local, regional, federal, international) and other stakeholder groups such as academic institutions and foundations; and
- residents of other settlements on Sakhalin Island.

Sakhalin Energy implements programmes for engagement with all the above stakeholder groups. The programmes are listed in the 2019 PCDP, Section 6 - ([http://www.sakhalinenergy.ru/upload/medialibrary/657/PCDP-2019\\_eng\\_final.pdf](http://www.sakhalinenergy.ru/upload/medialibrary/657/PCDP-2019_eng_final.pdf)).

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

- residents of settlements potentially affected by the Project (primarily residents of Nysh and Nogliki);
- fishing companies operating in the area of Lunskoye bay;
- non-governmental organisations (NGOs that showed an interest in the Project are listed in Section 4.8);
- media; and
- residents of other settlements on Sakhalin Island.

There are other stakeholder groups with whom Sakhalin Energy engages in the course of the OPFC Project. For example, it works closely with representatives of the Russian federal, regional and local authorities. Mechanisms for engagement with government authorities, customers, employees, contractors, shareholders and lenders, with which Sakhalin Energy has regular contact in the course of its business, are not addressed in this document. This document focuses on stakeholders who do not have formal relationships with Sakhalin Energy and who, as a result, may wish to use this document for information and guidance.

## 4.2 Methods of Information Interaction

The table below describes stakeholders and relevant communication methods to be used in the frame of the Project information disclosure and public consultations.

Table 1: Communication Methods

| STAKEHOLDER GROUP   | COMMUNICATION METHOD  |
|---|---|
| Residents of settlements potentially affected by the Project (primarily residents of Nysh and Nogliki). | <ul style="list-style-type: none"> <li>• Company's website</li> <li>• Public and other meetings</li> <li>• News in mass media</li> <li>• Company's information centres</li> <li>• Consultations under social monitoring</li> <li>• Other as required</li> </ul> |
| Fishing companies operating in the area Lunskoye bay.   | <ul style="list-style-type: none"> <li>• Company's website</li> <li>• News in mass media</li> <li>• Company's information centres</li> <li>• Letters</li> <li>• Other as required</li> </ul>  |
| NGOs  | <ul style="list-style-type: none"> <li>• Company's website</li> <li>• News in mass media</li> <li>• Company's information centres</li> <li>• Meetings (at an ad hoc basis)</li> <li>• Other as required</li> </ul>  |
| Media   | <ul style="list-style-type: none"> <li>• Company's website</li> <li>• News releases</li> <li>• Other as required</li> </ul>   |
| Residents of other settlements on Sakhalin Island   | <ul style="list-style-type: none"> <li>• Company's website</li> <li>• News releases</li> <li>• Other as required</li> </ul>   |

Information on the date of all main consultations is posted on the Company's website and is updated on a monthly basis ([http://www.sakhalinenergy.ru/upload/medialibrary/d44/Consultation-activity-in-2019-July\\_eng.pdf](http://www.sakhalinenergy.ru/upload/medialibrary/d44/Consultation-activity-in-2019-July_eng.pdf)). The information on date, time and location of public meetings is also

communicated to stakeholders in other ways, e.g. through announcements in Nysh and Nogliki (as necessary), notifications in the media (primarily in the Znamya Truda local newspaper, published in the Nogliki Urban District) three weeks before the public meeting, as well as written invitations (sent by e-mail or in hard copy), and notifications placed in the information centres of the Nogliki Urban District.

#### **4.3 Feedback from Consultation**

Sakhalin Energy documents all public meetings and can provide, upon request, reports on relevant meetings (by posting them on the Company's website and/or providing them in the libraries of Sakhalin Island). The Corporate Affairs Department is responsible for taking appropriate measures to address issues raised at such meetings. Information about these measures is communicated to stakeholders during public consultations. Feedback from stakeholders in relation to the issues and Project-related concerns is taken into consideration when developing policies and work programmes.

The Company welcomes feedback on public consultation and suggestions for improving disclosure and communication during the reporting period. The results of consultations are presented in the annual reports on public consultations and disclosure. This PCDP is subject to periodic update, taking into account the proposals received, as acceptable. This PCDP will be updated to reflect these suggestions as appropriate.

#### **4.4 Cancellation of Meetings due to Unforeseen Circumstances**

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

If reschedule is not possible, then the Company will provide a copy of the presentation materials and other relevant documents (for example, the Company's information centres/libraries, as appropriate).

#### **4.5 Residents of Settlements Potentially Affected by the Project**

Stakeholder engagement in 2020 will include the following activities:

- Public meetings in Nogliki and Nysh as part of regular public meetings held by Sakhalin Energy on an annual basis. Relevant information about the Project will be included in the presentation materials. Notifications about the location and time of the meetings shall be posted in the local newspapers three weeks before the date of the meeting and in the consultation activity table on the  Company's  website [http://www.sakhalinenergy.ru/upload/medialibrary/328/2019\\_Schedule\\_of\\_Public\\_Meetings\\_EN\\_G.pdf](http://www.sakhalinenergy.ru/upload/medialibrary/328/2019_Schedule_of_Public_Meetings_EN_G.pdf).

- Consultations as part of the Social Impact Monitoring Programme will be held in Nogliki and Nysh in Q3-4 2020. The purpose of the consultations is to monitor the potential or actual impact or concerns, grievance (if any) and to receive information on issues related to the Project implementation.

#### **4.6 Fishing companies operating in the area of Lunskoye bay**

In 2019 installation and operation of the BLF was performed in June – July 2019. All BLF temporary facilities were removed in September 2019 and site reinstatement works were completed in October 2019.

The Company lead consultations sessions with fishing companies in 2019. They were informed about BLF implementation plan (scope of activities, schedule, etc.) and Project's contacts in case of questions, and discuss any concerns and potential mitigation measures as required.

The Company also communicated with fishing agency to coordinate BLF activities:

- The damage to water biota was calculated and compensated by release of fish fry into Sakhalin rivers.
- The fishing activities in the area of BLF was banned by the captain of Kholmsk seaport for June 2019.
- All stakeholders were warned about relevant BLF activities.

#### **4.7 Information Centres**

In 2008–2011, Sakhalin Energy organised information centres based on local libraries in 23 communities. The purpose of these information centres is to inform the project stakeholders about various project development aspects (for example, helping to find the information needed, etc.) and assisting them in completing a grievance form to submit it to the Company.

Each information centre is operated by a consultant, who is an employee of the relevant library, within the normal work hours of the library.

The general purpose of the Company's information centres is to help local residents to find answers to their questions about the project activities. For example, the Company's information centres provide the following:

- information regarding the project and/or Company in the hard-copy or multi-media format;
- access to Sakhalin Energy website ([www.sakhalinenergy.ru](http://www.sakhalinenergy.ru));
- assistance to local residents in preparing a CV to apply for the Company vacancies, as well as provision of vacancy information (normally based on the vacancy publications on the Sakhalin Energy website) and information about any grants available from the Company;
- distribution of information about the possibilities of business development at the local level (typically using information available on the Company's website, information about current and

planned competitions announced by Sakhalin Energy as well as the programme of the Russian vendor development);

- assistance in organising meetings of local residents with the appropriate representatives of the Company;
- assistance in filling out the Company's grievance forms; and
- informing the Company representatives on any concerns or grievances from the residents in connection with the project development.

The Company regularly (at least monthly) feeds information about the project and social programmes to its information centres. The Company representatives (from Information Support and Media Relations Subdivision) visit the information centres to consult the information centres employees at least twice a year or on request.

Consultants of the information centres are also advised by phone.

In 2014–2019, annual workshops were held specially for IC consultants, where they received information about the Project (general information, plans, information about the progress of the Project and the ESHIA results). During the workshop scheduled for Q4 2020, IC consultants will also be provided with the latest information about the progress of the Project.

The valid list of Sakhalin Energy's information centres is available on the Company's website [www.sakhalinenergy.ru](http://www.sakhalinenergy.ru). As of 2020, the Nogliki Urban District information centre is located in the Nogliki District Library at 5a Pogranichnaya Str., tel.: +7 42444 91057).

#### **4.8 Local Community and Non-Governmental Organisations**

Meetings with community-based and non-governmental organisations are organised via phone, fax or email. There is no rigid timetable of NGO meetings. The Company endeavours to meet with key NGOs on an "as needed" basis that is convenient for all parties. The Company is open and available for such meetings. The Company endeavours to continue to make available technical experts for discussions on pertinent issues with key organisations and communities on request. For meetings of a technical or substantive nature either party should provide the other with a minimum of 30 days' notice of the request to meet.

In addition to discussing concerns or issues, the Company has been actively engaged in discussions with international organisations regarding possible sustainable development and social investment projects and initiatives in partnership with Sakhalin Energy.

As of June 2020, the only NGO that showed interest in the Project was Sakhalin Environment Watch (at the dialogue-meeting with external stakeholders held as part of 2013 Sustainable Development Report preparation, Sakhalin Environment Watch representatives asked questions about the Project implementation plans, in particular the environmental impact assessment (see

Appendix 2 to the 2018 Sustainable Development Report, available at [http://www.sakhalinenergy.ru/en/media/sd\\_report/](http://www.sakhalinenergy.ru/en/media/sd_report/)).

No future interest was shown for OPFC Project.

Also, Sakhalin Energy engaged with the Regional Council of Sakhalin Indigenous Minorities (IM) Authorized Representatives as part of ESHIA development (see Section 5) and informed the Regional Council of Sakhalin IM Authorized Representatives at SIMDP Board meetings on the Project status on biannual basis (will be continued in 2020). In December 2019, representative of SMDP had a visit to OPFC where Company's specialists made the presentation for them, showed the construction site and answered the questions.

#### **4.9 Media and Other Stakeholders**

Sakhalin Energy's Information Support and Media Relations Subdivision communicates regularly with representatives of mass media as well as with other stakeholder groups such as educational and research institutions.

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

Media representatives are informed in advance of media briefings and other meetings by phone or email. In 2020, no special formal meetings, such as media briefings and discussions regarding the Project are planned.

The Company's Information Support and Media Relations Subdivision monitors the local, federal and international media on a daily basis.



## **5 PREVIOUS ACTIVITY ON STAKEHOLDERS ENGAGEMENT (BEFORE JUNE 2020)**

In 2012, preliminary information sessions and consultations regarding environmental and social aspects associated with execution of the OPFC Project were conducted based on the draft ESHIA report. Consultations in the format of public meetings were held in Nogliki and Nysh. The following issues were discussed in the course of the consultations:

- OPF description;
- OPF environmental and social impacts;
- substantiation of the new inlet compression facility construction;
- description of the OPFC Project: construction (location, use of land, the territory of the construction camp, structures to be built and the construction schedule, delivery of materials and equipment by sea);
- potential environmental impact;
- potential impact on the local communities and social area.

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

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

In September 2015, public consultations were held to discuss the preliminary ESHIA results and provide information on the planned Project. As part of the consultations, public meetings were held in Nogliki and Nysh. ESHIA materials were preliminarily placed on the official site of Sakhalin Energy, Nogliki Central District Library, Sakhalin Region Universal Scientific Library and Nysh Library. Information on date and location of the ESHIA discussions was well in advance (four weeks before the meetings) published in Znamya Truda, Gubernskie Vedomosti and Rossiyskaya Gazeta newspapers.

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

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

In January 2016, the Company held public hearing of the Terms of Reference (ToR) of BLF Environmental Impact Assessment study required as per RF regulations. ToR was approved after the public consultations. The announcement of opportunity to take part in these consultations were

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

In 2018 the Company held four public meetings in Nogliki District (one in Val, one in Nysh and two in Nogliki) that in addition to general Sakhalin-2 project update included information related to the project activities in Nogliki district and OPFC Project. There were no direct questions related to OPFC Project. General questions were concerned to waste management and plans regarding LNG Train 3 Project.

In June and November 2019, the Company held public meetings in Nogliki Urban District (in Val, Nysh and Nogliki) that in addition to general Sakhalin-2 project update included information related to the project activities in Nogliki Urban District and OPFC Project. There were no direct questions related to OPFC Project. General questions were about job opportunities, in particular for local residents and Sakhalin Indigenous Minorities, vacancies announcements, OPF site trip, impact on fish, Steller's sea eagles, thermal springs, waste management, social projects, etc.

Summary of public meetings and/or minutes of meetings are available on the Company's website (<http://www.sakhalinenergy.ru/en/social/pr/index.php>).

## **6 PUBLIC GRIEVANCE PROCEDURE**

### **6.1 Reporting Grievances**

A grievance is a statement of discontent appealed by an individual, group of individuals or an organisation and it reflects concern and dissatisfaction with Sakhalin Energy activities or its contractors. As a general policy, Sakhalin Energy will work pro-actively towards the prevention of grievances through the implementation of impact mitigation measures and community liaison activities that enable Sakhalin Energy to anticipate and address potential issues before they become grievances. Nevertheless, should there be grievances, Sakhalin Energy is committed to addressing these in a timely and effective manner in accordance with the Russian Federation law, international best practice and the Company's internal grievance procedure. Resolution of the grievances related to the activities of Sakhalin Energy's suppliers, contractors and sub-contractors is carried out through the respective site controllers. The Company's site controllers are responsible for the implementation of the grievance procedure within individual asset including contractor and sub-contractor organisations.

Sakhalin Energy endeavours to investigate and resolve grievances within 20 working days from receipt of the grievance. The maximum period for resolving a grievance shall not exceed 45 working days. During this period, the required actions aimed at resolving the grievance shall be either implemented or agreed upon with the initiator of the grievance.

The Company has developed and has been regularly updating its Grievance Procedure leaflet, which provides recommendations on how to submit a grievance in connection with the Sakhalin-2 project.

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

Grievance Procedure leaflet is available at:

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

## **6.2 Grievance Procedure Leaflet**

Large and complex projects, such as the Sakhalin-2 project, can sometimes have a negative impact on those living within or adjacent to the Project area.

Sakhalin Energy wants to know about any potential problems and concerns that might have been caused by the Company's activities under Sakhalin-2 project implementation to do the best to resolve them in a timely manner.

This leaflet tells you how to inform Sakhalin Energy of your grievances or express concerns due to the Company's activity or Sakhalin-2 project implementation.

It also sets out the steps that will be taken to resolve your concerns.

### **WHAT KINDS OF GRIEVANCES CAN I FILE?**

You can make a grievance if you believe the Sakhalin-2 project implementation has a negative impact on the community, the environment or on quality of your life.

Examples of this may include:

- negative impacts on yourself or your community, e.g. financial loss, physical harm, nuisance from traffic;
- dangers to health and safety or the environment;
- failure to comply with standards or legal obligations;
- harassment of any nature;
- criminal activity;
- improper conduct or unethical behaviour;
- financial malpractice or fraud; and
- attempts to conceal any of these.

Sakhalin Energy will look into all received grievances. Sometimes the Company may find that a grievance does not relate to the Company's activity under the Sakhalin-2 project. In these cases the Company will explain it to you in writing. In all other cases the Company will investigate the facts of adverse effect or noncompliance with standards. In case these facts are confirmed, measures will be identified to resolve the problem and avoid recurrence of incidents.

### **HOW DO I REPORT A GRIEVANCE?**

There are several ways you can report a grievance:

- send a completed grievance form to the postal address on the back of the form;
- contact the Company's information centre available at your community;
- send an email to the following address: [Grievancereport@sakhalinenergy.ru](mailto:Grievancereport@sakhalinenergy.ru);
- fill in the electronic form for the registration of grievances, available on the Company's website: <http://www.sakhalinenergy.ru/ru/social/grievancies/>

- call:

800 200 6624—Sakhalin Energy hotline. For security reasons, there are no recorders or caller identification devices attached. If the phone is not answered, please call back;

+7 4242 66 2893—Sakhalin Energy Social Performance Subdivision responsible for dealing with grievances;

+7 914 759 4208—telephone number to be used if your concerns relate to the Sakhalin Indigenous Minorities. You can also use other phone numbers listed in the leaflet on the Sakhalin Indigenous Minorities Development Plan Grievance Procedure ([www.simdp.ru](http://www.simdp.ru) or available at Sakhalin Energy information centres).

Note: The stated procedure does not forfeit of your lawful right to seize the court or other non-judicial authorities for processing your claims.

### **CONFIDENTIALITY AND ANONYMITY**

You may wish to raise a concern in confidence under this procedure. If you ask Sakhalin Energy to protect your identity, it will not be disclosed without your consent. Details of submissions and allegations will remain secure within the team responsible for investigating your concerns. However, the situation may arise where your identity information should be disclosed (for instance where you are required to give evidence in court). The investigative team will discuss with you the way to proceed.

You may also choose to raise a concern anonymously. However, remember that if you do not reveal your identity in the grievance to Sakhalin Energy, it may be more difficult to look into the matter, to defend your position, or to give you feedback. If you do insist on raising a concern anonymously, you will need to provide sufficient facts and data to enable the investigation team to look into the matter without your assistance.

### **GRIEVANCE ADDRESSING STAGES**

#### *Stage 1. Receive grievance*

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

#### *Stage 2. Grievance registration and appointment of a responsible person*

After the Company receives your grievance, a responsible person of grievance examination will be appointed and the grievance will be registered.

#### *Stage 3. Acknowledgement*

The Company will acknowledge receipt of your grievance by letter within 7 business days of having received the grievance. This acknowledgement will specify a contact person, a grievance reference indicator, and tentative timeframe to settle the grievance.

*Stage 4. Investigation, adjustment, engagement*

The Company will work towards understanding the cause of your grievance. At this time, the Company representatives may contact you. After the grievance investigation, the Company will inform you in writing about the results and the measures proposed for grievance resolution in case these measures are considered necessary. Besides, the Company representatives may contact you to find out what kind of actions to be taken to resolve your problem.

*Stage 5. Clouse-out of grievance*

The Company will make efforts to resolve your grievance within 45 business days from the date of its receiving.

If you consider the grievance to be satisfactorily resolved, the Company would ask you to sign a Statement of Satisfaction.

If your grievance is left unresolved, it will be re-reviewed, and the Company will discuss possible actions to settle it with you.

*Stage 6. Follow up*

If you are happy for us to do so, Sakhalin Energy may contact you at a later stage to ensure that our activities continue to pose no further problems.



**Consent to personal data processing by Sakhalin Energy.  
Consent to disclose grievance-related information to third parties.**

**Note:** according to clause “Confidentiality and Anonymity” of the present leaflet grievances submitted anonymously will also be considered by the company. Therefore, the below signature is required only in case you have provided your personal data and ready to give your consent to its processing by Sakhalin Energy and disclosure of grievance-related information to the third parties.

*I hereby confirm that I have brought a grievance to Sakhalin Energy; in order to have my grievance considered I hereby give my consent to Sakhalin Energy to process my personal data in line with Federal Law No. 152-FZ dated 27 July 2006 On Personal Data.*

*I understand that my grievance was brought to Sakhalin Energy, however it can touch upon activities of third parties (for example, contractors of Sakhalin Energy). I understand that efficient consideration of my grievance requires Sakhalin Energy to contact third parties to check the facts given in the grievance and work out a solution.*

*I hereby **consent / do not consent (pls. underline as appropriate)** to have information about myself and content of this grievance (as well as grievance-related additional information that may be received from me) disclosed to third parties.*

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Please return this form to:** External and Corporate Affairs Department, attention Grievances Coordinator, Sakhalin Energy Investment Company Ltd, 35 Dzerzhinskogo St., Yuzhno-Sakhalinsk, 693020, Russian Federation.



## **7 CONTACT DETAILS**

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

For more information about the OPFC Project contact Sakhalin Energy by:

- sending an e-mail to [ask@sakhalinenergy.ru](mailto:ask@sakhalinenergy.ru);
- fax to the Head of Corporate Affairs at +7 4242 662808;
- sending a letter addressed to the Head of Corporate Affairs to the following address: Sakhalin Energy Investment Company Ltd., 35 Dzerzhinskogo Str., Yuzhno-Sakhalinsk, 693020 Russian Federation.

Locations of the information centres are provided in Section 4.7, information how to report a grievance – in Section 6.2.

+7 914 759 47 11 — In 2020 the Sakhalin Energy has arranged dedicated 24/7 hotline to provide effective communication to stakeholders on any information regarding the COVID-19 prevention measures taken by the Company.

## **APPENDIX 1. STATEMENT OF GENERAL BUSINESS PRINCIPLES**

### **OUR VALUES**

Sakhalin Energy employees share a set of core values: honesty, integrity and respect for people. We also firmly believe in the fundamental importance of trust, openness, teamwork and professional competence, and pride in what we do.

### **SUSTAINABLE DEVELOPMENT**

As part of the Business Principles, we commit to contribute to sustainable development. This requires balancing short- and long-term interests, integrating economic, environmental, and social considerations into business decision-making.

RESPONSIBILITIES Sakhalin Energy recognises six areas of responsibility. It is the duty of management to continuously assess and set the priorities in order to perform its duties in full.

#### **a. To shareholders**

To protect shareholders' investment and provide a long-term return competitive with those of other leading companies in the industry.

#### **b. To the Russian Party**

To respect our obligations towards the Russian Federation and the Sakhalin Oblast and to protect its rights under the Production Sharing Agreement entered into by Sakhalin Energy and those parties.

#### **c. To customers**

To win and maintain customers by developing and providing products and services which offer value in terms of price, quality, safety and environmental impact, which are supported by the requisite technological, environmental and commercial expertise.

#### **d. To employees**

To respect the human rights of our employees and to provide them with good and safe working conditions, competitive terms and conditions of employment. To promote the development and best use of the talents of our employees; to create an inclusive work environment where every employee has an equal opportunity to develop his or her skills and talents. To encourage the involvement of employees in the planning and direction of their work; to provide them with channels to report concerns. We recognise that commercial success depends on the full commitment of all employees.

#### **e. To business partners**

To seek mutually beneficial relationships with contractors and suppliers to promote the application of these Sakhalin Energy General Business Principles or equivalent principles in such

relationships. The ability to promote these principles effectively will be an important factor in the decision to enter into or remain in such relationships.

#### **f. To society**

To conduct business as responsible corporate members of society, to observe the laws of the Russian Federation and other countries in which Sakhalin Energy operates. To support fundamental human rights in compliance with the legal framework of business. To give proper attention to health, safety, and environment.

### **Principle 1: Economic**

Long-term profitability is essential to achieving our business goals and to our continued growth. It is a measure both of efficiency and of the value that customers place on Company's products and services. It supplies the necessary corporate resources for the continuing investment that is required to develop and produce future energy supplies to meet customer needs. Without profits and a strong financial foundation, it would not be possible to fulfil our responsibilities.

Criteria for investment and divestment decisions include sustainable development considerations (economic, social and environmental) and an appraisal of the risks of the investment.

### **Principle 2: Competition**

Sakhalin Energy supports free enterprise. We seek to compete fairly and ethically and within the framework of applicable competition laws; we will not prevent others from competing freely with us.

### **Principle 3: Business Integrity**

Sakhalin Energy insists on honesty, integrity, and fairness in all aspects of our business and expects the same in our relationships with all those with whom we do business. The direct or indirect offer, payment, soliciting or acceptance of bribes in any form is unacceptable. Facilitation payments are also bribes and should not be made.

Employees must avoid conflicts of interest between their private activities and their part in the conduct of company business. Employees must also declare to their employing company potential conflicts of interest. All business transactions on behalf of Sakhalin Energy must be reflected accurately and fairly in the accounts of the Company in accordance with established procedures and are subject to audit and disclosure.

### **Principle 4: Political Activities:**

#### **a. of the Company**

Sakhalin Energy act in a socially responsible manner within the laws of the Russian Federation and the other countries in which we operate in pursuit of our legitimate commercial objectives.

Sakhalin Energy does not make payments to political parties, organisations or their representatives, or take part in party politics. However, when dealing with governments, Sakhalin Energy has the right and the responsibility to make our position known on any matters, which affect us, our employees, our customers, our shareholders or local communities in a manner that is in accordance with our values and the Business Principles.

#### **b. of Employees**

Where individuals wish to engage in activities in the community, including standing for election to public office, they will be given the opportunity to do so where this is appropriate in the light of local circumstances.

### **Principle 5: Health Safety and Environment**

Sakhalin Energy has a systematic approach to health, safety, security and environmental management in order to achieve continuous performance improvement.

To this end, Sakhalin Energy manages these matters as critical business activities, set standards and targets for improvement, and measure, appraise and report performance externally. We continually look for ways to reduce the environmental impact of our operations, products and services.

### **Principle 6: Local Communities**

Sakhalin Energy aims to be good neighbours by continuously improving the ways in which we contribute directly or indirectly to the general well-being of the communities within which we work.

We manage the social impacts of our business activities carefully and work with others to enhance the benefits to local communities, and to mitigate any negative impacts from our activities.

In addition, Sakhalin Energy takes a constructive interest in societal matters, directly or indirectly related to our business.

### **Principle 7: Communication**

Sakhalin Energy recognises that regular dialogue and engagement with our stakeholders is essential. We are committed to reporting of our performance by providing full relevant information to legitimately interested parties, subject to any overriding considerations of business confidentiality.

In our interactions with employees, business partners, and local communities, we seek to listen and respond to them honestly and responsibly.

### **Principle 8: Compliance**

We comply with all applicable laws and regulations of the countries in which we operate.

## **Living by our Principles**

Our shared core values of honesty, integrity and respect for people, underpin all the work we do and are the foundation of our Business Principles.

The Business Principles apply to all transactions, large or small, and drive the behaviour expected of every employee of Sakhalin Energy.

We are judged by how we act. Our reputation will be upheld if we act in accordance with the law and the Business Principles. We encourage our business partners to live by them or by equivalent principles.

We encourage our employees to demonstrate leadership, accountability and teamwork, and through these behaviours, to contribute to the overall success of Sakhalin Energy.

It is the responsibility of management to lead by example, to ensure that all employees are aware of these principles and behave in accordance with the spirit as well as with the letter of this statement.

The application of these principles is underpinned by a comprehensive set of assurance procedures, which are designed to make sure that our employees understand the principles and confirm that they act in accordance with them.

As part of the assurance system, it is also the responsibility of management to provide employees with safe and confidential channels to raise concerns and report instances of non-compliance. In turn, it is the responsibility of Sakhalin Energy employees to report suspected breaches of the Business Principles.

The Business Principles have for many years been fundamental to how we conduct our business and living by them is crucial to our continued success.

## APPENDIX 2. LIST OF ACRONYMS

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

