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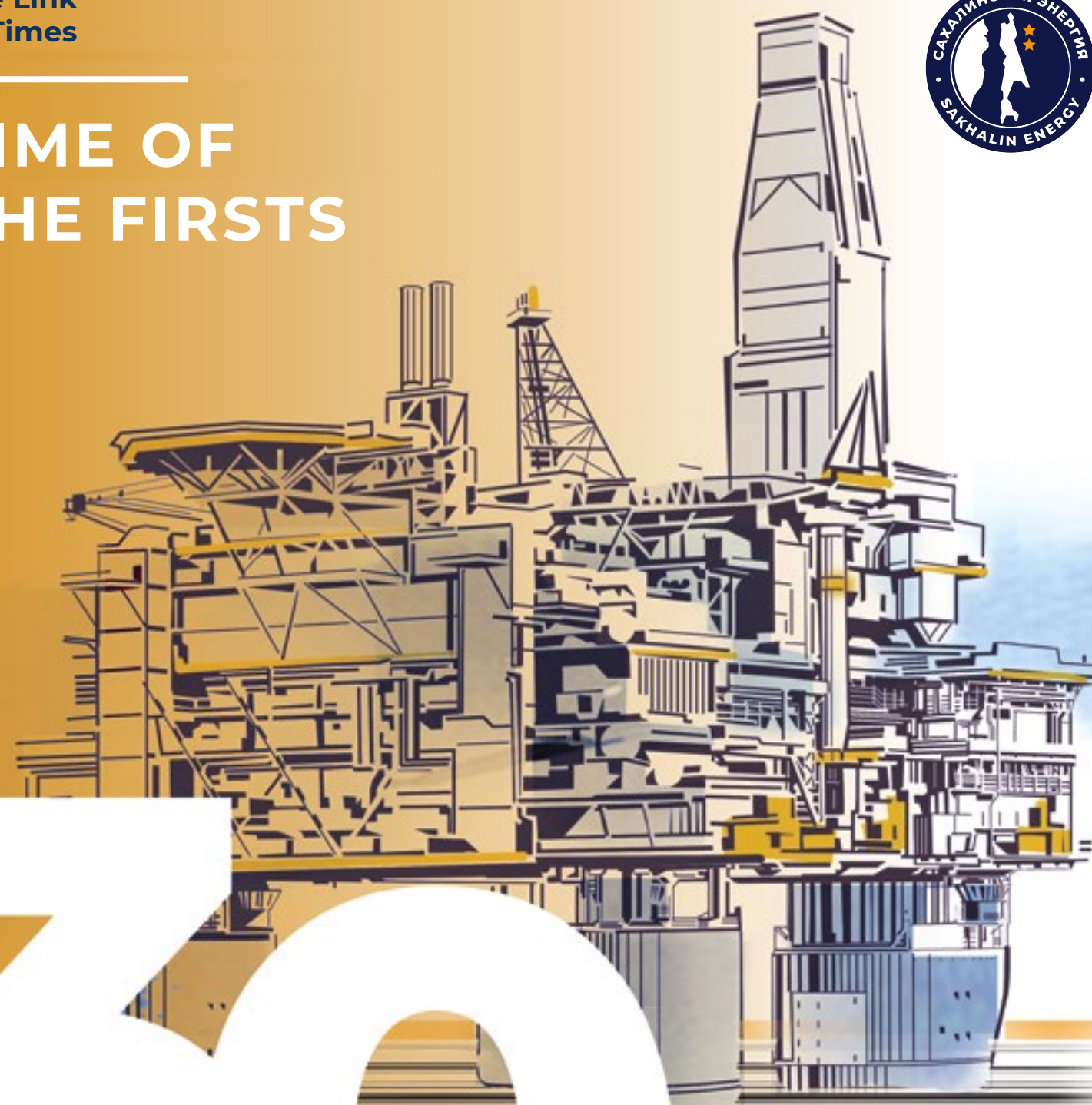
TIME OF THE FIRSTS

SAKHALIN ENERGY

NON-FINANCIAL ESG REPORT 2023

NON-FINANCIAL
ESG REPORT
2023

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NON-FINANCIAL
ESG REPORT

2023

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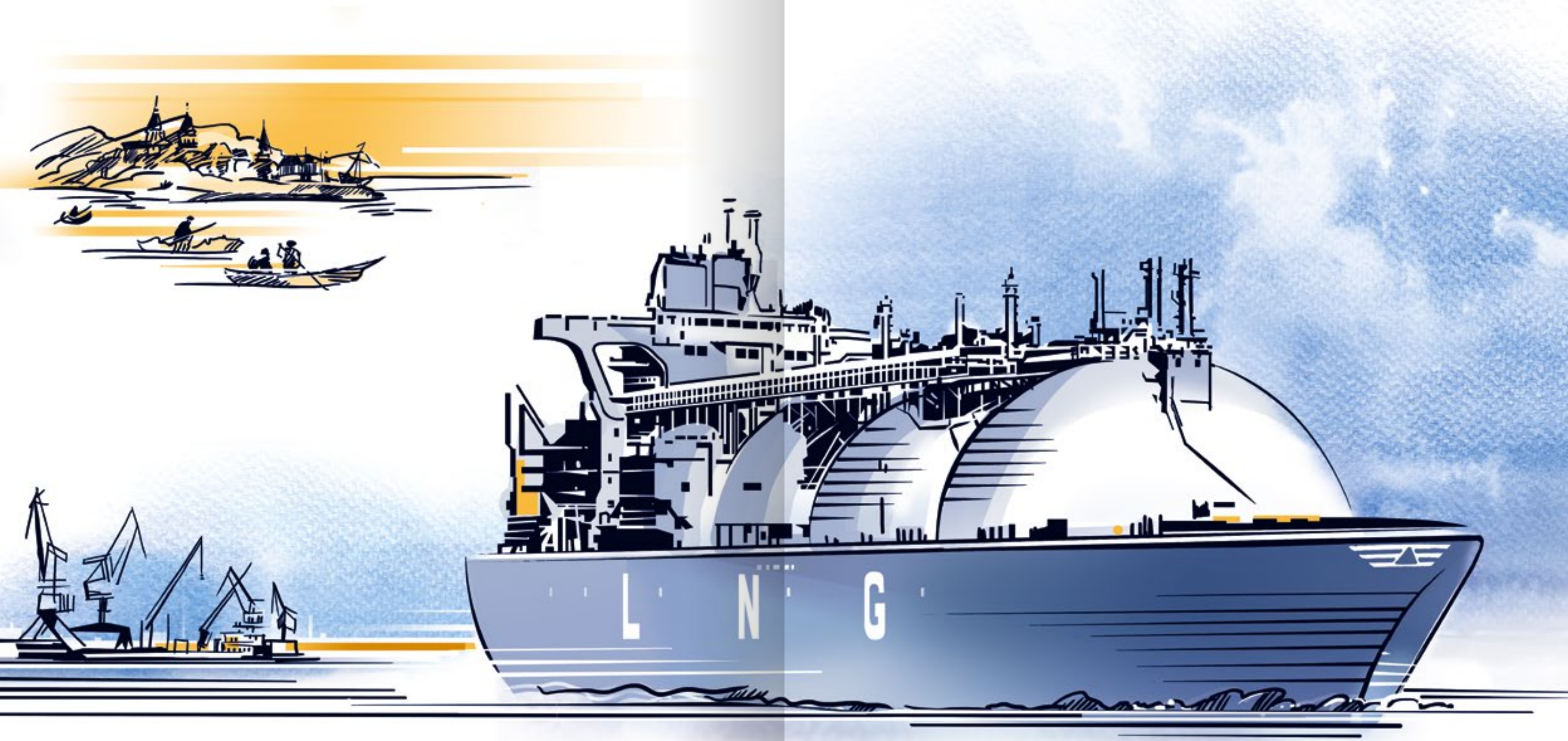
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**A MESSAGE FROM
THE CHIEF EXECUTIVE OFFICER**

DEAR COLLEAGUES AND FRIENDS,

Allow me to present to you

Sakhalin Energy's 2023

Non-Financial ESG Report

This is an annual document that clearly confirms our company's leadership position within the Russian business community in terms of openness and information transparency.

We endeavour to apply a balanced approach in ESG, focusing equally on the company's economic performance, improving the quality of corporate governance, on social well-being, environmental responsibility, and meeting climate challenges.

Despite the external pressures that have had an impact on many of the company's business activities, Sakhalin Energy has been focusing its efforts on fulfilling its obligations to stakeholders and has confirmed its reputation as a reliable partner. We have made significant progress in achieving our top strategic goals, including generating better returns, successful execution of key projects, as well as organisational and technological transformation.

A stable operational environment has enabled us to reach our oil and LNG production targets and ensure reliable supplies to both Russian and international customers. Sakhalin Energy's high position among the companies whose operations transcend national borders proves that the company has been taking the right, relevant steps to promptly respond to external challenges.

The company has been able to complete the integrated gas and oil system turnaround campaign in full using exclusively in-house resources. This confirms the high level of expertise possessed by the entire Sakhalin-2 project team. With regard to the company's capital investment activities, Phase 1 of the OPFC project has been commissioned and became part of the integrated gas system. All of these activities at the company's production assets have been generally supervised by Sakhalin Energy's experts and have involved



a number of Russian contractors. The technical solutions proposed in the process have been conducive to ensuring safe and reliable equipment operation.

In view of the current geopolitical environment and the fact that almost all foreign oilfield service companies have decided to suspend their oper-

ations in the Russian Federation, the company has quickly established a systematic approach to ensuring production reliability by extending the life of its equipment and thus enabling further sustainable growth of the Sakhalin-2 project.

One of the key enablers of this growth is the Sakhalin Oil and Gas Industrial

Park project implemented by the company with valuable support from the Russian State. As we continue to face externally-imposed restrictions, this industrial cluster will help us to significantly increase the localisation of services that cater to the oil and gas sector. Sakhalin Energy's Maintenance and Repair Facility includes seven construction projects, and as at today,

10.4 mln t
of LNG
shipped to customers
by the end of the year



the first one, a transport and logistics base, has already been commissioned.

We always strive to move forward towards high operational efficiency through optimisation. To maintain safe and reliable asset operations, Sakhalin Energy has been implementing its first comprehensive technical upgrade and modification programme. Last year, we commenced the design and survey phase of the Molikpaq rejuvenation project and completed Phase 1 of the drilling rig refurbishment project at PA-A.

Extending the life of our assets, along with the transition to the Careful Reservoir Management strategy prepared and adopted by the company, will allow us to extend the commercially viable operations period across our current fields and ensure reliable oil and gas supply to the region. This is especially important given that the Russian Government is currently reviewing the Russian Far East natural gas supply programme.

As we continue to explore in-licence and out-of-licence opportunities to expand our reserves base, we pay due attention to developing the competences and technical capabilities of our employees, replicating the company's best practices. We are happy to report that the high level of our internal technical expertise has also been commended by external industry experts. Having reviewed our Methodological Recommendations related to 4D seismic monitoring of oil, gas and condensate offshore field development, the Technical Council of the State Reserves Commission recognised the systemic nature of this

document and recommended it for use by domestic project operators.

Another milestone achieved by the company last year was Gazprom's Science and Technology Award. The domestic research infrastructure has become a driver for the growth of our industry along with a wide range of related sectors. The paper presented by the company that describes the introduction of drilling waste disposal control technology for offshore oil and gas field development was highly praised by experts. This achievement reflects the systematic development of domestic research-driven technical solutions across Russia.

Last year, we took a big step in the development of our key asset, our human capital. Here, as in all other areas, we are moving towards involving personnel in driving our common cause and improving staff competences, with a special focus on unlocking the potential of our young professionals. The company has been successfully training internal candidates, modifying our training programmes, and updating the employee value proposition. With the level of support we are providing to our people and with all of the company's HR processes being adapted to reflect the current realities, we have been able to retain our position as one of the best employers in the energy sector as per the 2023 Russian Employers Rating.

Operating one of the largest international projects, which introduced a large number of advanced technical solutions, in Sakhalin Oblast, the company relies on the principles of

sustainable development in its activities. For us, this means not only the efficient, sustainable use of natural resources but also contributing to the social and economic development of the region that, in turn, translates to better quality of life for its people.

We are committed to developing the region of our presence, focusing on priority areas for the region and the company, including increasing the Oblast's attractiveness for qualified personnel who choose the island not only as a location to work and develop their careers but also as a permanent place of residence. Joining efforts with the regional government, Sakhalin Energy has been participating in the all-Russian project for the development of industrial tourism at the regional level. This relatively new area opens up additional opportunities for implementing a wide range of socially significant company initiatives.

Thanks to the high quality and significant scale of social investments and corporate philanthropy undertaken by the company, it has been placed in the top A+ tier ('Leaders') by the annual All-Russian rating. At the same time, our systemic support to regional and federal initiatives is in line with the National Projects agenda, with Sakhalin Energy being among the earliest partners of such projects in our country.

I would like to express my gratitude to the company team and all of our partners for fruitful teamwork and a professional approach to tackling highly complex business challenges. This is indeed what best demonstrates the unique potential that the company

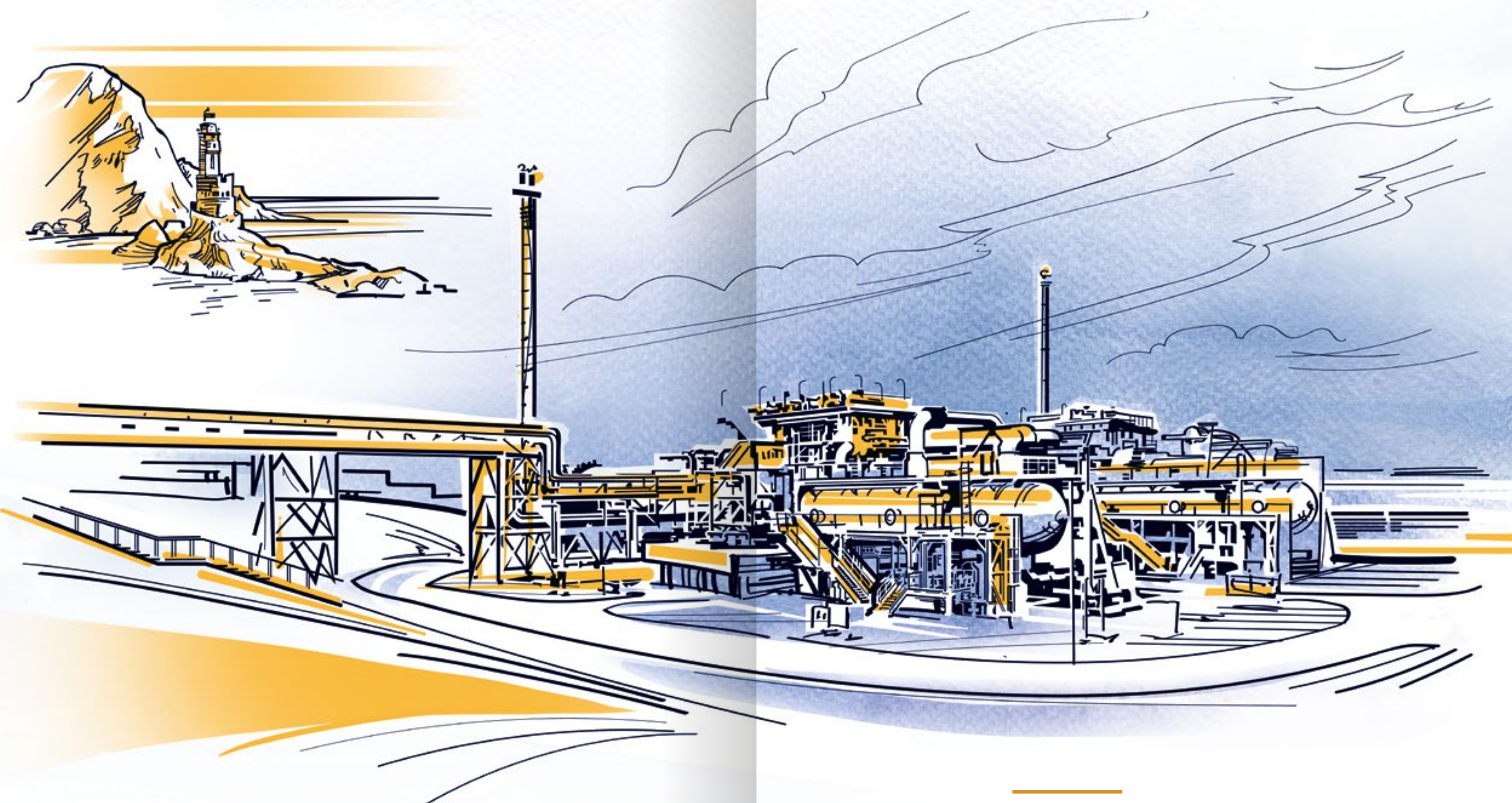
possesses and which, I am sure, will be fully unlocked through our joint efforts in the future. Along with the resilience we have built in the face of external pressures, this will allow us to strengthen our position as an industry nexus of expertise in offshore field development and LNG production.

To ensure sustainable growth, we will continue to be proactive in our strategic business areas. Our priority goal is to remain a leader in the oil and gas industry even in the face of fierce economic competition and to respond proactively to various challenges by continuing to utilise and improve our best practices and international experience.

Sincerely,

Roman Dashkov

Chief Executive Officer



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ABOUT THE REPORT

The 2023 Report is dedicated to the Time of the Firsts theme and presents examples of cutting-edge innovations that contribute to the achievement of Sakhalin Energy's strategic goals



1.1. GENERAL INFORMATION



Following the Sustainable Development Policy, the company 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 Sakhalin Energy LLC is a Non-Financial ESG Report. It 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 overall sustainability of the Sakhalin-2 project.

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

ESG and SD reporting benefits the company in a number of ways, in particular by:

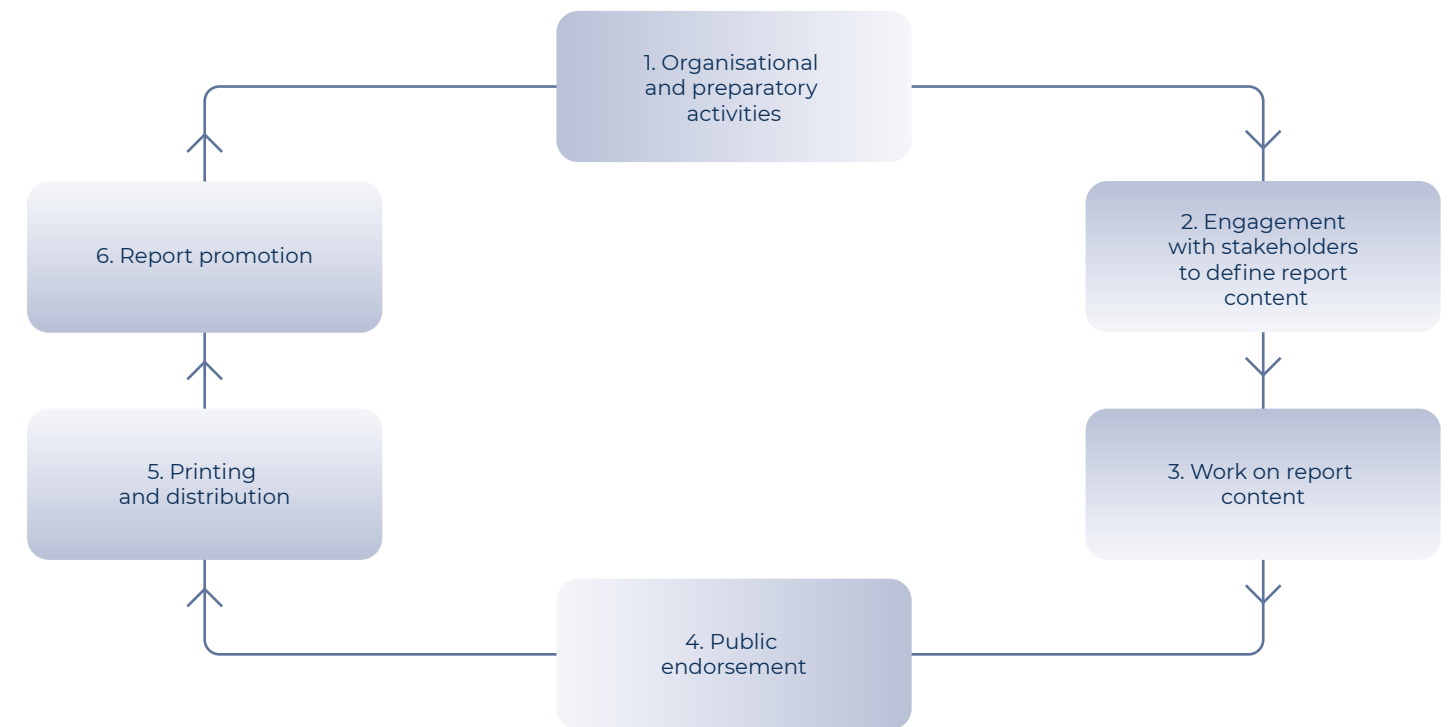
- identifying stakeholders' opinions and expectations of the company's activities and clarifying the company's strategy in its non-financial activities;
- demonstrating that the company is aware of and takes stakeholders' opinions into account, creating conditions for long-term trust

as well as transparent and constructive cooperation;

- serving as an effective tool for identifying, preventing, and mitigating non-financial risks, thus creating a sustainable reputation (as a responsible employer, partner, etc.);
- stimulating new opportunities and areas of involvement that are relevant to the company, the region, and the country as a whole;
- allowing the company to identify performance indicators and to evaluate and use them to improve the quality of management decisions at all levels;
- helping to comply with the principle of continuous improvement and stimulating the subsequent



NON-FINANCIAL REPORTING PREPARATION PROCESS IN SAKHALIN ENERGY LLC



improvement of internal and external company processes;

- increasing the company's competitiveness.

The target audience of the Report includes both the internal and external stakeholders listed in Section 4.8 Stakeholder Engagement Management and Information Disclosure.

The Report discloses material topics, issues, and indicators of the company's managerial, economic, environmental, and social performance (including human rights), including areas of concern for stakeholders,

and an appraisal by senior management of the company's performance in the reporting period (see Section 1.3 Defining Material Topics).

The Report contains information on the activities of all organisational units and assets of the company in all areas related to sustainable development, including managerial, environmental, and social impact that occurs both within Sakhalin Energy LLC (internal boundaries) and outside the company (external boundaries).

The company's non-financial reporting is devoted to a specific theme, which allows detailed coverage of

business priorities. Driven by the necessity for proactive development and innovations in order to reach strategic goals, the 2023 Report is devoted to the theme The Time of the Firsts.

Report Preparation Process

At Sakhalin Energy LLC, preparing the Report is a deliberate and systematic process involving the heads and specialists of almost all of the company's organisational units. It is implemented in accordance with a special corporate procedure that ensures continuity, reliability, and process improvement. The proce-



procedure includes a description of the standards and principles for preparing non-financial reporting, defines requirements for determining the content of the document, outlines the preparation, approval, and dissemination processes, assigns responsibility for each group of indicators and each operation, and indicates time frames.

Each Report is prepared, coordinated, and approved in accordance with the procedure and schedule approved by the company's senior management 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 organisational units responsible for particular aspects of corporate governance, production activities, and

economic, social, and environmental impacts. The Corporate Affairs Division conducts orientation seminars for the task force and key Report developers to inform them about the requirements and standards for the Report, the principles for defining the content and determining the quality of the Report, the process of defining material topics, the plan and schedule of work, etc.

The Report is subject to in-house data verification and approval by the company's senior management.

The Report is published on Sakhalin Energy's web site; paper copies are distributed across Sakhalin Island (through the company's information centres and district libraries) and sent to the main stakeholders (primarily via weblink).

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

- fill out the feedback form (see Appendix 6 Feedback Form) and send it to the specified address;
- use the contact information for feedback on the company's website (www.sakhalinenergy.ru);
- fill out the feedback form at one of the company's information centres (see Appendix 5 List of Sakhalin Energy LLC Information Centres).



1.2. REPORT PREPARATION STANDARDS AND REPORTING PRINCIPLES FOR DEFINING REPORT CONTENT AND QUALITY



Sakhalin Energy LLC prepares reports in compliance with the GRI Sector Disclosures (Oil and Gas) standards and guidelines and the requirements of the United Nations Global Compact (GC) for preparing non-financial reporting on adherence to its Ten Principles (UN Global Compact Communication on Progress).

The company constantly analyses trends, new requirements, and recommendations in the field of non-financial reporting, both national and international. In preparing this Report, Sakhalin Energy LLC was guided by:

- the Public Non-Financial Reporting Concept and the Action Plan, approved by a decree of the Government of the Russian Federation in 2017;
- the 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;
- the 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);
- SD Reporting Guidelines, approved by an order of the Min-

istry of Economic Development of Russia in 2023.

In addition, when preparing its reports, the company uses materials from analytical reviews of corporate non-financial reports, takes into account leading ESG and corporate social responsibility ratings and indices, and studies best practices in non-financial reporting.

The Report contains information on the company's contribution to achieving the Sustainable Development Goals (see Section 2 Corporate Social Responsibility and Sustainable Development and Appendix 1 GRI Standards Compliance table).

The Sustainable Development Goals to Which Sakhalin Energy LLC Contributes Most Significantly, Based on Stakeholders' Opinions table lists the material SDGs brought up by stakeholders in a specially conducted survey.

Compared with the previous year, SDGs 3, 4, 7, 8, 9, 11, 12, 14, 15, and



SUSTAINABLE DEVELOPMENT GOALS TO WHICH
SAKHALIN ENERGY LLC CONTRIBUTES MOST SIGNIFICANTLY,
BASED ON STAKEHOLDERS' OPINIONS

SDG	TOTAL POINTS*	SDG	TOTAL POINTS*
SDG 8: Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all	535	SDG 6: Ensure availability and sustainable management of water and sanitation for all	505
SDG 7: Ensure access to affordable, reliable, sustainable, and modern energy for all	533	SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	501
SDG 3: Ensure healthy lives and promote well-being for all at all ages	531	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	495
SDG 14: Conserve and sustainably use the oceans, seas, and marine resources for sustainable development	527	SDG 17: Strengthen the means of implementation and revitalise the global partnership for sustainable development	477
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	523	SDG 13: Take urgent action to combat climate change and its impacts	460
SDG 12: Ensure sustainable consumption and production patterns	523	SDG 5: Achieve gender equality and empower all women and girls	457
SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation	515	SDG 2: End hunger, achieve food security and improved nutrition, and promote sustainable agriculture	414
SDG 11: Make cities and human settlements inclusive, safe, resilient, and sustainable	514	SDG 10: Reduce inequality within and among countries	411
		SDG 1: End poverty in all its forms everywhere	403

* 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. The survey was conducted in January–February 2023.



16 are still considered material by stakeholders in terms of Sakhalin Energy's contribution to their achievement. SDG 8 has the highest score, which correlates with responses to the question about material topics in the stakeholders' opinions, in particular: occupational safety and safety culture, industrial and fire safety, and preparedness for emergency response (see the Most Material Topics to Be Included in the Report, Based on Stakeholders' Opinions, Considering ESG Factors table). The efforts that promote healthy lives and well-be-

ing (SDG 3) have a lower score (3rd place) vs 2021–2022 (1st place), which is explained by the improved situation with COVID-19. In addition, respondents indicated SDG 6 as material, therefore confirming the stakeholders' increased focus on water use and water quality issues (see the Most Material Topics to Be Included in the Report, Based on Stakeholders' Opinions, Considering ESG Factors table).

The company acknowledges and uses the key international SD report-

ing principles in accordance with the GRI standard presented in the Principles of the Report Content and Quality Definition table. The main approach to presenting information about Sakhalin Energy's activities is to provide a balanced report on the material aspects of three key areas of sustainable development: economic, environmental, and social, considering ESG factors, with due regard to stakeholders' opinions.

PRINCIPLES OF THE REPORT CONTENT AND QUALITY DEFINITION

PRINCIPLES	BRIEF DESCRIPTION
Accuracy	Information should be sufficiently accurate and detailed for stakeholders to be able to assess the impact of the company's activities
Balance	The Report should include 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	Indicators and information should be presented consistently to enable stakeholders to analyse changes in the company's performance over time and to support analysis relative to other enterprises
Completeness	The Report's coverage of material aspects and indicators and its boundaries should be 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 broader context of sustainable development
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 preparing the Report should be gathered, documented, compiled, analysed, and disclosed in a way that allows its quality to be easily verified



1.3. DEFINING MATERIAL TOPICS



In preparing the 2023 Report, the company held dialogues with external stakeholders in person and online, which allowed those outside the region and in remote areas of Sakhalin Oblast to be in attendance. The events were attended by representatives of the Sakhalin Oblast Government, municipal authorities, Sakhalin State University, and other educational and cultural institutions, Sakhalin Indigenous Minorities, experts in corporate social responsibility, sustainable development, and other stakeholders. In total, more than 100 people took part in the dialogues.

The material aspects of the company’s activities disclosed in its non-financial reporting and their priority are determined in close cooperation with stakeholders, including members of the company, government authorities, company employees, the general public, customers, contractors, the media, the business and expert communities, NGOs, and other stakeholders.

To determine material topics, Sakhalin Energy LLC used the following procedure:

1. Determining Material Topics to Be Included in the Report Based on External and Internal Stakeholders’ Opinions

Sakhalin Energy LLC 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 4.8 Stakeholder Engagement Management and Information Disclosure). Stakeholder representatives were involved in defining the Report content by means of:

- electronic surveys (internal and external stakeholders, some 130 persons in total);

- dialogue meetings with external stakeholders (two dialogue meetings, in November 2023 and February 2024);

- discussions with the company’s personnel.

As is tradition, two rounds of discussions were held while preparing the Report. Stakeholder representatives had the opportunity to put questions to the company’s representatives and receive answers, as well as to express their opinions on the materiality of any aspect of Sakhalin Energy’s activities.

In addition, in defining the Report content, the company took into account the results of regular media monitoring and analysis of grievances submitted to the company, as well as recommendations and comments received as part of the public assurance of the 2022 non-financial reporting. Sakhalin Energy LLC has also analysed the relevance of the topics presented in 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 meet-



THE MOST MATERIAL TOPICS TO BE INCLUDED IN THE REPORT, BASED ON STAKEHOLDERS’ OPINIONS, CONSIDERING ESG FACTORS (determined based on the largest total score)

TOPICS	TOTAL POINTS*	SECTION OF THE REPORT
The company’s key performance indicators 2023, including hydrocarbon production and shipment	601	3.2
Contribution to the national and global Sustainable Development Goals	547	2.2
Business standards	534	2.1
E — ENVIRONMENT		
Impact on water bodies	561	5.2.3
Impact on the atmosphere	553	5.2.2
Waste management	551	5.2.4
Associated gas evacuation during production	547	5.2.5
Monitoring of marine biota and their habitat	535	5.4.8
Monitoring of protected bird species	531	5.4.5
Energy production and consumption	529	5.3.2
Gray whale monitoring and marine mammal protection	529	5.4.10
Environmental protection costs and payments for negative impact	528	5.2.6
Emissions of greenhouse gases and ozone-depleting substances	522	5.3.3
River ecosystem monitoring	520	5.4.3
Climate agenda and carbon regulation	515	5.3
S — SOCIAL		
Occupational safety and safety culture	597	6.2
Occupational health	589	6.2.2
Industrial and fire safety, blowout and emergency response	587	6.2
Staff training and development	574	6.1.7
Approaches to personnel management and HR policy	567	6.1.1
Human rights governance system and principles	567	6.3.1
Remuneration and bonus system	560	6.1.4
Social benefits and compensations	556	6.1.5
Individual performance review	554	6.1.6



TOPICS	TOTAL POINTS*	SECTION OF THE REPORT
Personnel recruitment and placement	550	6.1.3
The company's principles and approaches to social investments and sustainable development	544	6.4.1
Road safety	542	6.2.3
External social investment programmes	540	6.4.2–6.4.8
Grievance handling	538	6.3.3
Grievance mechanisms	531	6.3.2
Onboarding	519	6.1.3
G—GOVERNANCE		
Tax revenue	586	4.7
Risk management	560	4.4
Anti-bribery and corruption	551	4.6
Innovation and continuous improvement	550	4.10
The company's mission, vision, values, and operating principles	548	4.1
Corporate culture, business ethics, and compliance	543	4.5
Contracting and procurement	541	4.9
Cybersecurity and personal data security	520	4.11
Stakeholder engagement management and information disclosure	515	4.8

* Respondents ranked the topics on a five-point scale: 5—the most significant; 1—the least significant. The survey was conducted in January–February 2023.

ings, surveys, etc., is presented in the Most Material Topics to Be Included in the Report, Based on Stakeholders' Opinions table.

Stakeholder comments and suggestions concerning specific company aspects, indicators, and/or programmes to be included in the Report, as well as corresponding responses and commitments of Sakhalin Energy LLC, are listed in Appendix 2

Comments and Suggestions of the Stakeholders on Individual Aspects, Indicators, and/or Programmes, and Sakhalin Energy's Response and Commitments.

2. Evaluation of Topicality in Terms of Impact, Based on Two Impact Criteria:

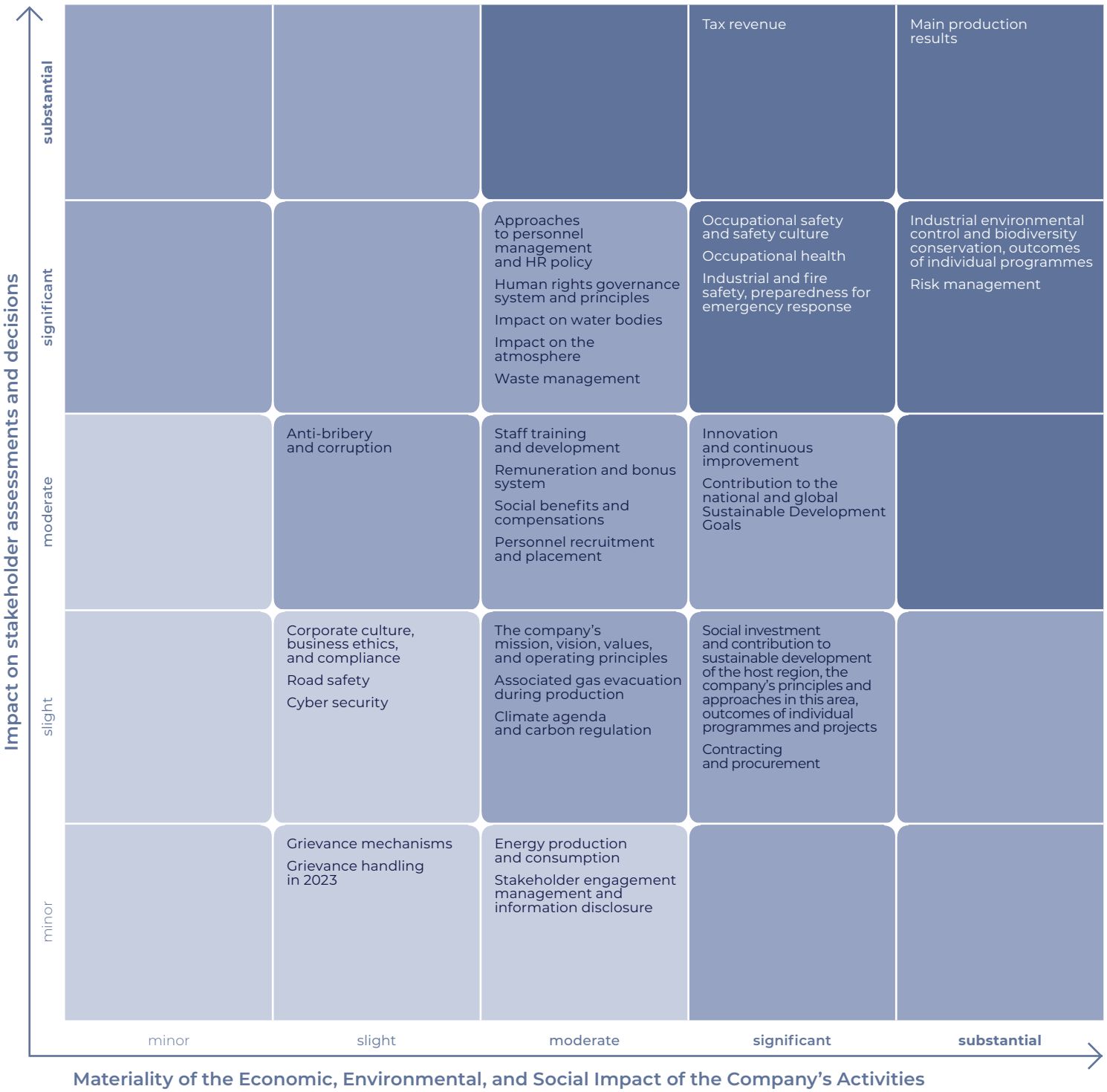
- impact on stakeholder assessments and decisions;

- materiality of the economic, environmental, and social impact of the company's activities.

Evaluation results are presented in the Topicality Evaluation Matrix.



TOPICALITY EVALUATION MATRIX





RATIONALE FOR MATERIAL TOPICS

TOPICS	RATIONALE	STAKEHOLDERS FOR WHOM THE TOPIC IS MATERIAL	SECTION OF THE REPORT
Main production results	Sakhalin Energy LLC aims to be a premier energy source and conducts its business on the basis of efficient, reliable, and safe production and a responsible attitude towards social and environmental issues	Members of the company, government authorities, the general public, customers, company employees, and contractors	3.2
Occupational safety and safety culture	The successful implementation of major projects and the operation of hazardous production facilities require special attention to health and safety. Production safety and occupational health are the company's priorities	Members of the company, government authorities, the general public, customers, company employees, and contractors	6.2
Occupational health			
Industrial and fire safety, preparedness for emergency response	Sakhalin Energy LLC places a high priority on industrial and fire safety, emergency response, oil spill prevention, and response readiness. The company applies a comprehensive approach to addressing these important tasks	Members of the company, government authorities, the general public, customers, company employees, and contractors	6.2
Oil spill prevention and oil spill response preparedness			
Tax revenue	The Russian Federation and Sakhalin Oblast receive numerous benefits from the implementation of the Sakhalin-2 project, including tax revenues to the Russian Federation and Sakhalin Oblast	Members of the company, government authorities, company employees, the general public, and contractors	4.7
Innovation and continuous improvement	<p>The company'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.</p> <p>Sakhalin Energy LLC 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</p>	Members of the company, government authorities, company employees, and contractors	4.10



TOPICS	RATIONALE	STAKEHOLDERS FOR WHOM THE TOPIC IS MATERIAL	SECTION OF THE REPORT
Risk management system	The company believes that effective risk management plays an important role in achieving its objectives. The risk management system is aimed at maximising opportunities or minimising the 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	Members of the company, government authorities, the general public, customers, company employees, and contractors	4.4
Contribution to the national and global Sustainable Development Goals	Sakhalin Energy LLC aims to efficiently implement strategies and programmes pertaining to corporate social responsibility and ESG principles that contribute to the execution of National Projects of the Russian Federation and to the achievement of the global Sustainable Development Goals, taking into account national and regional aspects and needs	Government authorities and the general public	2.2
The company's mission, vision, values, and operating principles	Sakhalin Energy's corporate culture incorporates the mission, vision, values, principles, rules, norms, and traditions that determine the company's uniqueness and contribute to achieving objectives. An integral part of corporate governance and culture is the Code of Conduct, which applies directly to each employee and covers such areas as respect for human rights, health, safety and environment, anti-corruption and anti-bribery, and includes the principles of management commitment, due diligence and risk assessment, monitoring and reporting, and communication and training	Members of the company, government authorities, customers, company employees, and the general public	4.1
Corporate culture, business ethics, and compliance			4.5
Anti-bribery and corruption			4.6
Stakeholder engagement management and information disclosure	The company considers regular and meaningful engagement with stakeholders to be an important component of its successful business operations	Members of the company, government authorities, customers, company employees, contractors, the general public, the media, and NGOs	4.8



TOPICS	RATIONALE	STAKEHOLDERS FOR WHOM THE TOPIC IS MATERIAL	SECTION OF THE REPORT
Contracting and procurement	Sakhalin Energy LLC has identified the main areas and tools for increasing Russian content and outlined them in the Russian content Development Strategy. In this area, the company focuses on an integrated approach to addressing technological independence tasks, including the establishment of the Joint Integration Centre, its own Maintenance and Repair Facility, the implementation of the vendor development programme, as well as increasing the effectiveness of internal measures, etc.	Members of the company, government authorities, customers, company employees, and contractors	4.9
Industrial environmental control and biodiversity conservation, outcomes of individual programmes	Due to its scope and complexity, the project can potentially have an impact on the environment, and the company 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.	Members of the company, government authorities, customers, company employees, contractors, and the general public	5.2
Impact on water bodies			5.3
Impact on the atmosphere			5.4
Waste management			
Associated gas evacuation during production			
Electricity production and consumption	A relevant registry and the Climate Change Adaptation Plan have been developed for the purpose of climate risk management		
Climate agenda and carbon regulation			



TOPICS	RATIONALE	STAKEHOLDERS FOR WHOM THE TOPIC IS MATERIAL	SECTION OF THE REPORT
Occupational safety and safety culture	The company and its stakeholders attach special importance to social impact management issues, such as personnel development, respect for and promotion of human rights, occupational safety and health, social investments, and contribution to the sustainable development of the host region	Members of the company, government authorities, company employees, and the general public	6
Occupational health			
Road safety			
Approaches to personnel management and HR policy, personnel recruitment and placement, remuneration and bonus system, social benefits and compensations			
Staff training and development			
Human rights governance system and principles, grievance mechanisms, and grievance handling			
Social investment and contribution to the sustainable development of the host region, Sakhalin Energy's principles and approaches in this area, outcomes of individual programmes and projects			



CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

2

Sakhalin Energy received the National Project Partner status for its contribution to the implementation of the goals and objectives of five national projects: Culture, Education, Environment, Demography, and Safe and High-Quality Roads



2.1. CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT MANAGEMENT SYSTEM, AND INTEGRATION OF ESG FACTORS

For Sakhalin Energy LLC, corporate social responsibility (CSR) is a major element of its governance system, production and business activities, strategic development plans, and proven reputation. It means doing business with a responsibility to personnel, the community, and other stakeholders, complying with the legislation of the Russian Federation that is guided by the ESG principles, and keeping with relevant international standards and best practices.

Corporate governance at Sakhalin Energy LLC is based on ensuring transparency and constructive stakeholder engagement (see Sections 4.2 Corporate Governance System and Structure and 4.8 Stakeholder Engagement Management and Information Disclosure), as well as systematic identification, accounting, and control of internal and external impact factors in the areas of production, finance, and technology, as well as society (including human rights) and the environment. This allows the company to mitigate all types of risks in order to enhance its corporate sustainability (see Section 4.4 Risk Management System).

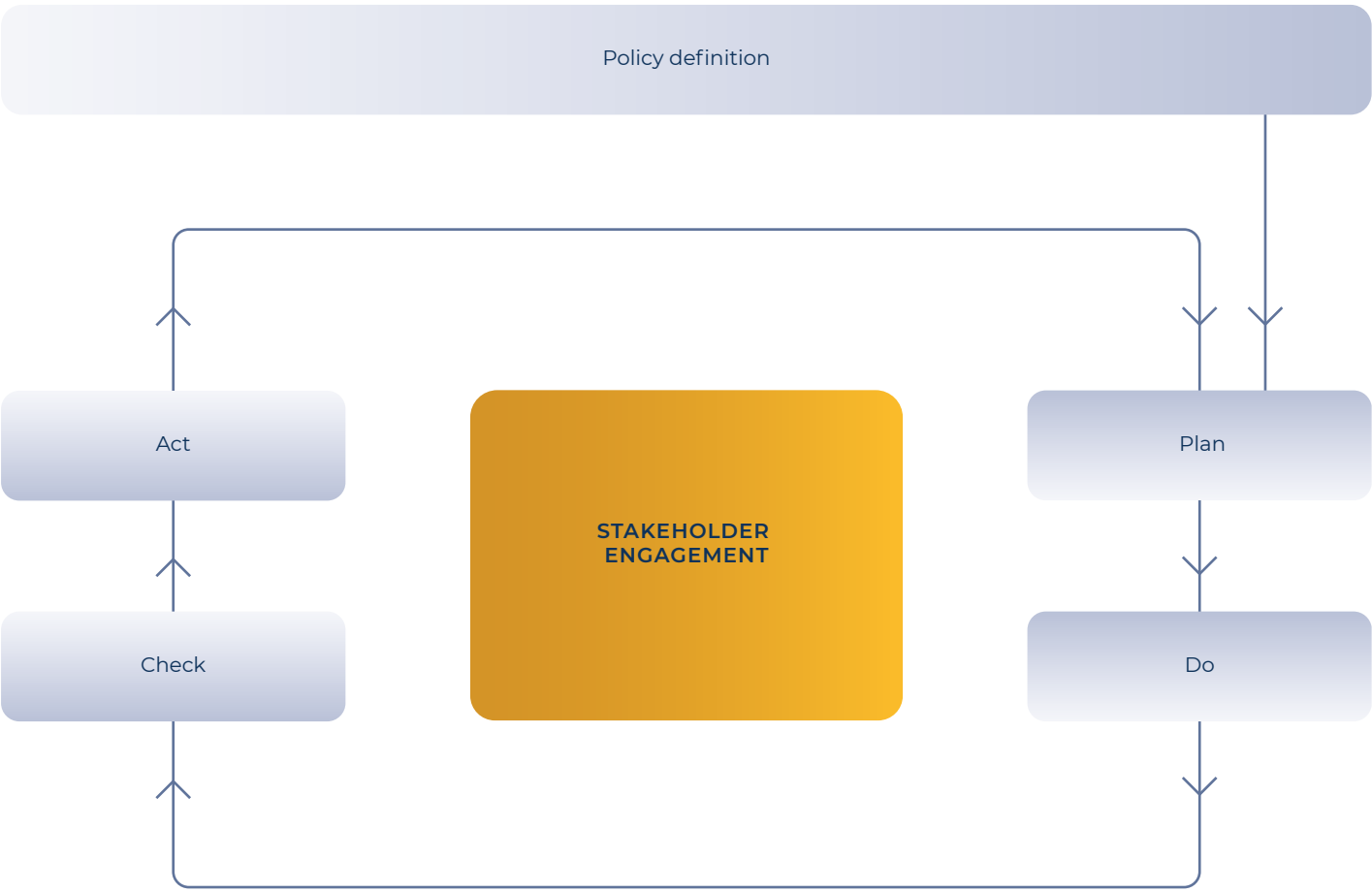
The company's mission, vision, and values provide the basis for dealing with CSR issues. The core corporate documents governing activities in the area of sustainability and ESG are the SD Policy and the Code of Conduct. The core provisions of these documents are detailed in a number of Sakhalin Energy's man-

agement systems, policies, and standards, with all ESG factors being covered, including the Human Rights Policy, Environmental Protection Policy, Industrial Safety Policy, Occupational Safety Policy, Contracting and Procurement Policy, Business Continuity Policy, Procedure for Compliance with Anti-Bribery and Corruption Laws, Information Security Policy, and others.

Sakhalin Energy LLC extends a substantial part of the requirements and business principles set out in these documents to its contractors. In addition to special contractual provisions and specific requirements, including the results of environmental, health, and social impact assessments (see Section 2.3 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 to ensure control over compliance



SAKHALIN ENERGY'S CSR MANAGEMENT SYSTEM



with these principles (see Section 4.9 Supply Chain Management).

CSR trends and indicators are regularly evaluated by authorised personnel and senior management within the company's system of internal and external oversight and audit. Moreover, assessments are also done through various stakeholder engagement activities (see

Section 4.8 Stakeholder Engagement Management and Information Disclosure and Section 6.3 Human Rights).

In 2023, the company continued to transform its corporate governance system based on ESG principles and criteria to ensure further business sustainability and effective management of operational and strategic risks. As

part of this work, a factor analysis of the company's programmes, projects, measures, and indicators in all ESG trends was carried out (see the Key Programmes, Projects, and Measures of Sakhalin Energy LLC, Broken Down by ESG Factors table).



KEY PROGRAMMES, PROJECTS, AND MEASURES
OF SAKHALIN ENERGY LLC, BROKEN DOWN BY ESG FACTORS

ESG FACTORS	KEY PROGRAMMES, PROJECTS, AND MEASURES	REPORT SECTION
E – environment		
Biodiversity	Environmental monitoring and biodiversity conservation programmes Biodiversity Action Plan	5.4
Water use	Industrial environmental control Monitoring the efficiency of wastewater treatment facilities, the quality of wastewater, surface and ground water, compliance with established water consumption and discharge limits, etc.	5.2.3
Energy consumption	Industrial environmental control Improving the operational reliability of equipment and the energy efficiency of the process flows, etc.	5.3.2
Waste management	Industrial environmental control Applying the best available technologies to prevent negative environmental impact (ITS-17 Industrial and Consumer Waste Disposal, 2016) Separate collection of waste for further recycling, decontamination, and reduction of waste disposed of in landfills, etc.	5.2.4
Pollutants	Industrial environmental control Measures to improve the operational reliability and accident-free operation of equipment, implementation of the best available technologies to reduce emissions (ITS-28 Oil Production, 2017), etc.	5.2.2
Greenhouse gas emissions	Industrial environmental control Operational decarbonisation measures Environmental safety and environmental impact assessment of design documentation; greenhouse gas emission accounting and control; utilisation of associated petroleum gas and reduction of flaring; inspection, diagnostics, and maintenance of equipment to prevent and eliminate potential leaks; energy efficiency improvement programmes for the process flows, etc.	5.3.3
Adaptation to climate change	Assessment of climate change risks and opportunities Corporate climate change adaptation plan	5.3.4
Stakeholder engagement on environmental issues	Environmental management certification by a third party (GOST R ISO 14001:2016 Environmental Management System) Stakeholder engagement on environmental issues (public authorities, the expert community, contractors and buyers, the general public, indigenous peoples, and others) Educational environmental activities for personnel and external stakeholders, environmental volunteering development Participation in voluntary initiatives and WGs on environmental issues	2.3 4.8 4.9.5 6.1.7.3 6.4.3 6.4.8.1



ESG FACTORS	KEY PROGRAMMES, PROJECTS, AND MEASURES	REPORT SECTION
Supply chain environmental risks	Interaction with vendors and contractors on environmental issues (pre-qualification, contractual requirements, evaluation and monitoring, contractor forums, vendor development programme, etc.)	2.4 4.9 5.2.1
S—social		
Occupational health and safety	Programmes for industrial, fire, and road safety, occupational health and safety culture Health protection measures (occupational hazards monitoring system, health assessment and clinical screening, measures to assess and control fatigue risk, promotion of a healthy lifestyle, health education and vaccination, etc.)	6.2
Staff attraction and retention	New employee onboarding programme Mandatory environmental, health, and safety training, professional and in-house technical training Programmes for skill pool formation and development, leadership development, young professionals development, intern training, etc. Providing an attractive and competitive employee value proposition	6.1.3 6.1.4 6.1.5 6.1.7
Social benefits	Supplemental compensation and benefit programmes (voluntary health insurance and insurance programmes, pension and mortgage programmes, financial assistance, various programmes for children of employees, etc.)	6.1.5
Local communities	Social investment programmes Corporate volunteering Capacity-building projects for the non-profit sector of the region	6.1.3 6.4
Human rights	Training on human rights, including contractor personnel Grievance mechanisms	6.3
Stakeholder engagement on social issues	Certification of the occupational health and safety management system by a third party (GOST R ISO 45001-2020 Occupational Health and Safety Management System) Self-assessment of the application of GOST R ISO 26000-2012 / ISO 26000:2012 Stakeholder engagement on social issues (public authorities, the expert community, contractors and buyers, indigenous peoples, the general public, and others) Educational activities on social issues for personnel and external stakeholders, volunteering development Participation in voluntary initiatives and working groups on social issues	2.3 4.8 4.9.5 6.1.7.1 6.4.3



ESG FACTORS	KEY PROGRAMMES, PROJECTS, AND MEASURES	REPORT SECTION
Supply chain social risks	Interaction with vendors and contractors on social issues (pre-qualification, contractual requirements, evaluation and monitoring, contractor forums, vendor development programme, etc.)	2.4 4.9 6.2
G—governance		
Corporate governance system	Corporate governance system and model Integration of ESG factors into current plans and the long-term strategy	2.1 4.1–4.3
Risk management	Risk management and internal assurance system Impact assessment Business Continuity Management System	2.3 4.4
Business ethics Corporate culture	Anti-bribery and corruption actions Measures to maintain and develop corporate culture Measures to enforce compliance with the Code of Conduct and legislation Hotline / appeal and grievance mechanism	4.5
Data privacy and cybersecurity	Measures to prevent data privacy breaches and cyber threats	4.11
Disclosure and transparency	Stakeholder engagement Preparation and publication of non-financial reporting and public assurance thereof	1 4.8
Supply chain management Russian content	Supply chain management system (see Supply Chain Social Risks and Supply Chain Environmental Risks ESG factors) Joint Integration Centre Employee and contractor incentive programmes for enhancing Russian content Vendor Development Programme Localisation of oil and gas services as part of the company's maintenance and repair facility (as part of the development of the Sakhalin Industrial Park)	2.3 4.8 4.9



The main CSR standards that Sakhalin Energy LLC applies are the following:

- the principles of the UN Global Compact (human rights, labour relations, environmental protection, and anti-corruption);
- GOST / ISO standards (environmental management, quality control, health and safety, social responsibility, and the business reputation of commercial entities);

- United Nations standards (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 and stakeholder engagement);
- other standards and initiatives related to CSR, ESG, and sustainable development (see Section 1.2 Report Preparation Standards and Section 2.2.3 UN Sustainable Development Goals).

2.2. SUSTAINABLE DEVELOPMENT POLICY AND CONTRIBUTION TO NATIONAL AND GLOBAL SUSTAINABLE DEVELOPMENT GOALS

2.2.1. BASIC PROVISIONS OF THE SUSTAINABLE DEVELOPMENT POLICY

Since its inception, the Sakhalin-2 project operator 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 LLC relies upon this definition in its daily operations. This approach presumes and ensures economic effectiveness, environmental safety, social justice, and the ethical behaviour of the company and its employees, combined with an overall reduction of human impact on the ecosphere. This is implemented through strong, transparent, constructive, and systematic cooperation, as well as two-way communication with all stakeholders.

In 2023, Sakhalin Energy LLC consistently implemented the provisions of the Sustainable Development

Policy. The policy asserts the principles, directions, and obligations of the company in sustainable development.

The basic provisions of the Sustainable Development Policy are:

- Sakhalin Energy LLC will carry out its business responsibly and efficiently so as to deliver a robust project that will maximise benefits to the Russian Federation, Sakhalin Oblast, and the members of the company;



- Sakhalin Energy LLC 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 cultural diversity into account;
- Sakhalin Energy LLC 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 of Sakhalin Energy LLC towards the UN Sustainable Development Goals (see Section 2.2.3 UN Sustainable Development Goals).

2.2.2. NATIONAL PROJECTS OF THE RUSSIAN FEDERATION

NATIONAL PROJECT PARTNER

In 2023, Sakhalin Energy LLC received the status of National Project Partner for its contribution to the implementation of the goals and objectives of five national projects: Culture, Education, Ecology, Demography, and Safe and High-Quality Roads. This status is granted by the National Priorities ANPO based on participation in the Our Contribution national award. The key condition is the compliance of corporate programmes with the goals and objectives of federal programmes implemented under 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, Sakhalin Energy LLC implements various projects that help to preserve and promote the culture and languages of Sakhalin indigenous minorities, develop cultural institutions, support exhibitions, educational and other initiatives (see Section 6.6 Social Investment and Contribution to the Sustainable Development of the Host Region).

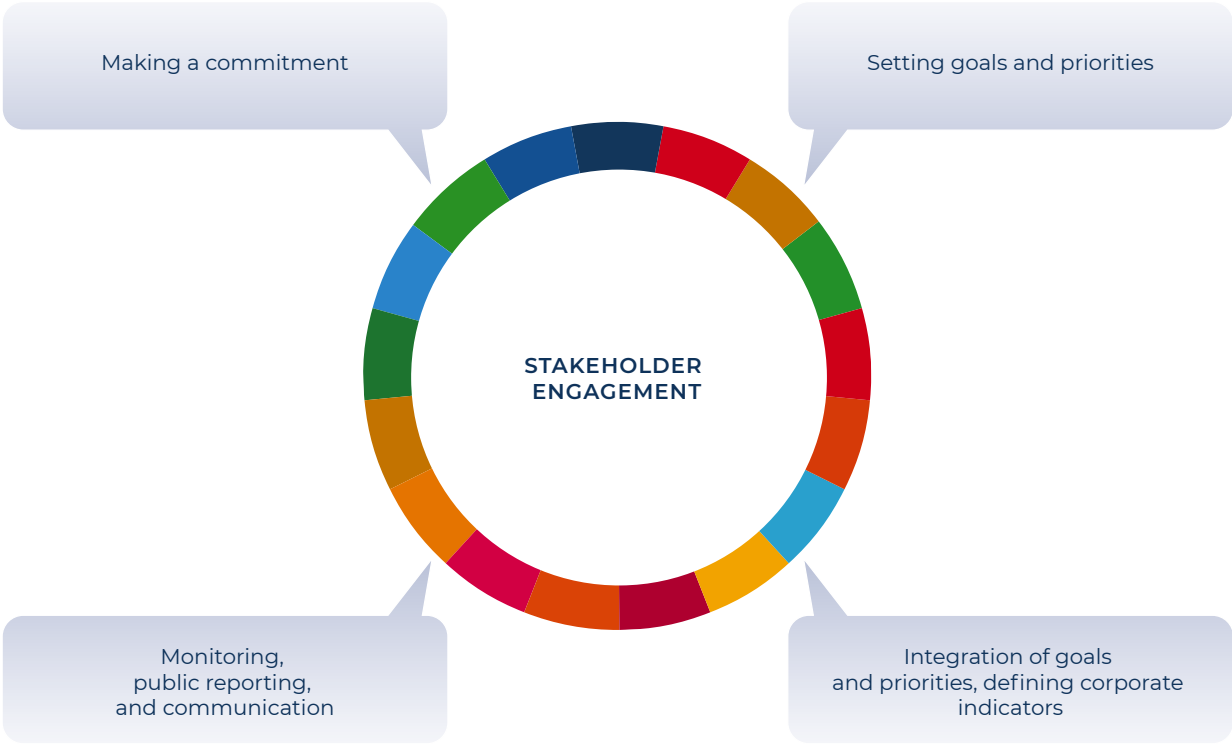
The strategic objectives of the Education national project are to enhance the competitiveness of vocational

education and create conditions for personal development and career growth. To this end, personnel learning and development plans are drafted in Sakhalin Energy LLC every year, in line with employees' production tasks, career development, and competence assessment; various programmes aimed at localising quality education in the region, career guidance, training, and employment of youth on the island are developed (see Section 6.1.3 Recruiting, Hiring, and Onboarding New Employees, Section 6.1.7 Personnel Training and Development, and Section 6.4 Social Investment and Contribution to the Sustainable Development of the Host Region).

The company's programmes and projects on environmental protection and biodiversity conservation, in particular the comprehensive programme for monitoring gray whales, meet the goals and objectives set by the Biodiversity Protection and Ecotourism Development



UN SUSTAINABLE DEVELOPMENT GOALS: MEASURES TAKEN BY SAKHALIN ENERGY LLC



federal project, which forms part of the Ecology national project (see Section 5 Environmental Impact Management).

The implementation of the priority tasks of the Demography national project is facilitated by the company's measures to prevent diseases, improve the health of personnel, and motivate them to adopt a healthy lifestyle (see Section 6.2.2 Occupational

Health), as well as by projects aimed at creating conditions for sports and engaging non-profit organisations in promoting public health in the host region (see Section 6.4 Social Investment and Contribution to the Sustainable Development of the Host Region).

Another priority of Sakhalin Energy LLC is to ensure road safety, which coincides with the objectives of the

Safe and High-Quality Roads national project. Activities in this area include driver training, awareness campaigns, introduction of automatic data collection systems, etc. (see Sections 6.2.3 Road Safety and 6.4 Social Investment and Contribution to the Sustainable Development of the Host Region).

2.2.3. 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 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.

The company's core SDG efforts are the following:

- a commitment to contribute to the achievement of the SDGs is enshrined in the corporate Sustainable Development Policy: Sakhalin Energy LLC strives to be a leader in sustainable development, taking into account the Sustainable Development Goals set out in the 2030 Agenda for Sustainable Development;

- analysing Sakhalin Energy'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. When determining 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. Relevant issues have been put on the agendas of dialogues with external stakeholders in the preparation of Non-Financial Reports and discussions with company personnel, as well as added to questionnaires for stakeholders to determine the content of the Report. As a result, company stakeholders named

SDGs 3, 4, 6, 7, 8, 9, 11, 12, 14, 15, and 16 to be the most significant (see Section 1.2 Report Preparation Standards);

- integrating commitments and goals with the processes and practices of the company. Sakhalin Energy LLC regularly analyses SDG targets and global indicators to identify the company's corresponding specific processes and practices and the relevant corporate indicators. It is important that corporate indicators demonstrate the efforts the company makes to achieve the relevant SDGs.

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

One of the conditions for achieving the SDGs, which is also highlighted as a separate SDG, Goal 17, is to join efforts in global, regional, or local partnerships, uniting government authorities/agencies, businesses, and the community. Sakhalin Energy LLC pays special attention to long-term strategic partnerships engaging external stakeholders. This applies to environmental projects, personnel and Russian content development programmes, social investments, etc. (see Sections 4.8 Stakeholder Engagement Management and Information Disclosure, 4.9.3 Joint Integration Centre, 5 Environmental Impact Management, 6.1 Personnel: Management and Development, and 6.4 Social Investment and Contribution to Sustainable Development of the Host Region).






GOALS AND OBJECTIVES OF SAKHALIN ENERGY LLC WITH EXAMPLES OF FOCUS AREAS, PROJECTS, PROGRAMMES, OR ACTIVITIES CONSISTENT WITH THE SDGS AND CORRESPONDING OBJECTIVES, AND KEY CORPORATE INDICATORS







SDGS AND THEIR TARGETS	COMPANY GOALS AND OBJECTIVES	AREAS, PROGRAMMES, AND PROJECTS (EXAMPLES)	INDICATORS (INCLUDED IN THE REPORT)	REPORT SECTION
<div>1 NO POVERTY</div> <div>1.1</div> <div>1.2</div> <div>1.4</div> <div>1.5</div> <div>2 ZERO HUNGER</div> <div>2.3</div> <div>2.4</div> <div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> <div>9.1</div> <div>9.4</div> <div>11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div>11.1</div> <div>11.2</div> <div>11.4</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div>12.7</div> <div>12.8</div>	<p>Provide an attractive and competitive employee value proposition. Achieve and enhance Russian content. Contribute to the sustainable development of the host regions (Sakhalin Oblast). Resolve grievances from stakeholders effectively, paying special attention to vulnerable groups. Conduct effective and timely environmental, social, and health impact assessments. Introduce innovative solutions and carry out digital transformation</p>	<p>Remuneration and bonus system. Social guarantees, benefits, and compensations. Digital strategy. Localisation projects (Sakhalin Energy Maintenance and Repair Facility in the Sakhalin Industrial Park). Joint Integration Centre. Continuous Improvement Programme. Vendor Development Programme. Tax revenue for the Russian Federation and Sakhalin Oblast. Grievance mechanisms. Environmental and social impact management. SIM engagement practices (in accordance with the Human Rights Policy, indigenous peoples are a vulnerable group). Social investment programmes and projects. Cultural heritage protection plan. Projects to preserve indigenous minorities' cultural heritage, culture, and languages. Road safety assurance activities</p>	<p>Ratio of the standard entry-level wage to the established minimum wage. Russian and local content. Significant indirect economic impacts. Intellectual property rights portfolio. Grievance resolution indicators. Organisational units with a 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. Total number of infringement cases affecting the rights of indigenous minorities and actions taken. Operations in areas where indigenous communities are present or affected by activities and where specific engagement strategies are in place. Number and description of significant disputes with local communities and indigenous peoples. Number of road accident victims</p>	<p>3.2 3.3 4.7 4.8 4.9 6.1 6.2 6.3 6.4</p>
<div>3 GOOD HEALTH AND WELL-BEING</div> <div>3.3</div> <div>3.5</div> <div>3.6</div> <div>3.8</div> <div>3.9</div>	<p>Goal Zero: No Harm. No Leaks. Ensure employee health protection</p>	<p>Occupational safety and health (measures to ensure industrial and fire safety, health, road safety, etc.). Employee health protection (assessment of health risks, occupational health, organisation of medical examinations, emergency medical response, voluntary health insurance, disease prevention programmes, etc.). Industrial environmental control</p>	<p>Occupational injury rate. Occupational disease rate. Total number of work-related fatalities. Occupational safety costs. Industrial safety costs. Coverage of employees carrying out activities in hazardous, dangerous, and arduous working conditions via mandatory periodic medical examinations and clinical screening. Greenhouse gas emission indicators. Emissions of ozone-depleting substances. NO_x, SO_x, and other significant air pollutant emissions.</p>	<p>5.2 5.6 6.2</p>

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 7 Sakhalin Energy Plans for 2024. Development Strategy for key performance indicators and corresponding SDGs for 2024–2027.




SDGS AND THEIR TARGETS	COMPANY GOALS AND OBJECTIVES	AREAS, PROGRAMMES, AND PROJECTS (EXAMPLES)	INDICATORS (INCLUDED IN THE REPORT)	REPORT SECTION
			(continued) 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 hydrocarbons. Number of road accident victims	
 4.3 4.4 4.5 4.7  8.1 8.2 8.3 8.5 8.6 8.8	Meet skilled labour force requirements to manage ongoing and strategic objectives. Achieve and enhance Russian content. Contribute to the sustainable development of the host regions (Sakhalin Oblast)	Staff training and development activities. Localisation projects (Sakhalin Energy Maintenance and Repair Facility in the Sakhalin Industrial Park). Joint Integration Centre. Standards Harmonisation Project. Continuous Improvement Programme. Vendor Development Programme. Tax revenue for the Russian Federation 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 the occupational safety and health of personnel. Social investment programmes and projects	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 to the established minimum wage. Return to work after parental leave, by gender. Occupational injury rate. Occupational disease rate. Number of industrial safety accidents and incidents. Total number of work-related fatalities. Number of road accident victims	4.9 6.1 6.2 6.4
 5.1 5.2 5.4 5.5  10.3	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. Social investment programmes	Total number of discrimination cases and corrective actions taken. Ratio of the basic salaries 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.	6.1 6.4



SDGS AND THEIR TARGETS	COMPANY GOALS AND OBJECTIVES	AREAS, PROGRAMMES, AND PROJECTS (EXAMPLES)	INDICATORS (INCLUDED IN THE REPORT)	REPORT SECTION
			(continued) New employee hires and employee turnover, by age group and gender. Ratio of the standard entry-level wage to the established minimum wage	
 6.3 6.4 6.6  7.3  8.4  9.5  12.2 12.4 12.5 12.6  13.1	Implement effective and lean manufacturing methods. Introduce innovative solutions and digitalisation of all processes. Comply with legislation on environmental protection, ensure the observance of established environmental standards, assure the rational use of natural resources, and fulfil plans for minimising environmental impact	Operation of gas turbines with a system for reducing nitrogen oxide emissions. Application of an enhanced gas turbulence system to ensure sootless flaring. 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. Business Continuity Management System. Industrial Environmental Control of impact on atmospheric air and bodies of water, waste management. Energy efficiency measures and improvement. Stakeholder engagement practices. Carbon regulation. Climate Change Adaptation Plan. Public non-financial reporting.	Quantity of drilling waste (mud and cuttings) and strategies for the treatment and disposal thereof. Volume of produced or associated water and disposal thereof. Volume of flared and vented hydrocarbons. Percentage of flared associated gas. Total weight of waste, by type and disposal method. Total water discharge, by quality and destination. NO _x , SO _x , and other significant air pollutant emissions. Specific pollutant emissions. Emissions of ozone-depleting substances. Energy indirect greenhouse gas emissions. Direct greenhouse gas emissions. Specific greenhouse gas emissions. 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. Soil 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 vendors. Current environmental costs and payments for adverse environmental impact, including their structure. Investment in fixed capital aimed at environmental protection and sustainable use of natural resources. Fines paid	1 3.3.1 5



SDGS AND THEIR TARGETS	COMPANY GOALS AND OBJECTIVES	AREAS, PROGRAMMES, AND PROJECTS (EXAMPLES)	INDICATORS (INCLUDED IN THE REPORT)	REPORT SECTION
 14.1 14.2 14.3 14.a  15.2 15.5 15.9	<p>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 current impact and develop actions to mitigate it, if necessary.</p> <p>Conduct effective and timely environmental, social, and health impact assessment.</p> <p>Mitigate impact, develop and implement actions aimed at the preservation of rare and endangered species, as well as environmentally significant and vulnerable biotopes</p>	<p>Assess environmental risks and impacts. Carbon regulation, measures to further reduce greenhouse gas emissions in the integrated gas chain, using green oil tankers, etc. Effective and viable waste management strategy. Implement an environmental compliance action plan. Coordinated programmes for biodiversity conservation and local monitoring. Maintain and improve emergency response and oil spill response mechanisms, rescue oiled animals</p>	<p>Volume of flared and vented hydrocarbons.</p> <p>NOX, SOX, and other significant air pollutant emissions.</p> <p>Energy indirect greenhouse gas emissions.</p> <p>Direct greenhouse gas emissions.</p> <p>Operational sites on or adjacent to protected natural areas and areas of high biodiversity value outside protected areas.</p> <p>Soil disturbance and restoration.</p> <p>Impacts of activities on biodiversity in protected natural areas and areas of high biodiversity value.</p> <p>Recovery of wetlands in disturbed areas of the RoW.</p> <p>Changes in the status of nesting populations, protected plant and animal species, and their habitats.</p> <p>Changes in aquatic ecosystems.</p> <p>State of soils.</p> <p>Overgrowing of the RoW.</p> <p>Number of species listed in the IUCN Red List and the National List of Protected Species.</p> <p>Total number and volume of significant spills.</p> <p>Fines paid</p>	5

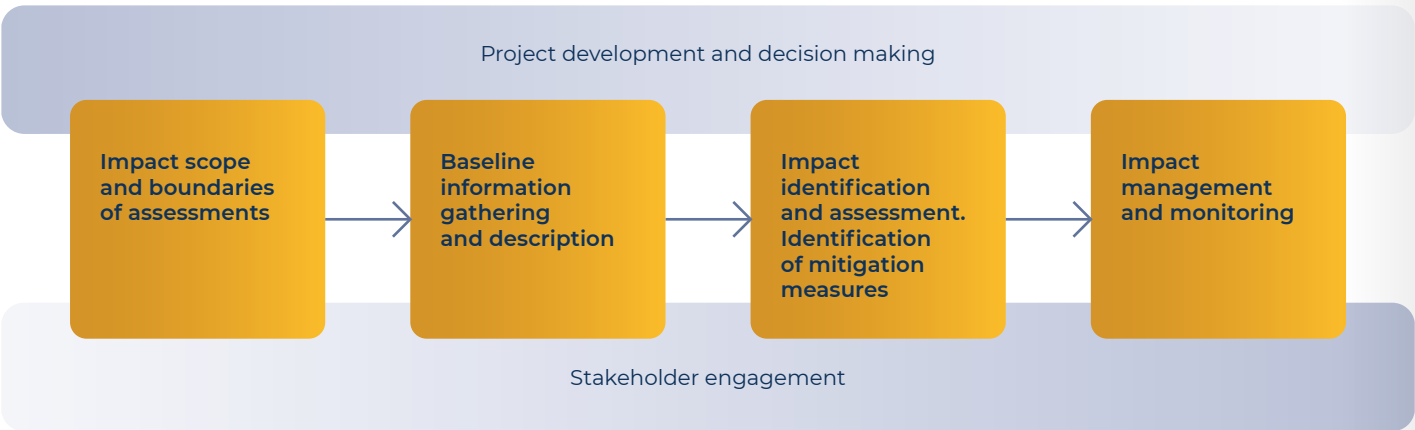


SDGS AND THEIR TARGETS	COMPANY GOALS AND OBJECTIVES	AREAS, PROGRAMMES, AND PROJECTS (EXAMPLES)	INDICATORS (INCLUDED IN THE REPORT)	REPORT SECTION
 16.1 16.2 16.3 16.5 16.6 16.7 16.10	<p>Comply with all applicable laws and regulations of the countries in which the company operates.</p> <p>Effective corporate governance.</p> <p>Corporate culture management. Anti-bribery and corruption enforcement.</p> <p>Provide all stakeholders with safe and confidential channels to express concerns and grievances, as well as report non-compliances</p>	<p>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 while upholding human rights. Conflict of Interest Procedure. Stakeholder engagement practices, including open public consultations and public non-financial reporting</p>	<p>Total monetary value of political contributions by country and recipient/beneficiary.</p> <p>Total number of incidents related to non-compliance with regulations and voluntary codes concerning product and service information and labelling.</p> <p>Total number of discrimination cases and corrective actions taken.</p> <p>Confirmed incidents of corruption and actions taken.</p> <p>Communication and training on anti-corruption policies and procedures.</p> <p>Internal audits.</p> <p>Rate of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations.</p> <p>Operations and vendors identified as having significant risk for incidents of child labour and measures taken to contribute to the effective abolition of child labour.</p> <p>Stakeholder engagement indicators, including feedback.</p> <p>Grievance resolution indicators</p>	<p>1</p> <p>4.1–4.6</p> <p>4.8</p> <p>6.3</p>



2.3. IMPACT ASSESSMENT

STAGES OF IMPACT ASSESSMENT OF SAKHALIN ENERGY LLC



Sakhalin Energy LLC seeks to avoid or reduce any negative environmental or social impact of its activities to the lowest possible level or to compensate for it by taking appropriate measures.

Following the due diligence approach that underlies all risk management processes, the company evaluates its environmental and social impact before undertaking any major new project or making significant changes to existing facilities.

When any potential adverse impact is identified, the following actions are subsequently 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 is consultations with stakeholders to inform them about the planned activities, identify concerns, consider their opinions, and discuss possible measures to manage the impact.

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 suitability and completeness of these plans and programmes are controlled by government authorities, members of the company, and stakeholders.

In 2023, Sakhalin Energy LLC held public discussions of design documentation, including:

- Addendum to the Engineering Design for the construction and operation of subsurface facilities not related to mineral resource extraction for the disposal of industrial waste (cuttings), produced water, and water used for internal production and process needs via re-injection into the Astokh area of the Piltun-Astokhskoye oil and gas condensate field (survey);
- Reconstruction of the well stock in the Astokh area of the Piltun-Astokhskoye oil and gas condensate field (group 6) public hearings.

Sakhalin Energy LLC provided responses to all questions raised during the meetings. Participants did not express any negative views on the planned activities of the company.



2.4. INSPECTION AND AUDIT

External and internal inspections and audits are regularly conducted in the company for the purpose of monitoring all the elements of the HSE management system (occupational health, environmental protection, industrial and fire safety, civil defence and emergency situations) in accordance with annual plans.

External and Internal Audits of the Company

Sakhalin Energy LLC actively engages company employees (representatives of the Chief Engineer’s Office) qualified as auditors in internal audits.

In 2023, the company conducted one comprehensive internal audit of its Health, Safety, and Environment Management System (HSE-MS) with the involvement of external consultants (Occupational Safety Research Institute).

Based on the audit results, the company’s HSE Management System was deemed to be in compliance with the requirements of Russian occupational safety legislation. At the same time, the auditors indicated HSE-MS areas for improvement.

In 2023, the company conducted one external audit for compliance with applicable standards such as GOST R ISO 45001-2020 Occupational Health and Safety Management System and GOST R ISO 14001-2016 Environmental Management System

NUMBER OF CONTRACTOR AUDITS CONDUCTED IN 2023	
TYPE	NUMBER
Audit of existing contractors	38
Pre-mobilisation audit	5
Total	43

(auditor: Russian Register Certification Association). Following the audit, the audit team from Russian Register LLC recommended the issuance of certificates of compliance with GOST R ISO 45001-2020 and GOST R ISO 14001-2016 to Sakhalin Energy LLC.

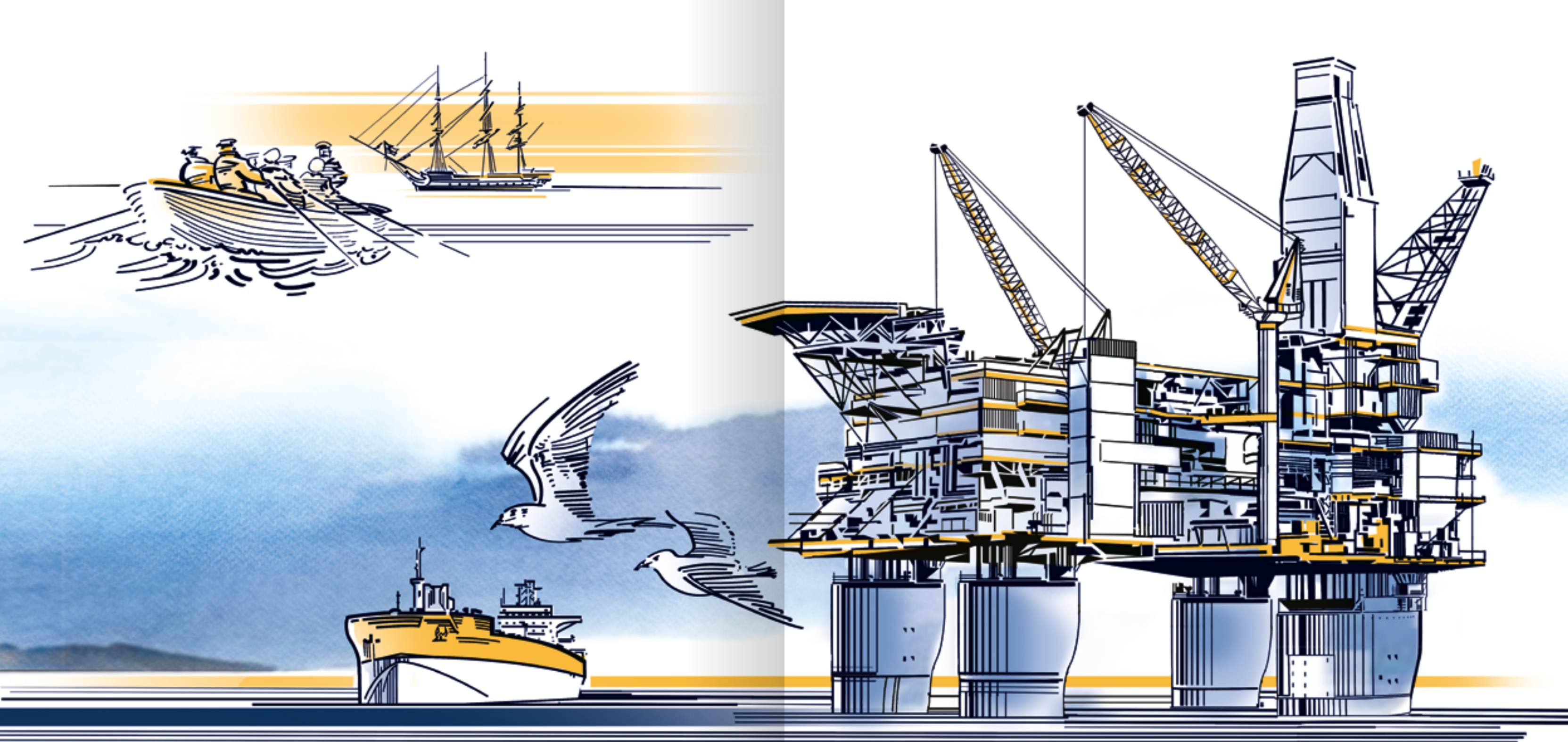
Contractor Audits

Since a significant portion of the work on the Sakhalin-2 project is done by contractors, the company systematically conducts relevant audits of its contractors to maintain high HSE performance and to check these organisations for compliance with Russian legislation. Audits include:

- pre-mobilisation audits to confirm the contractor’s readiness for the work;
- ongoing audits during the contract period to monitor compliance with Russian legal requirements and contract terms, enabling the company to track

and manage the contractors’ HSE performance.

Based on the findings of the existing contractor audits and the implementation of recommendations, as at 31 December 2023, 86% of contracts are in the green zone (the green zone indicates that all necessary processes and procedures have been developed and introduced with minor deficiencies), while 14% are in the yellow zone (the yellow zone indicates a lack of critical processes and procedures in some elements of the HSE, industrial and fire safety, civil defence and emergency management systems). In 2024, the company will continue its efforts to address identified non-compliances and implement agreed-upon measures for improving contractor occupational safety systems.



3

ABOUT SAKHALIN ENERGY LLC

The Sakhalin-2 project is associated with landmark events for the oil and gas industry: the production of the first commercial quantities of oil and gas on the Russian shelf, the construction and operation of the country's first liquefied natural gas plant, the start of the Russian LNG export, and the introduction of new LNG production and transportation technologies



3.1. GENERAL INFORMATION



The Sakhalin-2 project is one of the world's largest integrated oil and gas projects, operating on the basis of Russia's first Production Sharing Agreement (PSA). The Project Operator, Sakhalin Energy Limited Liability Company* (or the purposes of this report referred to as Sakhalin Energy LLC, Sakhalin Energy, or the company), is developing the Piltun-Astokhskoye and Lunskeye fields in the territorial sea off the eastern coast of Sakhalin Island.

The average water depth within the company's two offshore fields is 32 and 48 metres, respectively (with a maximum water depth of ~60 metres), and the maximum water depth at the location of the company's three offshore platforms is ~49 metres. The conventional sandstone hydrocarbon reservoirs developed by the company are not defined as shale; while developing these reservoirs, the company does not produce hydrocarbons from resources located in shale formations.

As part of the Sakhalin-2 project, the company has built a large-scale infrastructure for the extraction, transportation, processing, and subsequent sale 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.

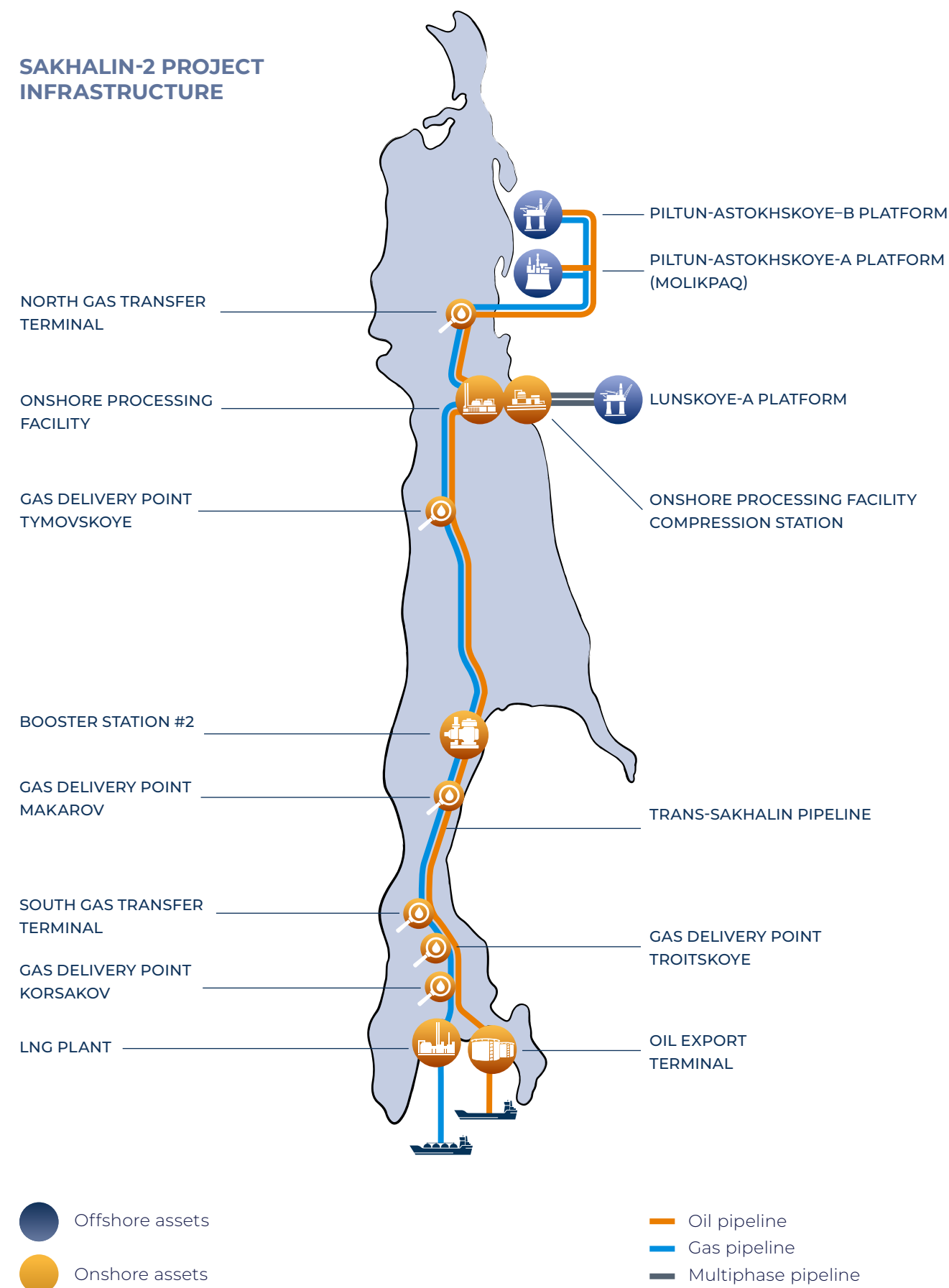
~49_m

maximum water depth
at the locations of the three
offshore platforms

* Sakhalin Energy LLC was established pursuant to RF Presidential Decree No. 416 dated 30 June 2022 On Application of Special Economic Measures in the Fuel and Energy Industry Due to Unfriendly Acts of Certain Foreign States and International Organisations and RF Governmental Decree No. 1369 dated 2 August 2022 On Measures to Implement RF Presidential Decree No. 416 dated 30 June 2022.



SAKHALIN-2 PROJECT INFRASTRUCTURE





3.2. IMPORTANCE OF THE SAKHALIN-2 PROJECT FOR SAKHALIN OBLAST AND THE RUSSIAN FEDERATION AS A WHOLE

Sakhalin Oblast and the Russian Federation as a whole receive significant benefits from the implementation of the Sakhalin-2 project.

- Over the life of the Sakhalin-2 project, revenues to the Sakhalin Oblast budget have amounted to approximately \$13.77 billion.
- Over \$30 billion worth of contracts have been awarded to Russian companies and organisations.
- Russia and the host region are gaining experience in implementing complex high-tech projects in remote areas and localising the best industry services.
- Activities aimed at supporting Russian suppliers and establishing company-based competence centres contribute to the achievement of Russia's national technological sovereignty development goals.
- Sakhalin-based companies take an active part in the implementation of the Sakhalin-2 project as contractors and subcontractors, which has a positive impact on the living standards and income of the region's population and contributes to the Sakhalin Oblast budget.
- There has been a notable increase in local employment (both direct and indirect) and local workforce qualification. The region's human resource potential and sovereignty have also significantly improved.
- The infrastructure on Sakhalin Island has undergone large-scale upgrades.

- With the support of Sakhalin Energy, many environmentally and socially significant initiatives are being implemented in the host region's and the company's focus areas, which contribute to the achievement of national and global sustainable development goals.

In 2023, according to data prepared in accordance with the International Financial Reporting Standards (IFRS), Sakhalin Energy's revenue amounted to \$6,926 million, with a net profit of \$3,059 million.

According to data prepared in accordance with the Russian Accounting Standards (RAS), Sakhalin Energy's revenue amounted to 629,348.6 million roubles, with a net profit of RUB 315,285.1 million roubles.

REVENUE AND NET PROFIT IN 2020–2023
(in accordance with IFRS), \$ million

INDICATOR	2020	2021	2022	2023
Revenue	4,383	5,743	9,608	6,926
Net profit	1,080	2,009	4,005	3,059



3.3. SAKHALIN ENERGY'S MAIN PRODUCTION RESULTS IN 2023

3.3.1. ASSETS

In 2023, the company achieved excellent performance in the following key focus areas:

- Hydrocarbon production plans were successfully fulfilled. Oil, gas, and condensate production volumes match production forecasts in the approved reservoir management plans (within permissible deviation limits), as prescribed by the Rules for the Development of Hydrocarbon Fields.
- A new asset – the onshore processing facility (OPF) compression station – was put into operation.
- High levels of production equipment reliability were achieved.
- All turnarounds and equipment overhauls were completed in full with the engagement of Russian specialised service contractors.
- Molikpaq Rig Refurbishment Project Phase I was completed, and mechanical completeness of Phase II was achieved; all planned WRFM (Well, Reservoir and Facility Management) activities were successfully implemented.
- Gas was successfully fed to the Makarov and Troitskoye Gas Distribution Stations for start-up and commissioning activities 'under load'.
- Processing of the 2022 4D seismic monitoring data from the Piltun-Astokhskoye field was successfully completed by a Russian contractor. Data interpretation and target analysis results required to implement the side-tracking programme as regards the 4D data are expected in 2024.
- The 2023 drilling schedule was successfully completed.
- A portion of the programme to further increase Russian content in the Sakhalin-2 project and localise business in the context of ensuring technological sovereignty was successfully implemented: testing of alternative Russian-made well-logging equipment was carried out; field testing of Russian-made down-hole logging equipment was carried out in the Lunskeye field wells; and a technology for selecting and testing sand screens for high-rate oil and gas wells was

developed jointly with a Russian contractor.

- A programme to develop unique competencies for offshore field development in the Sakhalin-2 project is being successfully implemented.
- Well integrity of the company's offshore assets is 93%, which is above the target figure of 87.5%.
- A long-term project and investment activity programme was developed to achieve maximum value from the Sakhalin-2 project.



>45 mln t
of oil

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

3.3.1.1. PILTUN-ASTOKHSKOYE-A (MOLIKPAQ/PA-A) PLATFORM

Molikpaq remains the main oil production platform in the Sakhalin-2 project. The platform was installed in territorial waters off the east coast of Sakhalin more than a quarter of a century ago, on 12 September 1998, and since then has become part of the island's oil history as Russia's first offshore 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 at the end of 2023, the operating well stock of the Molikpaq platform included 16 oil production wells, seven water injection wells, and one cuttings re-injection well. In 2023, the average daily production from the platform was 2.9 thousand t (21.6 thousand bbl) of oil and 0.3 million m³ of associated gas.

Since the commencement of field development, the PA-A platform has produced more than 45 million t (over 333 million bbl) of oil and more than 7.3 billion m³ of associated gas, including 0.7 million t (5.3 million bbl) of oil and 0.1 billion m³ of associated gas produced in 2023.

In 2023, the main objectives at the Piltun-Astokhskoye field included: continuing efficient development through reliable well stock operation; maintaining a proper balance in the well process flow pattern for the purpose of timely prevention of

sand/water ingress and to ensure well integrity; ensuring the quality and volumes of injected fluid for Reservoir Pressure Maintenance (RPM) and the reliability of the drill cuttings re-injection system; and implementing Well, Reservoir and Facility Management activities. Well intervention, down-hole logging and production testing programmes, as well as well integrity tests, were successfully completed.

In 2023, for the first time in the project's history, the Molikpaq platform underwent a major 123-day integrated turnaround: it was required to perform equipment maintenance and works in the scope of the Rig Refurbishment Project. The work was completed in full and without any safety incidents. A significant number of industrial safety expert reviews were performed as part of the certification of the oil and gas production and produced water system pipelines, utility systems, and the drilling module. A comprehensive four-year-long repair project of the deaeration tower was completed, including restoration of the protective coating.

One of the most challenging 2023 operations was engine replacement



on the main crane that is used for all lifting operations, both with supply vessels and on the platform. Due to the significant weight of the crane engine, the main risks involved working at height as well as hoisting operations with the use of multiple portable hoisting mechanisms. This required a special approach and a detailed plan. Apart from the engine replacement, the main driven gearbox was overhauled, all high-pressure hoses were replaced, and the hydraulic tank and diesel fuel tanks were routinely inspected and cleaned.

Inspection of the PA-A drilling complex equipment was completed in full.

In 2023, Sakhalin Energy LLC continued refurbishing the integrated rig and auxiliary equipment. C&I work for the Well Workover Rig Readiness Project Phase II was completed. The installation of the drilling equipment was completed. Individual tests as part of the commissioning programme were performed; the power supply control system was upgraded, and a full range of operations were carried out to adjust the drilling equipment. This work was performed exclusively by Russian service companies.

3.3.1.2. PILTUN-ASTOKHSKOYE-B (PA-B) PLATFORM

PA-B, the largest platform of the Sakhalin-2 project, 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.

In 2023, two new production wells were successfully put into operation. As at the end of 2023, the operat-

ing well stock of the PA-B platform included 21 production wells, eight water injection wells, and two cuttings re-injection wells.

The platform's average daily production rate in 2023 was 2.7 thousand t (20 thousand bbl) of oil and 0.7 million m³ of gas.



For the first time in the company's history, geological and technical research stations were installed on the PA-A platform to monitor the parameters of the drilling facilities and the well while drilling. A Russian well-logging service provider was used for this.



During the 123-day turnaround, 28,975 passenger transfers between the platform and stand-by vessels were safely executed.



>22 mln t
of oil

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

Since the commencement of field development, the PA-B platform has produced more than 22 million t (over 165 million bbl) of oil and more than 8.2 billion m³ of associated gas, including 0.9 million t (6.9 million bbl) of oil and 0.25 billion m³ of associated gas produced in 2023.

In 2023, scheduled technical operations were completed. All tasks were

successfully completed by Russian contractors and the company's specialists only.

The preventive maintenance performed included:

- testing of the emergency shutdown system. When necessary, the system automatically cuts the platform off from onshore assets;

process equipment is brought to a safe state (well shut-in, processing units “cut off,” tanks and pipelines “cut off,” and excess pressure released to the flaring system). Previously, PA-B was put into “sleep mode” manually by switching off various systems stage by stage. In 2023, a decision was made to evaluate the operation of the emergency shutdown system, which proved to be 100% effective;

- inspecting the export gas cooler. A thorough inspection made it possible to identify elements requiring repair;
- inspecting the gas separation tanks, in which liquid droplets are removed from gas, for the first time since the platform was put into operation;
- removing solid scale deposits from production tanks;
- a comprehensive caisson repair operation, which involved replacing an 18-inch pipe for seawater discharge. The pipe weighed approximately 800 kg and was about 6 m long. Moving such a large load within the small platform space was not an easy task, but the platform team managed to complete it;
- emergency shutdown valve testing and leak tests;
- pipeline de-isolation and nitrogen pressure tests;
- inspecting PA-B drilling complex equipment;

- completing the well intervention, downhole logging, and hydro-dynamic survey programmes, as well as well integrity tests.

3.3.1.3. LUNSKOYE-A (LUN-A) PLATFORM

LUN-A is the first offshore gas production platform in Russia. It produces the majority of Sakhalin-2 gas. Condensate and gas separation, including processing the 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 at the end of 2023, the operating well stock of the LUN-A platform included 21 production wells and three cuttings re-injection wells.

In 2023, the platform continued to produce an uninterrupted flow of gas from the existing wells. The average daily production was 45 million m³ of gas and 3.17 thousand t (27.97 thousand bbl) of condensate.

Since the commencement of development, the platform has produced over 240 billion m³ of gas and about 20.8 million t (181.4 million bbl) of condensate, including 16.4 billion m³ of gas and 1.2 million t (10.2 million bbl) of condensate produced in 2023.

In 2023, as part of the major turnaround of the Sakhalin-2 project's



>240 bln m³
of gas

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

integrated gas chain, inspection of pressurised vessels and maintenance and repair of shut-off and control valves were performed on the LUN-A platform. Special attention was paid to the inspection and maintenance of the electrical equipment, as well as the integration and commissioning of a new production facility—the OPF compression station (OPFC).



The main areas of Sakhalin Energy's activities in 2023 included implementing the Careful Reservoir Management strategy according to the effective field development and reservoir management documents, as well as optimising the main process equipment.



THE OPF COMPRESSION PROJECT

The OPFC construction project was completed in 2023. This was the first major capital project since the commencement of the Sakhalin-2 operations, and it was envisioned from the very beginning, even before the completion of the gas chain. The additional compressing capacity at the OPF inlet is required to maintain process parameters during the decompression phase in the Lunskeye field.



In order to optimise production and reduce the project’s carbon footprint, a 24-inch full-bore spool was installed on the gas dehydration process unit of train 2, which reduced pressure drop. This will reduce electric power consumption and, consequently, reduce greenhouse gas emissions.

Tie-in of the OPFC into the integrated gas chain became a key process in the turnaround. Taking into account the OPFC’s start-up, changes were made to the pipeline operating process. A new process scheme was introduced, in which gas from the LUN-A platform first flows to the OPFC, then to the onshore processing facility, and finally to the LNG plant.

In accordance with the Operational Reserves Estimate (ORE) preparation schedule and Technological Project of Development (TPD) for the Lunskeye oil and gas condensate field, a state expert review of reserves was completed at the State Commission for Mineral Reserves (SCMR) of the Central Development Commission (CDC). The Lunskeye field PDP was approved by the CDC, and the protocol was approved by the Federal Agency for Mineral Resources (Rosnedra).

Well intervention, downhole logging and hydrodynamic survey programmes, as well as well integrity tests, were successfully completed.

Repair and maintenance of the LUN-A platform’s drilling equipment were successfully carried out.

3.3.1.4. ONSHORE PROCESSING FACILITY

The main purpose of the onshore processing facility (OPF) is to perform initial treatment of gas and condensate produced from the Lunskeye field, which are to be further transported via pipelines to the oil export terminal



and the LNG plant. Oil and associated gas from the offshore platforms of the Piltun-Astokhskoye field are also processed by OPF’s booster station (BS) No. 1.

In 2023, the OPF’s daily average shipment volume amounted to 44.75 million m³ of gas and 7.71 thousand t (61.38 thousand bbl) of oil and condensate.

In order to maintain equipment reliability and availability, the turnaround scope at the OPF included internal inspection of heat exchangers, inspection of compressor motors in trains 1 and 2; replacement and maintenance of various valves, and welding repairs of piping and other activities,

3.3.1.5. TRANS-SAKHALIN PIPELINE SYSTEM, BS-2, AND GAS TRANSFER TERMINALS

The Trans-Sakhalin pipeline system comprises oil and gas pipelines from the PA-A and PA-B platforms and multiphase pipelines from the LUN-A platform to the OPF, with a total length of almost 1,800 km, 104 block valve stations, five pipeline maintenance depots, booster station 2 (BS-2), two gas transfer terminals (Northern and Southern), and four operating gas delivery points (at Tymovskoye, Korsakov, Troitskoye, and Makarov).

The main objectives and tasks of Sakhalin Energy LLC and Gazprom Transgaz Tomsk (GTT, Sakhalin Energy’s maintenance contractor for the Trans-Sakhalin pipeline system) include ensuring uninterrupted and safe hydrocarbon transportation to the Prigorodnoye production complex.

which were all performed safely, on time, and with high quality.

In 2023, the company continued working on detecting defects and repairing the anticorrosive coating of process pipelines under thermal insulation (without stopping the trains during the “live” technological process). Implementing this programme enables the company to prevent hydrocarbon leaks and ensure the highest level of asset reliability.

In 2023, a business analytics system was implemented to improve the efficiency of business processes, and the second stage of the project to install an industrial Wi-Fi network in OPF/OPFC was started.



In 2023, the Onshore Processing Facility saw the launch of the first autonomous “data mart,” which included data contained in the production facility’s digital repository under development. The project, which is being implemented as part of the corporate digital transformation strategy, is aimed at improving the efficiency of short-term schedule planning and resource utilisation and, consequently, control of key targets.



100% of the Sakhalin-2 project’s pipelines have been in operation for less than 30 years (as at the end of 2023), which does not exceed the design standard operation life. To verify the pipeline system’s standard operation life, Sakhalin Energy LLC carries out regular pigging, analyses results, and develops preventive maintenance plans.

- a three-layer polythene insulation coating and a cathodic protection system have been installed on the pipelines to deal with surface corrosion;



- smart pigs are used in the pipelines to monitor internal corrosion;
 - the offshore and onshore oil pipelines are pigged on a regular basis to remove water and sediments;
 - the company's own seismic monitoring system, with detectors located along the entire pipeline route, is used to ensure a timely response in the event of an earthquake;
 - seismic faults are monitored every year to assess movement and displacement;
 - prior to seasonal drops in ambient air temperature, the pipeline is checked for water in the pipeline fault-crossing trenches to avoid freezing and limited pipeline mobility;
 - the pipeline is regularly monitored using helicopter overflights;
 - physical checks of all pipeline sections are performed, including river and fault crossings, swamps, liquefaction areas, road crossings, and rail crossings. Also, the entire pipeline route is walked over on an annual basis.
- According to statistics, more than 70% of pipeline incidents in the world are caused by unintentional damage from human activity. In

2023, Sakhalin Energy LLC continued regularly educating the community about the rules of behaviour in the vicinity of the pipeline system. Local authorities, contractors, and land users are regularly informed by the company about land use limitations within the oil and gas pipeline protection zones and are provided with the company's contact information. Additionally, information signs are located along the right-of-way with toll-free telephone numbers in case of questions.

3.3.1.6. PRIGORODNOYE PRODUCTION COMPLEX

The Prigorodnoye production complex, which is located on the shore of ice-free Aniva Bay in the south of Sakhalin, includes the LNG plant, jetty, and oil export terminal (OET) with a tanker loading unit (TLU) located approximately 5 km from the shore. The Prigorodnoye production complex, including the territory of Prigorodnoye port, covers an area of 236 ha. The LNG plant consists of two trains, each with a design capacity of 4.8 million t of LNG per year.

In 2023, for the first time in the Sakhalin-2 project's history, as part of the major turnaround of the integrated gas chain assets at the LNG plant, the hot gas path of the pre-cool mixed refrigerant compressor turbine was inspected by company employees only, without the support of foreign specialists.

In addition, replacement of the mercury removal unit adsorbent, internal inspection of 45 tanks and process vessels replacement and mainte-



● ● ●
Total liquefied natural gas production since the start of operations has exceeded 158 million t (about 352 million m³).

nance of shut-off and control valves, and other works were successfully completed at the Prigorodnoye production complex.

Technical re-equipment and overhaul works aimed at ensuring reliable and safe operation of the asset continued in 2023.

Several options to perform the large-section overhaul of the offshore loading arms on site were developed, and cooperation with the leading Russian enterprises engaged in the production of such equipment was established.

In 2023, the oil tanks at the oil export terminal were cleaned from bottom sediments using a unique oil sludge scouring technology that makes it possible to carry out work without personnel entering the tank. The performed scope is the first stage of a large and complex work aimed at restoring the equipment.

In addition to the turnaround and technical re-equipment activities, major repairs and maintenance of plant-wide facilities (e.g., pumps) were successfully completed without impacting production.

In 2023, the Prigorodnoye production complex successfully confirmed the compliance of its processes with ISO 9001:2015 and GOST R ISO 9001-2015 international quality management standards.

As part of its digitalisation activities in 2023, preparatory work for the deployment of a Wi-Fi network in the asset's production area was completed at the Prigorodnoye production complex. This is a key milestone in the plant's digital transformation.



3.3.2. HYDROCARBON PRODUCTION AND EXPORT

3.3.2.1. LNG



In 2023, the share of Sakhalin LNG amounted to 2.5% of global LNG demand, 4.0% of LNG demand in Asia-Pacific countries, 9.1% of LNG demand in Japan, 3.8% of LNG demand in South Korea, and 3.7% of LNG demand in China.



The company has managed to effectively implement and fulfil all contractual obligations to buyers and contractors in the face of external challenges by introducing new forms of marketing and diversifying the sales market structure, expanding both the buyer portfolio and geography of LNG shipments.

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

In 2023, Sakhalin Energy LLC shipped about 10.4 million t of LNG (160.0 standard LNG cargoes) from Prigorodnoye port (one standard LNG cargo is 65,000 t).

All products produced in 2023 were successfully delivered to buyers on time and in full compliance with the terms of sale and purchase agreements, despite the limited capacity of available vessels in the international freight market. In 2023, LNG was transported by three ice-class LNG tankers chartered on a long-term basis and one LNG tanker chartered on a medium-term basis, as well as vessels chartered by buyers on a Free on Board (FOB) basis. The company chartered two more LNG tankers for a short-term period to sell all of its actual production.

LNG shipments to buyers began in March 2009. The Sakhalin-2 project has a solid reputation due to the stability of year-round deliveries, product quality, high safety standards, and highly qualified staff. In addition, the

project has a number of competitive advantages in the LNG markets in the Asia-Pacific, in particular:

- well-established relationships with major buyers;
- long-term sale and purchase agreements with all major LNG buyers in Japan and South Korea, as well as a master agreement and a medium-term LNG sale and purchase agreement with a major commercial company in Japan, and master sale and purchase agreements with buyers in the Asia-Pacific and international trading companies;
- geographical proximity to markets;
- flexibility of delivery schedules;
- an oil and gas composition that meets buyers' technological requirements;
- a vertically integrated production and distribution model, which allows the company to control all processes in the value chain from the well to the buyer's terminal.

The end consumers of Sakhalin LNG are energy and gas distribution companies in the Asia-Pacific. Additional products are sold on a short-term basis to existing and new buyers under LNG master sale and purchase agreements.



In 2023, uncommitted LNG cargoes were effectively sold due to, among other things, a flexible approach to marketing and sales. In 2023, new companies became part of the buyer portfolio, which increased competition and sales of uncommitted LNG volumes. The company continues to successfully overcome logistical and

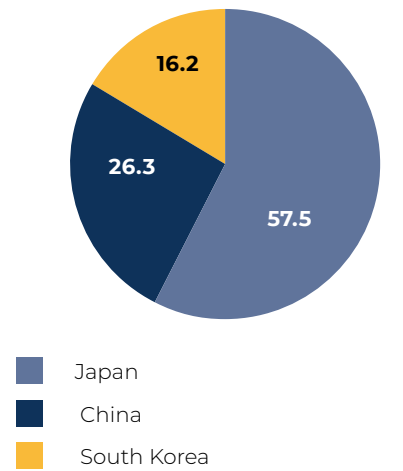
3.3.2.2. OIL

Sakhalin Blend oil and gas condensate mixture (hereinafter, Sakhalin Blend) is a special oil grade supplied by the company to the Asia-Pacific market.

financial challenges thanks to high adaptivity and a prompt response to market changes, including by introducing more flexible financial contract terms, such as payments for hydrocarbons in alternative currencies.

In 2023, the company delivered LNG to Japan, China, and South Korea.

SAKHALIN LNG SALES MARKET STRUCTURE IN 2023, %



The gas condensate produced in the Lunskeye and Kirinskoye fields is mixed with crude oil from the Piltun-Astokhskoye field to make a light low-sulphur oil with a density of about 47–54 °API (793–763 kg/m³)



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The share of Sakhalin Blend exported by Sakhalin Energy LLC is about 0.15% of the global oil demand, 0.32% of the Asia-Pacific demand, and 0.60% of the demand in China.

and a sulphur content of about 0.16%. Sakhalin Blend is well known in the Asia-Pacific. It competes successfully with similar light low-sulphur grades of oil produced in the Middle East, condensates, and heavier Far Eastern blends such as Sokol and ESPO.

In 2023, the company shipped about 25.6 million bbl (about 3.2 million t) of Sakhalin Blend from Prigorodnoye port, which amounted to 36.6 standard oil cargoes (one standard oil cargo is 700,000 bbl).

In 2023, year-round uninterrupted shipments of Sakhalin Blend to Asia-Pacific ports were carried out by the company's chartered oil tanker fleet — three specialised ice-class Aframax tankers.

Successful sales of Sakhalin Blend oil are driven by the proximity to the developed oil refining regions in the Asia-Pacific, relatively low transportation costs per barrel, the opportunity to unload in several ports, the flexibility of the delivery schedule, the company's reliability and strong reputation, as well as well-established business relations and experi-

3.3.2.3. NATURAL GAS

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

At present, gas is supplied at delivery points (GDPs), namely:

- at the gas transfer terminals at the Southern GDP (for Sakha-

ence of cooperating with most major buyers in the region. Since 2014, the Sakhalin-2 project operator has been selling Sakhalin Blend both on a spot basis and under fixed-term contracts (up to 1 year).

Historically, Japan, South Korea, and China have been the main markets for Sakhalin Blend under the Sakhalin-2 project. Geopolitical changes had a significant impact on Sakhalin Blend's sales market structure in 2023, with China's share rising to 100%. Key Sakhalin Blend buyers are leading oil refineries and trading companies.

In 2023, oil and oil product markets demonstrated high volatility. This was due to a slowdown in global economic growth, an imbalance in global supply and demand, market participants' concerns about supply stability due to conflicts, as well as other factors having a negative impact on the oil and oil product market. Despite these circumstances, through precise coordination and a continuous improvement process, the company was able to sell and deliver all Sakhalin Blend cargoes successfully, safely, and on time.

lin Oblast consumers) and the Northern GDP (for deliveries to the Sakhalin-Khabarovsk-Vladivostok gas transmission pipeline), located in the vicinity of Dalneye in the south and Boatasino in the north of Sakhalin, respectively;

- at the Tymovskoye GDP to supply gas to the Tymovskoye gas distribution station (GDS);



- at the Korsakov GDP to supply gas to the Korsakov GDS;
- at the Makarov GDP to supply gas to the Makarov GDS;
- at the Troitskoye GDP to supply gas to the Yuzhnaya GDS.

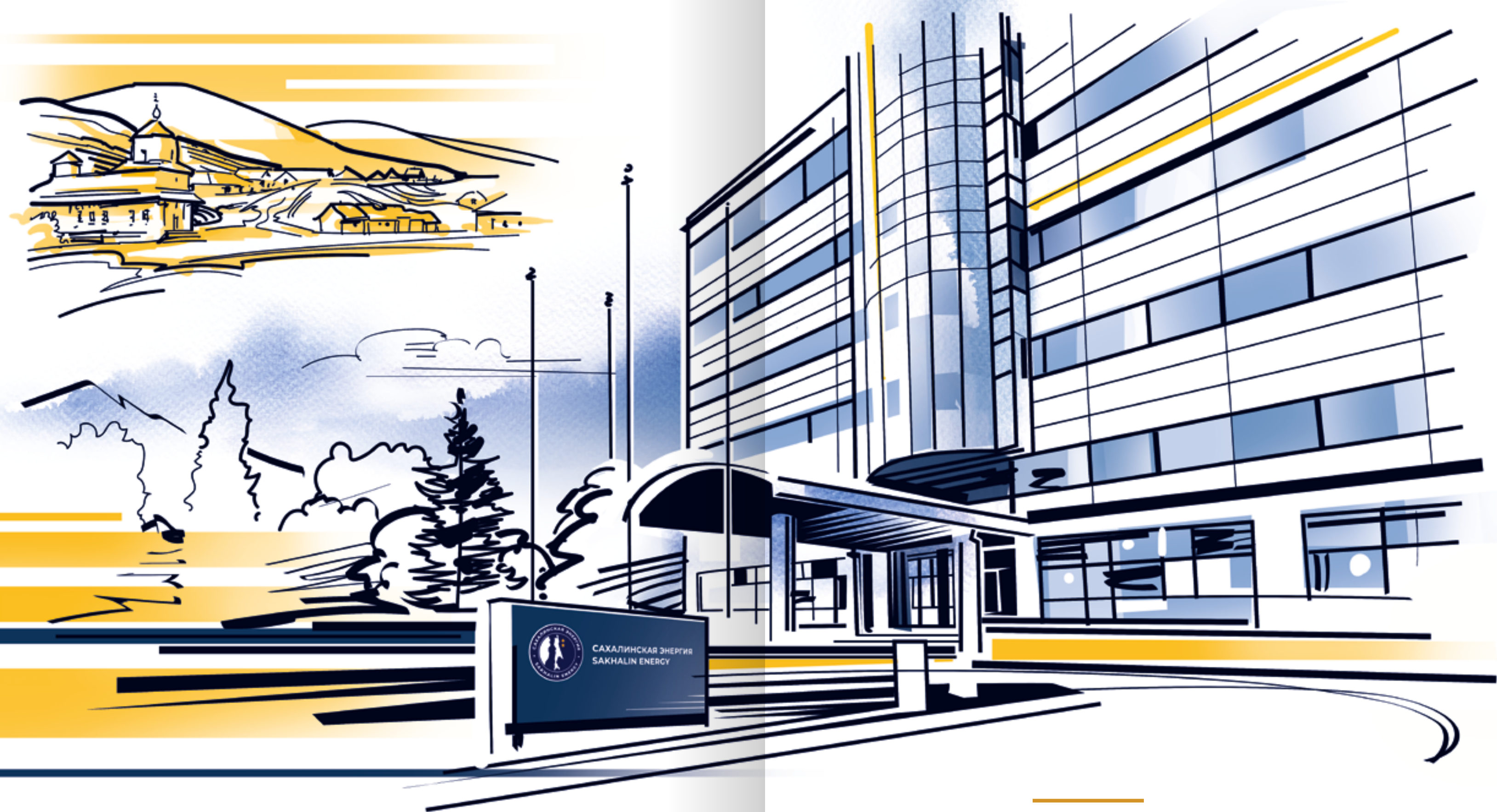
Energy Investment Company Ltd.) and Gazprom, the supply of gas by the company in the coming years is expected against royalty payments at two more GDPs on Sakhalin (in Dolinsk and Leonidovo).

In accordance with the most recent 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 LLC (as a New Sakhalin-2 project Operator Replacing the Retired Sakhalin

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Since the start of gas supplies, the Russian party has been provided with over 14,795.8 million m³ of natural gas under the Sakhalin-2 project (1,121.3 million m³ in 2023), including:

- about 7,857.9 million m³ to Sakhalin Oblast consumers, of which: 7,787.6 million m³ (about 709.1 million m³ in 2023) was supplied via the Southern GDP (to Yuzhno-Sakhalinsk Thermal Power Plant-1 and other infrastructure facilities); 15.9 million m³ (7.7 million m³ in 2023) was supplied via the Tymovskoye GDP; 2.6 million m³ (2.5 million m³ in 2023) was supplied via the Korsakov GDP; 51.0 million m³ was supplied via the Troitskoye GDP; and 0.9 million m³ was supplied via the Makarov GDP;
- about 6,937.9 million m³ (over 350 million m³ in 2023) was supplied via the Northern GDP (to the Sakhalin-Khabarovsk-Vladivostok gas transmission pipeline). This gas is intended for further use under the Far East fuel and energy sector development programmes.



4

CORPORATE GOVERNANCE

The Sakhalin-2 project is being implemented under Russia's first production sharing agreement



4.1. MISSION, VISION, VALUES, AND PRINCIPLES OF SAKHALIN ENERGY



VISION: To be a leader in the global energy market.



MISSION: To be the hub of expertise in integrated offshore field development and LNG industry, drawing upon professional experience and incorporating the best international and Russian practices.



The general business principles cover such aspects as economics, competition, business integrity, political activities, health, safety, and environment, local public relations, as well as communication and engagement with stakeholders. The principles are an integral part of the Code of Conduct.

Sakhalin Energy LLC 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 of the company's business, and team members' leadership

skills. These principles exemplify the company's responsibilities to its members, the Russian party, customers, employees, and business partners, i.e., all parties that have business relations with Sakhalin Energy LLC, as well as its responsibility to the community.

4.2. CORPORATE GOVERNANCE SYSTEM AND STRUCTURE

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

The key principles and approaches to the Sakhalin Energy LLC corporate governance system are presented in the Corporate Governance System chart.

Leadership and Commitment

The company's senior management is fully committed to the Corporate Governance System. Compliance with senior management's decisions is mandatory for all staff and contractors. Through their decisions and actions, senior management plays a leading role in the continuous improvement of business processes.

Policy and Strategic Objectives

The company's policies and standards comply with Russian



CORPORATE GOVERNANCE SYSTEM



laws and regulations. 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 the overall risks related to achieving these objectives and identifies ways to manage these risks, including decreasing, mitigating, or preventing them (see Section 4.4 Risk Management System).

Organisation, Responsibilities, Resources, and Competency

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

Processes, Assets, and Standards

Processes and assets are defined with clearly assigned responsibilities.

ties. 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 that will ensure progression towards long-term objectives are set. The basis of planning is formed by five-year plans, which are assessed and adjusted annually.



ally. They are established through active and open discussions with representatives of all directorates and departments (see Section 4.8.3 Engagement with Personnel).

The company's contingency and emergency response plans are implemented and regularly evaluated.

The Journey Book, which is published annually, is used to inform all employees about the strategy, objectives, and targets, as well as measures to achieve them.

Implementation

Performance indicators are established and monitored, and results are report-

ed. Corrective measures are taken as necessary, and policies, organisational structure, risks, plans, and implementation processes are updated. All assurance-related 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 on in a timely manner. The management regularly reviews the 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 Business and Operations Committee receives their feedback for information and possible follow-up. The Managing Director, Chief Executive Officer, and other members of the Business and Operations Committee reinforce this communication framework with regular staff engagement sessions (see Section 4.5 Corporate Culture, Business Ethics, and Compliance, and 4.8.3 Engagement with Personnel).

4.3. CORPORATE GOVERNANCE MODEL

The Supervisory Board is the Sakhalin-2 project's strategic management body, established in accordance with the Production Sharing Agreement on the Development of the Piltun-Astokhskoye and Lunskeye Oil and Gas Fields (hereinafter, the PSA) dated 22 June 1994. The Supervisory Board supervises the fulfilment of the PSA terms and approves the company's long-term development plans and budgets, annual work programmes and budgets, LNG sales agreements, procurement procedures, Russian nationals' employment and training plans, etc. The Supervisory Board also reviews Sakhalin Energy's annual reports and appoints auditors. The Supervisory Board consists of 12 members: six representatives from the company and six representatives from the Russian party.

Sakhalin Energy LLC uses a two-stage corporate governance model, in which:

- the General Meeting of the Members of the company is the supreme governing body of the company;
- the Managing Director, the sole executive body of the company, is responsible for the daily management of the company.

As at the end of 2023, the members of the company are Gazprom (50.00000001378317%) and the Japanese corporations Mitsui (12.5%) and Mitsubishi (10%). All of them hold their shares through subsidiaries. Sakhalin Energy LLC holds

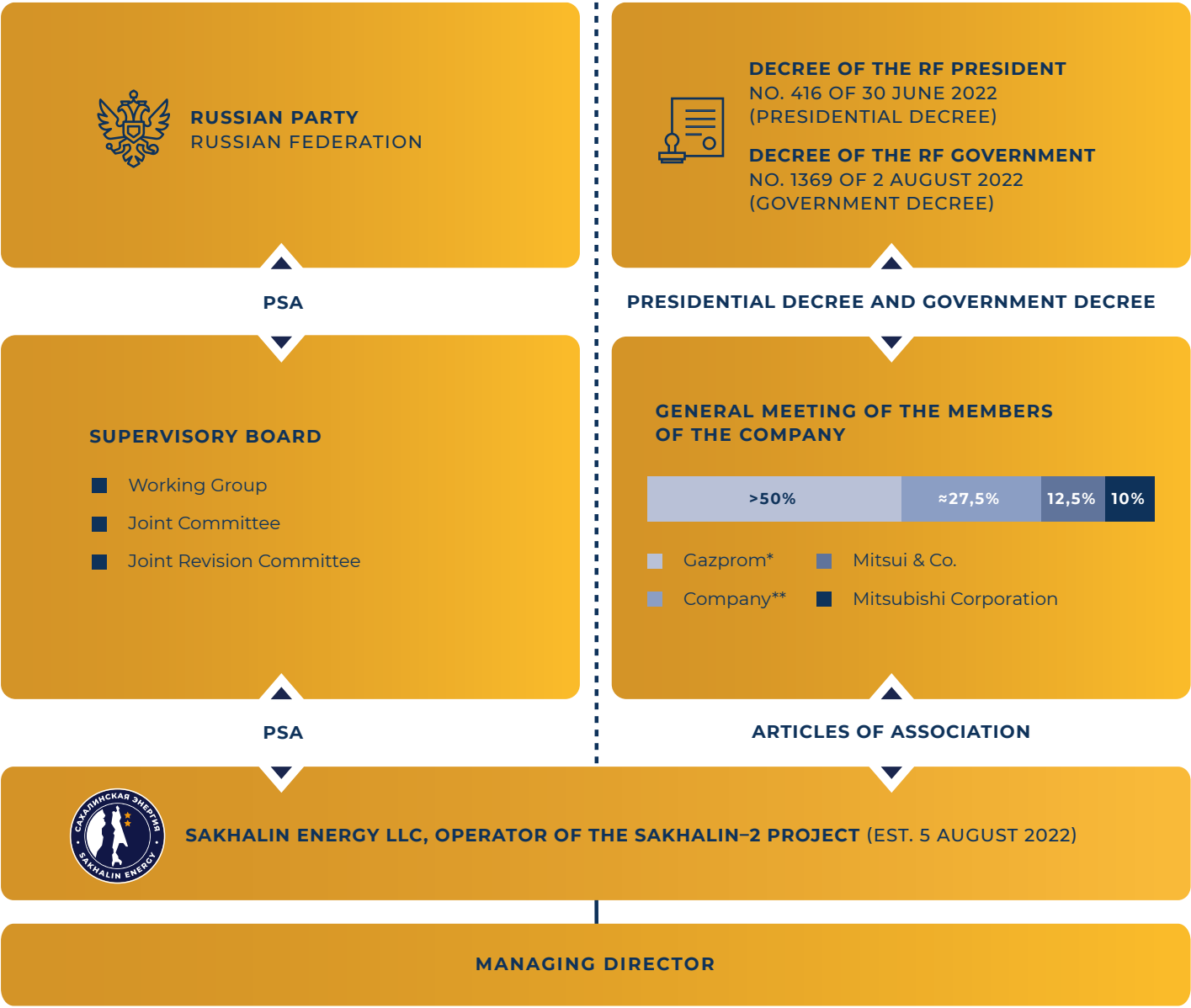
27.49999998621683% of the company's share capital. This share will be transferred/distributed to the company's future members.

Sakhalin Energy LLC interacts with the members of the company on production, technical, financial, commercial, legal, and HR issues related to the Sakhalin-2 project implementation, allowing all the members of the company to monitor its business and operations, forecast and adjust short- and long-term development objectives, share information on operational targets, and evaluate results.

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



SAKHALIN-2 PROJECT GOVERNANCE MODEL
(as at 31 December 2023)



* 50,00000001378317%

** 27,49999998621683%



4.4. RISK MANAGEMENT SYSTEM



BUSINESS CONTINUITY MANAGEMENT SYSTEM

The Business Continuity Management System (BCMS) is one of the critical elements of Sakhalin Energy's risk management system. The purpose of the BCMS is to meet the company's obligations to its customers, members, and other stakeholders by ensuring security and restoring critical processes in the event of an incident that can disrupt normal operations.

The company uses a risk-oriented ESG approach to developing the corporate governance system and to making decisions in all business areas. The main objectives of effective risk management are as follows:

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

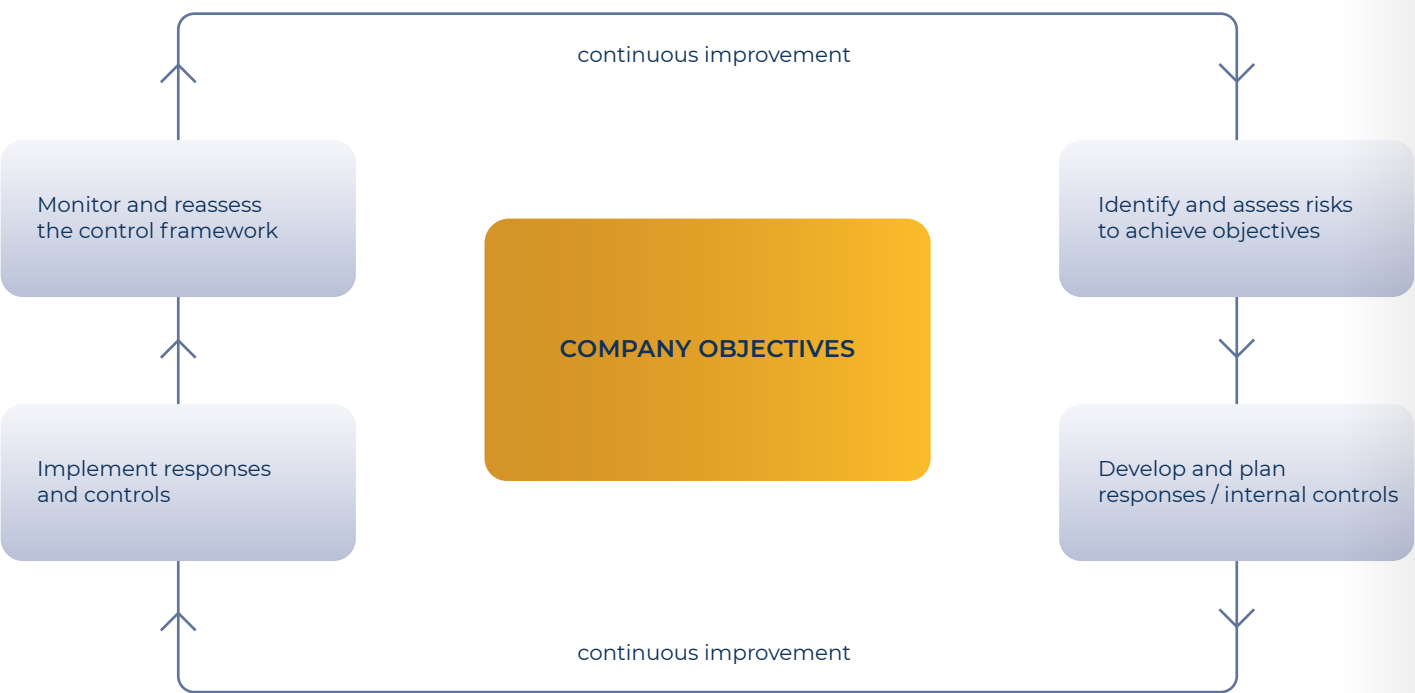
■ ensuring proper assessment, monitoring, and mitigation of risk exposure.

For risk management, the company follows GOST R ISO 31000-2019 Risk Management.

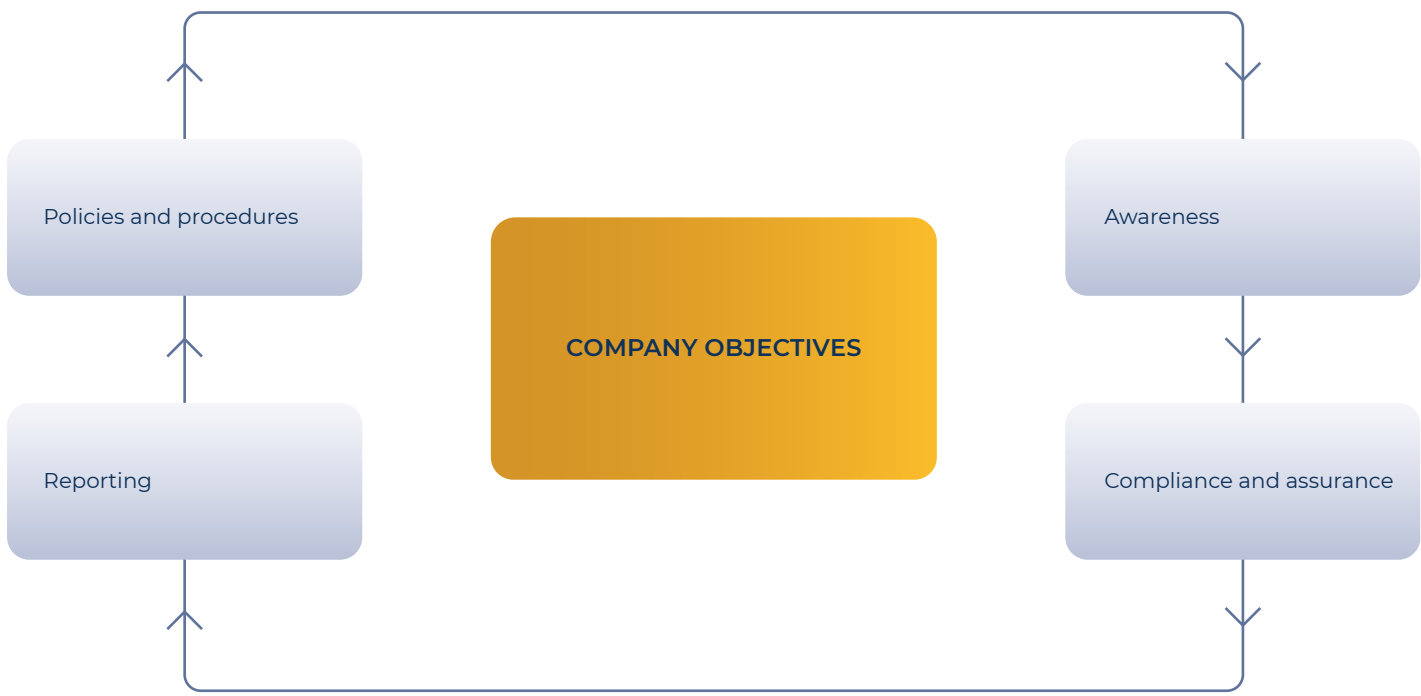
Sakhalin Energy LLC understands risk as a potential situation that can affect the achievement of corporate objectives. Accordingly, all risks and opportunities are assessed in terms of their impact on achieving the objectives and their likelihood.

The risk management process at Sakhalin Energy LLC includes risk

SAKHALIN ENERGY'S RISK MANAGEMENT CYCLE



SAKHALIN ENERGY'S ASSURANCE FRAMEWORK



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

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

and level of impact on the objective implementation process. 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 2.3 Impact Assessment).

Risk management lies within the purview of those responsible for achieving the objectives associated with these risks (risk owners and coordinators). Each company manager ensures proactive risk management as part of his/her activities. Monitoring is carried out by the Business Assurance Board, which includes the company's directors and organisational unit managers (see the Sakhalin Energy's Assurance Framework chart).



To ensure effective risk management, Sakhalin Energy has a Business Continuity Policy and a corresponding programme based on the national standard GOST R 22301:2021 (Social Security. Business Continuity Management Systems) and the international standard ISO 22301:2012 of the same name. To ensure business continuity, the company implements procedures that support sustainable operations in such areas as human resources, financial stability, and information technology.



RISKS THAT THE COMPANY ASSESSES AS THE MOST SIGNIFICANT AND WAYS TO CONTROL THEM

RISKS	DESCRIPTION/CONTROLS	SECTION OF THE REPORT
Environmental risks		
Risks with regards to negative impacts on the environment	<p>The company uses the following controls to reduce the risk of negative impacts on the environment and the risk of contamination in order to comply with the requirements of the relevant Russian legislation and international environmental standards adopted by Sakhalin Energy LLC:</p> <ul style="list-style-type: none">■ identifying environmental aspects and factors and performing an environmental risk and impact assessment when planning and performing business activities in the course of implementing a project;■ implementing measures to reduce specific indicators of greenhouse gas emissions by increasing equipment reliability, ensuring energy efficiency and optimising processes, managing gas flaring, and preventing and controlling leaks;■ developing and implementing comprehensive programmes for industrial environmental control (IEC), operational environmental monitoring (OEM), and biodiversity conservation in the areas of production facilities;■ analysing the results of monitoring, assessing the efficiency of controls, and developing and implementing environmental protection plans. <p>Risks are managed in accordance with the general requirements of 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</p>	5
Climate risks	<p>The company's assets, located on Sakhalin Island and in the shelf area of the Sea of Okhotsk (the maximum water depth at the locations of the company's three offshore platforms is approximately 49 m), are in natural hazard zones (landslides, wildfires, hurricanes, snowstorms, floods, tsunamis, earthquakes, etc.).</p> <p>In the face of climate change, there has been an increase in the magnitude of extreme natural phenomena that may affect the efficiency of processes and the operation of process equipment and production facilities in general (even to the point of an emergency).</p> <p>The demands for low-carbon development from legislation, customers, partners, and society as a whole are changing as well.</p> <p>The company has created a registry, identified priorities, and developed the Climate Change Adaptation Plan to manage these risks. The Plan includes an analysis of potential measures to manage climate risks, an assessment of their applicability to the company's activities, and the complexity of their implementation, as well as lays down requirements for the identification and approval of short-, medium-, and long-term climate objectives and achievement metrics and the development of specific measures for climate risk management, including the determination of implementation periods and costs</p>	5.3.4



RISKS	DESCRIPTION/CONTROLS	SECTION OF THE REPORT
Social risks		
Staff attrition	<p>It is important for the company to retain the necessary level of trained and qualified personnel. Losing a significant number of skilled employees in one or several areas at once can affect the completion of production tasks, lead to a decline in expertise levels within the company, especially in technical areas, and potentially create a shortage of trained personnel in the skill pool to fill crucial roles. In order to mitigate this risk, the company strives to support the succession process, including at the level of managerial objectives and tasks. Managerial and leadership skills development programmes are being implemented. The competitiveness of the employee value proposition is regularly assessed</p>	6.1
Risk of occupational diseases	<p>To reduce the risk of occupational diseases, the following measures are implemented: personnel health professional risk assessments at the assets; control of harmful factors in production; special workplace attestations; preliminary, unscheduled, comprehensive, and periodic medical and clinical examinations, screening; control over compliance with work instructions; control over the use of personnel protective equipment (PPE); and education on preventing occupational diseases.</p>	6.2.2
Natural and man-made emergency risks	<p>The company has assessed the risk of natural and man-made emergency situations (ES), including at the company's own assets.</p> <p>To mitigate emergency risks and ensure timely response to threats or occurrences of ES in accordance with Russian Federation regulations, the company has developed and put in place the following measures:</p> <ul style="list-style-type: none">■ for prevention of and response to ES that may pose a threat to the life and health of people or inventory and that may occur on the territory of the company's assets;■ for preparation (training) of the company's employees in actions in the event of a threat or occurrence of natural or man-made ES. <p>Arranging and conducting constant monitoring of hazardous natural phenomena and industrial processes and interacting with the Unified State System of Prevention and Elimination of Emergency Situations sub-system entities in the area of responsibility of the company's assets allow the company to maintain a high level of protection</p>	6.2.6
Industrial safety risks	<p>Industrial safety (IS) ensures the protection of vital interests of individuals and society from potential accidents and incidents at hazardous production facilities (HPFs) and mitigates their effects.</p> <p>Lack of proper control over compliance with IS requirements may result in the following risks:</p> <ul style="list-style-type: none">■ infliction of harm to human life and health, damage to property, or harm to the environment in the course of implementing IS activities at the company's HPFs;	6.2.4



RISKS	DESCRIPTION/CONTROLS	SECTION OF THE REPORT
Industrial safety risks	<ul style="list-style-type: none">■ imposition of administrative penalties by Rostekhnadzor and other state regulatory bodies supervising compliance with IS requirements;■ violations of technological processes leading to incidents, accidents, and emergencies at HPFs due to insufficient IS competence on the part of company and contractor employees;■ suspension or revocation of the company's ISO 45001 certificate in view of its failure to comply with mandatory RF IS laws;■ damage to the company's business reputation caused by its failure to meet the requirements of mandatory RF IS laws. <p>To manage the above-mentioned risks, in accordance with RF laws, Sakhalin Energy LLC operates the Industrial Safety Management System (ISMS), a unified system of planning and implementing measures to minimise the risk of accidents at the company's HPFs</p>	6.2.4
Fire safety risks	<p>The company's production facilities are characterised by the presence of large volumes of inflammable substances. Together with technological processes associated with high temperature and pressure and open fire sources, these conditions create an increased hazard of fire and explosion.</p> <p>For the purpose of risk mitigation and in accordance with RF regulations, the company uses a fire safety system, which is a combination of efforts and resources, as well as legal, organisational, economic, social, scientific, and technical measures aimed at fire prevention and extinguishing, as well as emergency response and rescue work at the company's assets</p>	6.2.5
HSE risks	<p>The key HSE risks are associated with carrying out high-risk tasks in the course of operation, maintenance, and repair of process equipment, implementation of project activities, and performance of logistics operations.</p> <p>For the purpose of mitigating the risk of personnel injuries and occupational diseases, controls are implemented with regard to their priority, in accordance with RF legislation and the company's local regulatory acts. These measures include the elimination of hazardous or harmful tasks or their replacement with less hazardous ones; the introduction of engineering solutions that minimise employee contact with hazards; the implementation of administrative controls; the provision of PPE to employees; medical check-ups; and the development of an industrial safety culture</p>	6.2.1 6.2.2
Road safety	<p>Sakhalin Energy's activities involve a large number of transportation operations with vehicles of different categories and purposes. The key risk associated with the use of transport is injuries as a result of road traffic accidents.</p> <p>The company has developed a control system to reduce risks in all aspects of road travel: driver actions, vehicle condition, and safe cargo transportation conditions</p>	6.2.3



RISKS	DESCRIPTION/CONTROLS	SECTION OF THE REPORT
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Corporate governance risks

Continuous improvement (opportunity)	<p>Many of the processes and areas of work used by Sakhalin Energy LLC are continually improved in order to increase their efficiency and/or productivity, which will allow the company to be the premier energy source supplier for the Asia-Pacific Region.</p> <p>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</p>	4.10.2
Risks of adverse consequences resulting from existing and potential sanction restrictions and other unfavourable trade policy measures	<p>A number of countries have introduced unilateral sanction restrictions and other unfavourable technology trade policy measures, which can potentially have a medium- and long-term impact on the company's business.</p> <p>An interdisciplinary working group has been established to monitor and assess the above-mentioned unfavourable trade policy measures and to prepare proposals aimed at preventing and/or minimising their potential adverse impact on the company's business. The company is implementing technological sovereignty and import substitution policies</p>	
Cyber threats and information security risks	<p>Cyber threats and information security risks include potential loss of data, loss of confidentiality, problems with access to networks and information systems, as well as interference in the operation of systems and equipment.</p> <p>Controls include monitoring of cyber threats, identification of incident response procedures, and preventive and reactive protective measures at the organisational and technical levels</p>	4.11
Personal data security risks	<p>Non-compliance with personal data security obligations prescribed by law (including those connected with the cross-border transfer of personal data) may lead to the infringement of the rights and freedoms of individuals (due to possible damage or loss of data, use or transfer of personal data without the data subject's permission), as well as penalties and fines from regulatory authorities.</p> <p>The primary control is to restrict access to personal data, which is achieved through technical and organisational safety measures, as well as regular checks of compliance with established requirements.</p> <p>The company also conducts periodic employee training on personal data protection</p>	4.11
Restrictions on maintenance and procurement of materials and services	<p>A number of countries have tightened their export control rules in relation to the RF and have significantly restricted exports of hi-tech products, including some products and equipment for oil refining and gas production, as well as components and equipment for the aviation industry. These restrictions lead to a disruption of the supply chain for goods and services, as well as logistical difficulties. Key controls:</p> <ul style="list-style-type: none">■ establish a Joint Integration Centre for integrated localisation of materials and services for the company;■ search for alternative manufacturers, contractors, and integrators in the RF and in friendly countries;	4.9



RISKS	DESCRIPTION/CONTROLS	SECTION OF THE REPORT
Restrictions on maintenance and procurement of materials and services	<ul style="list-style-type: none">■ search for similar materials, equipment, replacement parts, and services in the RF and in friendly countries;■ conduct more market research to ensure a thorough analysis of the RF market for equipment offerings required by the company;■ engage the company's specialists to conduct prompt technical audits of Russian companies to assess their readiness to produce goods of the required quality and performance.	4.9

4.5. CORPORATE CULTURE, BUSINESS ETHICS, AND COMPLIANCE

Sakhalin Energy’s corporate culture is made up of values, principles, rules, norms, and traditions, making it unique and guiding it along its set path.

Our corporate culture as a whole rests on corporate values, such as honesty, integrity, respect and care for people, professionalism, and individual responsibility, as well as continuous improvement of the company’s business and team members’ leadership skills (see Section 4.1 Mission, Vision, Values, and Principles of Sakhalin Energy).

Sakhalin Energy LLC operates in strict compliance with the legislation of the Russian Federation and with corporate general business principles, including the following:

- promoting the development and the best use of its employees’ talents;
- conducting business as a responsible corporate member of society, supporting fundamental human rights, and giving proper regard to health protection and occupational safety;
- contributing to sustainable development by integrating economic, environmental, and social considerations into business decision-making (the principles of environmental and social responsibility);
- taking measures to prevent corruption, corporate fraud, falsification of financial accounts, money laundering, or any other abuse of the company’s assets;
- seeking to work freely and fairly, in compliance with ethical standards;
- seeking to maintain mutually beneficial relationships with business partners, contractors, and vendors.

ness partners, contractors, and vendors.

- Sakhalin Energy’s management is actively involved in promoting a corporate culture based on mutual trust and respect. It is understood that no acts of carelessness or negligence in the workplace will be tolerated.

To enhance and further develop the corporate culture aimed at maintaining the company’s values and reputation, the following has been implemented:

- the Ethics and Compliance Programme, developed in accordance with the best international practices. The programme is updated annually, and progress reports are provided to the company’s senior management and members (including the Business Assurance Board and joint work-



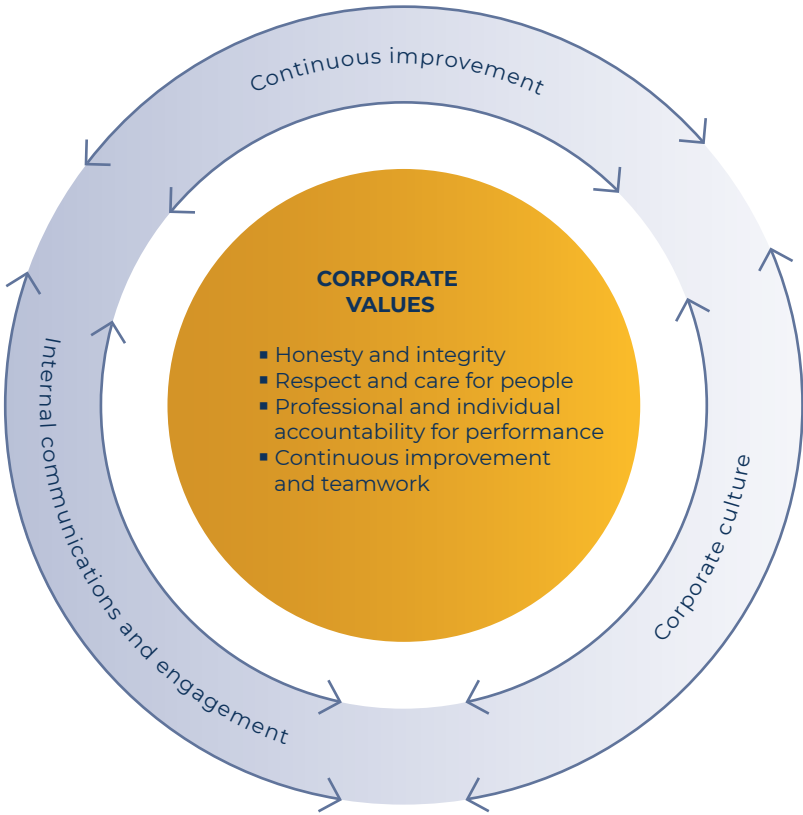
ing groups with representatives of the company’s members);

- the Ethics & Compliance intranet site. This resource covers up-to-date ethics and compliance information and offers information on the Ethics & Compliance Programme, encouraging employees to raise concerns and ask questions to receive advice and recommendations;
- 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 objectives in line with its requirements, corporate values, and principles.

Sakhalin Energy’s Code of Conduct applies directly to each employee and covers various areas, such as respect for human rights, health, safety, and environment, anti-corruption and anti-bribery, and includes the principles of management commitment, due diligence and risk assessment, monitoring and reporting, communication and training (see the Sakhalin Energy’s Basic Elements of Ethics & Compliance chart). Business ethics and compliance are part of the annual individual objectives and tasks of all the company’s employees and managers (see Section 6.1.6 Individual Performance Appraisal).

SAKHALIN ENERGY’S CORPORATE VALUES



The general business principles and the key provisions of the Code of Conduct are communicated to newcomers during regular awareness sessions.

Every two years, all the company’s employees must complete online training on the Code of Conduct, Anti-Bribery and Corruption Principles, and Conflict of Interest Procedure. In 2023, as in previous years, 100% of employees completed the mandatory scheduled training.

To enhance zero tolerance for corruption and fraud, the company has developed regular face-to-face Ethics and Compliance training sessions for employees in positions with high corruption and fraud risks. This format serves as a platform for discussing risk situations and how to mitigate their impact on the business environment and the company. The training material was updated in 2023, and around 150 employees were trained in eight sessions held during the year.



SAKHALIN ENERGY'S BASIC ELEMENTS OF ETHICS AND COMPLIANCE



Detailed regulation of each of these processes is included in the company's procedures and policies. Key procedures and policies include:

- Corporate Governance System;
- Code of Conduct, including the Statement of General Business Principles;
- Sustainable Development Policy;
- Human Rights Policy;
- Whistleblowing / Grievance Procedure;
- Conflict of Interest Procedure;
- Anti-Bribery and Corruption Procedure;
- Due Diligence Procedure;

■ Social Projects Contract Management Procedure.

All policies and procedures have been developed in line with RF legislation as well as Sakhalin Energy's general business principles. The company has established a safe and confidential whistleblowing hotline for employees and others to raise any concerns, ask questions, and report incidences of non-compliance with the company's general business principles.

Sakhalin Energy LLC continuously improves its direct staff engagement procedures by holding pan-asset staff communication sessions and meetings with all company units, using electronic means of communication, exploring various channels for gathering feedback (see Section 4.8.3 Engagement with Personnel), etc.

4.6. ANTI-BRIBERY AND CORRUPTION

Sakhalin Energy LLC follows Russian and applicable international anti-corruption and anti-fraud regulations, corporate general business principles, and the Code of Conduct, as well as internal policies and procedures.

The company does not tolerate corporate fraud, bribery, corruption, falsification of financial accounts, money laundering, or any other abuse of its assets.

The company continually and diligently makes and improves efforts to prevent and combat corruption. This includes developing relevant policies and procedures and implementing business assurance processes to prevent any unlawful activities.

The Anti-Bribery and Corruption Procedure (hereinafter referred to as the procedure) is the company's pri-



In 2001, the Sakhalin-2 project operator was among the first in the country to implement best practices and corresponding regulatory documentation for managing conflicts of interest. Since then, the focus has remained on anchoring and deepening the processes in this area as a priority for the development of corporate culture.

Under the Conflict of Interest Procedure, a conflict of interest declaration must be filled out by all employees on an annual basis. Employees must immediately submit a conflict of interest declaration when an actual or potential conflict of interest arises. All such registered conflicts of interest are discussed between the employee and their manager, and relevant measures to mitigate the impact or eliminate the conflict are developed and agreed upon.

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

In 2023, 100% of employees completed their annual Sakhalin Energy LLC conflict of interest declarations.





The company informs both internal and external stakeholders of 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 intranet site, in Sakhalin Energy’s offices, and at the production facilities. The company’s website has the phone number of the hotline for reporting instances of non-compliance with business ethics, corruption, fraud, and other issues.

If necessary, the company conducts familiarisation sessions on business ethics (including anti-bribery and corruption) for counterparties.

mary document dealing with bribery and corruption.

Risks in this area include failure to follow anti-bribery and corruption legal requirements, failure to ensure compliance with ethical business standards, and failure to prevent bribery and corruption. These risks may lead to reputational damage, financial losses (e.g., fines), and criminal liability for the company’s senior management and employees, as well as its agents, contractors, and intermediaries. The procedure lists categories of employees who present the highest risk of violating anti-bribery and corruption laws and who must attend individual training on the requirements of this procedure.

In 2023, to raise employee awareness, the company issued several bulletins and publications on business ethics and conducted anti-corruption training sessions. In December 2023, an annual newsletter on business ethics and business assurance was released as a supplement to Sakhalin Energy’s Vesti newsletter.

All newly hired staff must be briefed about the requirements set forth in the procedure as part of their induction. The Risk Management and Corporate Assurance Subdivision Head, together with the Auditing Division Head, shall ensure that employees are made aware of and comply with this procedure (including the organisation of the training process).

The company’s Legal Directorate advises 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 internal controls for compliance with anti-bribery and corruption laws, including:

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

The company contributes to promoting general business principles and the Code of Conduct among its business partners, contractors, and vendors.

In order to integrate anti-bribery and corruption requirements into the company’s contracting and procurement processes and to implement further control:

- the Legal Directorate shall monitor any changes in standard contractual clauses that specify the company’s anti-bribery and corruption requirements;



- the Risk Management and Corporate Assurance Subdivision’s employees shall assess compliance of the proposed changes in standard contractual clauses with the principles of business ethics, applicable anti-corruption legislation, the company’s requirements, and best international practices in order to provide methodological support for the company’s contracting and procurement process and to implement the due diligence principle in relation to potential and existing contractors;
- the Supply Chain Manager shall ensure that the company’s standard contracts contain the relevant standard clauses and that the controls set forth in this procedure are effectively integrated into the company’s contracting and procurement processes.

A special focus is placed on business ethics and compliance in the course of training seminars organised for manufacturers and vendors.

Each year, the Risk Management and Corporate Assurance Subdivision’s specialists check for compliance with the Anti-Bribery and Corruption Procedure in the following areas: business gifts and hospitality, contracting, charity, sponsorship and targeted financing, and conflicts of interest.

The results of such reviews are presented to the Business Assurance Board for consideration. In cases of non-compliance, remedial actions are developed, action parties are appointed, and progress is continuously monitored using a dedicated system.

4.7. PRODUCTION SHARING UNDER THE SAKHALIN-2 PSA AND TAX REVENUES OF SAKHALIN OBLAST



The Production Sharing Agreement on the Development of the Piltun-Astokhskoye and Lunskeye Oil and Gas Fields (PSA) was concluded with the Russian Federation in 1994. A PSA is a commercial contract between an investor and a state that allows the investor to make large-scale, long-term, and high-risk investments under a stable tax regime.

According to the PSA, the state retains 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 customs duties are substituted with the profitable hydrocarbon production sharing. This means that instead of paying a number of taxes (including property tax, transport tax, etc.) and duties (including customs duties), the investor carries out the distribution of hydrocarbons in the form of royalties (an equivalent of the mineral production tax) after production starts, and when the profitable hydrocarbon production sharing starts – in the form of royalties and

Production sharing with the state under the Sakhalin-2 PSA began in 2012, after the investor’s costs were fully accounted for as recoverable costs under the PSA (the Russian party’s share of profitable hydrocarbon production may increase depending on the project’s profitability). The PSA also provides for the payment of tax, which has a rate of 32% for the duration of the PSA.



TAXES AND OTHER MANDATORY PAYMENTS MADE TO THE SAKHALIN OBLAST BUDGET AND LOCAL BUDGETS FROM THE SAKHALIN-2 PROJECT OPERATOR IN 1995–2023, \$ million

PAYMENTS	1995–2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Taxes and fees	2,779	2,186	1,111	674	327	444	416	273	1,113	477
Other mandatory payments	1,521	225	170	244	312	263	140	252	564	279
TOTAL	4,300	2,411	1,281	918	639	707	556	525	1,677	756

a share of the profitable hydrocarbon production. Financial benefits to the Russian party include the income tax paid by the company and a number of

mandatory payments, contributions, and levies. In addition, the Russian party receives income in the form of a compensation payment made

until the Profitable Hydrocarbon Production sharing between the company and the Russian party reaches a 50/50 split.

4.8. STAKEHOLDER ENGAGEMENT MANAGEMENT AND INFORMATION DISCLOSURE

4.8.1. STRATEGY, PRINCIPLES, MECHANISMS, AND ENGAGEMENT TOOLS

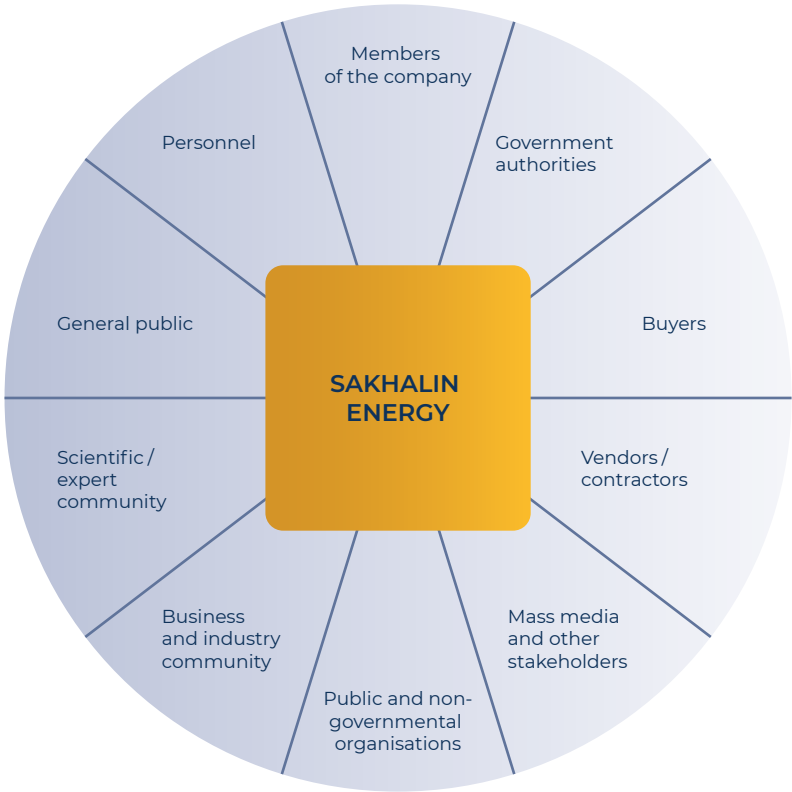
Since the beginning of operations, the Sakhalin-2 project operator has been sharing information about its activities and plans while actively engaging with stakeholders, which is an important part of the successful implementation of the project.

Sakhalin Energy defines stakeholders as organisations, individuals, or groups that have a vested interest in the company or the Sakhalin-2 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 members of the company, government agencies, buyers, vendors, contractors, personnel, local communities, public and non-governmental/non-profit organisations, mass media, and other parties.



SAKHALIN ENERGY’S STAKEHOLDERS



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

- Code of Conduct, incorporating the Statement of General Business Principles;
- Sustainable Development Policy;
- Human Rights Policy;
- Social Performance Standard.

These documents define the strategy, principles, process, mechanisms, and tools for engaging with stakeholders and are available to the public.

The selection of the most effective mechanisms and tools is determined by the goals and objectives of engagement and depends on the stakeholder group (see Sections 4.8.2–4.8.9).

4.8.2. STAKEHOLDER ENGAGEMENT IN 2023

In 2023, Sakhalin Energy continued its systematic and consistent engagement with key stakeholders.

Notable activities were as follows:

- engagement with personnel (see Section 4.8.3 Engagement with Personnel);
- providing information to stakeholders through the company’s website, the Vesti monthly corporate newsletter, and various

media outlets such as newspapers and TV; distribution of information reports and printed materials in local communities;

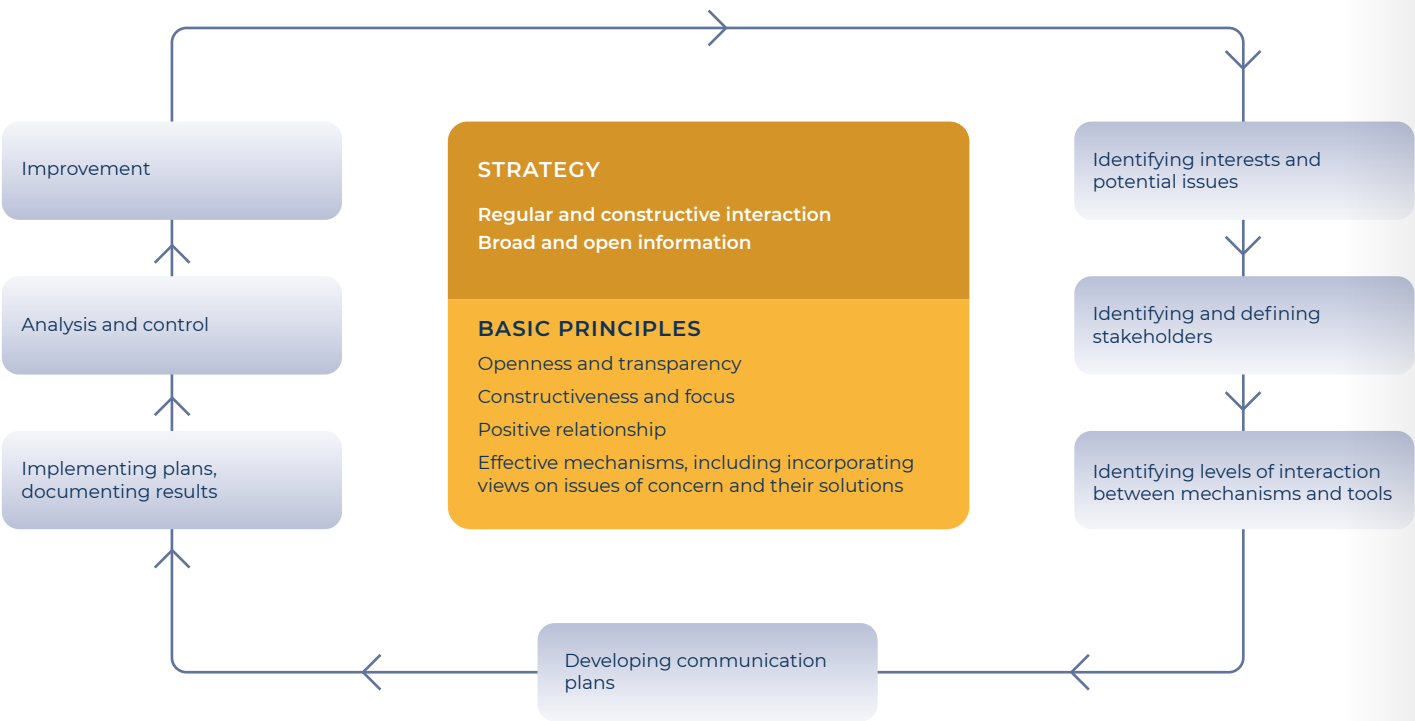
- public discussions with community representatives to update them on planned company activities and to receive feedback (see Section 4.8.4 Local Communities Engagement);
- operating company information centres in local libraries (see

Section 4.8.4 Local Communities Engagement);

- engagement with indigenous people under the Sakhalin Indigenous Minorities Development Plan (see Section 4.8.5 Engagement with the Sakhalin Indigenous Minorities);
- engagement with non-governmental and non-profit organisations (see Section 4.8.6 Engage-



STAKEHOLDER ENGAGEMENT PROCESS



- ment with non-governmental and non-profit organisations);
- engagement with buyers, vendors, and contractors (see Section

4.8.3. ENGAGEMENT WITH PERSONNEL

Sakhalin Energy makes every effort to maintain an open dialogue with its employees and to respect their rights, and it pays special attention to the process of addressing employee grievances and requests (see Section 6.3 Human Rights).

Engagement with personnel is an important component of strength-

- 4.8.7 Engagement with Customers and Shipowners, Section 4.9 Supply Chain Management, and Section 6.2.1 Occupational Health and Safety Management System);
- engagement with state and local government authorities (see Section 4.8.8 Engagement with State and Local Government Authorities).
- ening and developing the company's corporate culture (see Section 4.5 Corporate Culture, Business Ethics, and Compliance) and is conducted, among other ways, through the internal communication system, which includes the following:
- e-mailing messages from the Chief Executive Officer, the Managing Director, and members of the Business and Operations Committee;
- distribution of the Journey Book among employees, a crucial document outlining the strategic plans for all directorates and organisational units over the medium-term (five years) and



- long-term (20 years) timeline, in addition to setting out the main targets for the coming year;
- various customized opinion surveys. In 2023, as is tradition, an opinion poll of the company's employees (see Section 6.1.1 Approaches to HR Management and HR Policy) and a survey to study their opinion on the company's health and safety culture (see Section 6.2.1 Occupational Health and Safety Management System) were conducted among employees. Other surveys focused on studying employees' opinions on I-Healthy Strategy, corporate culture, the quality of services provided by various units, and other topics;
- a monthly HSE newsletter from the Chief Engineer's Office on occupational health and industrial safety with a review of incidents in the company, warnings about hazardous production factors and seasonal natural phenomena, and risk assessment and mitigation measures;
- Sakhalin Energy's Vesti monthly newsletter, which is distributed among the employees and stakeholders (also has been available in English since 2020);

CORPORATE CULTURE SURVEY

In 2023, Sakhalin Energy hosted a large number of events aimed at developing corporate culture, involving not only employees but also their families in environmental, cultural, and patriotic projects. At the end of the year, a staff survey was conducted to identify areas for improvement in this field. The insights obtained from the survey will be used in organising corporate events in 2024 and contribute to enhancing staff awareness.



- a monthly ESG digest providing employees with news about the ESG agenda at corporate, Russian, and global levels, as well as the company's experience in implementing the UN Sustainable Development Goals;
- an annual addition to the Vesti corporate newsletter on business ethics and internal assurance;
- the Safety Starts With Me! monthly presentation, which features company employees and contractors who have contributed to preventing incidents at Sakhalin Energy's facilities or in everyday life;
- a quarterly newsletter on Russian content;
- a daily newsletter published on the internal corporate website;
- printed information materials (posters, leaflets, brochures) informing employees about various aspects of safety, operational excellence, corporate events, etc.;
- announcements, posters, and other information, including photos, videos, and presentations, on special stands in the company's offices, as well as on display panels;
- messages on the internal corporate website and regular updates of topical sections;
- company staff communication sessions connecting employees from all assets including remote

through online teleconferencing, involving company management and legendary figures in engaging with the staff (see Corporate Patriotic Events);

- active involvement of employees in corporate projects and activities, including volunteering, charity, and patriotic endeavours.

Corporate Patriotic Events

In 2023, the Sakhalin Energy team continued its tradition of coming together on socially significant occasions to participate in patriotic activities and visit exhibitions related to the history of the island region and Russia. These events are attended by company managers, unit leaders, as well as by all interested employees and members of their families.

Sakhalin Energy has endorsed a calendar of patriotic events, in accordance with which festive programmes were implemented, generally timed to the following commemorative dates:

- Defender of the Fatherland Day (23 February);
- Victory Day (9 May);
- Russia Day (12 June);
- Day of Remembrance and Sorrow (22 June);
- Day of the End of the Second World War (3 September);
- National Unity Day (4 November).

On these days, in addition to decorating offices with patriotic symbols and laying flowers at the Eternal Flame, with the company's management in attendance, activities related to the history of Russia and Sakhalin Oblast

were arranged for employees and their families:

- themed guided tours to local cultural institutions such as the Victory Memorial Museum, the Russia-Is-My-History Park, the Sakhalin Regional Museum of Local Lore, and the Literary and Art Museum of Anton Chekhov's book Sakhalin Island;
- concerts, children's drawing contests, fairs, workshops, online quizzes, and virtual tours;
- a tour of the Patriot military-patriotic park;
- participation of folk ensembles from indigenous minorities of the North in corporate events (showcasing national sports, crafts, staging of the immersive theatre performance Guide Sky, etc.).

In October, a special screening of the film The Master of the Wind and a meet-the-artist event were organised with the famous Russian traveller, artist, and writer Fyodor Konyukhov, who shared his thoughts about the importance of maintaining inner energy and dedication to achieve goals with the company staff.

In November, three-time Olympic hockey champion Vladislav Tretiak visited Sakhalin Oblast. At a meeting with the company's employees, he spoke about the development of sports in the country, their importance in promoting a healthy lifestyle, strengthening friendship between peoples, and raising



responsible and strong-minded people. As part of his visit, an exhibition game was held between

the hockey teams of Sakhalin Energy and the Sakhalin Oblast government.

4.8.4. LOCAL COMMUNITY ENGAGEMENT

Since the beginning of the Sakhalin-2 project, Sakhalin Energy has actively sought to engage with the local community and share information about its operations. Noteworthy activities in 2023 included:

- two public discussions of the following design documentation materials:
 - Addendum to the Engineering Design for the construction and operation of subsurface facilities not related to mineral resource extraction for the disposal of industrial waste (cuttings), produced water, and water used for internal production and technological needs via re-injection into the Astokh area of the Piltun-Astokhskoye oil and gas condensate field;

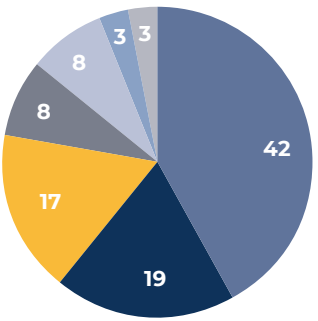
- Reconstruction of the well stock in the Astokh area of the Piltun-Astokhskoye oil and gas condensate field (group 6);
- two rounds of stakeholder dialogues and surveys to identify substantive topics to be included in the reviews of non-financial ESG activities (see Section 1 About the Report).
- public meetings in 11 communities in areas of traditional residence of Sakhalin Indigenous Minorities (SIM) under the Sakhalin Indigenous Minorities Development Plan (see Section 6.4.5 Sakhalin Indigenous Minorities Development Plan).

In 2023, information centres in Nogliki, Poronaisk, and Korsakov continued their work.



The company places significant emphasis on patriotic education, preserving historical memory and continuity of generations, and maintaining the cultural traditions of our multinational country.

STATISTICS OF VISITS TO INFORMATION CENTRES IN 2023, %



- Vesti corporate newsletter
- General information about the project *
- A series of books about the nature of Sakhalin Island
- Safety Is Important programme
- Employment
- Other **
- Social programmes

* Internet site, information stands, printed materials.
** Environmental issues, Right-of-Way safety programme, etc.



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

The following activities are carried out at the information centres:

- regular refreshment of 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.

A total of 936 people visited Sakhalin Energy's information centres in 2023. The data on the visits are presented in the Statistics of Visits to the Information Centres in 2023 chart.

In 2023, Information Centre consultants conducted jointly developed patriotic and career guidance activities using literature donated by Sakhalin Energy and other company materials.



The company's engagement with Sakhalin Indigenous Minorities is governed 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 for engaging with indigenous minorities since 2006 (see Section 6.4.5 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.

4.8.5. ENGAGEMENT WITH SAKHALIN INDIGENOUS MINORITIES

Since its foundation, the Sakhalin-2 project operator 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, economic activities, and environmental safety are of paramount importance. The company takes this into account in its operations and in the implementation of social programmes.

Since 2006, the Sakhalin Indigenous Minorities Development Plan has been the company's cornerstone for engagement with indigenous groups (see Section 6.4.5 Sakhalin Indigenous Minorities Development Plan). It is implemented 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 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 6.4.6. Special Projects to Preserve the Culture and Languages of Indigenous Peoples).



In 2023, the company continued its regular interaction with representatives of the Sakhalin Indigenous Minorities. Sakhalin Energy has paid special attention to raising public awareness about ongoing 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; the public meetings were held under the Sakhalin Indigenous Minorities Development Plan (see Section 6.4.5. Sakhalin Indigenous Minorities Development Plan);

- printed materials: SIMDP documents, books, and brochures;
- individual and group meetings and consultations with representatives of SIMDP partners and stakeholders throughout the year;
- individual and group meetings and consultations under SIMDP;
- open hours with the Community Liaison Officer for SIM visitors in all traditional SIM residence districts (over 300 individual consultations).



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

In 2023, the company continued cooperating with local, regional, and international public organisations. Important areas of engagement include:

- participation in the Safety Section of the Oil and Gas Complex within Rostekhnadzor's Scientific and Technical Counsel (STC) to improve Russian Federation legislation, update and create new regulations in the field of industrial safety (see Section 6.2.4 Industrial Safety);
- participation in the work of the Donors Forum, the Association of

Managers, the UN Global Compact, and other leading CSR-focused non-profit organisations to discuss the ESG agenda in the context of geopolitical transformation, as well as the role of business in global and national sustainable development agendas;

- cooperation with non-profit organisations in implementing joint partnership programmes and projects in the area of social investment (see Section 6.4 Social Investment and Contribution to the Sustainable Development of the Host Region).

4.8.7. ENGAGEMENT WITH CUSTOMERS AND SHIPOWNERS



In 2023, Sakhalin Energy continued to foster effective two-way communication with customers and strengthen long-term partnerships as the basis for mutually beneficial agreements. During the year, the company's employees made regular working visits to buyers of LNG and Sakhalin Blend. In addition, the company hosted LNG and oil buyers in Yuzhno-Sakhalinsk for the first time since the COVID-19 pandemic.

Sakhalin Energy LLC upholds its commitments in hydrocarbon sale and purchase agreements while respecting the rights and interests of customers with all due responsibility. Constructive and respectful relationships with customers help the company resolve operational challenges that arise in the course of LNG and oil contract execution and enter into new agreements on the best terms and conditions for the parties involved.

Sakhalin Energy's fundamental objective is to maintain and expand its portfolio of oil and gas buyers from the Asia-Pacific. The company

is actively working on agreeing to and concluding new framework LNG sales and purchase agreements. Amid geopolitical uncertainty, Sakhalin Energy continues to work systematically to maintain its current portfolio of buyers of Sakhalin Blend oil and gas condensate mixture, and to seek out new market players (refineries and traders) for short- and long-term cooperation.

In 2023, safety, reliability, and efficiency of commercial operations remained priorities in organising hydrocarbon transportation. All deliveries were completed on time and without any critical incidents.



The company continues to search for possible solutions to ensure the required number of gas carriers and oil tankers, taking into account the increase in the buyer portfolio and the further expansion of the geography

of hydrocarbon supplies. The company exercised the right to extend the charter of three oil tankers. In 2023, two gas carriers were drydocked and plans for the drydocking of oil tankers were agreed to.

4.8.8. ENGAGEMENT WITH STATE AND LOCAL GOVERNMENT AUTHORITIES

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

In 2023, as in previous years, engagement with state authorities was carried out in various formats, with the Supervisory Board (SB), the SB Working Group, and others acting as the key official joint supervisory bodies for the Sakhalin-2 project.

In addition to working within these official structures, the company interacted with government authorities on a wide range of topics, most intensively in the following areas:

- current production activities;
- compliance with the protected zones of the TransSakhalin pipeline system;
- ensuring transport accessibility of the company's linear facilities;
- implementation of joint partner programmes in the region (see Section 6.1 Personnel Manage-

ment and Development) and social investments (see Section 6.4 Social Investment and Contribution to the Sustainable Development of the Host Region);

- implementation of the Sakhalin Industrial Park Project (see Section 4.9.4 Sakhalin Energy Maintenance and Repair Facility in Sakhalin Industrial Park);
- preparation for organising voting at remote Sakhalin-2 project sites as part of the 2024 election campaigns;
- participation in activities of the Sakhalin Government Investment Council.

Government officials regularly participate in stakeholder dialogue meetings, which the company holds as part of the preparation of annual non-financial reporting.



LNG AND SAKHALIN BLEND CUSTOMER SURVEY
Sakhalin Energy conducts periodic customer satisfaction surveys for LNG buyers. In 2023, respondents again noted the quality of Sakhalin LNG, the timeliness and stability of deliveries, the efficiency of Prigorodnoye Port and the company's commercial fleet, compliance with international HSE regulations and standards, the company's focus on customers and long-term partnership relations. The company intends to continue taking feedback into consideration and improving the quality of customer interaction.



4.8.9. INTERNATIONAL AND REGIONAL COOPERATION

In 2023, Sakhalin Energy continued to actively participate in forums, conferences, exhibitions, and specialised industry events.

Scientific and practical workshop with the participation of representatives from the State Reserves Committee (SRC) March, Yuzhno-Sakhalinsk

The focus of the event was on the specific methods of preparing materials for evaluating and classifying geological and extractable hydrocarbon resources in light of the developments in legislation regarding subsoil utilisation and the insights gained from expert assessments over the past years. The seminar was attended by more than 25 managers and specialists from the company, who shared their expertise in this field. The use of workshops as a platform for interaction with the SRC expedites the resolution of issues pertaining to offshore field development. This facilitates the implementation of development design with great precision while also considering the most optimal options from a technical and financial standpoint.

1st Interregional Scientific and Technical Conference of Young Employees of Gas Industry Organisations “Gazprom in the Orenburg Region” and Gazprom Group July, Orenburg

The topic of the conference for young employees of gas enterprises was “Young People and Science: Digital

Transformation of Business Processes.” The company’s scientists presented their papers in six sections: Technologies of Transportation, Processing, and Supply of Hydrocarbon Products to Consumers; Automation, Metrology, Process Communication, and IT; Geology and Field Development; Industrial and Fire Safety, Occupational Safety and Environment; Advancement of Social Landscape within Organization, Logistics and Asset Management; Energy and Energy Saving Technologies. Three Sakhalin Energy engineers were honoured with prestigious awards by the expert jury.

Eastern Economic Forum September, Vladivostok

During the EEF, the Chief Executive Officer led a delegation that engaged in multiple meetings with partners and took part in various sessions. The company participated in the Sakhalin Oblast pavilion at the Far East Street expo, showcasing an exhibit featuring the Sakhalin-2 project map. At the “Soul of Russia. North” pavilion, the company’s representatives discussed their efforts in safeguarding and raising awareness of the cultural heritage of Sakhalin’s indigenous communities.

Sakhalin Oil and Gas Far Eastern Energy Forum September, Yuzhno-Sakhalinsk

The primary emphasis of the forum was on the enhancement of energy



technologies in the face of a complex international backdrop. During the plenary session, the company’s Chief Executive Officer presented a report on the progress of Far Eastern energy projects. The company’s executives and staff were present at the forum’s main programme and took part in various business meetings. Sakhalin Energy was represented in the general pavilion of the Gazprom Group of companies operating in Sakhalin Oblast. Attendees of the forum had an opportunity to explore models of the Lunskeye-A platform, the first offshore stationary gas production platform in Russia, and the subsea production complex, examined the map of the region’s gas infrastructure development projects, conversed with the managers of Sakhalin-2 production facilities, received answers to their questions

via an online video link, and tested a VR simulator designed for training electrical personnel.

XII St. Petersburg International Gas Forum October–November, St. Petersburg

This annual forum brings together a diverse range of participants, including international experts, top executives from the oil and gas industry, representatives from federal and regional government bodies, specialised associations, and research institutions. The company’s delegation, led by the Chief Executive Officer, took part in key sessions and workshops, including industry-specific sessions hosted by Gazprom PJSC: an annual meeting focusing on technological advancements and a meeting of HR experts.

Russia International Exhibition and Forum November, Moscow

The Russia International Exhibition and Forum kicked off at the National Economy Achievement Exhibition (VDNKh) in Moscow on 4 November, coinciding with National Unity Day. The nation’s leader approved a decree outlining its structure “to showcase the country’s significant advancements across various economic sectors and to foster increased international collaboration for the Russian Federation.” On 10 November, the Chief Executive Officer of Sakhalin Energy attended the events for Sakhalin Oblast Day, one of the first of its kind. The programme showcased regional opportunities and potential, featuring sessions on industrial tourism and human resources development attended by company representatives.



4.9. SUPPLY CHAIN MANAGEMENT

4.9.1. SUPPLY CHAIN MANAGEMENT POLICY

Sakhalin Energy devotes special attention to the efficiency of its supply chain management (SCM).

The company's fundamental document in this area is the Contracting & Procurement Policy (hereinafter referred to as the policy). This policy applies to all the company's employees and contractors, but above all to those personnel directly involved in supply chain management. The policy is applicable to all activities that involve spending the company's funds on equipment, materials, resources, services, or works.

The Supply Chain Manager is responsible for ensuring that our model contracts contain the appropriate terms and conditions for the 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 when it comes to SCM:

- safety – no harm to people, the environment, or property; ensure contractors comply with the company's safety standards;
- value add in supply chain management – value maximisa-

tion, economic efficiency, and commerciality;

- elimination of profiteering, bribery, and corruption in all SCM operations – in accordance with the transparency principle;
- competition – development of competitive markets;
- Russian content – maximising Russian content and developing Russian vendors and contractors;
- human rights – ensure respect, support, and promotion of human rights by contractors;
- sustainable development – secure sustainable development in the process of selecting contractors and in making supply chain management decision;
- Sakhalin-2 project growth plans – contribution to the development of major projects, including Russian content opportunities.

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

In accordance with the above principles, the company has established the following procedure for awarding and managing contracts:

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

- conduct workshops for potential vendors (see Section 4.9.5 Vendor Development Programme);
- pre-qualify potential vendors.

Conduct tenders for the purchase of materials/equipment or the 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 evaluations (including HSE, etc.);
- conduct commercial bid evaluations.

Award the contract

upon completion of all stages of the tender process, the company awards the contract on the terms and conditions specified in the ITT.



Manage the contract:

- during contract implementation, the company monitors contractor activities by tracking the mutually agreed-upon key performance indicators (KPIs) and by organizing meetings to review contractor performance;
- the company conducts explanatory and awareness activities for the contractors to familiarize them with its requirements (including those related to HSE and social performance, anti-bribery and corruption principles, human rights, etc.; see Section 4.6 Anti-Bribery and Corruption, Section 4.9.5 Vendor Development Programme, 5.1 Environmental Management System, 6.2.1 Occupational Health and Safety Management System, and 6.3 Human Rights);
- the company conducts contracting work performance audits (see Section 2.4 Inspection and Audit).

Company requirements for contractors and vendors

Sakhalin Energy pays special attention to the fulfilment of the company's requirements by contractors and vendors:

Health, safety, environment, security, and social performance (HSES-SP) requirements

Contractors must:

- include compliance with HSES-SP principles (including

human rights) in performance assessments;

- perform checks and investigate any breaches of HSES-SP requirements to ensure the company's HSES-SP policies are properly followed;
- independently certify HSES-SP management systems for compliance with generally recognised standards;
- verify that they comply with HSES-SP standards.

Requirements for the quality of materials, equipment, and services supplied

Contractors must:

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

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 Russian content are the weight of material and equipment, the number of man-hours, and their cost equivalents.

Requirements for a tender proposal

A tender proposal shall demonstrate and confirm the following:

- the bidder is a financially stable and solvent company/organisation;
- the bidder has relevant experience in the subject scope;
- high quality and reliability of the services provided / works performed / materials supplied;
- HSE 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.



● ● ●
PROSPECTIVE
AREAS

The company continues to implement planned measures to further development of Russian content in its supply chain of materials, equipment, and services. In 2023, new contracts were awarded to Russian companies for mud logging services during well construction and work-over on the Molikpaq platform and for diagnostics, repair, and maintenance services of pipeline valves. Previously, these services were provided by foreign companies.

Sakhalin Energy continues to implement programmes to support the development of domestic manufacturers and vendors:

- testing of basic drilling mud and completion fluid systems was completed, with plans to commence work on the PA-B platform well in early 2024;
- a roadmap is being implemented to develop the functionality of a digital platform for multidisciplinary modelling in geology, oil and gas development, and production technology based on Russian software.

4.9.2. RUSSIAN CONTENT:
STRATEGY AND OUTCOMES

In 2023, the company continued to focus on building sustainability through a qualitative transition to Russian service and equipment providers, concentration of independent resources, technology and IT structure, expertise, and knowledge base, and on the harmonisation of the regulatory framework in accordance with Russian industry standards.

Russian content is the use of Russian manpower, materials, equipment, and services at the Sakhalin-2 project (hereinafter, the 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 Russian content of 70% over the lifetime of the project. In 2023, the level of Russian content in terms of actual cost reached 79%.

Focus areas

Company standardisation system:

- development of a standardisation system and ensuring compliance of the company's technical documentation with legislative acts and regulatory documents of the Russian Federation;
- gradual transition to Russian standards at all stages of production and project investment activities without any risk to production or safety.

Maintaining procurement and the material and technical supply stability:

- comprehensive analysis of the need for and feasibility of supplying critical materials, replacement parts, equipment, and services, and ensuring their availability;
- identification, search, and adaptation of available Russian analogues of imported equipment and materials;
- development and implementation of a technical re-equipment strategy with a focus on the capabilities of Russian industrial companies;
- programme to ensure the stable and safe operation of the current well stock through a diversified approach with a focus on Russian companies and the establishment of an in-house technical expertise centre;
- development of a common IT strategy to maximise the use of domestic solutions, and the introduction of digital solutions through a coordinated process of prioritisation, planning, and control under the Programme for Digital Platform Sustainability, Information Security, and Compliance with Russian Laws, as well as the Digital Transformation Programme;



RUSSIAN CONTENT INDICATORS IN 2020–2023

INDICATOR	2020	2021	2022	2023
Russian content in terms of labour input (man-hours), %	85	87	87	94
Russian content in terms of materials and equipment used (weight), %	91	97	92	98
Russian content in terms of expenses (actual cost), %	56	67	78	79

- development and regular updating of a unified register of technically acceptable manufacturers and contractors;
- development of regional hubs for sourcing, selection, and support of suppliers.

The company has established a structural unit, the Joint Integration Centre (see Section 4.9.3 Joint Integration Centre).

From the start of the project until the end of 2023, the combined value of awarded contracts and existing contract variations with Russian companies had exceeded \$30 billion. In 2023, the value of contracts in these categories reached approximately \$1,497.501 million, or 95% of the value of all new contracts and variations in the value of existing contracts.

In 2023, the company awarded 9,616 contracts and orders, 8,844 of which were awarded to Russian companies.

Selected contracts with Russian companies in 2023:

- SMNM-VECO, Engineering Construction Company LLC for the operation, maintenance, and servicing of Company's infrastructure facilities in Yuzhno-Sakhalinsk;
- SMNM-VECO, Engineering Construction Company LLC for the construction, assembly, and start-up works at the Company's production facilities within the scope of the Directorate of Project and Investment Activities;
- Intra Sakhalin LLC for technical support of the scheduled shut-down at the OPF in 2024.

Sakhalin Energy is actively engaging Sakhalin companies in the project. The company has established close cooperation and information exchanges with the Sakhalin Oblast Government.

● ● ●
Sakhalin Energy's activities to support Russian vendors and establish centres of excellence on the Company's premises contribute to the formation of a reliable Russian resource base to meet the current and future needs of the Sakhalin-2 project for the necessary materials, equipment, and services, to ensure sustainable and stable long-term development, and to achieve national goals in the development of the technological sovereignty of the Russian Federation.



BEST RUSSIAN CONTENT DEVELOPMENT PROJECTS

In 2023, the following events took place as part of an incentive programme to promote Russian content development:

- in March, an award ceremony was held to recognise the best projects in the field of Russian content development. The Technical, Production, and Finance Directorates proposed 17 initiatives, with four teams being declared winners;
- in September, as part of the celebration of Oil and Gas Industry Workers Day, an award ceremony was held for contractors. Eight Russian contractors that contributed to the development of Russian content in the Sakhalin-2 project were awarded;
- in December, a record number of initiatives were received for the 2023

Russian content development contest: 36 projects of the Technical, Production, Finance, and Human Resources directorates – teams of three projects were declared winners;

- on a monthly basis, articles about the Russian content development in the Sakhalin-2 project were featured in the corporate newspaper Vesti.

Holding such events 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. As a result, it increases employee interest in Russian content development.



In 2023, the share of contracts and purchase orders awarded to Russian companies registered on Sakhalin amounted to 71% (6,309) of all contracts awarded to Russian companies.

Largest contracts and orders signed in 2023 with companies registered in Sakhalin Oblast:

- SMNM-VECO, Engineering Construction Company LLC for the operation, maintenance, and servicing of Company's infrastructure facilities in Yuzhno-Sakhalinsk;
- Intra Sakhalin LLC for technical support of the scheduled shutdown at the OPF in 2024;
- Remote Project Services Group Global LLC for catering and house-keeping services in the camp at the Company's onshore facilities;
- Taiga Aviation Company JSC for the provision of aviation services (MI-8 helicopter);

- Sakh ICSService Lead LLC for maintaining continuous availability of equipment for instrumentation and integrated distributed control and emergency shutdown systems;
- Okha Construction Company LLC for the upgrade under PA-A Rig Refurbishment Project RC-6702 and the Drilling Rig Availability Project Portfolio;
- Gazproektengineering Sakhalin LLC for the provision of technical support and procurement services under the Sakhalin-2 project.

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



ACTIVITIES OF THE JOINT INTEGRATION CENTRE

- analysing materials, services, and capabilities of the Russian market;
- localising services within the Sakhalin Industrial Park;
- substituting specialised foreign services and organising the repair and manufacture of essential equipment using Russian industrial capabilities;
- choosing equipment for component replacement, pilot testing, etc.

4.9.3. JOINT INTEGRATION CENTRE

In 2023, Sakhalin Energy continued efforts to maintain stable production via the Joint Integration Centre (JIC), continuing its deliberate and consistent efforts to increase Russian content in the Sakhalin-2 project and to localise business.

The JIC is a new business process management model aimed at developing a resource system independent of global changes, including through the involvement of a pool of Russian service contractors. This corporate tool for as-

sessing and developing personal, managerial, and leadership competencies operates on the principle of a symbiosis of parallel disciplines, which in the long term will improve the operational efficiency of the Company.

The core of the JIC structure is a group of experts from the company's key business units. This approach helps to share information in a timely manner and make appropriate technical and managerial decisions to ensure business stability.



KEY JIC RESULTS IN 2023

- the procurement processes for materials and services have been updated, including by extending the planning horizon for replacement parts, tools, and supplies to two years;
- a comprehensive analysis of industrial sites established in the Russian Federation has been carried out; more than 950 enterprises were studied, of which approximately 470 were selected for further analysis in order to develop a strategy for transitioning to the use of domestic equipment;
- an interactive tool for analysing replacement parts and materials (ASP – analytics for stable production) connected to the company’s key information systems has been developed and implemented. ASP enables real-time monitoring in terms of the availability of the necessary materials. In 2023, more than 17 thousand individual material items were actively analysed.
- Russian companies have been successfully selected for more than 80% of production services as part of a sustained effort to increase Russian content.

4.9.4. SAKHALIN ENERGY MAINTENANCE AND REPAIR FACILITY IN THE SAKHALIN INDUSTRIAL PARK

In 2018, an official ceremony was held to place a capsule in the foundation of the Sakhalin Oil and Gas Industrial Park (SIP), the feasibility study of which had been initiated by the Sakhalin-2 project operator.

The Sakhalin Oil and Gas Industrial Park, deployed in a remote location away from the existing production assets, has 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 and gas industry creates five to six jobs in related industries.

In 2019, the decision was made to launch Phase I of the project on a 4.7-ha land plot allocated for the Maintenance and Repair Facility (MARF) of Sakhalin Energy, the anchor resident of the Sakhalin Industrial Park. This phase will include the construction of one facility as part of a logistics centre with a vehicle maintenance shop, an archive, and infrastructure sufficient for implementing Phase I.

In August 2020, the company and the Sakhalin Oblast Government reached an agreement to provide the SIP and the Sakhalin Energy MARF with external engineering infrastructure, involv-

ing 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 autumn 2021, the Sakhalin Industrial Park site began operating logistics facilities designed to consolidate and dispatch cargoes to remote production facilities in the north of Sakhalin. In 2022, an expert review of the design documentation and preparation of the Sakhalin Energy MARF



Phase I detailed documentation were completed.

Taking into account the replacement of foreign service companies by Russian contractors and their localisation on Sakhalin Island, in 2022, a decision was made to perform the design work for Phase 2 of the Sakhalin Energy MARF. Phase 2 will include the construction of five facilities, including a liquefied nitrogen production and storage site, a sub-sea and rotating equipment repair and maintenance shop, an equipment maintenance and hydraulic testing shop, a laboratory complex, a drill pipe maintenance and repair base, and the required infrastructure.

4.9.5. VENDOR DEVELOPMENT PROGRAMME

Russian vendor development remains one of the company’s key activities, the main purpose of which is to help expand the competencies of Russian enterprises and increase Russian content in the Sakhalin-2 project.

Integrated vendor development involves assisting Sakhalin Energy’s prospective Russian partners in upgrading production processes to meet the company’s quality and safety requirements, as well as localising suppliers on Sakhalin. Current areas of focus in this area include:

- developing and building up the competences of localised companies and developing an industry competence centre;

In 2022, the company started surveying, developing design documentation, obtaining an expert review of the design documentation, and developing detailed and estimate documentation for MARF Phase 2. In 2023, the vertical layout of the area for the construction of the MARF was carried out.

The establishment of the Sakhalin Energy MARF is one of the company’s primary strategic objectives in terms of critical services localisation and Russian content development. Such a base will improve reliability and efficiency for the Sakhalin-2 project and significantly reduce production and logistics costs and risks.

- developing full-cycle contractors—integrators of services including provision of analogues and replacement parts with a focus on localisation of services in the SIP MARF (see Section 4.9.4. Sakhalin Energy Maintenance and Repair Facility in the Sakhalin Industrial Park);

- implementing a training programme for vendor development, including HSE assessment, technical evaluation of enterprises, and training and development of contractor personnel.



Sakhalin Energy conducts individual information sessions and round tables to determine the opportunities of potential Russian suppliers and to inform them in advance about the timing and scope of upcoming tenders and the procedure for participating in them. In 2023, a round table “Metoccean Support of Production Assets of the Sakhalin-2 project” was organised and held, which was attended by 25 representatives of 10 companies—leaders of the hydrometeorological services market in Russia. During the round table, Sakhalin Energy specialists identified companies that meet the company’s requirements in terms of technologies, equipment, and services provided and formed a list of potential candidates for further cooperation. Regular organisation of round tables of this scale and the exchange of information between Sakhalin Energy and companies testify to the willingness of manufacturers and customers to develop partnerships and synergies to strengthen Russia’s technological sovereignty.



4.10. INNOVATIONS AND CONTINUOUS IMPROVEMENT

4.10.1. DIGITAL TRANSFORMATION

Sakhalin Energy LLC has been 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 roll-out of new digital technology and the efficient use of available data and technology.

In the company’s high-level digital strategy, the following digital transformation objectives have been determined:

- advance information technology and apply new approaches to data architecture management, a product-based approach and agile methods of digital solution development, as well as competencies as part of the digital transformation strategy;
- transform business processes and external and internal communication channels;
- build a corporate culture based on new approaches to management, working methods, and organisational change;
- implement digital technology and digital solutions programmes and initiatives.

The proper functioning of Sakhalin Energy’s corporate and technical processes is not possible without IT systems and solutions. To support these systems, in 2022 Sakhalin Energy launched the Programme for Digital Platform Sustainability, Information Security, and Compliance with Russian Laws (Digital Platform Sustainability Programme) that ran through 2023. The programme includes projects and activities to restore the functions of the IT solutions employed by Sakhalin Energy as at January 2022.

The programme is divided into two stages. The first stage of the Digital Platform Sustainability Programme was fully completed in 2022, covering activities related to the company’s local IT service and customer management, as well as the localisation of critical business applications.



The second stage of the Digital Platform Sustainability Programme (launched in late 2022), includes activities aimed at the systematic restoration or replacement of all other applications and IT services. In parallel, new initiatives are being introduced as part of the digital transformation programme, aimed at improving the existing systems and launching new ones to deliver new features at the request of the company’s organisational units.

Digital transformation principles as per the digital strategy of Sakhalin Energy LLC

1. Support from the company’s leadership team

The leadership team actively supports the company’s digital transformation while discussing areas for digital initiatives.

2. Economic efficiency and results monitoring

Cost-benefit analysis is performed when establishing clear and achievable goals, when formulating the value of the digital initiatives and projects being implemented, as well as during subsequent business-performance monitoring through analysis of the impact on Key Performance Indicators (KPIs).

3. Digital transformation as part of the company’s business strategy

Digital transformation is integrated into the business strategy along with other company development priorities, and has a direct impact on the achievement of business goals.

4. Digital transformation as part of corporate culture

All Sakhalin Energy employees share the same understanding of the goals and objectives of digitalisation, and have a vested interest in pursuing digital initiatives that improve the company’s business efficiency, as well as in building their own digital competencies.

5. A unified approach to managing and assessing effectiveness

The unified management system, combined with processes for evaluating and implementing digital initiatives, maximises the efficiency of digital projects and resource utilisation and ensures optimum decision-making.

6. Data management is the basis of digital transformation

The ability to manage data and gain value and business benefits from analytical data is a core skill in corporate digital transformation.

7. Starting with quick wins

Highly effective digital initiatives are implemented quickly through the support of all Sakhalin Energy employees. To increase its competitiveness, the company improves business processes, technology, and products offered by the industry; it explores and applies promising tools (machine learning, predictive analytics, and artificial intelligence), and develops its own solutions, including those for information security.



4.10.2. CONTINUOUS IMPROVEMENT PROGRAMME



“Our current approach is to continuously improve business processes for efficient production management and the sustainable development of Sakhalin Energy over the next 20–30 years.”

Roman Dashkov,
Chief Executive Officer

Continuous Improvement Vision and Strategy

Continuous improvement (CI) is an important element of Sakhalin Energy’s corporate culture, which has become especially relevant at a time when the company needs to adapt effectively to the constantly changing economic environment and cope with new challenges in order to remain an undisputed industry leader, both in technical development, production, and commercial activities, as well as in corporate social responsibility.

Continuous Improvement Management

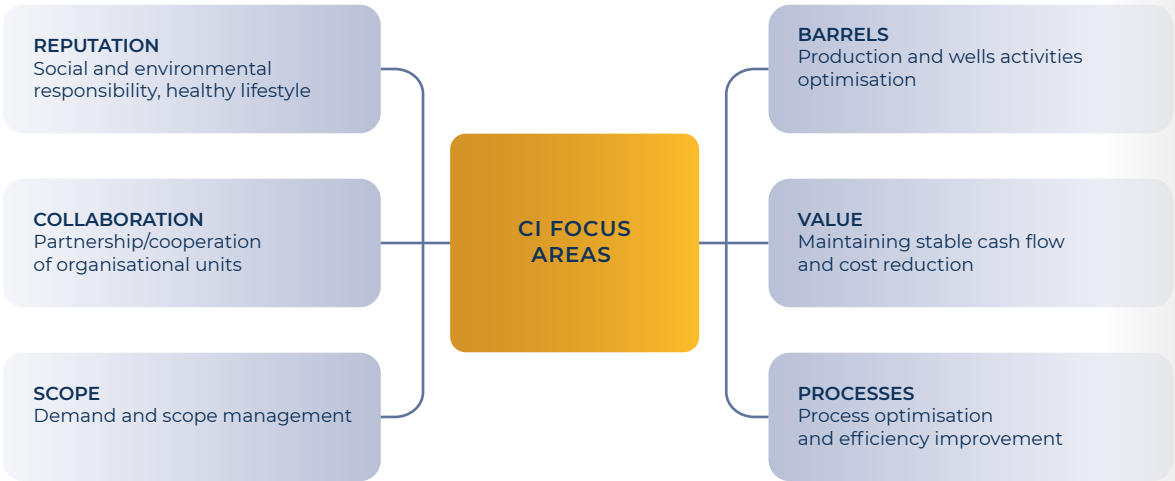
The CI management system is based on a decentralised delivery model at the organisational unit level, with overall coordination at the company level.

Such an approach allows the following goals to be achieved:

- promoting and strengthening the CI culture at all levels across the company’s assets;
- achieving high performance across the CI focus areas, with due regard to the specifics of the business processes applied by organisational units;
- widespread involvement of employees in the implementation of initiatives and CI methods in all the company’s organisational units.

Every CI initiative and project is evaluated for economic feasibility and then tested for effectiveness and value for

SAKHALIN ENERGY’S CONTINUOUS IMPROVEMENT FOCUS AREAS



the business. In addition, all CI initiatives and projects are registered on the corporate continuous improvement portal, where all employees can familiarise themselves with CI initiatives, leave comments, ask questions, propose solutions, and receive answers from the initiators/originators of the corresponding CI initiative or project.

Continuous Improvement Leadership

Continuous improvement is built into the corporate management system, presented at regular meetings and awareness sessions, both at the company and at the organisational unit level, and incorporated into the Goals Performance Appraisal (GPA) documents of all of Sakhalin Energy’s managers and employees (see Section 6.1.6 Individual Performance Review).

The effectiveness of this process is ensured by a visible leadership commitment, with managers at all levels driving the desired CI culture and mindset by demonstrating appropriate applications of CI methods and supporting the implementation of CI plans and initiatives in the organisational units.

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 CI achievements at all levels across the company’s organisational units. Information about CI initiatives is communicated to personnel, published in all of the company’s offices and assets, and taken into consideration in award nominations at the directorate and company levels.

Widespread use of CI techniques, tools, and visual management systems, as well as dedicated CI sessions and CI workshops, contribute to an increase in the number of employees involved in the CI programme. In 2023, over 450 employees were involved in implementing CI initiatives as initiative originators, leaders, and members of relevant project teams.

Continuous Improvement Capability Building

CI capability building is pursued through a wide range of dedicated events based on the CI methodology, with a demonstration of how CI tools are applied in solving tasks related to the optimisation and enhancement of business processes.

Continuous Improvement Value Delivery

CI value is based on the implementation of CI initiatives, which are driven by employees (bottom-up), who identify improvement opportunities in their day-to-day activities, and by the management (top-down), who identify CI focus areas and deliver corporate CI projects aimed at achieving and improving corporate KPIs and scorecard targets.

CI plans and initiatives are aligned with the ongoing activities undertaken to enhance performance and ensure operational excellence, as well as to achieve the targets set for organisational units and for the company as a whole. Approved CI initiatives are monitored on a regular basis, and respective teams are supported by the management.



In the first half of 2023, 16 projects received special awards from the Company’s executive body for outstanding teamwork in the following categories:

- production optimisation, mastery in projects, and efficiency drive, including cost-saving initiatives;
- opportunity realisation and securing future growth;
- efficiency of personnel and supporting processes;
- contribution to Russian content development;
- communication and strengthening team spirit.



In 2023, more than 250 employees attended CI- and quality related awareness sessions, forums, and events run by the CI section and CI representatives in the company’s organisational units.



4.10.3. INTELLECTUAL PROPERTY BUSINESS PROCESS

Sakhalin Energy LLC uses the Intellectual Property business process to implement processes for managing intellectual property rights, to consolidate and legally protect the company's right to control the use of new technical solutions created under the Sakhalin-2 project, and to strengthen its competitiveness. This business process allows the company to develop a unified approach to managing substantial intellectual property, ensuring its legal protection, and obtaining additional benefits from intangible assets. Considerable attention is given to the management of intellectual property owned by third parties and by the company's contractors which has been obtained under contracts or on other grounds.

The following intellectual property rights were registered in 2023:

- Nine software programmes registered with Rospatent.
- Two patents for invention in the territory of the Russian Federation.
- A patent for industrial design.
- Two verbal trademarks.

In 2023, Sakhalin Energy LLC continued the joint patenting of a technical solution developed by the company in collaboration with contractors. The result of the joint work was the submission in 2023 of patent applications for an invention and a utility model.

In 2023, Rospatent issued decisions on issuing patents for two industrial designs. Interaction with Rospatent continues in terms of paperwork pertaining to the company's application for the state registration of a combined trademark.

Since the launch of the Intellectual Property business process, 88 employees of Sakhalin Energy LLC have created intellectual property items. This demonstrates the company's commitment to enhancing technical and organisational processes and testifies to the uniqueness and high quality of technical solutions, as well as the strong motivation of employees for technical creativity.

In 2024, the company will keep expanding its intellectual property portfolio by patenting and registering unique IT, technical, and other solutions in the Russian Federation (and abroad, if necessary) and interacting with contractors in order to benefit from applying new solutions developed under the Sakhalin-2 project.



4.11. CYBERSECURITY

The company's main information security (IS) objective is to ensure and improve the security of information, assets, and systems against threats and risks arising from the use of information technology.

The information security process covers the following areas:

Compliance with laws and regulations

Sakhalin Energy LLC updates its information security policies and procedures to comply with effective regulations (Federal Law No. 152-FZ On Personal Data dated 27 July 2006; Federal Law No. 187-FZ On Security of the Critical Information Infrastructure in the Russian Federation dated 30 November 1995; Presidential Decree No. 250 On Further Measures to Ensure Information Security in the Russian Federation dated 1 May 2022, etc.). For instance, in 2023, categorisation of the critical information infrastructure assets was carried out. The development of IT, IS, and data management strategies is in progress.

Refreshing knowledge and skills

Through regular training, employees become better informed about current security threats and developments, learn to identify and respond to unexpected threats, understand more about security practices, and communicate better on these matters. In 2023, a new information security online course was developed. This course is to be completed annually by all employees of the company.

Software and hardware upgrades

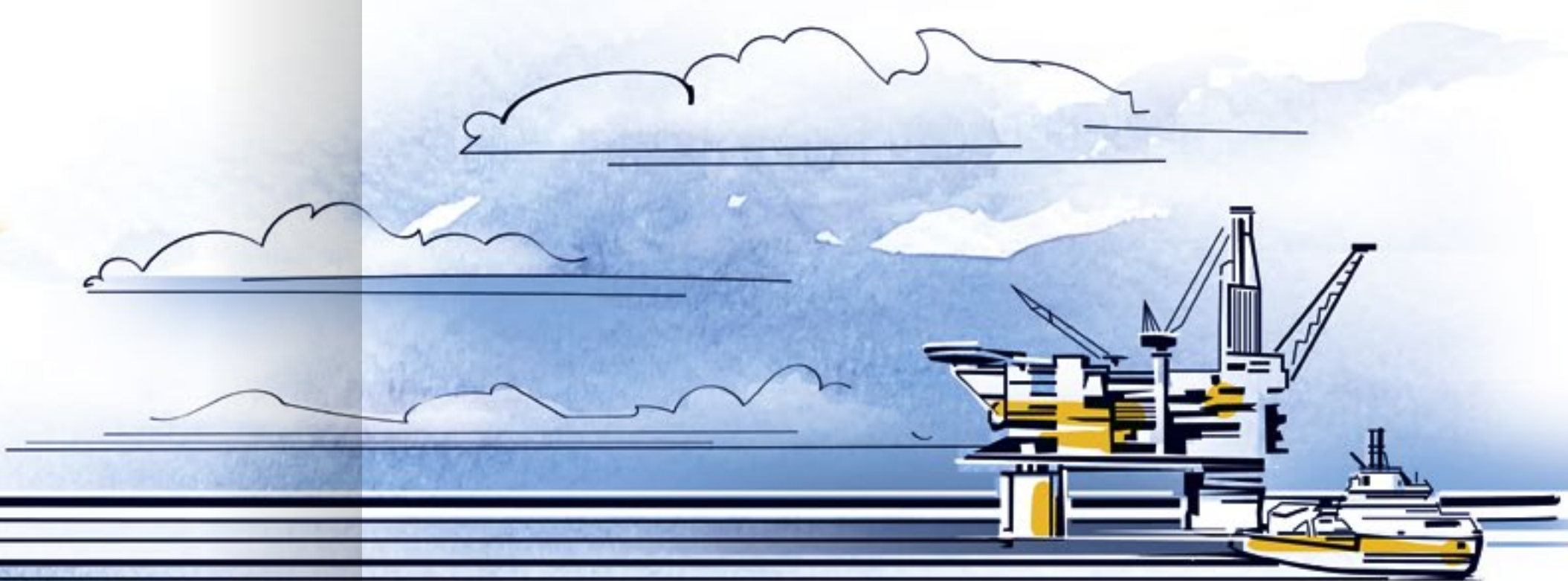
Upgrades are meant to improve functionality, fix bugs and vulnerabilities, boost performance and reliability, and add new features and functionalities to protect information and systems from threats. This also includes updating anti-virus software, firewalls, and other security techniques. In 2023, regular activities were carried out to enhance software and hardware solutions for securing the company's systems.

Regular audits and assessment of threats

Audits and threat assessment help evaluate the current state of information security in the company, identify potential vulnerabilities and weaknesses, and develop plans for addressing the findings. This helps improve the security of corporate systems and data against cyberattacks. In 2023, the company launched the first phase of the IS incident monitoring and response service.

Regular monitoring and analysis of network data

Monitoring and analysis of network data is vital for real-time detection of and response to threats and security incidents. Doing so helps Sakhalin Energy LLC identify potential security risks and promptly respond to information security events. Additional network traffic analysis and filtering systems were introduced in 2023.



5

ENVIRONMENTAL IMPACT MANAGEMENT

The Sakhalin-2 project was the first in Russia to use “zero-discharge” drilling waste technology. It was subsequently included in the Information and Technical Reference Book and recommended for replication in offshore field development



5.1. ENVIRONMENTAL MANAGEMENT SYSTEM

Sakhalin Energy conducts its activities 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.

The company applies a systematic approach to managing environmen-

tal protection issues based on the Environmental Management System. The company's guiding document is the Environmental Policy, which sets up general strategic areas and goals of the company related to environmental performance.

The Environmental Management System is integrated into the Corporate Governance System of the company and consists of six elements (leadership – planning – supporting tools – activities – performance assessment – improvement, see the Environmental Management System chart). It is maintained by different related business processes and covers all types of environmental protection activities.

For continuous improvement of operational efficiency, the Environmental Management System follows a repeating cycle: planning – implementation – evaluation – review. In order to monitor and evaluate the system's efficiency, analysis, external and internal audits, regular internal inspections for compliance with environmental legislation, and corporate standards and procedures are held at the company's assets.

ENVIRONMENTAL MANAGEMENT SYSTEM



The goal of the company's Environmental Policy is to minimise impact through proactive risk management and the application of an integrated control system.

The company is implementing an administrative and technical action

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

The company promotes the development of vendors and suppliers through experience sharing and monitoring compliance with Russian environmental legislation, and with the company's standards and procedures.

5.2. INDUSTRIAL ENVIRONMENTAL CONTROL

5.2.1. GENERAL INFORMATION

Sakhalin Energy exercises industrial environmental control over 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 as well as 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 extraction and transportation and from liquefied natural gas production; special attention is given to waste

management, energy consumption, and associated gas utilisation issues.

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

5.2.2. AIR EMISSIONS

Sakhalin Energy seeks to minimise its 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, 2021). A system that increases

gas turbulence is used on flaring units, which helps reduce soot emissions. Sakhalin Energy implements measures to improve the operational reliability and fail-safety of equipment and monitors compliance with process conditions. To ensure the timely elimination of potential gas leaks at the company's assets, the company performs inspections and diagnos-

tics of equipment using fixed and portable gas analysers and infrared cameras and carries out timely repair and maintenance. In order to assess the impact of greenhouse gases and ozone-depleting substances on the atmosphere, the company keeps track of their emission sources and consumption (see Section



5.3.3 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.

In 2023, total air emissions (15.78 thousand t) were significantly lower

than the target (31.58 thousand t). A slight increase in emissions from the previous year, including carbon oxide, nitrogen oxide, and other pollutants, is associated with the start-up of 19 new emission sources at the OPFC (a new asset commissioned in 2023; see Section 3.3.1.4 Onshore Processing Facility), the increase in the number of emission sources at the PA-A platform, and updates of the estimated pollutant emissions by stationary sources

on the platform in accordance with permits obtained in 2023. The above reasons also contributed to the change in specific emissions from hydrocarbon and LNG production.

Air quality monitoring at the boundaries of the sanitary protection zones of the Prigorodnoye production complex, the OPF, and BS 2 demonstrated compliance with established standards for allowable concentrations of pollutants.

GROSS AIR EMISSIONS IN 2020–2023, thousand tonnes

POLLUTANT	2020	2021	2022	2023
Carbon oxide	3.53	3.74	7.33	8.37
Nitrogen oxide (in NO2 equivalent)	4.04	3.83	4.79	4.87
Methane	0.90	0.74	2.07	2.07
Sulphur dioxide	0.03	0.03	0.02	0.03
Other pollutants	0.38	0.36	0.37	0.44
Total	8.88	8.70	14.58	15.78

SPECIFIC AIR EMISSIONS IN 2020–2023, by areas of activity

ACTIVITY	2020	2021	2022	2023
Hydrocarbon production (kg/toe)	0.15	0.16	0.36	0.44
Hydrocarbon transportation (kg/thousand t-km)	0.08	0.07	0.09	0.07
LNG production (kg/toe)	0.19	0.21	0.21	0.26



5.2.3. IMPACT ON WATER BODIES

Sakhalin Energy is committed to reducing water consumption resulting from business activities and minimising the environmental impact of wastewater discharge.

The extraction of water from surface bodies for drinking, household, and industrial purposes is carried out on the basis of water use agreements, and the extraction of water from groundwater bodies is based on licenses for subsoil use.

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 sewage treatment plants and car-

ries out quality control of sewage, surface and ground water, as well as monitors compliance with established water use and water discharge limits. Water intake and treatment facilities are maintained in good order, and 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 Sakhalin Energy's production assets.

Water use figures were lower in 2023 than 2022.

A decrease in water extraction from underground sources was due to the

reduction in the number of personnel engaged at the OPF throughout 2023 to complete the commissioning of the compression facility.

In 2023, long-term maintenance of the process equipment at the PA-A platform during a major turnaround contributed to the reduction of key water use figures: sea water extraction, water consumption for industrial purposes, injected sea water for reservoir pressure maintenance, and water discharge into water bodies.

The decrease in precipitation led to a reduced discharge of storm wastewater at the OPF.

CONSOLIDATED WATER USE FIGURES IN 2020–2023, thousand m³

INDICATOR	2020	2021	2022	2023
Water intake, including:	29,403.01	28,693.61	28,791.17	26,446.13
from surface sources	28,482.38	27,653.75	27,826.68	25,447.44
from underground sources	463.82	478.22	462.43	418.87
Water consumption, including:	28,960.95	27,985.77	28,150.02	25,874.52
for production needs (not including consumption for reservoir pressure maintenance needs)	22,284.19	21,972.31	22,434.42	21,209.10
for reservoir pressure maintenance needs	6,279.57	5,738.21	5,415.86	4,237.48
Water discharge, including:	22,990.72	22,689.46	23,106.41	22,050.77
into surface water bodies	22,750.25	22,589.45	22,966.02	21,920.41
on the surface	99.15	76.04	111.44	93.90



Wastewater discharged into water bodies is treated. Only 1% of waste-water was insufficiently treated, 3% of wastewater was treated to minimum standards, and the other 96% met minimum standards without treatment.

SPECIFIC WATER USE IN 2020–2023, by areas of activity

ACTIVITY	WATER CONSUMPTION FOR IN-HOUSE NEEDS				DISPOSAL OF INSUFFICIENTLY TREATED WASTEWATER INTO SURFACE WATER BODIES			
	2020	2021	2022	2023	2020	2021	2022	2023
Hydrocarbon production, m³/toe	1.0	1.0	1.063	1.095	0.005	0.006	0.006	0.007
Hydrocarbon transportation, m³/thousand t-km	0.001	0.001	0.001	0.001	—	—	—	—
LNG production, m³/toe	0.005	0.004	0.003	0.004	0.004	0.001	0.002	0.007

The increase in the mass of pollutants was caused by the increased load on treatment facilities due to the increase in the number of personnel on the PA-A platform during the preparation for and in the process of the major

The increase in specific water disposal during LNG production was caused by the ongoing commissioning of the utility wastewater treatment unit.

turnaround, via wastewater disposal from the new discharge outlet at the OPFC (new asset commissioned in 2023, see Section 3.3.1.4 Onshore Processing Facility) and for other reasons.

MASS OF POLLUTANTS DISCHARGED INTO SURFACE WATER BODIES IN 2020–2023, tonnes

INDICATOR	2020	2021	2022	2023
Mass of pollutants	18.302	19.235	20.063	29.012



5.2.4. WASTE MANAGEMENT

Most of Sakhalin Energy’s waste is classified as low-hazard (Hazard Classes IV and V). It is mainly drilling waste and solid household waste.

In an effort to prevent a negative impact on the environment, in 2023, the company continued to dispose of drilling waste (Hazard Class IV) by injecting it through special disposal 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 (BAT) for the disposal of waste associated with oil and gas production (ITS-17 Disposal of Industrial and Consumer Waste, 2021). Based on the results of comprehensive monitoring of disposal areas, Rosprirodnadzor confirmed

no negative impact on the environment from the use of this BAT in 2023.

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 MPC or background levels in the bottom waters and bottom sediments and that the species composition structure and quantitative indicators of benthos abundance were preserved. This attests to the absence of negative environmental impacts in the area of underground drilling waste disposal sites (confirmed by Rosprirodnadzor).

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

All Hazard Class I-III waste is transferred to licensed contractors for processing, utilisation, and treatment. All Hazard Class III–V waste is sent to specially equipped landfills. In addition, the company is searching for effective ways to utilise of Hazard Class IV–V waste in order to reduce the share of waste buried at landfills. In 2023, 61% of such waste (excluding drilling waste and metal scrap) was transferred for utilisation / treatment.

WASTE BREAKDOWN BY HAZARD CLASS IN 2020–2023 (including drilling waste), tonnes

HAZARD CLASS	2020	2021	2022	2023
I	2.077	1.907	0.651	1.196
II	65.961	91.327	18.445	20.664
III	634.227	774.921	630.525	555.207
IV	20,026.1	21,138.20	6,938.20	10,132.8
V	3,946.6	4,499.80	4,807.10	4,460.5
Total	24,674.965	26,506.155	12,394.921	15,170.367



WASTE MANAGEMENT INDICATORS IN 2020–2023
(including drilling waste), thousand tonnes

INDICATOR	2020	2021	2022	2023
Waste generated in the reporting year (all Hazard Classes)	24.67	26.51	12.39	15.170
Transferred to other organisations for processing, utilisation, and treatment	4.53	4.96	5.02	4.72
Transferred to other organisations for burial at landfills, including:	1.81	1.99	2.14	2.60
in Sakhalin Oblast (with solid household waste)	1.37	1.33	1.47	2.22
outside Sakhalin Oblast	0.44	0.66	0.67	0.38
Waste disposed of at the company's sites (burial of drilling waste)	18.33	19.56	5.23	7.85

Since 2022, in compliance with legal requirements, Sakhalin Energy has been transferring Hazard Class I–II waste to the Federal Environmental Operator (FEO) on the basis of a contract. In 2023, waste removal requests issued in the Federal State Hazard Classes I–II Waste Management Accounting and Supervision Information System still have the Transportation Proposals Collection status, therefore, as at the end of the reporting period, waste with a total mass of 5.551 tonnes was stored at the company's waste accumulation sites.

The increase in Hazard Class I and II waste was caused by the scheduled replacement of luminescent lamps with LED lamps and the replacement of batteries at the pipeline transport system assets.

The increase in the total amount of generated Hazard Class IV waste was associated with the scheduled increase in the scope of drill-

ing operations at the LUN-A and PA-B platforms.

The increase in the mass of waste transferred for burial was associated with the accumulation of waste from the construction and commissioning work at the OPFC and waste generation by personnel residing in the rotational camp booked on the company's balance sheet.

Setting up of treatment facility operating processes at the Zima Highlands residential complex and the 2022 inventory taking of materials and equipment that have lost their consumer properties and assigned the status of waste led to a decrease in the mass of Hazard Class V waste and waste transferred for processing, utilisation, and treatment.

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

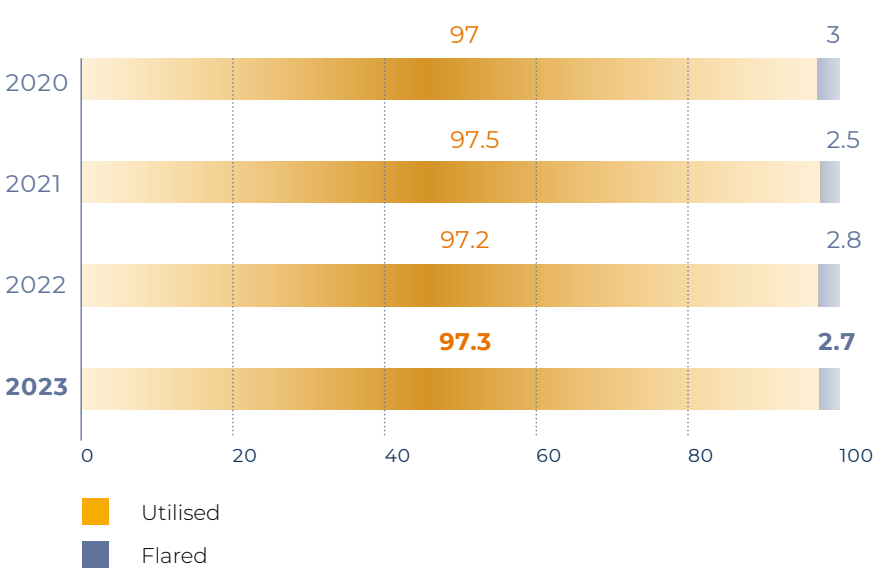


5.2.5. UTILISATION OF ASSOCIATED GAS IN PRODUCTION

Sakhalin Energy 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 is transported through onshore pipelines to the OPF, where it is mixed with LUN-A gas for further transportation. Some of the associated 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 2023 was 97.3%.

UTILISATION OF ASSOCIATED GAS IN PRODUCTION, %





5.2.6. ENVIRONMENTAL PROTECTION COSTS AND PAYMENTS FOR NEGATIVE IMPACT

To comply with international and Russian legislation requirements, Sakhalin Energy implements environmental conservation action plans developed for production assets. The current cost and capital expenditures for their implementation in 2023 were approximately 3,673.86 million roubles.

CURRENT ENVIRONMENTAL COSTS, thousand roubles

INDICATOR	2020	2021	2022	2023
Total including	3,153,180	3,248,806	3,666,030	3,623,631
atmospheric air protection and climate change prevention	9,076	7,731	7,790	20,387
wastewater collection and treatment	110,444	114,730	128,192	173,186
waste management	497,350	403,693	465,754	515,933
protection and reclamation of land as well as surface water and groundwater, including offshore areas	2,470,617	2,644,056	2,916,410	2,836,370
biodiversity conservation and protection of natural areas	45,523	63,732	144,083	47,429
assurance of radiation safety of the environment	8,711	2,935	3,597	26,724
other environmental protection activities	11,459	11,929	204	3,602

Sakhalin Energy's environmental conservation activities are monitored by supervisory authorities at the federal and regional levels:

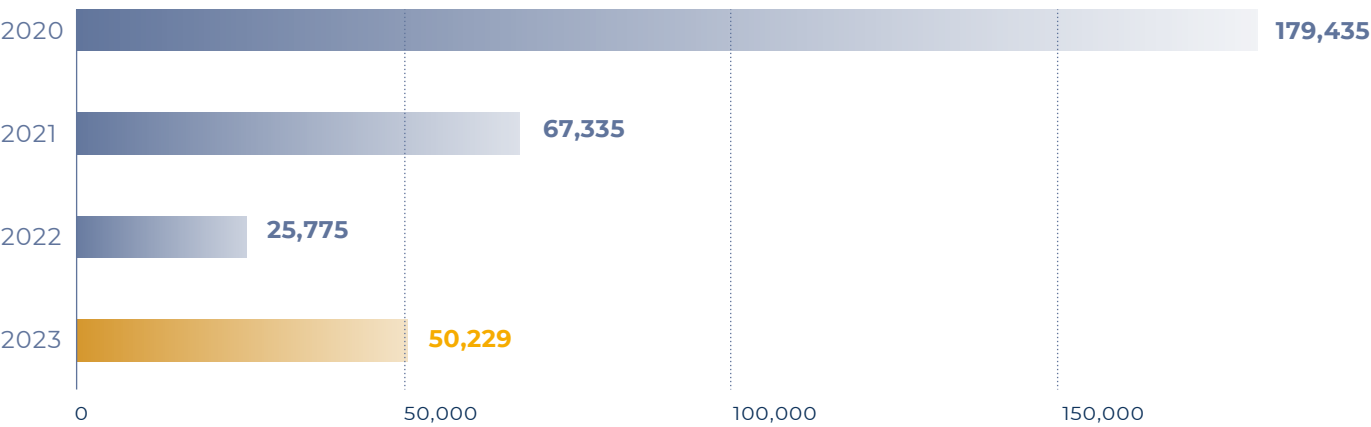
- the Ministry of Natural Resources and Environment of the Russian Federation;
- the Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor);
- the Federal Subsoil Resources Management Agency (Rosnedra);
- the Federal Service for the Supervision of Natural Resources (Rosprirodnadzor);
- the Amur Water Basin Committee of the Federal Water Resources Agency;
- the Ministry of Ecology and Sustainable Development of Sakhalin Oblast.

In 2023, the Sakhalin Inter-District Environmental Prosecutor's Office conducted an inspection for compliance with environmental legislation.

The inspection confirmed full compliance.



INVESTMENTS IN FIXED CAPITAL FOR ENVIRONMENTAL PROTECTION AND RATIONAL USE OF NATURAL RESOURCES, thousand roubles



PAYMENTS FOR ADVERSE ENVIRONMENTAL IMPACT IN 2020–2023, thousand roubles

INDICATOR	2020	2021	2022	2023
Air emissions	663.60	659.04	1,104.14	2,964.87
Discharges into water bodies	215.80	237.12	197.86	515.60
Waste disposal	7,134.09	3,076.04	6,329.69	2,923.61
Total	8,013.49	3,972.20	7,631.69	6,404.08

The increase in the atmospheric emissions fee in 2023 was associated with the start-up of 19 new emission sources at the OPFC.

The increase in the water body discharge fee was caused by the increased load on treatment facilities due to the increase in the number of personnel on the PA-A platform during the preparation for and in the process of the major turnaround, via

wastewater disposal from the new discharge outlet at the OPFC (new asset commissioned in 2023, see Section 3.3.1.4 Onshore Processing Facility) and for other reasons.

The decrease in the waste disposal fee followed the Rosprirodnadzor's confirmation that the company's waste disposal sites had zero negative environmental impact and, thus, no drilling waste disposal fee was charged.

Above-limit fees made up 75% of adverse impact fees, mainly due to the absence of limits for the disposal of Low Hazard and Virtually Non-Hazardous Class IV–V waste at landfills and failure to establish maximum allowable discharge values for the new emission sources in view of the OPFC start-up (new asset commissioned in 2023, see Section 3.3.1.4 Onshore Processing Facility).



5.3. CLIMATE AGENDA AND CARBON REGULATION

Sakhalin Energy recognises the importance of climate change and has aligned its activities to conform with the global climate agenda and the Climate Doctrine of the Russian Federation approved by RF Presidential Decree No. 812 of 26 October 2023.

The climate agenda is currently a pressing issue for Sakhalin Energy for the following reasons:

aimed at reducing greenhouse gas emissions and achieving carbon neutrality in the region by the end of 2025;

- increased purchaser demand for products with a low-carbon footprint;
- increased stakeholder focus on the information disclosure on climate risk management.

- establishment of greenhouse gas emission targets by most countries, including the Russian Federation;
- tightening of carbon regulation, both at the international and national levels;
- an experiment in Sakhalin Oblast to be conducted from September 2022 through December 2028

The company understands its role and objectives amidst the global economy’s transition to low-carbon development, as the main area of the company’s activity is oil, natural gas, and LNG production. Despite the fact that gas is the most low-carbon fossil fuel, the key priorities for the company include the reduction of greenhouse gas emissions and the improvement of reliability and adaptivity of production operations to the impacts of climate change.

5.3.1. CARBON REGULATION

In 2023, Sakhalin Energy performed the following actions aimed at ensuring compliance with the new mandatory requirements provided by the Federal Law On Climate Experiment:

- Mandatory carbon report for 2022 was prepared. It was verified by the National Environmental

Verification and Validation Centre of the FSBI Yu. A. Israel Institute of Global Climate and Ecology and listed on the greenhouse gas emission register with the Energy Efficiency State Information System.

- The company prepared proposals on quotas for greenhouse gas

In 2022, a climate experiment was launched in Sakhalin Oblast in accordance with Federal Law No. 34-FZ of 6 March 2022 On Conducting a Climate Experiment to Reduce Greenhouse Gas Emissions in Constituent Entities of the Russian Federation. In the scope of this experiment, it is planned to achieve carbon neutrality, i.e., reduce the difference between greenhouse gas emissions and absorption in the region to zero by the end of 2025, taking into account the capabilities of the ecosystem.

For the purposes of the regional experiment, businesses will implement production decarbonisation measures. As a regulated organisation, Sakhalin Energy will make all possible efforts to achieve the experiment’s objectives and ensure the synergy of efforts with the regional authorities.



emissions for 2024–2025 in view of actual verified greenhouse gas emissions for 2022 and increased greenhouse gas emissions associated with the start-up of the booster station at the onshore processing facility (see Section 3.3.1.4 Onshore Processing Facility) and submitted them to the Ministry of Ecology and Sustainable Development of Sakhalin Oblast.

In September, the Ministry of Ecology and Sustainable Development of Sakhalin Oblast approved the quotas for greenhouse gas emissions for 2024–2028. In 2024–2025, Sakhalin Energy will have to reduce emissions by approximately 60 thousand tonnes of CO₂ equivalent, which is less than 2% of 2022 emissions, in view of the scheduled OPFC start-up. The company assessed the likelihood of meet-

ing the quota in view of internal production forecasts.

To ensure Sakhalin Energy meets the established quota and reduces the company’s carbon footprint, it is focusing on key activities such as the continuous implementation of projects aimed at reducing emissions geared by enhanced equipment reliability, boosting energy efficiency, and optimising processes.

5.3.2. ENERGY PRODUCTION AND CONSUMPTION

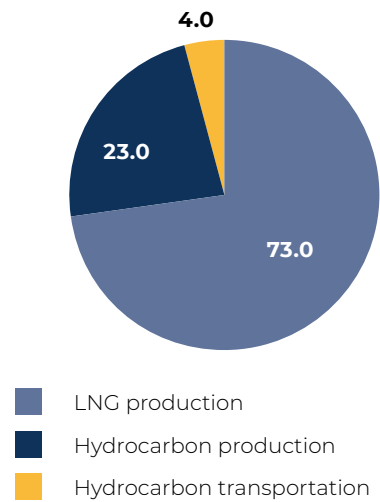
Sakhalin Energy focuses on the rational use of energy resources, which contributes to the reduction of greenhouse gas emissions, the improvement of equipment reliability, and the efficiency of operational processes (see Section 4.10.2 Continuous Improvement Programme).

The company’s assets have been designed in line with best international practices, and the new assets under construction incorporate the latest technological advances. All production assets use independent power supplies.

Natural gas has the biggest share in the company’s energy mix. 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.



ENERGY CONSUMPTION IN 2023, BY AREAS OF ACTIVITY, %



The energy consumption balance is shown in the Energy Generated and Consumed in 2020–2023, million GJ, table.

The decrease in energy consumption in 2023 was associated with the transition to a production optimisation strategy and sustainable field development aimed at extending the ongoing hydrocarbon and sustainable LNG production period.

A breakdown of 2023 energy consumption by activity is shown in the diagram Energy Consumption in 2023 by Areas of Activity.

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

The company’s energy efficiency indicators are high and are among the best in the world. In particular, in 2023, the specific energy consumption at the company’s production assets was 0.80 GJ/t of produced hydrocarbons. According to the International Association of Oil and 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 2020–2023, million GJ

INDICATOR	2020	2021	2022	2023
Primary energy generated	871.55	748.12	783.97	698.33
Primary energy sold, including:	817.82	701.52	741.30	653.22
provided to the Russian party	47.34	40.29	40.91	37.90
Primary energy consumed, including:	59.44	51.19	55.39	54.10
direct energy consumed (natural gas)	57.74	49.40	53.90	52.40
primary energy purchased (liquid fuel)	1.70	1.79	1.49	1.70
Indirect energy purchased/consumed (electricity)	0.14	0.12	0.12	0.11

ENERGY INTENSITY IN 2020–2023, by areas of activity

ACTIVITY	2020	2021	2022	2023
Hydrocarbon production, GJ/t hydrocarbons produced	0.65	0.67	0.63	0.80
Hydrocarbon transportation, GJ/Kt-km	0.15	0.15	0.15	0.16
LNG production, GJ/t LNG produced	3.85	3.63	3.66	3.79



5.3.3. GREENHOUSE GAS AND OZONE-DEPLETING SUBSTANCE EMISSIONS

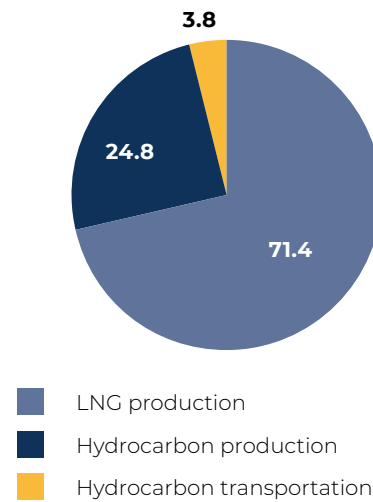
2023 GREENHOUSE GAS EMISSIONS, BY AREAS OF ACTIVITY, %

To monitor greenhouse gas emissions and evaluate the effectiveness of reduction measures, Sakhalin Energy annually quantifies emissions in the following scopes: Scope 1 (direct emissions) and Scope 2 (indirect emissions from imported energy).

Measures aimed at reliability, safety, and effectiveness assurance, as well as the improvement of the energy efficiency of all production processes, play a key role in the reduction of greenhouse gas emissions by Sakhalin Energy. Carbon footprint reduction efforts also include reducing associated gas flaring at oil platforms, minimising methane leaks, and optimising start-up procedures and the frequency of major turn-arounds of the integrated gas chain.

Total greenhouse gas emissions in 2023 decreased due to the transition to the production optimisation strategy and careful reservoir management aimed at extending the ongoing hydrocarbon and sustainable LNG production period.

Some equipment at the company’s assets, such as air conditioners and cooling machinery, contains ozone-depleting substances regulated by the Montreal Protocol. In 2023, Sakhalin Energy continued to implement its action plan aimed at the gradual replacement of this equipment and at discontinuing the use of ozone-depleting substances in accordance with the Protocol.



GREENHOUSE GAS EMISSIONS IN 2020–2023, million tonnes of CO₂ equivalent

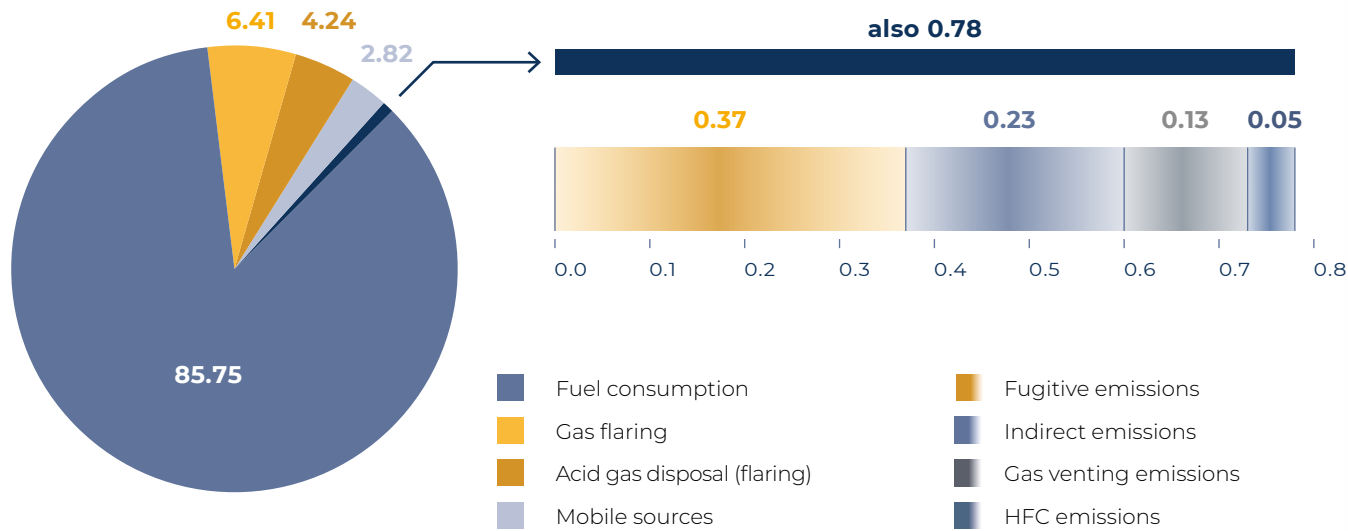
INDICATOR	2020	2021	2022	2023
Direct emissions (Scope 1)	3.661	3.304	3.492	3.434
Indirect emissions (Scope 2)	0.010	0.008	0.008	0.008
Total	3.671	3.312	3.500	3.442

SPECIFIC GREENHOUSE GAS EMISSIONS IN 2020–2023, by areas of activity

ACTIVITY	2020	2021	2022	2023
Hydrocarbon production, t CO ₂ eq./t of hydrocarbons produced	0.046	0.045	0.043	0.055
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	0.228	0.232	0.227	0.236



STRUCTURE OF GREENHOUSE GAS EMISSION SOURCES IN 2023, %



5.3.4. ADAPTATION TO CLIMATE CHANGE

Climate change impact creates significant risks and effects for business. Sakhalin Energy analysed and systematised climate risks, assessed their effects, and identified opportunities for company action. The company considered both risks during the transition period associated with the development of a low-carbon economy model and physical risks associated with the change in natural and climate conditions and other environmental features, which may affect the reliability of the company's production processes and assets, as well as the safety and health of the general public.

As a result, the company identified and registered 36 climate risks, including 22 transition-related (regulatory, technological, market, and reputation risks) and 14 physical risks. The impact of physical risks was evaluated as fairly low since the company's production assets have been designed and built with extreme natural and climate factors taken into account. A sufficiently high reserve of reliability and currently applied technologies determine the need for developing measures

to control and monitor processes as well as conducting regular risk reassessment. The development of the climate change adaptation plan was based on an analysis of possible risk management measures; their applicability to the company's activities and the complexity of their implementation were assessed. It is important for Sakhalin Energy to assess the need to develop specific measures in respect of climate risk management and determine their implementation periods and cost.

SAKHALIN ENERGY'S CLIMATE RISK MANAGEMENT

RISK CATEGORY	DESCRIPTION	MANAGEMENT
Regulatory risks	Risks related to the decarbonisation of the global economy and measures taken to tighten the greenhouse gas emissions regulation	The company monitors the changes in the regulatory framework for carbon regulation, participates in the development of proposals and discussions of the regulatory and methodological framework



RISK CATEGORY	DESCRIPTION	MANAGEMENT
Reputational risks	Risks related to the perception by stakeholders of the company's actions on climate agenda	The company regularly discloses information on climate risk management and greenhouse gas emissions, with due regard to the stakeholders requests
Technological risks	Risks related to the acceleration of the global economy decarbonisation in response to the dissemination of new low-carbon technologies	The company prioritises the energy efficiency improvement by increasing equipment reliability and optimising processes
Physical risks	Risks related to the change in natural and climatic conditions and other environmental features which may affect the reliability of the company's production processes and assets, as well as the safety and health of the general public	The company's production assets have been designed and built with extreme natural and climate factors taken into account. Potentially dangerous processes, including changes in river beds, soil erosion, seismic vibrations, and their possible impact on engineering structures, are constantly monitored during the operation phase, which allows for the timely adoption of necessary measures

5.4. ENVIRONMENTAL MONITORING AND BIODIVERSITY CONSERVATION

5.4.1. GENERAL INFORMATION

Sakhalin Energy implements environmental monitoring in potential impact areas of the production assets in accordance with the environmental protection legislation and the State Environmental Expert Review's requirements for the Industrial Environmental Control and Local Monitoring System at the operational stage. In 2023, the environmental monitoring programme included the following areas:

- soil cover;
- river ecosystems;
- flora and vegetation;
- wetlands;
- protected bird species, including the Steller's sea eagle;
- 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 whales and marine mammal protection.

The environmental monitoring results have confirmed that the environmental management system, including risk assessment and biodiversity preservation measures, fulfils the company's obligations with respect to prevention and mitigation of the impact on the environment and to conservation of both rare and endangered species and environmentally significant and vulnerable biotopes.

5.4.2. SOIL MONITORING

Sakhalin Energy assesses the soil condition along the onshore pipeline right-of-way, at the production assets, and within the areas of their potential impact at a frequency prescribed in the monitor-

ing programme. The soil cover study includes the collection of data on pollutant values and on the physical, chemical, and agrochemical properties of soils. In 2023, soil studies were conducted in the areas of the

Prigorodnoye production complex, the OPF (including OPFC), and BS 2. The soils (a 0–25 cm layer) within these production assets were analysed for a wide range of potential



SOIL DISTURBANCE AND RECLAMATION IN 2020–2023, ha

INDICATOR	2020	2021	2022	2023
Disturbed soils	4.21	0	0	0
Reclaimed soils	0	0	0	0
Disturbed soils as at the end of the year	83.36	83.36	83.36	83.36

ecotoxics. The results indicate that the condition of technogenically disturbed soils is satisfactory. The total petroleum hydrocarbons in the soils across different sites varied from <20 mg/kg to 65 mg/kg. These levels are consistent with the natural occurrence of oil and petroleum products

in natural soils. The concentration of ethylene glycol in the soils at all assets was found to be below the detection limit (<1.0 mg/kg).

In addition to assessing petroleum products and ethylene glycol, the annual monitoring at these assets

also includes measuring the quantitative content of synthetic surfactants, total concentrations of main chemical elements, and mobile forms of phosphorus, nitrogen, potassium, and heavy metals. Elevated values of certain elements (Ag, As), which are characteristic of the wetlands in northern Sakhalin, are also taken into account.

Monitoring is also carried out to prevent the release of certain substances, such as piperazine and methyldiethanolamine, which are used solely in the production process of the Prigorodnoye production complex. Laboratory tests of soil samples from the complex did not detect these substances above the lower detection limit (1.0 mg/kg).

The monitoring results at the production assets did not reveal any obvious signs of degradation in the composition and properties of the soils.

As at the end of 2023, the area of disturbed soils associated with the construction of production assets has not changed and covers 83.36 ha (see Soil Disturbance and Reclamation in 2020–2023, ha table).



5.4.3. RIVER ECOSYSTEM MONITORING

The River Ecosystem Monitoring System comprises several areas: monitoring of the quality of surface waters, bottom sediments, benthos, and salmon. The quality of river ecosystems primarily indicates the nature and specifics of potential impact on aquatic ecosystems during the operation of facilities and makes it possible to control the impact of water bodies on utilities.

Monitoring of river ecosystems includes:

- determination of the hydrological and hydrochemical characteristics of watercourses;
- assessment of the bottom sediment condition in riverbeds;
- identification of hydromorphological changes (riverbed and bank erosion in the pipeline route cross section);
- 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 2023, hydrological and hydrochemical characteristics and the condition of bottom sediments were monitored in:

- 27 watercourses crossed by pipelines;
- the Vatung River in the area of potential impact from the OPF;
- the Mereya River and the Goluboy Stream in the potential impact



area of the Prigorodnoye production complex.

Investigations were conducted during two hydrological seasons: summer low water and autumn high water. Sampling was conducted in two cross sections: the upstream (baseline) section, where Sakhalin Energy’s assets can have no impact, and the downstream (control) section.

On most investigated river crossing sites (from the upstream to the downstream cross sections), no significant horizontal or vertical deformations of the riverbeds were detected. The crossings are in satisfactory condition, and no damage to utility lines was found.

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 watercourse. The water was odourless in all the studied watercourses. The water transparency of all watercourses was 30 cm or more.

The oxygen regime of surface waters remained within the standard limits during all monitoring periods: 6.5–8.8 mg/dm³. Suspended solids demonstrated seasonal concentration fluctuations.

In most of the watercourses, the iron and copper content exceeded the relevant MPC standards. However, an elevated concentration of these metals is a natural phenomenon and characteristic of the surface waters in Sakhalin.



Monitoring did not reveal surface water contamination with petroleum products. All measured values were insignificant (0.005–0.032 mg/dm³) and complied with MPCf (0.05 mg/dm³).

The content of petroleum products in bottom sediments did not significantly change from season to season. The concentrations measured in the upstream cross sections were the same as those measured in the downstream ones.

The particle-size composition of bottom sediments was homogeneous in all watercourses and in all seasons and was mainly represented by particles 10 mm or smaller. The share of these fractions in the summer and autumn periods was more than 50% of the total mass.

Benthos monitoring in watercourses continued in 2023. Analysis of habitat

conditions (bed type, current speed, sediment type, and depth) and of quantitative and qualitative indices of macrozoobenthos showed that the variability of the composition, state, and structure of bed communities between the baseline and control sections of the watercourses under study was due to natural variability, in particular the heterogeneity of biotopes and hydrologic-hydrochemical indicators at monitoring stations.

The environmental condition of the watercourses was assessed using structural indices and the Woodiwiss biotic index. In general, the water of the monitored watercourses complied with class I–II quality indicators and was classified as clean.

Monitoring of salmon in the Goluboy Stream, which flows through the Prigorodnoye production complex, revealed that over 192,000 pink salmon migrated in 2023.

In 2023, the spawning migration of pink salmon occurred in the first ten days of September. The filling of spawning grounds in the Goluboy Stream was below the long-term annual average value, which is attributable to a low influx of pink salmon into the rivers of the Aniva Bay. The number of spawners entering the stream in 2023 was estimated at 400 individuals. Spawning grounds were evenly distributed along the stream course. The average egg deposition was 323.7 eggs per 1 m². The egg survival rate reached 92.6% during the autumn period, which is higher than the 2022 figure (85.5%).

Overall, the outcomes of monitoring river ecosystems in 2023 can be attributed to the natural fluctuations of the parameters. No impact from Sakhalin Energy’s production assets on the quality of surface waters, bottom sediments, or their fauna was detected.

5.4.4. FLORA AND VEGETATION MONITORING

Sakhalin Energy’s vegetation cover monitoring programme makes it possible to assess current vegetation conditions and develop remedial actions in a timely manner in the event of any adverse environmental impact from the company’s onshore assets.

The programme includes the following objectives:

- to monitor the condition of flora and vegetation in the areas adjacent to the company’s assets;
- to evaluate and forecast natural and anthropogenic 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 right-of-way and to generate recommendations for additional work required in some areas.

In 2023, flora and vegetation monitoring was conducted in the area of the Prigorodnoye production complex, around the OPF, including OPFC, and along the pipeline route.

The vegetation cover around the Prigorodnoye production complex 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 windthrows can still be observed at some sites.



In 2023, nine protected species of vascular plants were registered in the vicinity of the Prigorodnoye production complex. In general, all the plants are in good condition and not affected in any way. No fields were disturbed. In 2021 and 2022, yellowing and needle shedding were observed in the Japanese yew (*Taxus cuspidata*), a protected species, probably due to infection by pathogenic fungi. However, monitoring conducted in 2023 revealed that all the plants appeared healthy and new needles had emerged.

The species composition and environmental and substrate features of lichens in the potential impact area of the Prigorodnoye production complex remained the same. Five protected species of lichens have been identified, with thalli of all these species found at the monitoring sites and adjacent areas. Additionally, all sites, including control areas, showed signs of young thalli, indicating favourable conditions for their growth.

The vegetation cover around the OPF mainly features boggy larch forests and dark coniferous larch forests. Wetlands spread to the north of the OPF. Standing timber in woodlands is not impacted by OPF activities. Despite the windthrow, the amount of standing timber at certain sites increased due to the transfer of trees from the undergrowth to the adult layer. The species composition of subordinate layers in all sampling areas surveyed has not changed. Habitats of protected species are not disturbed.

Lichen indication studies in the potential impact area of the OPF (in-



cluding OPFC) indicate no signs of negative impact on lichens in 2023. However, there are indications of previous anthropogenic load. Young thalli of lichens were observed, including three protected species, indicating the preservation of species composition and favourable conditions for their growth.

Monitoring along the right-of-way revealed no negative impact on the vegetation cover. The right-of-way has become well overgrown in all areas, forming a nearly continuous plant cover. The projected coverage of the herbaceous and shrub layer at monitored sites ranges from 75 to 100%.

Monitoring of areas adjacent to the pipeline route showed no disruptions in the structure or species composition of plant communities, except for one site that had been affected by

windfall in 2015. The condition of the registered protected plant species along the pipeline route is not a cause for concern. In 2023, another protected species, the cauliflower fungus (*Sparassis crispa*), was discovered. Ten protected species of epiphytic lichens were noted along the transects, and none of their locations have been disturbed.

Long-term monitoring results show that the structure and species composition of plant communities in the potential impact area of the company’s assets remain unchanged. Habitats of protected species of vascular plants have not been disturbed, and the condition of these species does not raise concerns. No signs of violations related to the Sakhalin-2 project activities were observed at any of the monitoring sites.



5.4.5. WETLAND MONITORING

Wetlands are vital and particularly vulnerable ecosystems on our planet. They store and purify water that feeds streams and rivers, provide essential nutrients, and regulate runoff, thereby creating the necessary habitat for numerous species of fish, birds, and other animals. In addition, wetlands store significant amounts of carbon, making them a vital component in regulating the Earth’s climate.

The pipeline route for the Sakhalin-2 project crosses approximately 200 wetland sites, nearly half of which consist of marshy birch-larch and alder-larch woodlands. In

the construction of crossings over wetlands and the restoration of disturbed areas, Sakhalin Energy adhered to best industry practices to minimise negative impacts and facilitate the natural recovery of these ecosystems. After construction was completed, a regular monitoring system was developed and implemented to restore these areas within the potential impact area of the pipeline route.

In 2023, 21 wetland sites along the right-of-way were surveyed. Most of these sites are classified as raised or oligotrophic bogs that rely on atmo-

spheric precipitation for nourishment and feature nutrient-poor peat soils, acidic conditions, and specific plant species.

All monitored sites showed a good degree of vegetation regrowth in the right-of-way, with nearly complete plant cover established. The total projected cover of the herbaceous-shrub layer reaches 75–100%, with only two sites showing coverage between 50–75%. The dominance of typical species over atypical ones in the herbaceous-shrub layer was noted in 15 out of 21 sites (71.4%), indicating a stable positive trend in the restoration of natural wetland vegetation.

The only known location of the Asian pogonia (*Pogonia japonica*), a protected species from the orchid family and discovered on Sakhalin Island during wetland monitoring, remains intact, with the plants in good condition. The habitat of another protected species, the pygmy water lily (*Nymphaea tetragona*), is also undisturbed. At the time of the monitoring, the plants were in good health.

The species composition and structure of plant communities in wetlands outside the pipeline route remain virtually unchanged. No invasive plant species were noted within the monitored areas.

Overall, the results of the 2023 monitoring indicate that the restoration of wetlands within the potential impact area of the onshore pipeline system is proceeding at expected rates.



5.4.6. MONITORING OF PROTECTED BIRD SPECIES

In accordance with legislation, including the Sakhalin-2 project implementation conditions, Sakhalin Energy primarily focuses on protected bird species that are especially sensitive to human impact. These species have become the target of regular monitoring as part of environmental monitoring.

In 2023, protected bird species were monitored around the OPF, including the OPFC, and around the Prigorodnoye production complex within a distance of up to 4 km from the site boundaries. In accordance with ornithological research methodology, the survey was conducted during the breeding period, when the birds were most visible. During the research process, specialists assessed the condition of habitats and determined the species composition, abundance, distribution, and long-term population dynamics of protected bird species.

Over the whole monitoring period, 170 bird species were sighted in the potential impact area of OPF and BCS, including 36 protected species. In 2023, a survey was conducted to monitor Siberian grouse and owls, identified as key species for monitoring.

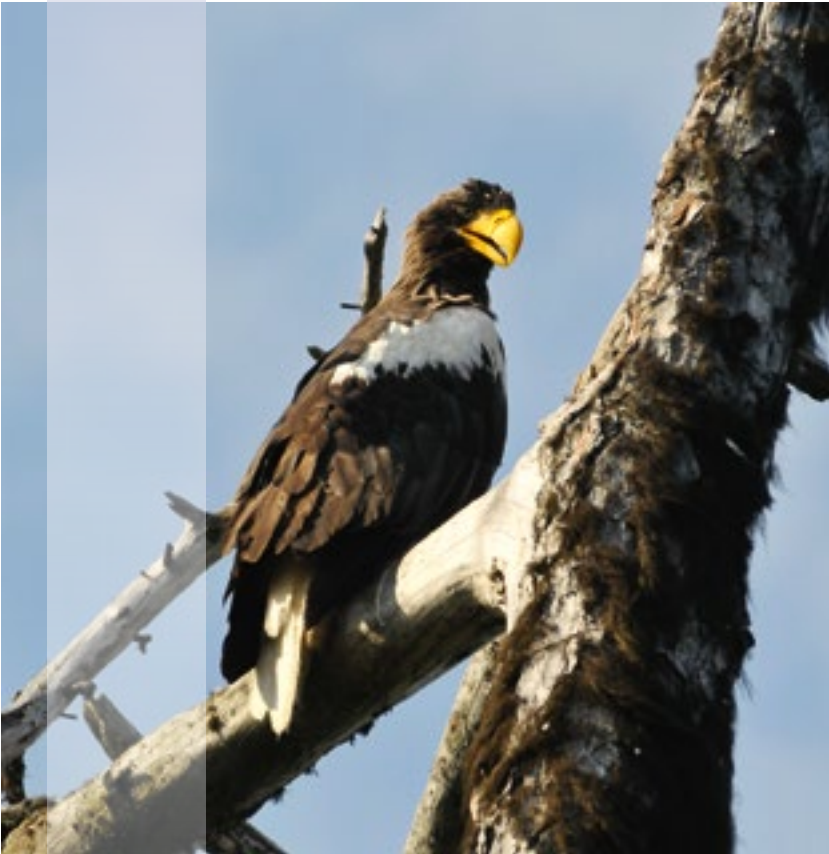
Spring counts of the Siberian grouse indicated that the territorial distribution of males in individual areas designated for attracting females aligns with the patterns observed in



previous years. The Siberian grouse population in the monitoring area was estimated to be between 42 and 47 pairs, with a density of 1.9 to 2.2 pairs per km². These figures fall within the natural fluctuations typically recorded for this species.

The long-term population of owls in the OPF area varies significantly depending on the abundance of their primary prey, small rodents. In 2023, Boreal owl, Eurasian pygmy owl, and northern hawk-owl were recorded, with a breeding pair of the latter observed. The overall owl population was consistent with average levels.

Over the whole period of studying the avifauna in the Prigorodnoye production complex, a total of 168 bird species, including 37 protected species, were recorded. In 2023, the following protected species were noted in the monitoring area: Japanese cormorant, white-tailed eagle, Latham’s snipe, osprey, Japanese sparrowhawk, Eurasian hobby, common reed bunting, and rustic bunting. Latham’s snipe, Japanese sparrowhawk and common reed bunting were confirmed to be nesting in the area, while nesting of the white-tailed eagle is suspected. The other species were observed during nomadic and seasonal migrations.



5.4.7. STELLER'S SEA EAGLE MONITORING

The Steller's sea eagle nests only in the Russian Far East. This species is listed in the IUCN (International Union for the Conservation of Nature) Red List (Category VU – vulnerable), in the Red Book of Russia (Category III – rare), and in the Red Book of Sakhalin Oblast (Category II – rare).

Sakhalin Energy monitors the population of the Steller's sea eagle in the Nogliki district: within the two-kilometre corridor along the right-of-way, within the three-kilometre zone around the OPF boundaries, and in the control zone within 2 km of the northern part of the Lunsky Bay coastline.

During field studies in 2023, 114 Steller's sea eagles and one white-tailed eagle were observed. One notable aspect of eagle biology is that each pair maintains multiple nests within their nesting site, which they periodically refurbish and use. It is also quite common for pairs to skip a breeding season while still visiting their nests and bringing in building materials.

In 2023, 70 nests were discovered along the pipeline route, including 16 breeding nests and 17 nests occupied by eagle pairs that did not breed in them. Seventy-one nests were discovered in the control zone on the shore of Lunsky Bay: pairs were breeding in 15 nests. In addition, 17 nests were occupied by non-breeding pairs.

Latham's snipe has been identified as a key species for ornithological monitoring in the vicinity of the Prigorodnoye production complex throughout the observation period. According to the 2023 counts, the population of Japanese snipe was estimated to be 118–125 breeding pairs. Research indicates that the previously observed steady increase in the population of Latham's snipe in meadow areas, including reclaimed lands suitable for nesting, has now halted, and their population has stabilised. As meadows become overgrown with shrubs and young trees, there is a natural redistribution of breeding pairs of Latham's snipe across existing habitats.

Another nestling species, the common reed bunting, maintains a stable population in reed habitats around Lake Mereya. Therefore, the areas in question are of significant importance for nestling bird species listed in the Red Books of the Russian Federation and Sakhalin Oblast. Long-term monitoring during the operation of the company's assets has shown no negative trends in the populations of protected bird species.



The percentage of nests in good and satisfactory condition along the pipeline route has increased compared to 2022, reaching 74%, while in the control zone it was estimated at 85%.

Pairs nesting along the pipeline route raised 22 chicks. In the control area, pairs successfully fledged 21 chicks.

The Steller's sea eagle stopped nesting for several years in the OPF area due to intense production activity associated with the construction and commissioning of the OPFC, the activity of third parties in the adjacent area, and the downing of nests in 2021 by storm wind. In 2023, one intact nest was discovered, but no eagles were spotted.

During the field study, young immature individuals accounted for only 11.4% of the total number of birds, which was above the 2022 results (7%). Most immature individuals stay in feeding areas, on the shores of shallow bays, and therefore cannot be included in the head count conducted at nesting sites.

The risk of nest destruction by brown bears remains the same as in 2022: in 2023, one nest was destroyed in the pipeline's potential impact area.

The 2023 study showed that the breeding population of eagles in the pipeline's potential impact area was not significantly affected by the asset. Every year, eagles nest along

the pipeline route, and some nests are located in the immediate vicinity of the right-of-way. A comparison of the reproductive indicators between the Steller's sea eagles in the pipeline route potential impact area and those in the control zone demonstrates similar long-term tendencies and reflects the general trend typical of the entire population of the north-east coast of Sakhalin. The observed differences are associated with the most suitable habitat conditions on the shore of Lunsky Bay (the vicinity of hunting areas for eagles and specially protected natural territory).

NUMBER OF ACTIVE NESTS VS TOTAL NUMBER OF STELLER'S SEA EAGLE NESTS IN 2020–2023

AREA	2020	2021	2022	2023
Pipeline route	13/67	13/75	10/68	16/70
Lunsky Bay shore	19/61	17/64	11/71	15/71

5.4.8. MONITORING OF MARINE BIOTA AND ITS HABITAT

To ensure the timely detection of possible impacts on the quality of sea water and bottom sediments and on the condition of biological communities, as well as to manage environmental aspects, Sakhalin Energy performs regular environmental monitoring in the area of offshore assets on the Sea of Okhotsk shelf, along the north-east

coast of Sakhalin, and in the Aniva Bay coastal area.

Monitoring at the Piltun-Astokhs-koye and Lunskoye fields, as well as in the water area of the Prigorodnoye port in Aniva Bay, was carried out in 2023 using vessels that support the company's operations.

The comparative analysis of long-term data, considering baseline and regulatory assessment criteria, made it possible to determine the spatio-temporal variability of parameters.

Total petroleum hydrocarbon (TPH) concentration determined in the



bottom water layer and bottom sediments near the drilling waste disposal sites did not exceed baseline levels. All TPH concentrations recorded in the sea water were below 0.02 mg/dm³, which was more than 2.5 times lower than the maximum permissible concentrations established for fishery water bodies (MPCf). The TPH values in the bottom sediments were significantly lower than levels that could impact the benthic communities in the area.

The hydrochemical indicators and pollutant values (petroleum products, phenols, and detergents) in sea water near the offshore production assets comply with the stan-

dards; their values are below MPCf and do not exceed the baseline levels for these water areas.

The distribution of chemicals (phenols, detergents, and petroleum hydrocarbons) in bottom sediments is uneven due to the mosaic distribution of bottom sediment types and the region's geological properties. In general, pollutant values in bottom sediments near the platforms do not exceed baseline levels for these shelf water areas and are below the limit of concentrations causing initial biological effects at the organism and community level.

Several benthic communities, depending on the depth and type

of bottom sediments, were identified near the platforms and on the field borders. They are typical of the Sea of Okhotsk shelf and are characterised by high species diversity with great abundance indicators comparable to the baseline values. 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 benthos. 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 Aniva Bay coastal area and the Prigorodnoye port water area are characterised by low pollutant concentrations both in sea water and in bottom sediments, as well as by quantitative and qualitative indicators of benthic communities comparable with baseline values.

In general, the long-term research results are indicative of the absence of sea water and bottom sediment pollution, the well-being of marine biota, and the stability of marine ecosystem indicators in the water areas of Piltun-Astokhskoye and Lunskoye fields and the Prigorodnoye port. The monitoring results confirm compliance of the production activities of Sakhalin Energy's offshore assets with environmental standards.



5.4.9. BALLAST WATER CONTROL

In accordance with 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, effective measures for preventing the introduction of invasive species include ballast water exchange in offshore deep-water areas or the use of a special ballast water treatment system installed on the vessel.

To conserve the Aniva Bay ecosystem, Sakhalin Energy has developed a package of preventive measures to ensure ballast water management based on international regulations and industry best practices.

The monitoring of ballast water on tankers to be loaded with hydrocarbons in Prigorodnoye port includes:

- checking vessels' logbooks for ballast water exchange in the

deep waters of the Pacific Ocean and the Sea of Japan;

- analysing ballast water samples for bacteria taken from vessels with installed and operational ballast water treatment systems;
- sampling of planktonic organisms 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 one of the two above-mentioned measures has been confirmed.

Studies of phyto- and zooplankton species in the ballast waters from oil and LNG tankers in 2023 revealed the presence of planktonic organisms that were not typical for Aniva Bay. However, as these organisms were found rarely and in small amounts, the risk of their

adaptation and mass growth in the Aniva Bay waters was minimal.

The bacteriological analysis of ballast water samples taken from vessels to confirm the efficiency of the ballast water treatment system did not reveal any pathogenic germs.

The results of the 2023 environmental monitoring in the water area of the Prigorodnoye port confirm the absence of adverse ballast water impacts on Aniva Bay.

As a result of the long-term monitoring of the Aniva Bay flora and fauna, over 800 species of phytoplankton, over 100 forms of zooplankton, about 40 species of ichthyoplankton, and over 200 species of macrobenthos have been identified.

No protected species of flora or fauna have been observed during the environmental monitoring of the Prigorodnoye port water area.

NUMBER OF VESSELS IN THE PRIGORODNOYE PORT SUBJECTED TO BALLAST WATER SAMPLING, 2020–2023

INDICATOR	2020	2021	2022	2023
Number of examined vessels*	117	100	99	58
Number of vessels confirming the efficiency of their ballast water treatment system	3	4	11	15

* The decrease in the number of examined vessels at the Prigorodnoye port in 2021–2023 was attributable to the rise in visits by vessels equipped with ballast water treatment systems. Once a vessel confirms that it meets the requirements, it is exempt from inspections during each port call for a period of one year.



5.4.10. GRAY WHALE MONITORING AND MARINE MAMMAL PROTECTION

Twenty-three species of marine mammals, including 17 cetacean species (whales, dolphins, and porpoises) and six pinniped species (seals), can be observed in the coastal waters of the Sea of Okhotsk in the Sakhalin-2 project implementation area. Eight of these 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’s (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.

During the ice-free period, gray whales come to the coastal waters to the northeast of Sakhalin for feeding in the vicinity of Sakhalin Energy’s offshore production assets. Since the beginning of its operations, the company has considered the monitoring and conservation of gray whales, as well as other marine mammal species, to be a task of great importance.

NUMBER OF GRAY WHALES REGISTERED IN THE SAKHALIN PHOTO-ID CATALOGUE IN 2022–2023

YEAR	2020	2021	2022	2023
Gray whales	332	352	363	375

The strategy to preserve the stability of the Sea of Okhotsk population of gray whales and its habitat in the Sakhalin-2 project impact area currently includes two main areas:

- Implementation of the Marine Mammal Protection Plan (MMPP), which provides for a package of measures to prevent and mitigate negative impacts on gray whales and other species from operations at the offshore production assets and the company’s vessel operations.
- Implementation of the Monitoring Programme, which includes two main components:
 - determination of the abundance as well as demographic and individual indicators of gray whales using photo-identification;
 - monitoring of the distribution of gray whales in the summer and autumn season in feeding areas.

The Marine Mammal Protection Plan (MMPP) takes into account all risks associated with operations and enables a prompt response to pre-

vent and mitigate negative impacts. Navigation corridors have been established to divert vessels away from the key feeding areas of gray whales; speed limits have been enforced, and safe distances from the animals have been set. Another crucial component of the MMPP is the presence of marine mammal observers during vessel operations in areas with a high likelihood of encountering whales – efforts that have been in place as a separate programme since 2003.

According to long-term data, apart from the gray whale, the other most common species in the waters of the north-east coast of Sakhalin are: cetaceans, such as harbour and Dall’s porpoises, the 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 pilot whale, the northern right whale dolphin, the North Pacific right whale, the Humpback whale, and the Sperm whale have been observed in different years.

During the 2023 field season, 154 individual gray whales were preliminarily identified, including 10 new individu-

als: seven calves and three adult whales. Additionally, two young gray whales that were recorded in 2022 were assigned catalogue numbers in 2023. The information about these new additions has been added to the Sakhalin photo catalogue, bringing the total number of registered gray whales to 375.

During implementation of the Monitoring Programme, more than 100 scientific articles based on research results were published in leading Russian and international journals. The long-term monitoring results indicate the well-being of the gray whale feeding aggregation in proximity to the company’s offshore production assets. According to experts, the sub-population growth rate is 4.3–5.4% per year.

Not a single incident involving marine mammals has been registered since Sakhalin Energy started its production activities on the northeast shelf of Sakhalin. This demonstrates that the environmental aspects of the company’s activities are effectively managed, as are the mitigation measures put in place.



5.5. OIL SPILL PREVENTION AND PREPAREDNESS FOR OSR

5.5.1. OIL SPILL PREVENTION

Potential sources of oil spills include hydrocarbon blowouts from production assets, wells, onshore pipelines, or offshore assets, which can lead to environmental contamination. The risk management system aimed at preventing oil spills consists of three key components:

- compliance with design documentation;
 - technical Integrity: implementing technical controls through effective maintenance, inspections, repairs, and quality assurance;
 - Operating Integrity: conducting operations using technical controls and managing critical tasks through permit-to-work systems.
- The company assesses technological safety risks at each asset in accordance with the legislation of



the Russian Federation and process regulations.

Onshore pipelines for the Sakhalin-2 project were designed in accordance with the Project Specific Technical Specifications (PSTS), taking into account:

- the specific conditions of Sakhalin Island;
- the latest engineering advancements in the design, construction, and operation of pipeline systems;
- the requirements set forth by Russian statutory instruments.

Pipeline Classification

Pipelines are classified into three categories based on safety and purpose: normal, medium, and high. High-class pipelines, which have enhanced strength characteristics, are used in the most hazardous and critical sections.

Crossings Over Water Barriers

The technology for pipeline river and stream crossings has been agreed upon with environmental protection agencies and takes into account the specific features of water barriers. The choice of crossing method depends on the natural features of the river or stream and their classification based on significance for the spawning of migratory salmon.

Special ballast structures are used to ensure the stability of the pipeline against buoyancy at these crossings.

Crossings with Roads and Railways

The right-of-way is intersected by roads and railways of various categories. Special measures have been implemented to protect the pipelines at these crossings, such as protective casings, burying, etc.

Comprehensive Corrosion Protection

The company employs a comprehensive corrosion protection system for onshore pipelines, including protective coatings and electrochemical protection. A three-layer reinforced polymer coating is used as the protective coating. Cathodic protection systems provide electrochemical protection. To safeguard pipelines from internal corrosion, measures such as inhibitor protection, regular mechanical cleaning, and maintaining favourable flow conditions are implemented.

Block Valve Stations

Block valve stations with both remote and manual controls are installed along the entire right-of-way to isolate pipeline sections.

Pipeline Installation in Areas with Hazardous Geological Processes

The right-of-way runs through tectonic faults, reclaimed lands, and areas prone to landslides, mudflows, and avalanches. To protect the pipelines from damage, specific measures have been developed and implemented, including laying the pipeline in specially designed trenches,

burying the pipelines below hazardous zones, draining landslide masses, flattening and terracing slopes, installing retaining walls and anchor fields, reclamation of landscapes to stabilise soils on slopes, facilitating controlled avalanches, constructing flow diversion and avalanche control structures, and securing steep and rugged slopes.

To monitor the technical integrity of onshore pipelines, various monitoring and management systems have been introduced, along with maintenance and repair schedules. These include:

- a pipeline operation control system featuring a leak detection subsystem;
- a network of seismometric stations;
- pipeline cleaning and diagnostics schedules;
- pipeline inspection plans;
- monitoring programmes for geodetic and geological surveys, visual inspections of the right-of-way (hazardous geological processes, river crossings, tectonic faults, etc.);
- maintenance and repair plans for the right-of-way, gas transfer terminals, block valve stations, cleaning and diagnostic equipment, and auxiliary systems.

In 2023, the following measures were implemented to maintain operating integrity and reduce risks of hydrocarbon spills:

- Continuous monitoring of pipeline operating parameters, possible leaks, and readings from seismometric stations;
- Serviceability checks of cathodic protection;
- Adherence to pipeline cleaning and inspection schedules;

5.5.2. PREPAREDNESS FOR OSR

Preventing oil spills and maintaining constant readiness for oil spill response is an absolute priority for Sakhalin Energy. The company applies a comprehensive strategy to addressing this important task.

To coordinate actions and manage manpower and resources during responses to emergencies, accidents, fires, or oil spills, as well as to facilitate information exchange and public alerts about emergencies, the company has established and employs management bodies of the emergency prevention and response system, including an Emergency Prevention and Response Committee and an on-duty emergency response officer.

Oil spill response plans (OSRPs) have been developed for the company's onshore and offshore assets and have obtained the necessary approvals and expert appraisals from the relevant government authorities.

To minimise the impact of oil spills, Sakhalin Energy has contracted Professional Emergency Response Teams (PERT). In addition, hazardous production facilities have their



- Completion of geodetic and geological surveys and visual inspections of the right-of-way according to the monitoring programme;
- Planning, scheduling, and implementing repairs along the right-of-way and maintenance of primary and auxiliary equipment.

own Non-Professional Emergency Response Teams (NERT). These measures are detailed in Section 6.2.6 Readiness for Emergency Response.

Specialised oil spill response vessels, equipped with the necessary equipment for responding to oil spills at sea, are on standby near Sakhalin Energy's fixed offshore platforms and at the Prigorodnoye port.

Since the beginning of the project, there have been no oil or petroleum product spills at the company's assets that could be classified as a man-made emergency situation.

To increase the personnel's OSR readiness and improve their practical skills, the company conducts monthly practical and theoretical training sessions of various levels at all its assets. In August 2023, large-scale corporate-level drills were conducted to simulate an oil spill response at the oil export terminal of the Prigorodnoye production complex. The objectives of the drills were fully achieved, resulting in recommendations and actions aimed at improving OSR efforts.



The company's Oiled Wildlife Rescue Training Programme was awarded a certificate in the Best Educational Environmental and Natural Resources Project category at the V Russian National Competition of the Best Environmental Practices Reliable Environmental Partner.

5.5.3. OILED WILDLIFE REHABILITATION

Oil spills can cause serious harm to coastal and marine fauna. Coastal bays, lagoons, and river mouths temporarily or permanently inhabited by birds and mammals, many of which are listed in federal or regional Red Books, are especially vulnerable to oil spills. Animals affected by oil and oil products need prompt and proper rescue actions, including capturing, rehabilitation, and subsequent release into the wild. This task can only be performed by properly trained staff.

Fulfilling its commitments to environmental protection and biodiversity preservation, Sakhalin Energy

has been implementing training sessions and exercises for personnel under the Oiled Wildlife Rescue Training Programme. 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 best international practices, the specific features of the Sakhalin avifauna, and the severe climate.

In scope of the programme, training sessions are organised for the company's and contractors' employees engaged in oil spill response. Sessions include theoretical training and practical skill training. Sakhalin Energy developed the Field Manual: Oiled Animals Rescue. In 2023, the members of the Emergency Response Teams of the Ecospas Sakhalin Centre completed training at the Prigorodnoye production complex.

To ensure a prompt response and the rescue of oiled animals, the necessary equipment packages are located at three of the company's assets: at the Prigorodnoye production complex (in the south of Sakhalin), at BS-2 (in the middle), and at the OPF (in the north).

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.



5.6. ONSHORE PIPELINE RIGHT-OF-WAY MAINTENANCE

In 2023, regular monitoring and geo-technical studies were conducted along the right-of-way of the onshore pipelines. The results were analysed and used in the corrective response.

The pipeline right-of-way monitoring included the following:

- helicopter fly-overs and photography;
- river crossing surveys;
- river surveys based on geomatic principles;
- monitoring of river hydrological characteristics;
- surveys of geological hazards;
- groundwater surveys;
- regular foot and helicopter patrols.

Following the results of the onshore pipeline right-of-way monitoring, a plan was developed, under which repairs and maintenance were completed in December 2023. The effects of natural erosion were eliminated at nine sections without preparing special technological solutions.

Engineering surveys were conducted in 2022–2023, leading to the development of technical solutions for protecting pipelines from landslides in several sections of the Makarovsky and Dolinsky districts. Measures were taken to stabilise banks at three pipeline crossings over water barriers (rivers of the highest fishery value) in

the Smirnykhovsky and Makarovsky districts.

Repairs for landslide protection were performed at three sections, with work that began in 2022 completed at one of them. In addition, during the non-spawning period of 2023, two-phase bank stabilisation (January-

March and November-December) was completed at a pipeline crossing over one of the rivers. The stabilisation concerned a potentially hazardous area that had been affected by flooding in 2022.





5.7. RESTRICTED USE AREAS

Article 105 of the RF Land Code provides for an exhaustive list of restricted use areas (RUA).

In accordance with this Article, the following types of RUAs are established for the Sakhalin-2 project assets:

- power generation facilities (electrical grid and power generation facilities) protection zone;
- pipeline (gas and oil pipelines) protection zone;
- communication lines and facilities protection zone;
- sanitary protection zone;
- potable and utility water supply sources protective sanitary zone;
- main export or production pipelines (gas and oil) minimal distance zones.

Information on RUA boundaries established for the company’s assets is entered into the Unified State Register of Real Estate as prescribed by legislation, which ensures that real estate owners (including land plots) are informed about town-planning and any other restrictions on the use of the land adjacent to the company’s assets, and asset protection, to minimise the risks associated with the uncontrolled housing development of territories and unauthorised earthwork.

Power Generation Facilities Protection Zone

Power generation facilities protection zones are established to ensure safe operation and prevent any damage to electricity transmission lines and any other electrical grid facilities in the Sakhalin-2 project.

The Procedure and Rules for Establishing Protection Zones of Electrical Grid Facilities and Other Special Conditions for Using Land Plots within These Zones were approved by RF Government Decree No. 160 of 24 February 2009. The protection zones shall be marked with warning signs that indicate the area of the zone and provide information about the responsible electrical generation companies. Such signs are placed at the expense of electrical generation companies. The company establishes the protection zone boundaries for certain electrical grid facilities in accordance with Appendix 1 to the Rules, taking into account voltage and other characteristics of the facility.

Pipeline Protection Zone

Onshore main export and inter-field pipelines in the Sakhalin-2 project share a common right-of-way.

The pipeline protection zone is designed to ensure the safety of the pipeline transport facilities and provide the required operating condi-

tions. Within this zone, non-compliant activities are restricted or prohibited.

In accordance with the Main Export Pipelines Security Guidelines approved by the RF Ministry of Fuel and Energy on 29 April 1992 and Gosgortekhnadzor of Russia Resolution No. 9 of 22 April 1992, the pipeline protection zone along the right-of-way in the Sakhalin-2 project is established as a land plot with boundaries 25 m from the pipeline axis on each side. The protection zone area for all pipelines is marked with special signs.

Communication Lines and Facilities Protection Zone

Protection zones of communication lines and facilities are established in branch sections of the company’s main fibre-optic communication line (FOCL) to the project’s assets and communication centres. These zones are crucial for maintaining the integrity of communication lines, as any damage could disrupt the normal functioning of the project’s communication infrastructure and have an adverse impact on the operations.

In accordance with the RF Communication Lines and Facilities Security Guidelines, approved by RF Government Decree No. 578 of 9 June 1995, the protection zone of the main FOCL and its branch sections to the project’s assets and communication centres is designated as a land plot

extending 2 m from the FOCL’s centreline on each side. The FOCL route is marked with special signs that provide information on the facility and its protection zone.

Sanitary Protection Zone

To ensure public safety and in accordance with Federal Law No. 52-FZ of 30 March 1999 On the Sanitary and Epidemiological Well-being of the Population, a Sanitary Protection Zone (SPZ), a designated special-use area, shall be established for assets and production that impact human habitat and health. The size of this zone is determined by an air pollution minimisation project, ensuring that levels are reduced to those established by hygiene standards as well as to acceptable risk levels for public health.

The SPZ projected boundaries approved by the Chief State Medical Officer of the Russian Federation for the Prigorodnoye production complex, OPF, and BS 2 were not changed in 2023.

Potable and Utility Water Supply Sources Protective Sanitary Zone

Protective sanitary zones (PSZ) are established with a view to controlling pollution and preventing the depletion of potable water sources, water supply facilities and adjacent areas that may have an impact on the sanitary conditions of water supply sources.

The boundaries of protective sanitary zones are defined by draft layouts prepared by subsoil users and



approved by the relevant authorities in Sakhalin Oblast.

In accordance with the Protective Sanitary Zones of Potable Water Supply Sources and Pipelines sanitary rules and standards, SanPin 2.1.4.1110-02, approved by RF Chief State Sanitary Physician Resolution No. 10 of 14 March 2002, draft boundaries of protective sanitary zones were established along with restrictions on the use of the land plots within the PSZ of water intake facilities related to the subsurface areas used by the company. The draft layouts received affirmative sanitary and epidemiological expert reports from the Sakhalin Oblast Directorate of Rosprirodnadzor and approved by the Ministry of Ecology and Sustainable Development of Sakhalin Oblast.

Main Export Pipelines (Gas and Oil) Minimal Distance Zones

Minimal distance zones (MDZ) are established around main gas and oil export pipelines to safeguard the population, assets, and territories in case of emergencies at hazardous production facilities.

The MDZ is designated along the linear part of the main pipeline, creating a restricted area on either side of the pipeline centreline. It is determined in accordance with Table 4 of the Code 36.13330.2012: Main Pipelines, the latest version of SNiP 2.05.06-85, depending on the pipeline diameter and class.

In accordance with Item 1 of this Table, the required distance from certain

industrial and agricultural facilities to a Class I main gas pipeline with a nominal diameter of 1,200 mm shall be at least 300 m, while the distance to an oil pipeline with a nominal diameter of 600 mm shall be at least 150 m.

Within the MDZ boundaries, the placement and/or use of real estate assets is restricted or prohibited, as is the use of land plots for other activities that contradict the objectives of the RUA.

In accordance with Part 21 of Article 26 of Federal Law No. 342-FZ of 3 August 2018, until the date an MDZ is established, construction and reconstruction of buildings and structures within the minimum distance to main or production pipelines are only permitted with prior agreement from owners of a gas supply system or oil pipeline, or their authorised representatives.

In accordance with legal requirements, the company has developed a layout where the boundaries of the minimum distance to the gas and oil pipelines and the coordinates of specific points of these boundaries are provided, which are approved by the RF Ministry of Energy.



6

SOCIAL IMPACT MANAGEMENT

Sakhalin Energy was a partner of the First Forum of Women of the North, a communication platform that brought together representatives of 40 indigenous people from 28 regions of the North, Siberia, and Far East of the Russia, the expert community, business and government authorities, the non-profit sector, and the scientific community



6.1. PERSONNEL: MANAGEMENT AND DEVELOPMENT



According to the employer ranking performed by HeadHunter, the largest Russian online recruitment company, Sakhalin Energy LLC was placed in the top 5 among energy production enterprises, ranking second in the Energy, Mining, and Processing sector and fourth in the industry as a whole.

Personnel is the main asset of the company. Sakhalin Energy LLC is committed to upholding the human rights of its employees, as required by the Constitution of the Russian Federation, the Labour Code of the Russian Federation, and the International Labour Organisation Declaration on Fundamental Principles and Rights at Work, including non-discrimination, the prohibition of child and forced labour, the right to unionise, to establish and join employee associations, collective bargaining, the conclusion of contracts and agreements, and the creation of safe and favourable working conditions for the company's employees, as well as contractor, subcontractor, and agency personnel.

Strictly adhering to the principles of business ethics and corporate culture, Sakhalin Energy LLC provides equal opportunities for all job applicants and employees in accordance with well-defined and established recruitment rules and labour norms, thus preventing any discrimination.

Based on the principles of a culture of openness and business partnership, Sakhalin Energy LLC 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, discipline maintenance, professional development, remuneration, compensation, and termination of employment contracts.

6.1.1. APPROACHES TO HR MANAGEMENT AND HR POLICY

The HR Directorate ensures the company's manpower needs are met, which includes preparing organisational changes for upcoming large-scale projects, taking into account the need to keep competencies within the company through staff development, retention, and recruitment,

and guided by the following strategic priorities:

- meeting the company's needs for key roles from among the internal successor pool, as well as the potential of the Sakhalin-2 project member companies;



- recruiting highly qualified professionals and talented young specialists and creating conditions to maximise the realisation of their potential. Creating priority opportunities for the comprehensive development of local personnel potential, including in co-operation with higher and secondary vocational education institutions in Sakhalin Oblast on issues related to improving the quality of field-specific / industry education;
- developing and implementing an effective flexible organisational structure in all activity areas that meets the norms of RF legislation and the company's strategic objectives in the modern context;
- investing in professional training and personnel development in order to prepare personnel for future roles as technical authorities and managers of the company's organisational units;
- delivering an attractive and competitive employee value proposition (EVP);
- introducing digital HR technologies and ensuring efficient HR processes in the context of continuous improvement;
- maintaining the company's brand as an employer of choice and further developing a unique corporate culture by adapting it to the rapidly changing environment.

To achieve its HR objectives and tasks, the company implements an HR strategy aimed at strengthening



The company's senior management believes that all employees should be confident that the company supports and respects them, should feel engaged in their work, and be given the opportunity to contribute to the company's growth using their knowledge, skills, and abilities. The employee engagement level is measured and analysed via employee opinion surveys. The survey examines in detail the main components of engagement (passion for work, commitment to the company, and initiative), the level of which demonstrates one of the most important indicators—satisfaction with working for the company.

In 2023, a survey of the company's employees was organised with the involvement of Ecopsy Consulting—a Russian contractor and leader in conducting such surveys.

97% of employees took part in the survey. This is a high percent, which demonstrates the maximum objectivity of the results.

The company's employee involvement is at the optimal level, which indicates the employees' high contribution to the company's development and operation. The figure was 75%, which is higher than that in the fuel and energy sector of the Russian Federation as a whole.



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In 2023, the company’s discipline managers took part in the first meeting of the HR Directors Club. The platform was organised to allow HR managers from the leading Sakhalin Oblast enterprises to regularly share their experiences in order to address topical HR management issues in the region.

58%

of Sakhalin Energy’s personnel are Sakhalin Oblast residents

Sakhalin Energy’s reputation as one of the most attractive employers in the new business reality by improving organisational efficiency and ensuring the sustainable development of human resources potential and personnel stability.

The HR strategy is a holistic, strategically oriented system of methods, tools, and documents that govern the relationship between the company and its employees and allow the company to quickly respond to external geopolitical factors and changing conditions in the global oil and gas market, as well as the labour market of qualified specialists.

The company’s HR Director and the Business and Operations Committee oversee the development, modification, and approval of the HR policy.

6.1.2. GENERAL INFORMATION

As at 31 December 2023, the total number of people employed by the company was 1,962, including 1,947 Russian employees. Sakhalin Energy LLC operates mostly in the territory of Sakhalin Oblast, Russian Federation. The number of employees in this region totalled 1,936. The Moscow office employs 26 people.

The company seeks to hire Russian nationals, mostly Sakhalin Oblast residents, to work on the Sakhalin-2 project. This approach is set forth in the company’s HR Policy and complies with the terms and conditions of the Sakhalin-2 project Production Sharing Agreement. At the end of 2023, the number of Sakhalin Oblast residents

These processes are based on a set of documents regulating HR processes:

- 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.

working for the company was 1,133, which is 58% of total personnel.

The personnel structure is mandated by the specific nature of the company’s operations: 85% are managers, specialists, and clerks; 15% are workers. About 70% are office employees; the remainder are employed at the project production facilities.

467 Russian employees hold managerial positions, of which 229 are Sakhalin Oblast residents (see the Managerial Personnel Structure in the 2023 table). The company is training, developing, and promoting its existing staff, as well as actively recruiting new qualified Russian specialists. The implemen-



PERSONNEL STRUCTURE IN 2023

PERSONNEL	TOTAL, PERSONS	INCLUDING, PERSONS		TOTAL, %	INCLUDING, %	
		FEMALE	MALE		FEMALE	MALE
Russian personnel	1,947	486	1,461	99.2	24.7	74.5
including Sakhalin Oblast residents	1,133	385	748	58	20	38
Foreign personnel	15	1	14	0.8	0.1	0.7
Total	1,962	487	1,475	100	24.8	75.2

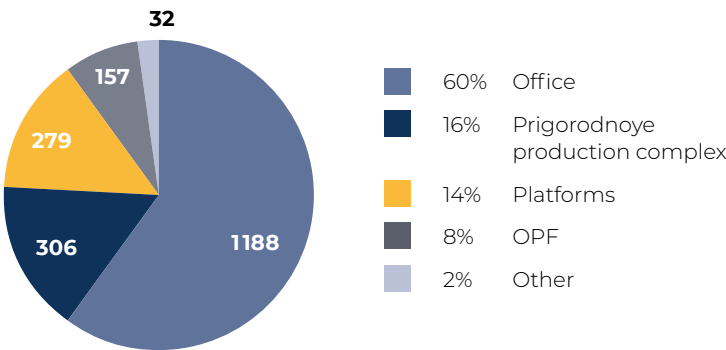
MANAGERIAL PERSONNEL STRUCTURE IN 2023, persons

PERSONNEL	TOTAL, PERSONS	INCLUDING, PERSONS		TOTAL, %	INCLUDING, %	
		FEMALE	MALE		FEMALE	MALE
Russian personnel	467	92	375	98.9	19.5	79.4
including Sakhalin Oblast residents	229	73	156	49	16	33
Foreign personnel	5	1	4	1.1	0.2	0.9
Total	472	93	379	100	19.7	80.3

tation 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 (see Section 6.1.7.4 Traineeship Programme and Section 6.1.7.5 Successor Pool Planning and Development).

As at the end of 2023, there were 487 women among the company’s employees (more than 25% of the staff). Of these, 93 occupied managerial positions, making up around 20% of the company’s management team (see the Managerial Personnel Structure in the 2023 table).

PERSONNEL STRUCTURE IN 2023 BY ASSET, persons





MANAGERIAL PERSONNEL NUMBER AND STRUCTURE IN 2020–2023
(as at the year end), persons

PERSONNEL	2020			2021			2022			2023		
	TOTAL	INCLUDING		TOTAL	INCLUDING		TOTAL	INCLUDING		TOTAL	INCLUDING	
		FEMALE	MALE		FEMALE	MALE		FEMALE	MALE		FEMALE	MALE
Russian personnel	474	103	371	480	103	377	498	104	394	467	92	375
including Sakhalin Oblast residents	242	83	159	245	81	164	245	83	162	229	73	156
Foreign personnel	49	1	48	48	1	47	2	0	2	5	1	4

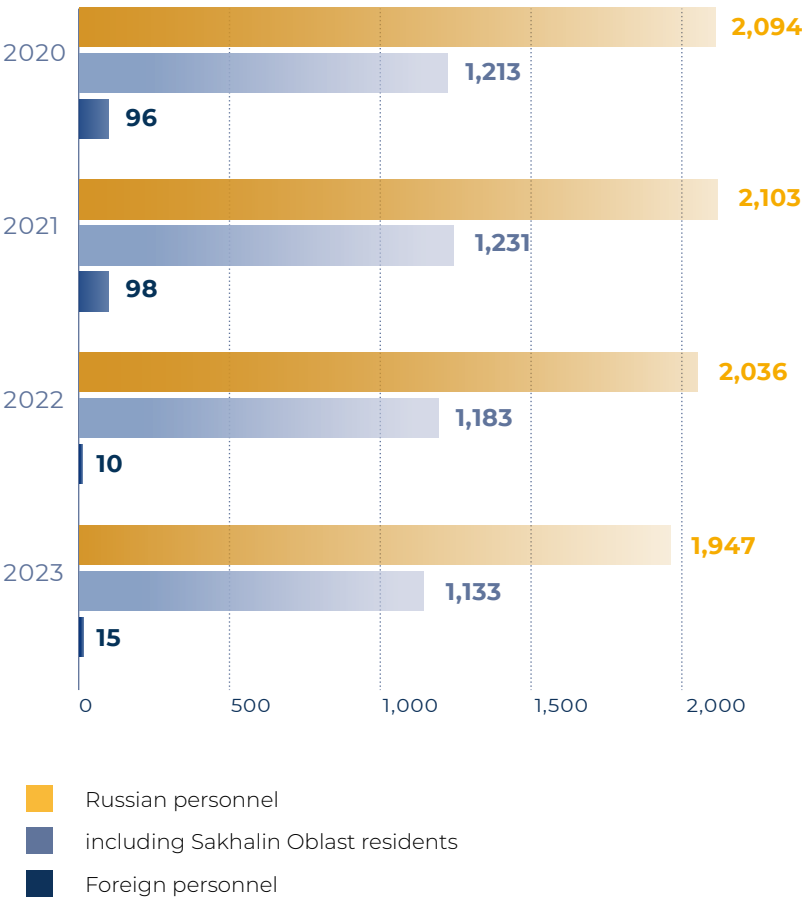
In 2023, 75 employees were granted child care leave. Of these, eight fathers took advantage of this right. During the same period, 24 employees (including one man) resumed their job duties at the end of their child care leave.

The number of employees has changed over the past four years. In 2023, the company continued to carry out a set of measures to form an appropriate successor pool for the timely and quality provision of highly qualified personnel to the company's assets.

In 2023, 401 people (279 men and 122 women) left the company. These include 14 foreign and 387 Russian employees (261 Sakhalin Oblast residents). In 2023, the staff attrition rate was 4.7%; in 2022 – 6.5%; in 2021 – 4.6%; and in 2020 – 3.9%. The statistics of personnel who left the company in 2023, broken down by age group and gender, are shown in the Structure of Personnel Who Left the Company in 2023 table.

At the end of 2023, the average employee age in the company was 41 years. Employees under the age of 50 accounted for around 85%.

NUMBER OF EMPLOYEES IN 2020–2023
(as at the year end), persons



STRUCTURE OF PERSONNEL WHO LEFT THE COMPANY IN 2023
(by age and gender)

AGE, YEARS	TOTAL	INCLUDING		TOTAL, %	INCLUDING, %	
		FEMALE	MALE		FEMALE	MALE
Below 35	161	39	122	40	10	30
36–50	181	76	105	45	19	26
Above 50	59	7	52	15	2	13
Total	401	122	279	100	31	69

STAFF ATTRITION IN 2020–2023, persons

PERSONNEL	2020	2021	2022	2023
Russian personnel	200	218	312	387
including Sakhalin Oblast residents	93	130	199	261
Foreign personnel	39	19	86	14
Total	239	237	398	401

PERSONNEL STRUCTURE IN 2023 (by age and gender)

AGE, YEARS	TOTAL	INCLUDING		TOTAL, %	INCLUDING,	
		FEMALE	MALE		FEMALE	MALE
Below 35	520	118	402	26.5	6	20.5
36–50	1,179	338	841	60.1	17.2	42.9
Above 50	263	31	232	13.4	1.6	11.8
Total	1,962	487	1,475	100	24.8	75.2



Sakhalin Energy’s local regulations establish the following work schedules:

- five-day working week with two days off;
- irregular working hours;
- shift work schedule;
- staggered days off according to individual schedules;
- rotation-based work schedule;
- remote work.

Taking into account the specific features of Sakhalin Energy’s operations, such as the presence of hazardous production facilities and workplaces with working conditions classified as harmful (see Section 6.2.1 Occupational Health and Safety Management System), as well as the absence of full-time positions for low-skilled personnel, as at the end of 2023, six employees with disabilities (three women and three men) were working in the company as part of quota jobs. In addition, within the framework of an agree-

ment concluded with Autonomous Non-Profit Organisation “SAMI” Centre for Employment and Leisure for Young People with Disabilities on organisation of workplaces, including special workplaces for disabled persons, 25 persons with disabilities were employed within the quota set for the company.

The working schedules used at the assets are shown in the Company’s Personnel Working Schedules by Asset table.

COMPANY’S PERSONNEL WORKING SCHEDULES BY ASSET

ASSET	WORKING SCHEDULE
Offices	Five-day working week with two days off Irregular working hours Staggered days off according to individual schedules Remote work
Prigorodnoye production complex	Five-day working week with two days off Irregular working hours Rotation-based work schedule Staggered days off according to individual schedules Shift work schedule Remote work
Platforms (Piltun-Astokhskoye-A, Piltun-Astokhskoye-B, Lunkoye-A), OPF, BS 2	Rotation-based work schedule
Other	Five-day working week with two days off Irregular working hours Staggered days off according to individual schedules Shift work schedule Remote work

As at the end of 2023, 29% of the company’s employees were working on a rotation-based schedule and living in hotels and rotational camps built and equipped in accordance with Russian legislation and best international prac-

tices. The work and rest schedule for the personnel of all the company’s assets is established in compliance with regional and federal laws and regulations of the Russian Federation (see Section 6.2.2 Occupational Health).



6.1.3. RECRUITING, HIRING, AND ONBOARDING NEW EMPLOYEES

Recruiting the best professionals in the industry is one of the most important components of the HR strategy, which is, above all, based on a culture of openness, business partnership, and development.

Recruitment openness means using all available resources to search for and hire high-level professionals. When recruiting candidates for vacant positions, all other things being equal, priority is given to residents of Sakhalin Oblast. The main resources for attracting job candidates and spreading information about vacancies are as follows:

- Sakhalin Energy’s website. For the convenience of applicants, there is an automated service for submitting CVs online. Job candidates can submit and edit their CVs for the selected vacancy in their personal profile area.
- publication of vacancies in online resources;
- active engagement with leading Russian professional education institutions;
- the Employee Referral Programme, per which Sakhalin Energy employees are given a bonus if their recommended candidates are hired to work at

PERSONNEL RECRUITMENT IN 2020–2023, persons

PERSONNEL	2020	2021	2022	2023
Russian staff	168	225	245	299
including Sakhalin Oblast residents	80	151	146	190
Foreign personnel	16	26	4	2
Total	184	251	249	301

PERSONNEL RECRUITMENT STRUCTURE IN 2023

AGE, YEARS	TOTAL, PERSONS	INCLUDING, PERSONS		TOTAL, %	INCLUDING, %	
		FEMALE	MALE		FEMALE	MALE
Below 35	203	46	157	67	15	52
36–50	93	30	63	31	10	21
Above 50	5	—	5	2	—	2
Total	301	76	225	100	25	75

In 2023, Sakhalin Energy created and launched a brand page on Headhunter, the largest Russian online recruitment company. The page describes the Sakhalin-2 project, its unique features, specifics, and technologies, the production facilities and achievements of the company, the working conditions and development prospects, programmes for young employees, and high standards and indicators in the field of health, safety, and environment. This allows the company to promote itself in the labour market and attract the best candidates.



In 2023, Sakhalin Energy continued to actively develop its relations with leading Russian universities. The company participated in ten job fairs on the Facultetus digital platform. This is a digital career guidance environment that unites students and employers, providing an opportunity to talk about traineeship and internship programmes as well as jobs for graduates. Online presentations were held in four leading Russian universities to increase company recognition among prospective young professionals. During the events organised by Gazprom PJSC, representatives of the company visited five job fairs at universities, which helped to strengthen partnerships with their career centres.



ENERGY CUP — THE FIRST CORPORATE CASE CHAMPIONSHIP

In 2023, for the first time ever, Sakhalin Energy held the Energy Cup corporate case championship among university students and graduates to improve the company’s employer brand awareness, expand cooperation with Russian professional education institutions, and form an external skill pool in key disciplines.

More than 150 applications were received from students of 23 universities across 16 Russian regions. The company’s experts developed 15 technical cases, for which the applicants proposed 80 solutions. 13 students from Moscow, Tomsk, Tyumen, and Sakhalin Oblast, as well as Bashkortostan, won the championship. Based on the results of the championship, over 20 potential candidates were identified for participation in the Graduate Development Programme.

All 144 participants completed an online traineeship with various technical experts of the company. In addition, in order to draw attention to the region as a place of employment for the best graduates of Russian universities, the winners and active participants of the championship were given the opportunity to come to Sakhalin, visit the Prigorodnoye Production Complex, and meet the company’s management and specialists. The Agency for Human Capital Development of Sakhalin Oblast, whose experts held career consultations with the championship participants, was a partner in organising the visit.

- the company and complete a probation period;
- participation in local and regional specialised job fairs;
 - providing information on vacancies to the Yuzhno-Sakhalinsk Labour Centre (on a monthly basis);
 - cooperation with leading recruitment agencies;
 - recruiting skilled employees from among the company members..

In 2023, an information session was held for new personnel with a full overview of the specific features of the company’s organisational units, processes, and cooperation between these units and stakeholders. More than 60 people took part in the session. Video footage of the meeting is available on the company’s website, so general information about the company is available to each new employee.

With the continuous improvement of the existing personnel recruitment programmes, Sakhalin Energy is focusing on the onboarding process. In 2023, an onboarding programme was developed to ensure the quick and efficient entry of new employees. The programme has been successfully implemented by the Technical Directorate and the Legal Directorate; next year it will cover more organisational units of the company.

The personnel recruitment statistics, broken down by age group and gender, are shown in the Personnel Recruitment Structure in 2023 table.



6.1.4. REMUNERATION AND BONUS SYSTEM

The company applies a time-based remuneration system, which also provides for additional payments based on an employee’s skills and position. This encourages efficient work and provides motivation for excellent performance.

Remuneration of employees includes:

- base salary, hourly rate as per the employment agreement;
- additional payments and allowances of a compensatory or incentive nature to base salaries and hourly rates stipulated by

the company’s Regulations on Labour Remuneration, Bonuses, and Social Benefits and other company regulations, the Labour Code of the Russian Federation and other laws;

- bonuses payable as per the Regulations on Labour Remuneration, Bonuses, and Social Benefits and the company’s other local regulations.

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 organisational units. 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;
- Executive Body Award to employees who have achieved special success in teamwork;
- bonus for being awarded the insignia “For Outstanding Achievements and Contribution to the Company’s Development”.

Employees may be awarded certificates of merit and letters of acknowledgement on Oil and Gas Industry Worker’s Day and on the company’s anniversaries. Recognition may also be given on an employee’s 50th birthday and then every five years.





The company’s remuneration and bonus system is adapted to changes in the working schedule for all categories of personnel. It takes into account the specific features of the production processes and ensures a high level of personnel involvement.

6.1.5. SOCIAL BENEFITS AND COMPENSATIONS

The company does everything possible to ensure the competitiveness of its employee value proposition in order to attract and retain skilled and high-potential personnel. The compensations and benefits provided to Sakhalin Energy’s personnel enhance the well-being and social security of employees and their families.

In addition to the guarantees and benefits provided for by Russian labour laws, Sakhalin Energy LLC 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 facilities and in company offices;
- benefits related to the provision of housing for personnel (and their families) employed by Sakhalin Energy LLC on terms of relocation from other regions for the duration of their employment;
- mortgage programme;
- compensation 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;
- educational, leisure, and development programmes for the children of company employees;
- sporting and recreation activities (see Section 6.2.2 Occupational Health).

The company regularly monitors the oil and gas labour market and adjusts employees’ salaries, taking into account their individual performance (see Section 6.1.6 Individual Performance Review), to make sure that the salaries paid by the company to its staff are competitive.

In 2023, the minimum salary in the company was three times higher than the minimum wage established by Russian legislation. In the reporting year, Sakhalin Energy’s labour remuneration expenses totalled 13.58 billion roubles, with award/bonus payments totalling 3.12 billion roubles.

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 and from CIS member states. The benefits are provided in the form of housing from the housing stock of the company or payments for rental accommodation.

Currently, the corporate housing stock is comprised of the Zima residential complex premises.

The company runs a mortgage programme, which provides for compensating a portion of mortgage interest in case of 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 an amount set by the company.

Since the beginning of the programme, 439 Russian employees have participated in the mortgage programme.



As at the end of 2023, there were 161 participants in the programme (8% of the total staff).

Medical Insurance

The company provides employees and their families with medical insurance benefits under insurance contracts concluded as part of voluntary medical, accident and illness, and travel insurance programmes. Under the insurance contracts, the company’s employees also have access to online services, in particular the tele-medicine service, provided by doctors of leading clinics in Moscow, which includes modern digitalised medical services.

In accordance with Russian legislation, the company provides foreign employees with the 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. 100% of employees are covered by medical insurance.

Corporate Pension Programme

The company offers its employees a non-state pension programme, under which employees and the company pay contributions towards occupational pension schemes.

Participation in the corporate pension programme is voluntary and allows each employee to independently pay into their retirement pension.

SOCIAL BENEFITS AND COMPENSATIONS AT SAKHALIN ENERGY LLC



At the end of 2023, 22% of the company’s Russian employees were enrolled in the corporate pension programme.

In 2023, the company contributed a total of 60.2 million roubles to Gazfond.

Programmes for Children of the Company’s Employees

Company employees with children aged 3 to 7 years have the opportunity to use the services of the corporate Children’s Centre. The Centre implements the Eureka multilingual

development programme, aimed at creating favourable conditions for the development and education of pre-school children. As at the end of 2023, the Children’s Centre was attended by 85 children.

There is a corporate school functioning at the Zima residential complex, which provides, among other things, supplementary education for employees’ children aged 6.5 to 16 years. The corporate school implements a developmental education programme based on recent federal educational standards with elements of a multi-



lingual programme. As at the end of 2023, there were 52 students in the elementary education programme and 83 in the supplementary education programme.

Children aged 6.5 to 16 years have the opportunity to participate in the Happy Holidays summer programme from June to August. The summer programme is founded on activity-based approaches to working with children, and its goal is to create beneficial conditions to develop competencies in children that are in demand in the modern world. The development tasks are designed, among other things, to develop initiative, independence, and the ability to make conscious choices, to organise one's own activities, to analyse personal or team progress, and to adjust it accordingly.

6.1.6. INDIVIDUAL PERFORMANCE REVIEW

The Individual Performance Review process is one of the main tools used to achieve the company's strategic objective of building a performance culture.

The key principles of the process are as follows:

- frequency: the Individual Performance Review is conducted annually;
- openness: information on the timing, procedure, and process criteria is available to each employee of the company;

In 2023, 763 schoolchildren participated in the summer programme. In addition, in 2023, Smart Vacations career guidance programmes were organised for school-age children during the autumn and spring holidays. About 200 children aged 7 to 16 participated in the career guidance shifts.

Eureka Educational Centre, boasting a high level of expertise in children's education and development, is involved in the operational management of projects implemented by the company for its employees' children.

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 the city's educational institutions.

- integrated approach: a set of measures includes a performance assessment, a competence assessment, and the planning of an employee's professional development.

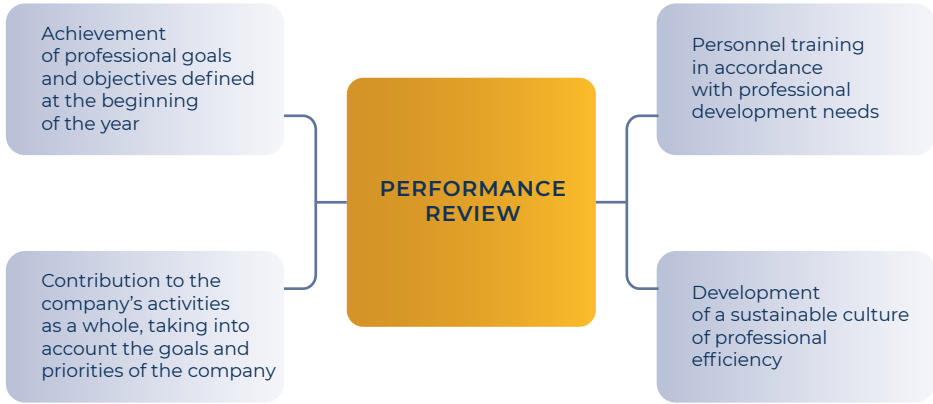
As part of the process, an employee's performance is assessed based on their progress in fulfilling business and individual professional tasks set before them at the beginning of the year, including tasks on staff development (for managers), as well as on business ethics, corporate culture and compliance, HSE, safety, and continu-



ous improvement. This assessment shows whether an 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 at the end of 2023, 1,873 employees (95% of company personnel) had successfully undergone the Individual Performance Review (see the Individual Performance Review in the 2020–2023 table).

INDIVIDUAL PERFORMANCE REVIEW AT SAKHALIN ENERGY LLC

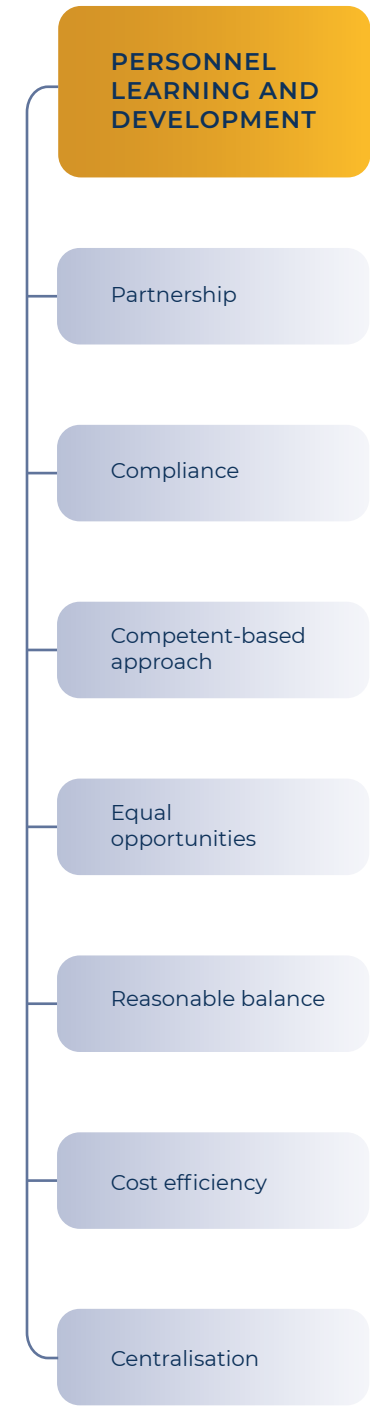


INDIVIDUAL PERFORMANCE REVIEW IN 2020–2023

PERSONNEL CATEGORY	GEN-DER	TOTAL NUMBER OF EMPLOYEES, PERSONS.				EMPLOYEES WHO UNDERWENT THE INDIVIDUAL PERFORMANCE REVIEW, PERSONS				SHARE OF EMPLOYEES WHO UNDERWENT THE INDIVIDUAL PERFORMANCE REVIEW, %			
		2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
Managers		523	528	500	473	510	515	497	470	98	98	99	99
including	male	419	424	396	381	414	415	395	379	99	98	99,7	99,5
	female	104	104	104	92	96	100	102	91	92	96	98	99
Specialists		1,365	1,371	1,255	1,200	1,312	1,297	1,222	1,163	96	95	97	97
including	male	896	901	837	809	882	871	837	802	98	97	100	99
	female	469	470	418	391	430	426	385	361	92	91	92	92
Clerks		10	3	1	1	9	3	1	1	90	100	100	100
including	male	—	—	—	—	—	—	—	—	—	—	—	—
	female	10	3	1	1	9	3	1	1	90	100	100	100
Workers		292	299	290	288	244	237	240	239	84	79	83	83
including	male	287	294	285	285	240	233	236	236	84	79	83	83
	female	5	5	5	3	4	4	4	3	80	80	80	100
TOTAL		2,190	2,201	2,046	1,962	2,075	2,052	1,960	1,873	95	93	96	95
including	male	1,602	1,619	1,518	1,475	1,536	1,519	1,468	1,417	96	94	97	96
	female	588	582	528	487	539	533	492	456	92	92	93	94



PERSONNEL LEARNING AND DEVELOPMENT PRINCIPLES AT SAKHALIN ENERGY LLC



6.1.7. PERSONNEL: LEARNING AND DEVELOPMENT

6.1.7.1. 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- and long-term production objectives, primarily through the formation of an internal successor pool.

Learning and development of the company's personnel are based on the following principles (see the Personnel Learning and Development Principles chart):

- **compliance:** learning content is formed based on the needs of personnel and the business; the results of learning contribute to achieving production objectives and implementing the company's overall strategy;
- **competent-based approach:** the learning and development process is based on an analysis of employee competence;
- **centralisation:** the Learning and Development Division is responsible for all training processes in the company, as well as the planning and implementation of the allocated budget;
- **cost efficiency:** the maximum level of efficiency is achieved through the application of learning and development criteria coordinated with the company's business needs, 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 employees' professional qualifications and development of their potential are maintained throughout their career in the company;
- **reasonable balance:** the ratio of on-the-job training, distance learning, and internal and external training has been set according to the 70/20/10 model, where 70% of time is on-the-job training through solving business tasks; 20% of time is learning through communication with more experienced employees or a manager, mentoring; 10% of time is theoretical learning in seminars, courses, etc.;
- **partnership:** maintaining partnership with international and Russian federal and regional educational institutions, expanding cooperation with universities within the framework of partnership agreements, cooperation with shareholders' organisations and training centres.

6.1.7.2. PERSONNEL COMPETENCE ASSESSMENT

Sakhalin Energy LLC applies a competence-based approach to HR management. A profile of functional, leadership, and general business competencies has been developed for each position. Competence assessment is used as the basis for the further development and training of an employee occupying a given position, as well as for other HR decisions.

A job competency profile is a list of competencies set for a specific job, and an indication of the required level of competence.

Competence assessment gives a clear understanding of an employee's professional and behavioural qualities against the established requirements, based on their qualifications, jobs held, and tasks performed.

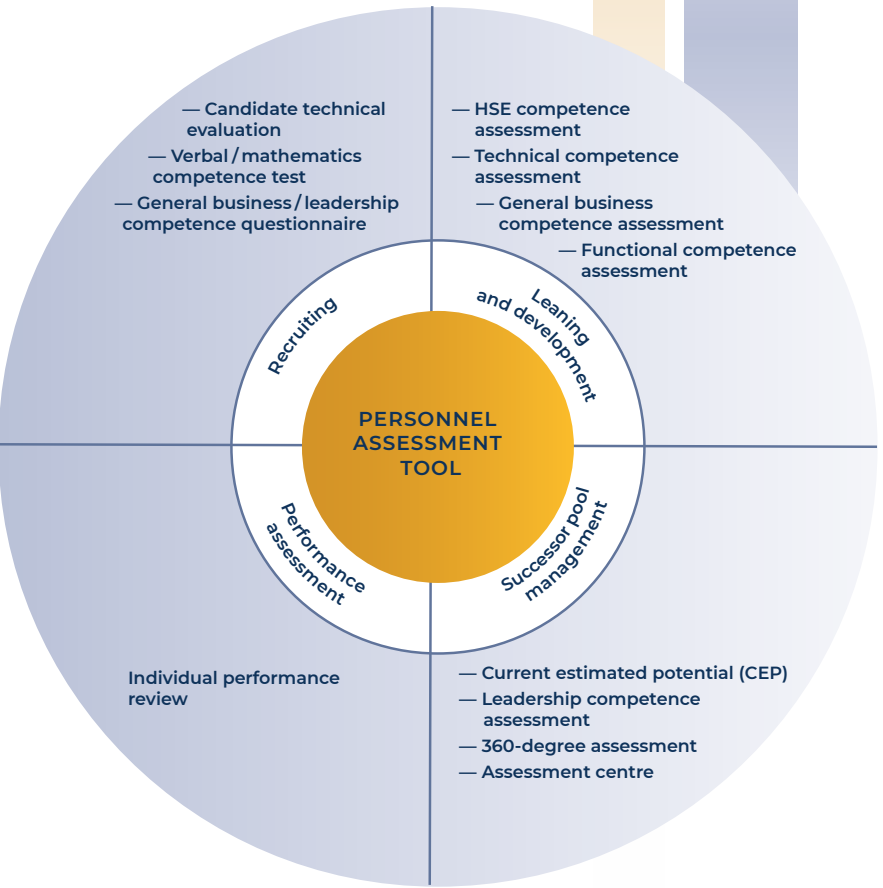
There are various assessment tools in Sakhalin Energy's Personnel Assessment Tool Portfolio available for line managers in the framework of the key HR processes.

To assess the leadership potential and skills of personnel, Sakhalin Energy LLC uses modern tools such as:

- **Current Estimated Potential Ranking Exercise**—an estimate of the highest position that an employee can occupy during his/her work at the company. The assessment is based on the CAR criteria: capacity, achievements, and relationship;



SAKHALIN ENERGY'S PERSONNEL ASSESSMENT TOOL PORTFOLIO



- **Assessment/Development Centre**—a technology for the integrated expert assessment of an employee's leadership competence against their current job profile. 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 is employees included in the successor pool for senior positions. In 2023, 38 such employees underwent an integrated assessment;

- **360 Degree Assessment**—an additional tool used to assess employees' leadership competences and personal effectiveness. In 2023, 21 employees underwent this assessment. During the assessment, the employee, their supervisor, subordinates, and peers fill out an online questionnaire designed on the basis of the company's model of leadership competencies. Final results are presented as average ratings of each group of raters and accompanied by key findings regarding the employee's strengths and weaknesses, as



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The Competence Assurance Programme for Technicians has shown high efficiency over more than ten years of its application. Therefore, it was decided to extend this successful practice to the main contractors of the Sakhalin-2 project, in particular SMNM-VECO Engineering Construction Company. The company's Technical Training Centre provides consulting and methodological support in the development and implementation of the system for assessing and ensuring workers' competence in these organisations.

well as recommendations for the employee's development.

A structured interview is a recommended method for assessing functional competencies. This is a certain methodology interview during which the competence of a job candidate or employee is determined. Information sessions on the structured interview methodology containing videos with the examples of managers' proper and improper behaviour during the competence assessment process have been developed. 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 a manager assess the level of each competence of his/her subordinate is provided.

The Competence Assurance Programme is an important element of the company's HR strategy and the effective tool to ensure that the production facilities are staffed with motivated and highly qualified Technicians who will operate the facilities in a safe and effective manner. The programme is a system to examine and confirm the knowledge and skills of technicians involved in the support of technical processes and maintenance of production equipment. During the assessment,

6.1.7.3. PERSONNEL TRAINING

Sakhalin Energy LLC prepares annual plans for personnel learning and professional development based on current production targets, career development plans, and competence assessment results.

Technicians demonstrate professional knowledge acquired through training and professional development, as well as practical skills and abilities. In addition, at assessing competencies, the focus is placed on rules and standards of labour behaviour in the teams and the attitude towards the work, which is an important component of operating hazardous production facilities safely.

Competence assessment results are used to recommend areas for the employee's development, prepare individual development plans, and make decisions to promote and transfer employees to other sites within the production facility or to the company's other assets.

The planning and control processes at implementing the Competence Assurance Programme have been automated, which makes it possible for all parties involved to visualise competence profiles and their status, including Technicians and their supervisors. This ensures the high effectiveness of the programme as a tool for developing qualified personnel.

In 2023, 100% of the company's employees underwent the competence assessment, of which 97% achieved the required competence score.

During the 2023 training plan implementation, certain factors had to be considered, namely:

- redirecting towards Russian providers of training services due



to the termination or temporary suspension of a number of educational institutions' activities in the Russian Federation;

- continuing to increase Russian content in professional/vendor training, including internal company training.

In 2023, 2,097 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 2023 table). The average training duration was 12.3 man-days, or 98 hours per employee (excluding on-the-job training).

In 2023, Sakhalin Energy LLC invested 236 million roubles in employee training.

In 2023, in the course digitalisation strategy, the company continued actively implementing and using various forms of distance learning (webinars, online courses, and mixed formats), involving internal and external resources. Priority was given to group learning on Sakhalin. Such measures contribute to maintain high employee competence level.

Sakhalin Energy's learning resources are diverse and largely unique, and they bring together the capabilities of various educational service providers. Line managers, the HR Directorate, and the company's senior management monitor the implementation of training plans.



KEY LEARNING INDICATORS IN 2020–2023

INDICATOR	2020	2021	2022	2023
Number of trained employees, persons	1,801	2,051	2,232	2,097
Share of trained employees, %	82	93	97	89
Average training duration per person, days/hours	4.44/35	6.3/50	7/56	12.3/98
Training costs, million roubles	87	170	143	236



EMPLOYEE TRAINING IN 2023 (as at 31 December 2023)

PERSONNEL CATEGORY	GEN- DER	NUMBER OF EMPLOYEES PERSONS	NUMBER OF TRAINED EMPLOYEES, PERSONS	TRAINED EMPLOYEES, %	AVERAGE TRAINING DURATION, MAN-HOURS	AVERAGE NUMBER OF TRAINING COURSES PER PERSON
Managers		472	462	98	69.7	5.3
including	male	380	376	99	73.9	5.6
	female	92	86	93	51.5	4.3
Specialists		1,201	1,146	95	83.1	5.8
including	male	810	797	98	94.6	6.6
	female	391	349	89	56.6	4.0
Clerks		1	1	100	273.1	3.0
including	male	—	—	—	—	—
	female	1	1	100	273.1	3.0
Workers		288	283	98	91.4	6.8
including	male	285	280	98	91.2	6.7
	female	3	3	100	105.2	8.3
TOTAL		1,962	1,892	96	81.1	5.8
including	male	1,475	1,453	99	88.6	6.4
	female	487	439	90	56.4	4.1

Types of learning activities, staff development, certification, advanced training, qualification upgrade and professional training tools shall be identified in the following four areas:

1. Mandatory HSE Training as per Russian Legislation

Timely and efficient mandatory training, organised in accordance with Russian legislation, internal HSE standards, fire safety rules, and standards related to civil defence and emer-

gency situations (hereinafter referred to as mandatory training), allows each employee to obtain the knowledge, certifications, and permits required to perform their work safely and to ensure the safety of other employees, as well as the environment and the company's assets.

Labour safety training plays an important role in reducing cases of occupational injuries and illness and ensuring employees' HSE competence development within the frame-

work of their job and social responsibilities. Sakhalin Energy LLC strictly follows all requirements while taking into account changes in the relevant Russian regulations.

A wide range of labour training changes were associated with the new Labour Safety Training and Knowledge Check Procedure introduced by Russian Federation Government Decree No. 2464 dated 24 December 2021. The company carried out a lot of work to introduce

a new approach to training, taking into account risk-oriented approach in personnel training and the specifics of the Sakhalin-2 project activities, and introduced it successfully. In addition, in accordance with this Decree, starting on 1 March 2023, labour safety specialists and managers of the company's organisational units take the labour safety knowledge check using the unified labour safety all-Russian reference and information system in Internet.

The best international emergency response (ER) practices continue to be used when organising mandatory training. For example, in 2023, as part of the import substitution of service providers, in Russia and CIS countries a contractors' training search was delivered to conduct training on the Organisation of Operational Management in the Event of Major Accidents and Emergency Situations at Hazardous Production Facilities. The course is aimed at training personnel in the primary response principles in case of major emergency situations at oil and gas assets and is intended for employees of offshore oil and gas production platforms. Participants learn to make correct decisions under stressful conditions and acquire behavioural skills in various emergency scenarios. The course complies with the OPITO standard — an international organisation that develops industrial standards for effective competence management and training of specialists in the oil and gas sector.

The Mandatory Requirement Profile (hereinafter referred to as the profile) remains an important tool for the



timely planning of mandatory training and control of compliance with legislation and the company's internal standards. It visualises the entire mandatory training list applicable to the employee's position and/or role. The profile is equipped with a modern interface and extended functionality. The requirements are systematised by sections, such as internal HSE requirements, Golden Person, Russian legislation requirements, Competence Assessment of Personnel (CAP), HSE Competence Assessment, and others. The profile functionality makes it possible to generate reporting data on compliance with mandatory requirements as at any date. The level of compliance with mandatory requirements is monitored by the company's management and provided to the HSE Board for monthly monitoring.

In 2023, the company carried out 7,094 man-courses, including distance learning, under mandatory training in accordance with Russian legislation and internal HSE standards, fire safety rules and standards related to civil defence and emergency situations. The average training duration was 0.8 man-days, or 6.1 hours per employee (excluding on-the-job training).

2. Professional Learning

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 organisational units and production facilities.

Sakhalin Energy LLC offers the following types of professional training for personnel:

- advanced training of managers and specialists, including qualification upgrade courses, participation in workshops, conferences, and round tables dedicated to professional issues;
- professional training in technical and non-technical areas;
- advanced training of workers, obtaining an additional/related profession;
- vendor training (engineering support and equipment maintenance organised by manufacturers).

Currently, most of the planned learning activities are provided by independent educational service providers located in the Russian Federation.

At the same time, the company considers engaging local providers of educational and consulting services within the framework of the Russian content Development Strategy in each individual case and gives preference to them, provided that proper quality is ensured. Arranging training activities with the help of local suppliers helps significantly reduce the training costs in terms of logistics and organisation. In addition, the company aims at providing professional training for employees directly at production facilities, thereby reducing the number of business trips. The share of Russian contractors prevails in the total volume of training, with



a special place held by Sakhalin and Far Eastern educational organisations.

In 2023, the company carried out 4,407 man-courses of professional training, including distance learning. The average training duration was 3.2 man-days, or 26.1 hours per employee (excluding on-the-job training).

3. In-House Technical Training

The growth of the company, application of advanced technologies, and implementation of the digitalisation strategy require Technicians to have the particular level of qualifications and digital competence to safely and efficiently achieve production targets of any complexity.

- Technician competence is developed through the in-house technical training system. The Technical Training Centre (TTC) implements and improves the system of continuous technical training for Technicians of the company's production facilities and major contractors. The centre is staffed with highly skilled technical training instructors from relevant disciplines who have the extensive production and teaching experience.
- The centre instructors participate in implementing targeted training programmes, including the Traineeship Programme (see Section 6.1.7.4 Traineeship Programme), the Internship Programme for students of secondary vocational schools (see Section 6.1.7.10 Internship Pro-



The company has been actively using various innovative training methods, including computer training systems (CTS), which accurately simulate processes at production facilities. Control panel operators use simulators to practise and improve their skills, not only for work during normal operations but also in emergency situations.

Since November 2022, the completely redesigned LNG plant CTS has been used to train control panel operators. The completion of the project to upgrade the CTS of the onshore processing facility has been scheduled for the end of January 2024.

The company is actively developing a VR simulator project for training electricians to promptly switch electrical installations. In 2023, specialists from the Technical Training Centre and the IT Department jointly organised and tested two pilot versions of the simulator. The pilot versions were developed by two Russian companies based on scenarios proposed by the company's expert services. The pilot versions were demonstrated at the 27th International Far Eastern Energy Forum "Sakhalin Oil and Gas," where they attracted great attention from participants and visitors.

The TTC specialists were actively involved in localising training courses of foreign educational service providers, which started to leave the Russian market beginning in 2022. With a wealth of production experience and a high level of qualification, in-house technical training instructors, in close cooperation with technical experts from relevant disciplines, were engaged in the development of high-quality and effective targeted technical courses. The Educational Courses Localisation Plan through 2026 has been drawn up, which includes more than 30 courses to be developed and delivered by the TTC instructors. Three courses were finalised in 2023.



gramme), and the Competence Assurance Programme.

- The portfolio of training programmes offered by the TTC includes more than 180 targeted technical courses in the following disciplines: Natural Gas Liquefaction Technology, Equipment Repair and Maintenance, and Safe Operation of Production Facilities. The courses upgrade the technical competence of employees in accordance with the individual professional development plan and competence assessment results. Training of the main contractors' personnel is also aimed at maintaining the appropriate level of professional competence to ensure the efficient and incident-free operation of the company's assets.

The systematic development of training programmes ensures uniform implementation of competence standards at the production facilities. The programmes reflect asset-specific features related to the process, material transportation, and equipment operation. Furthermore, the training programmes include requirements in the fields of HSE and industrial and fire safety, which allows them to be used as guidelines while carrying out any technical operations and when implementing initiatives at production facilities.

The company has made it a priority to study the best practices and approaches to in-house technical training, including standardisation of learning and teaching documentation, introduction of digital technologies in

the educational process, and further development of training portfolios and facilities.

The Production Training Centre is actively involved in implementing the company's digitalisation strategy by expanding the portfolio of e-learning and distance learning courses. Cooperation with Gazprom's Training Simulator Computer Centre (ONUTC) is continuing in the area of developing electronic technical courses. In 2023, 21 e-learning modules (ELMs) were developed, and 34 training courses were provided remotely (via webinars), which makes the training process highly effective and efficient for company employees and for contractor employees at remote assets.

Particular attention is paid to the standardisation of learning and teaching materials for targeted courses included in the portfolio of in-house technical training courses, taking into account the experience of the Gazprom ONUTC.

In 2023, the company delivered 4,623 man-courses of in-house technical training in all training event formats for company and contractor personnel. The average training duration was 1.9 man-days, or 15.2 hours per employee (excluding the training of contractors).

4. Personal, Business, and Leadership Training

The main objective of development training is to activate and improve the intellectual and leadership potential of the company's employees in the process of implementing the Succession

Plan, staff rotation and internships, and replacing managers when they are temporarily on leave. Sakhalin Energy LLC has programmes and a number of activities aimed at onboarding new employees, helping to reduce start-up costs caused by inefficient labour and the need for training in the first months of work, and strengthening employee motivation for self-education and commitment to the company's corporate culture.

Management, leadership, and business skill development programmes as well as employee personal effectiveness programmes based on competence assessments are being implemented, Training, in the form of classroom learning or online/distance courses, is arranged at the company's training centre or educational service contractors' sites. Sakhalin Energy LLC is increasing distance/e-learning as regards leadership, business, and personal effectiveness skills.

The leadership skills development framework is delineated in Section 6.1.7.6 Leadership and Management Development Programmes.

In 2023, the company carried out 1,026 man-courses on leadership, business, and personal effectiveness skills development, including distance learning activities. The average training duration was 3.5 man-days, or 27.8 hours per employee (excluding on-the-job training).



6.1.7.4. TRAINEESHIP PROGRAMME



In 2023, for the first time, the Technical Training Centre organised and conducted four consultation sessions for 55 candidates in the programme's competitive selection process. Using distance communication technologies, experienced instructors and specialists of the Centre shared information with the candidates on the topics of technical interviews in the disciplines, familiarised them with the competition procedure, and drew the candidates' attention to the main factors of a successful interview.

The company's personnel strategy prioritises filling vacancies for Technicians with candidates from the Traineeship Programme's graduates (previously, the Apprenticeship Programme). In 2023, the programme underwent changes, including changing the name, due to the introduction of professional standards and synchronisation with them. The programme was launched in 2003. By the end of the anniversary year 2023, there had been 377 trainees in total. 46 of them continued as Trainees the following year.

The programme focuses on the professional development and further employment of young Sakhalin Oblast residents with occupations relevant to the company. The programme is targeted at graduates of vocational schools and higher education institutions, in particular the Polytechnic College and the Technical Oil and Gas Institute of Sakhalin State University, the Sakhalin

Industrial and Economic Technical School, the Sakhalin Industrial Technical School, and the Sakhalin Agricultural Engineering School. There are 17 graduates of vocational and higher professional education institutions in the 2023 intake.

For the second year in a row, a business game was organised to assess the professionally important qualities of young trainees. Personal characteristics and business qualities of the programme participants together influence the effectiveness of professional activities and their efficiency and help determine the vector for further professional development. All 17 participants from the 2022 team were provided with recommendations on building an individual professional development based on the assessment results. Data collected during the assessment help to assess the readiness (and maturity) of each trainee to perform work tasks at hazardous production facilities where accidents and emergency situations are possible. It also facilitates the process of selecting and assigning participants to assets in order to acquire professional skills.

When working at all the company's assets, traineeship graduates demonstrate a high level of knowledge and skills acquired during their participation in the programme, a steady motivation for further professional and career development, and a commitment to the principles of industrial safety culture.



SAKHALIN ENERGY'S TRAINEESHIP PROGRAMME

Developing practical skills and gaining on-the-job experience are key components of training young trainees. The practical component of the programme ensures that Trainees develop their skills and learn the material so that they reach the required competence level.

The programme employs a variety of training methods and forms, such as:

- participating in project activities;
- completing self-instruction via the company's e-learning system, developing and making presentations on various topics;
- simulating production scenarios, followed by analysis.

The Traineeship Programme consists of two parts with an 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;
- comprehensive technical training programme (9 months), including theoretical and practical training in the relevant discipline, ERP-system and PtW training, the use of CTC, work with training equipment in classrooms and workshops, and other elements.

The second part of the programme lasts 18 months and includes on-the-job training as part of the shift or in the assigned work area.





THE START! FIRST FORUM OF YOUNG EMPLOYEE

The START! First Forum of Young Employees was held in December 2023. It united two areas: professional succession and team focus on new achievements.

The Forum brought together over 200 representatives from different activity areas of the company. The objective of the event, which will become annual, is to create a platform for exchanging experience and ideas and to help graduates build a career while maintaining a balance between stability and striving for new challenges. Following the discussion, the participants could ask questions and receive feedback from activity area directors. All of this allowed the forum participants to make a successful start to exploring new horizons.

6.1.7.5. SUCCESSOR POOL PLANNING AND DEVELOPMENT

The company prioritises successor pool-related activities as they promote the further development of human resources.

The company's human resource development system is a set of inter-related elements that complement each other and are based on the principles of continuous education as well as personnel training and retraining, including on-the-job training. This contributes to the improvement of the company's scientific, technical, and innovation potential, making it possible to accumulate practical experience in offshore field development, liquefied natural gas production, and production infrastructure maintenance in a difficult climatic and geographical setting.

The key stages of the process are as follows:

- selection of potential successors from among Russian personnel for key engineering and managerial positions;
- assessment of potential successors' readiness to succeed positions according to the Successors Matrix;
- potential successors' development in accordance with job requirements for the positions planned for succession.

As part of the 2024–2028 successor pool planning process, potential successors (in the short- and long-term) were identified for 713 of the 806 positions within the succession planning scope. For all employees included in the successor pool, individual development plans were developed, incorpo-



In 2023, a joint interactive session of the Human Capital Development Agency and the company's representatives on the topic “Sakhalin Energy LLC: Career Start” was held during the Power of Energies modern art exhibition (see Section 6.4.7 Cultural Initiatives: Sakhalin Energy Laboratory). The company's representatives informed students of Sakhalin State University about the Sakhalin-2 project and opportunities for career and professional development based on examples of existing programmes. Such events allow the company to attract students for internships and help promising graduates find employment opportunities.

In 2023, the Qualified Engineering Personnel and Domestic Technologies for Critical Information Infrastructure Facilities round table with the participation of the company's specialists was held at Sakhalin State University's Boiling Point space.

As a follow-up to the successful involvement of students of Sakhalin secondary and higher professional education organisations in production activities, 16 students from the Technical Oil and Gas Institute and Polytechnic College of Sakhalin State University joined the summer technology teams at the Prigorodnoye production complex as part of the major turnaround. The students had the opportunity to learn more about the production process and obtained hands-on knowledge of maintenance procedures at the company's assets.

In August 2023, a group of participants – students of Russian oil and gas universities – of the OstroVa Nation-Wide Youth Forum also made a study trip to the Prigorodnoye production complex. Such events increase the company's attractiveness as an employer and, at the same time, help to tell potential employees about the peculiarities of the island region as a place that would be interesting, not only for work but also for life.

rating activities to be undertaken under the personnel training and development system (professional training, leadership and management skills development, developmental, assignments mentoring, project management, and others).

In 2023, 46 vacant positions out of 76 included in the Successors Matrix were filled by internal candidates from among Russian personnel.

Solving strategic long-term tasks and striving for sustainable development of the region, the industry, and the country as a whole, Sakhalin Energy LLC pays special attention to the development of the successor pool, not only internally but also externally. For this purpose, in partnership with government authorities and relevant organisations, the company carries out systematic work in the following areas:

- Career guidance counselling. Along with lectures for students held by the company's technical specialists as part of the engineering track of the Career Academy project, a number of public events aimed at developing the professional orientation of the younger generation were organised in 2023.
- The company's specialists created a mobile exhibition complex of drilling equipment and developed presentation scenarios for school-children and students of various age groups. In-house technical training instructors presented them at the Ticket to the Future First Youth Career Guidance



Festival (more than 3,000 participants, including 1,500 schoolchildren). In addition, the Adventures of Octaman: Energy Conquerors project dedicated to early career guidance was launched in 2023 (see Section 6.4.8.2 Early Career Guidance Project).

- Participation in preparing and holding professional skill championships. In 2023, the company's specialists acted as experts and mentors for the Sakhalin finalists of the Professionals Nation-Wide Championship of Professional Excellence and the

High-Tech Championship (see Section 6.2.1 Occupational Health and Safety Management System).

- Business games for students.

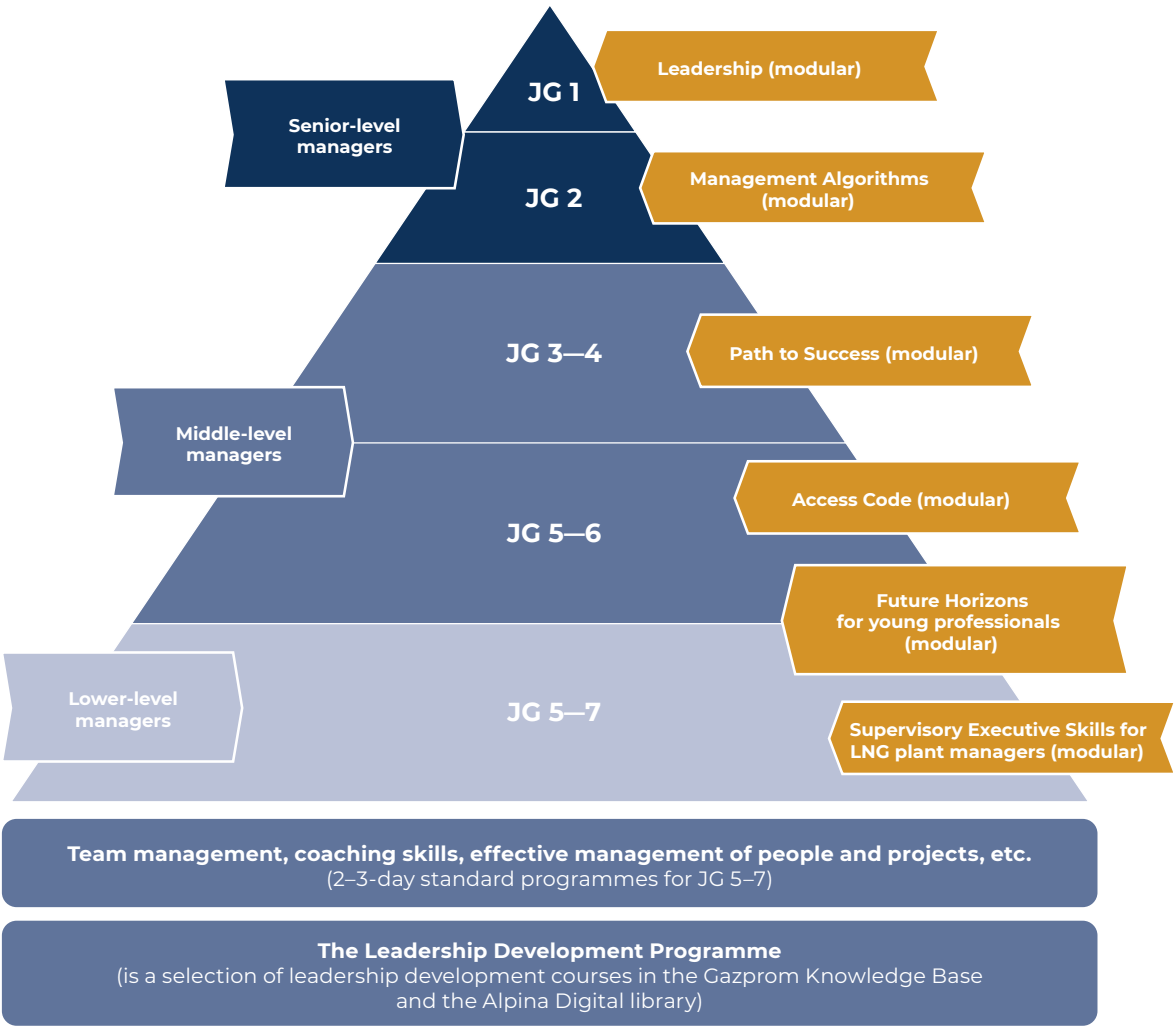
6.1.7.6. LEADERSHIP AND MANAGEMENT DEVELOPMENT PROGRAMMES

The formation and development of employee management and leadership skills through classroom and online training courses, on-the-job

training, and mentoring are important components 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

LEADERSHIP AND MANAGEMENT DEVELOPMENT PROGRAMMES



Planets Leadership Competence Model (see the Leadership and Management Development Programmes chart).

As at the end of December 2023, 337 Russian employees of the company who occupied various managerial positions had completed training programmes in leadership and management skills development, including with the use of the Gazprom Knowledge Base

and the Alpina Digital corporate library's online resources.

Sakhalin Energy LLC also develops its leaders through the Mentoring Programme, which was revised in 2023. Its main objective is to transfer knowledge and skills from a more experienced manager (mentor) to a novice manager in order to facilitate adaptation to a new role. In addition, mentoring contributes to the development and strengthen-

ing of the corporate and leadership cultures in the company.

In order to improve the effectiveness of the Mentoring Programme, training for the existing mentors was organised. 20 employees were trained.

The Mentoring Programme is available for young specialists in a group format as part of a series of meetings with the company's senior management.

6.1.7.7. GRADUATE DEVELOPMENT PROGRAMME

Since 2010, the Sakhalin-2 project operator has been implementing the Graduate Development Programme aimed at meeting Sakhalin Energy's needs for talented staff. A three-year development programme is in place, which ensures systematic work with graduates (see the Stages of Sakhalin

Energy's Graduate Development Programme chart).

In 2023, the company hired 20 graduates under the programme. Since 2010, 226 graduates, including 61 Sakhalin Oblast residents, have participated in the programme. As at the end of 2023, there were 44 pro-

gramme participants, including 16 Sakhalin residents.

Sakhalin Energy's Young Employees and Scientists Board

In 2022, the company's Young Energy Graduates Club was replaced by the Young Employees and Scientists

STAGES OF SAKHALIN ENERGY'S GRADUATE DEVELOPMENT PROGRAMME





Board. Its main objective is to unite the company’s young employees to ensure their quick and efficient on-boarding and to identify and leverage their creative and professional potential. The Young Energy Graduates

Club united exclusively young professionals who participated in the Graduate Development Programme. The Young Employees and Scientists Board unites all active employees of the company under the age of 35.

6.1.7.8. PERSONNEL DEVELOPMENT ASSIGNMENTS

Personnel development assignments in Sakhalin Energy’s member companies are an integral part of the company’s HR strategy. They are based on agreements signed between the company’s members. This form of cooperation allows trainees to study the practical aspects and specific features of work in corresponding organisational units of the host party and to interact more effectively while implementing joint projects. While participating in development assignments, employees gain exten-

sive experience in project work and get opportunities to use their knowledge and skills in various organisational environments, as well as to acquire new skills and experience in solving challenging tasks.

In 2016–2023, development assignments were organised for 18 employees of the company. In turn, 26 employees of member companies got the opportunity to complete their personnel development assignments at Sakhalin Energy LLC.

6.1.7.9. SCIENTIFIC POTENTIAL DEVELOPMENT

Sakhalin Energy LLC has set targets for technological excellence as part of its mid-term strategic programmes:

- create new high-tech solutions and unique technologies to effectively respond to external and internal challenges;
- actively participate in prestigious science and technology award events and competitions to ensure recognition of the company’s achievements by expert communities and obtain well-deserved titles;
- increase the number of speeches at scientific and technical events

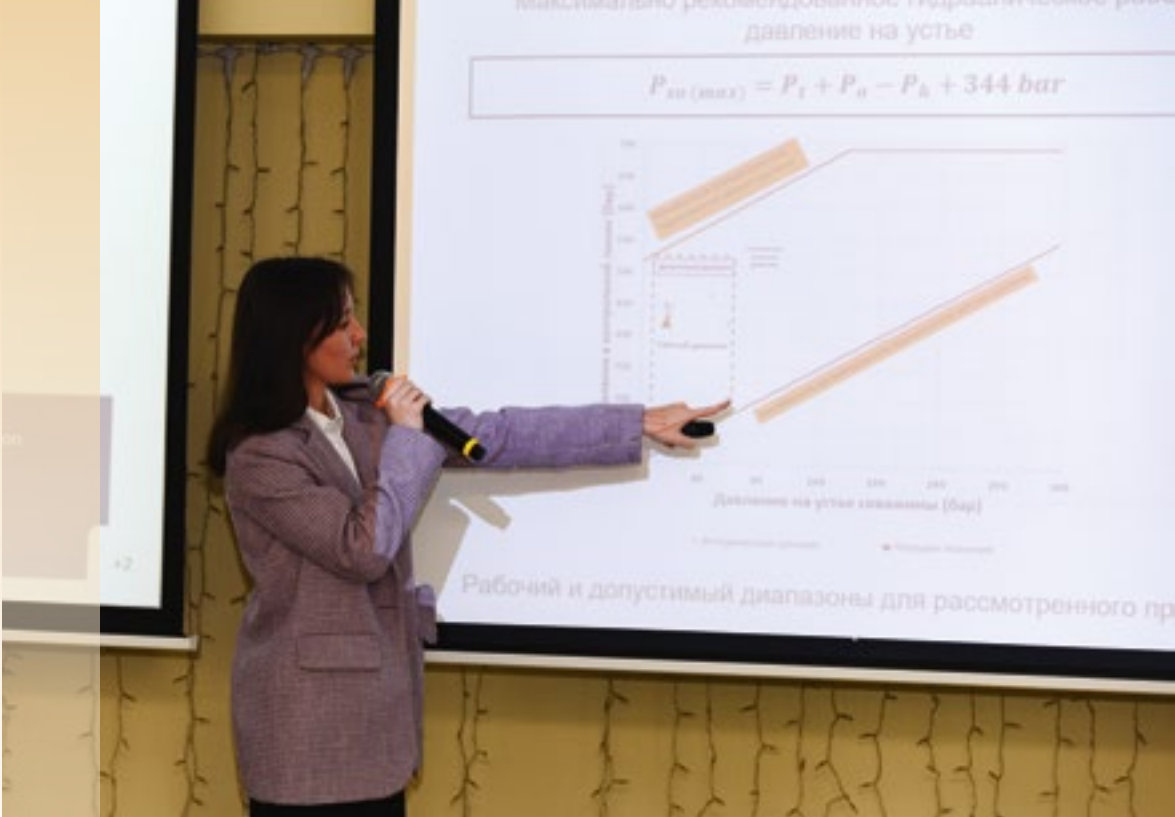
to share experience and best practices and to present the company’s achievements;

- increase publication activity to highlight the scientific and technological achievements of the Sakhalin-2 project;
- train required specialists with unique competences in offshore field development area;
- develop interaction with scientific and technical partners and contribute to the improvement of technical and technological solutions used in offshore field development;

● ● ●
In 2023, two group development assignments were organised and conducted for Gazprom LNG Portovaya’s employees (10 participants), where specialists shared their experience of performing planned preventive maintenance work for LNG trains, as well as learned about the particularities of operating equipment and improving its reliability level.

● ● ●
In 2023, Sakhalin Energy LLC published 13 scientific and technical articles in industry publications, such as Oil Facilities, Gas Industry, Oil and Gas Territory, Geology and Subsoil Use, Well-Log Analyst, PRONEFT. Professionally about Oil, and Oil and Gas Topical Issues. Two articles were included in the collection of writings of the Russian Industry Energy Conference for 2023.

A second edition of the Technical Directorate’s collection of published scientific and technical articles was prepared. A total of 24 articles were published and included in the Technical Directorate’s articles digest for 2022 and 2023.



- develop forms and methods of identifying potential intellectual property assets and ensure their registration and further active use in the company’s activities.

Sakhalin Energy LLC makes every effort to develop its employees’ scientific potential. The company cooperates with universities and research institutes in the development of technical projects. The company’s specialists are involved in the work of student scientific societies, preparation and delivery of lectures, and other activities.

Laying the foundations for developing scientific and technical potential, Sakhalin Energy LLC

● ● ●
As part of promoting geological sciences, the company’s specialists, together with a visiting professor from Moscow State University, conducted the first series of one-day geological field trips to the south of Sakhalin Island for the children of the company’s employees.

● ● ●
In 2023, as part of the company’s efforts to develop its human resources potential and ensure staff stability, the Technical Directorate’s scientific and technical club of young employees was established. This platform facilitates the exchange of experience, unique competences, and ideas in the area of LNG and offshore field development between specialists belonging to technical disciplines. In June, the club members held a round table discussion, which resulted in the first issue of the Collection of Presentations and Scientific Articles of the Technical Directorate’s Young Employees. The new publication is a result of the effective integration of education, science, and production, which also demonstrates successful corporate evolution in offshore field development.



17 reports were prepared and presented by the company’s employees at external industry scientific and technical events.



In 2023, Sakhalin Energy’s team of contributors was awarded the title of laureate of the Gazprom Prize in Science and Technology for the development and implementation of a unique technology for controlling the disposal of drilling waste and process fluids during offshore oil and gas field development.

focuses on the formation of the successor pool and participates in training future specialists and innovators from the early stages of school education. The company conducts various career guidance activities and annual scholarship competitions, provides students with opportunities for on-the-job training and pre-graduation internships, and selects the best graduates for graduate development programmes (for engineers) and traineeship programmes (for technicians).

Overall, over 40 employees of the company took part in 15 scientific events related to the development of the scientific and technical potential of the oil and gas industry, of which six young employees took part in scientific and practical conferences.

6.1.7.10. INTERNSHIP PROGRAMME

In order to form an external successor pool for graduate positions, the Sakhalin-2 project operator has been implementing the Internship Programme since 2000.

Working alongside highly qualified professionals, students of Russian universities and secondary vocational schools get acquainted with advanced production technologies and the best international and domestic business practices, as well as gain unique practical experience.

In 2023, 47 university students and 33 students from secondary vocational schools underwent on-the-job training and pre-graduation internships

In April, the 11th Youth International Scientific and Practical Conference “New Technologies in the Gas Industry: Experience and Continuity” was held in St. Petersburg, where the work of the Technical Directorate’s young employee was awarded a certificate.

In June in Orenburg, three young company employees became winners of the 1st Interregional Scientific and Technical Conference “Gazprom in the Orenburg Region” for young employees of gas industry organisations and Gazprom Group.

In September, in Novy Urengoy, company representatives took part in a scientific and practical conference of young employees and specialists of Gazprom’s subsidiaries and fuel and energy companies; one specialist was invited as an expert of the evaluation commission.

at the company’s assets. 60% of the interns (27 university students) were Sakhalin Oblast residents.

Sound cooperation with Sakhalin Oblast secondary vocational schools has been established. In addition to interaction with the Sakhalin State University (SSU) Polytechnic College, Sakhalin Energy LLC admits the Sakhalin Industrial Technical School’s students in Okha for on-the-job training of in-demand instrumentation technicians and continues its cooperation with the Sakhalin Agricultural Engineering School, which trains electricians. The Prigorodnoye production complex annually accepts up to 25 third- and



NUMBER OF STUDENTS WHO COMPLETED INTERNSHIPS IN 2020–2023

	2020	2021	2022	2023
University students, persons	14	32	35	47
Students of secondary vocational schools, persons	18	24	23	33
Total, persons	32	56	58	80
including Sakhalin Oblast residents, %	100	82	53	62

fourth-year students of vocational programmes relevant to the company’s operations to receive on-the-job training and pre-graduation internships. Extending the programme to cover students from secondary vocational institutions allows the company to ensure the continuity of the training system as well as the development of technicians among Sakhalin Oblast residents. The next professional development stage for interns is the Traineeship Programme. In the future, the pro-

gramme graduates can fill the company’s job openings (see Section 6.1.7.4 Traineeship Programme).

In 2023, 33 students from the SSU Polytechnic College and the Sakhalin Industrial Technical School studying occupations relevant to the company, such as electricians, instrumentation technicians, industrial equipment repair technicians, and processing unit operators, underwent on-the-job training at the Prigorodnoye production complex.

6.1.7.11. SCHOLARSHIP PROGRAMME

The company’s Scholarship Programme was launched in 2003.

It is competitive and open to students of secondary comprehensive schools who are finishing their course of study under the complete general secondary education programme, as well as to students of secondary vocational education institutions who are finishing a course of study for their first post-secondary degree (full-time), who reside in Sakhalin Oblast, and are interested in getting a university degree in oil and gas or a related industry. The programme objective is

to provide support to gifted Sakhalin youth during their study at the country’s universities in disciplines that are relevant to the company, with the prospect of employment at Sakhalin Energy LLC.

In 2023, the competition was held in an offline format. Three talented graduates of Sakhalin school leavers won the contest

As at the end of 2023, 13 Scholarship Programme participants were studying at Russian universities with the company’s financial support.



6.2. OCCUPATIONAL HEALTH AND SAFETY

6.2.1. OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM



The company continues to run the **Effective Observation and Intervention Programme**, which is designed 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. In 2023, 81 employees of Sakhalin Energy and contractor organisations completed training under the programme.

Sakhalin Energy’s ultimate priority is to ensure safe working conditions and preserve the life and health of company employees and contractor personnel working at the Sakhalin-2 project’s assets.

In 2023, the company introduced the Occupational Health and Safety (OHS) Policy, which sets forth the following goals: preserving the life and health of employees in the course of their work, providing safe and

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM



comfortable working conditions, eliminating the occupational injury risks and negative impact of operations on third parties, and ensuring compliance with the rules and requirements of regulatory legal acts and regulatory documents of the Russian Federation, the company’s local normative acts, and regulatory documents on OHS issues.

Sakhalin Energy uses a consistent strategic approach to addressing OHS issues in line with the Regulations on Occupational Health and Safety Management System (OHS MS) implemented in 2023.

In 2023, the company’s OHS MS was audited and certified under the GOST R ISO 45001-2020 Occupational Health and Safety Management System standard.

Compliance with OHS requirements

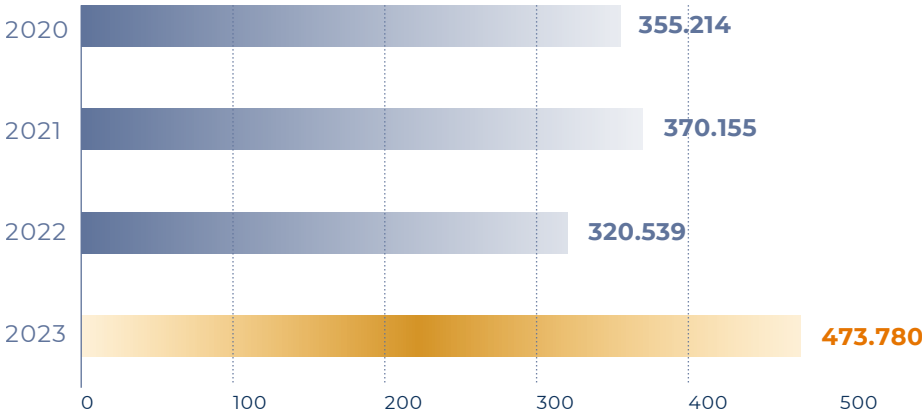
The company consistently implements targeted programme activities to preserve the life and health of its employees and improve their working conditions in line with OHS requirements.

Hazards and Risk Management

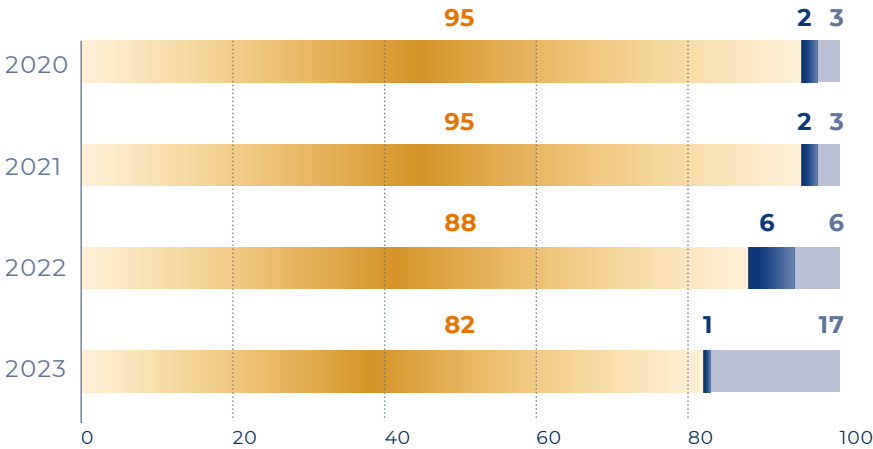
In order to ensure safe working conditions and to prevent occupational injuries and illnesses resulting from harmful and/or hazardous occupational factors, the company manages professional risks that might impact employees.

The company applies a risk-based approach to identify hazards and assess

OCCUPATIONAL HEALTH AND SAFETY EXPENDITURE, million roubles



COST STRUCTURE OF OCCUPATIONAL HEALTH AND SAFETY MEASURES IN 2020–2023, %



- Safety clothing, safety shoes, and other personal protective equipment
- OHS training courses for employees
- Other (including organisational, technical and technological, sanitary and hygienic measures)



DISTRIBUTION OF WORKPLACES BY WORKING CONDITIONS CLASS IN 2023

NAME	NUMBER OF WORKPLACES AND NUMBER OF EMPLOYEES ENGAGED		NUMBER OF WORKPLACES AND NUMBER OF EMPLOYEES ENGAGED, SPLIT BY CLASSES (SUBCLASSES) OF WORKING CONDITIONS VS NUMBER OF WORKPLACES IN COLUMN 3 (UNITS)						
	TOTAL	WITH A COMPLETED SAW	CLASS 1	CLASS 2	CLASS 3				CLASS 4
					3.1	3.2	3.3	3.4	
Workplaces	1,651	1,538	0	1,284	106	148	0	0	0
Employees engaged	1,962	1,734	0	1,148	212	374	0	0	0
women	487	443	0	433	5	5	0	0	0
persons under 18	0	0	0	0	0	0	0	0	0
persons with disabilities	6	6	0	6	0	0	0	0	0



According to the results of a SAW as at 31 December 2023, the share of workplaces (WP) with permissible working conditions (Class 2) was 77.8%.

There were 6.4% of WPs with 1st degree harmful working conditions (Class 3.1) and 9% of WPs with 2nd degree harmful working conditions (Class 3.2).

As at 31 December 2023, the company continued unscheduled SAWs for 4.7% of WPs. The remaining 2.1% of WPs were formed during reorganisation.

According to the results of a SAW, hazardous working conditions at 93.2% of WPs are absent.

risks using the matrix approach, taking into account the likelihood and severity of consequences. Risk mitigation actions are developed based on the results of the risk assessment, following the hierarchy of control measures:

- elimination;
- replacement;
- technical measures;
- organisational measures;
- personal protective equipment.

The risk management process is governed by the Professional Risk Management Standard.

The company carries out Special Assessments of Workplaces (SAW) to develop and implement measures aimed at improving working conditions and mitigating the risks

of exposure to harmful and/or hazardous occupational factors. In 2023, the company continued implementing a system for monitoring harmful occupational factors under the asset OHS control programmes.

Measures to improve working conditions are developed based on the results of professional risk assessment, SAWs, and OHS control.

The Total Recordable Case Frequency (TRCF) key indicator, which includes incidents related to occupational injuries, is set by the company for a five-year time horizon (see the following tables: Total Recordable Case Frequency Key Indicator and Injury Rates for Sakhalin Energy and Contractor Organisations in 2020–2023).



TOTAL RECORDABLE CASE FREQUENCY (TRCF) KEY INDICATOR

INDICATOR	UNIT OF MEASUREMENT	2023		2024	2025	2026	2027	2028
		TARGET	ACTUAL					
TRCF, including incidents related to occupational injuries	injuries per 1 million man-hours	<0.5	0.47	≤0.5	≤0.45	≤0.45	≤0.4	≤0.35

INJURY RATES FOR SAKHALIN ENERGY AND CONTRACTOR ORGANISATIONS IN 2020–2023

INDICATOR	2020	2021	2022	2023
Number of accidents for the company and contractor organisations at the company's assets (for the company, excluding contractors)	17 (0)	7 (1)	5 (0)	8 (1)
including fatalities	0	0	0	0
Number of people injured in workplace accidents for the company and contractor organisations, total people (for the company, excluding contractors)	17 (0)	7 (1)	6 (0)	8 (1)
including fatalities	0	0	0	0
Number of minor injuries (microtraumas) for the company and contractor organisations, total people (for the company, excluding contractors)	26 (5)	42 (1)	31 (2)	42 (5)
Total Recordable Case Frequency (TRCF), including incidents related to occupational injuries (injuries per 1 million man-hours)	0.77	0.30	0.40	0.47
Number of people injured in road traffic accidents for the company and contractor organisations (per 1 million man-hours), including contractors	0	0	0	0

Allocation of OHS Management Responsibilities

The OHS MS of the company provides for the allocation of responsibilities among the heads of directorates, production facilities, and organisational units. All company employees shall take responsibility for those OHS aspects they control, including complying with applicable OHS requirements.

OHS commitments fulfilled by the managers and employees of contractor and subcontractor organisations are stated in contracts concluded with these organisations and in relevant action plans to ensure safe working conditions. The company has established the OHS Council, a collegiate, consultative, and advisory body that provides comprehensive assessment and preparation of OHS proposals for consideration by the

company's senior management. The Council includes the organisational unit managers. The Council meetings are held every month and chaired by the Deputy Chief Executive Officer – Chief Engineer. The meeting results are communicated to the company's employees and contractor personnel in the Monthly Bulletin of the Chief Engineer's Office and placed on dedicated information OHS stands at all company assets.



Activities to develop safety culture under the Goal Zero programme in 2023:

- training activities;
- 86 leadership visits by managers of various levels to the company’s assets and contractor facilities;
- quiz dedicated to the World Day for Safety and Health at Work (over 60 attendees);
- Summer Safety Day (over 2,800 attendees, made up of company employees and contractor personnel);
- Winter Safety Day (over 2,800 attendees, made up of company employees and contractor personnel). The event evolved into a large-scale awareness campaign aimed at safe work in the 2023–2024 autumn and winter period.



Sakhalin Energy strives to promote high OHS standards externally as well. The company’s employees constantly take part in social programmes and share their experience and knowledge in hazardous factors and risk management.

In 2023, by invitation of the Sakhalin Oblast Human Capital Development Agency, a company specialist took on the mentor role in the ‘Professionals’ Russian Professional Excellence Championship at the interregional level and the High-Tech Championship. The tasks involved assessing the competitive programmes, preparing for the competition, and accompanying the Sakhalin Oblast competitor to the championship. The OHS Specialist competence was presented at the championship for the first time.

At the regional level, the Chief Engineer’s Office representatives took part in the Career Academy project of Sakhalin State University as discipline lecturers.



In 2023, a safety culture survey was conducted among 1,528 respondents. This data is used for the annual evaluation of safety awareness among the company’s employees and contractor personnel at Sakhalin Energy.

The survey results are as follows:

- 99.7% of respondents are aware of their roles in ensuring occupational health and safety;
- 99.4% of respondents always follow the Life Saving Rules;
- 98.2% of respondents feel free to ask questions and share their ideas or concerns about safety issues.

Following the lessons learnt from incidents and unsafe practices and conditions, Sakhalin Energy develops measures to reduce the number of workplace injuries and implements measures to develop the safety culture. The implementation of relevant measures is controlled by the Industrial Assurance Service and by employees who participate in industrial control activities.

Communication and Information Exchange

Regular communication and transparent information exchange is a critical process for Sakhalin Energy to ensure safe working conditions, which provides for the development and implementation of various internal and external communication tools.

Transparent and reliable mutual communication ensures the coordination of activities and performance of OHS tasks. In the scope of OHS MS, line managers inform their employees of the following:

- the company’s OHS MS principles, OHS commitments, policy, and priorities;
- legislation, as well as the company’s OHS standards and procedures, and liability for their violation;
- results of investigations of incidents, lessons learnt, and preventive measures;
- hazards and associated professional risks, as well as control measures;



OHS forums to discuss safety performance, opportunities, and combined efforts to improve OHS MS are held with contractor organisations for constant exchange of experience. Prior to the turnaround in 2023, in addition to OHS forums with contractors held by organisational units, a general forum was organised for the companies involved.



Statistics for the 2023 turnaround:

- 43 contractors involved;
- 0 injuries recorded;
- over 2,000 training activities conducted, including OHS briefings;
- over 5,000 observation and intervention cards submitted;
- over 300 employees awarded for best observation and intervention;
- over 10,000 works performed using the unified ePTW system.

- results of special assessments of working conditions at workplaces.

The company’s managers and employees are informed on OHS issues through the following communication means and channels provided by the organisational units of the Chief Engineer’s Office:

- activities of the OHS Council;
- reviews of the company’s local normative acts containing OHS requirements;
- exchanges of information about working conditions, existing professional risks, their levels and control measures;
- preparation and dissemination of materials, and Goal Zero programme awareness campaigns;
- OHS meetings (Worksite Hazard Management Committee), Safety Days;
- updates to information on the company’s intranet website and dedicated information stands and internal e-mail distributions;
- coverage of OHS control inspection findings;
- use of safety signs and signal marking.

Company employees may be engaged in incident investigation as commission members or (where appropriate) as those involved in the incident, as eyewitnesses, or as stakeholder representatives in line

with the regulatory legal acts and regulatory documents of the Russian Federation on OHS issues and the company’s local normative acts.

Cooperation with Contractors

The company shows efficient cooperation with contractor organisations on workplace safety by following the One Team approach, establishing consistent requirements and conditions for training, and engaging in open discussion of OHS compliance, risks, and controls.

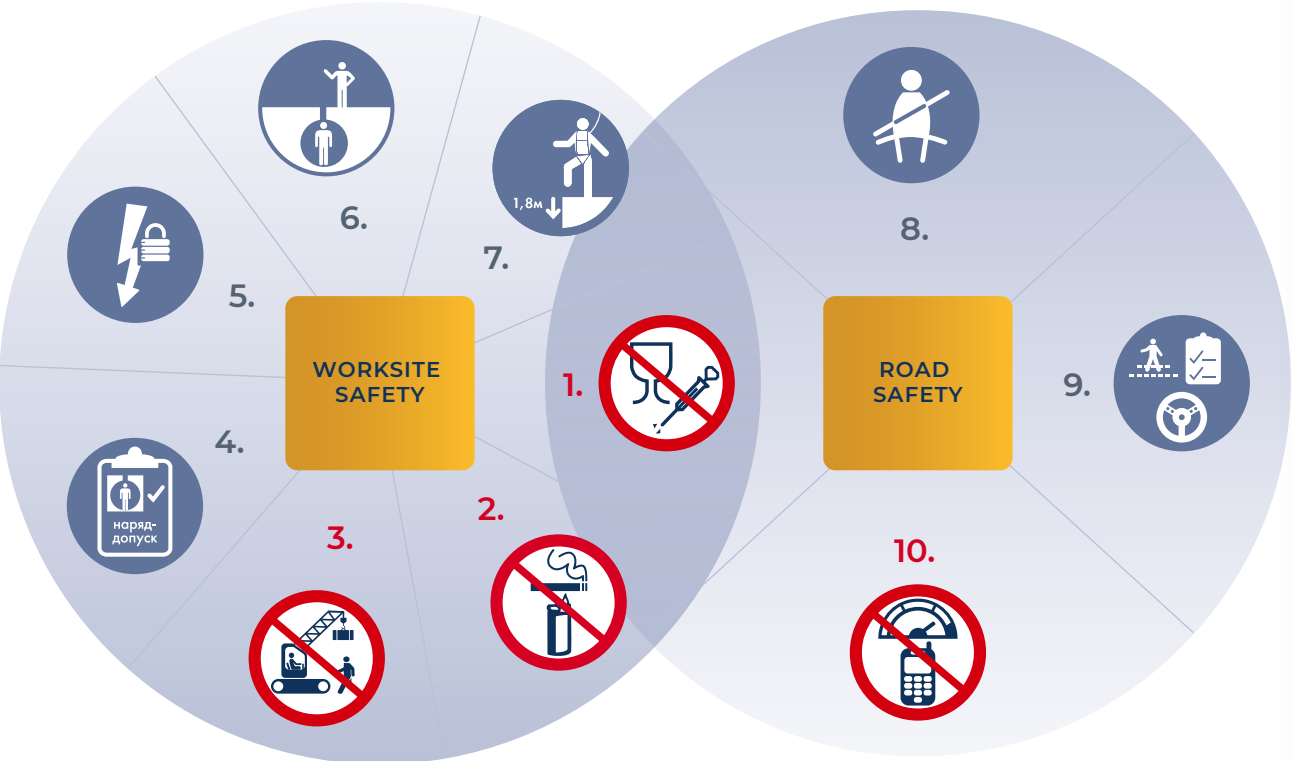
All service and work contracts include mandatory provisions that oblige contractor organisations to comply with the requirements for ensuring safe workplace conditions.

Observance of the Life Saving Rules

There are 10 mandatory Life Saving Rules applied by the company. The Rules are associated with the most high-risk activities (see Sakhalin Energy’s Life Saving Rules chart).



SAKHALIN ENERGY'S LIFE SAVING RULES



- 1. Do not appear at work under the influence of **alcohol** or **drugs**.
- 2. Do not **smoke** outside designated smoking areas. Do not carry or use unauthorised **ignition sources** in hazardous areas.
- 3. Do not walk under a **suspended load**.
- 4. Work with a valid **work permit** when required.

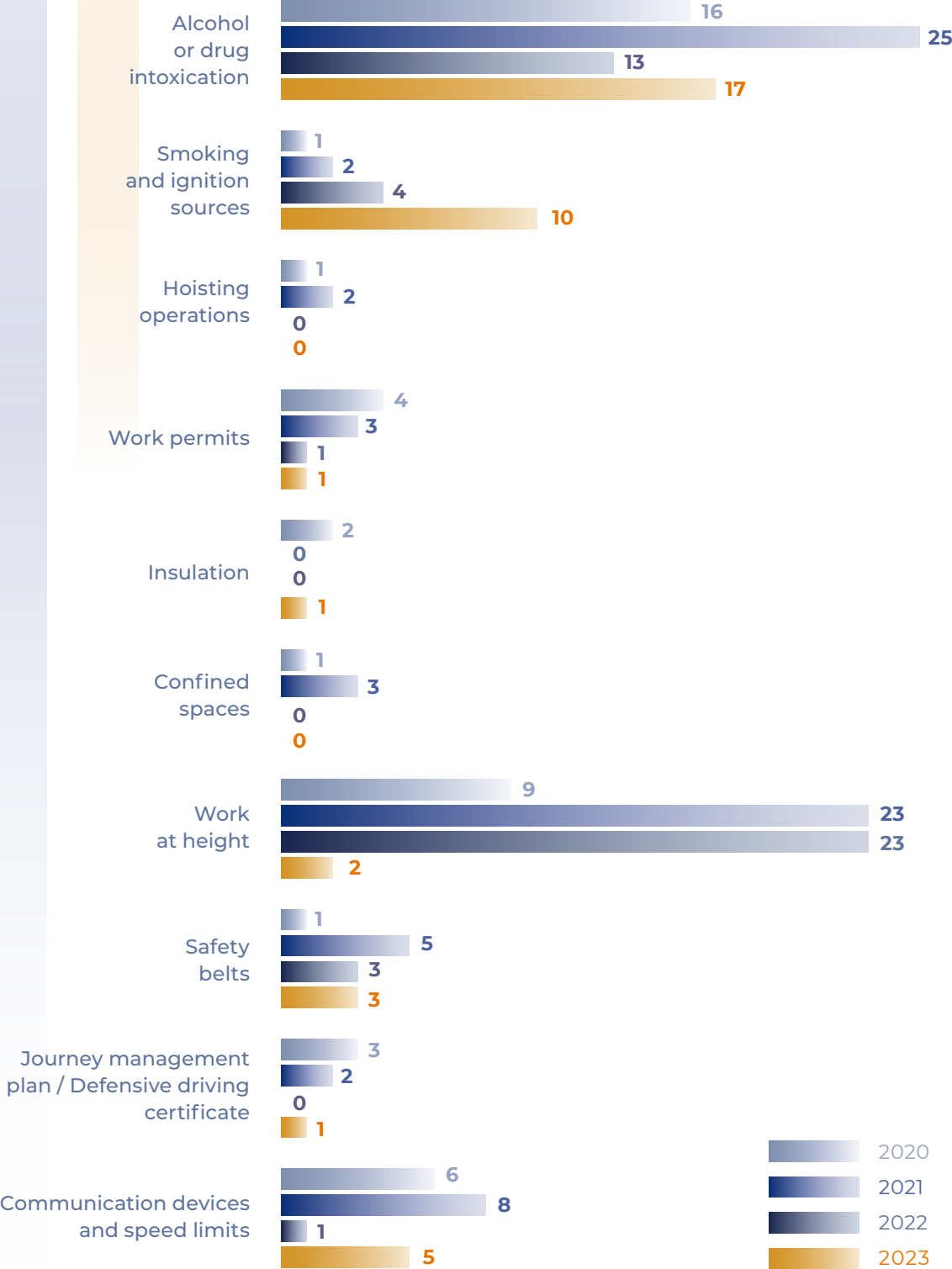
- 5. Verify equipment **isolation** before work begins.
- 6. Obtain authorisation before entering a **confined space**.
- 7. Protect yourself against falls when **working at height**.
- 8. Wear your **seat belt**.
- 9. Follow the prescribed **journey management plan** and have a valid **defensive driving certificate**.

10. While driving, do not use **communication devices** and do not exceed the **speed limit**.

The company takes disciplinary action against violations of the Life Saving Rules.



STATISTICS OF VIOLATIONS OF THE LIFE SAVING RULES IN 2020-2023





6.2.2. OCCUPATIONAL HEALTH

Occupational health and employee safety are the company's top priorities.

Sakhalin Energy applies a relevant approach to occupational health management (see the Corporate Occupational Health and Hygiene Evolution Stages chart).

It includes the step-by-step development of three elements: delivery of primary medical care, occupational fitness and hygiene management, and promotion of health culture among the company's employees and their families. Developing the health culture and improving the quality and scope of medical check-ups and preventive screenings of employees

reduce the number of occupational illnesses and injuries.

In 2023, 900 company employees underwent a periodic medical check-up. In 2023, in-depth medical check-ups were introduced for certain categories, such as employees with cardiovascular risks, employees 50+ years old (men) and 55+ years old (women), and newly hired employees.

Sakhalin Energy employs software to control employee access to remote assets, which makes it possible to ensure that mandatory medical check-ups are up-to-date.

In 2023, the company continued implementing a system for moni-

toring harmful production factors under the asset industrial control programmes. The company regularly analyses cause-and-effect relationships between measurements taken of the working environment (air, vibration, noise, microclimate, ionising radiation, etc. in the working area) and the health status of personnel. Workplace improvement actions are developed based on the findings. As in previous years, no occupational diseases were registered in 2023.

In 2023, the company took regular measures to prevent acute respiratory viral infections and influenza, including hygiene and sanitation awareness campaigns and vaccinations (1,624 employees of the company and contractor organisations were vaccinated against influenza).

In 2023, the company continued actively using the David diagnostic and treatment complex for back pain prevention; 247 patients benefited from it and underwent rehabilitation. A total of 3,364 applications were submitted in 2023.

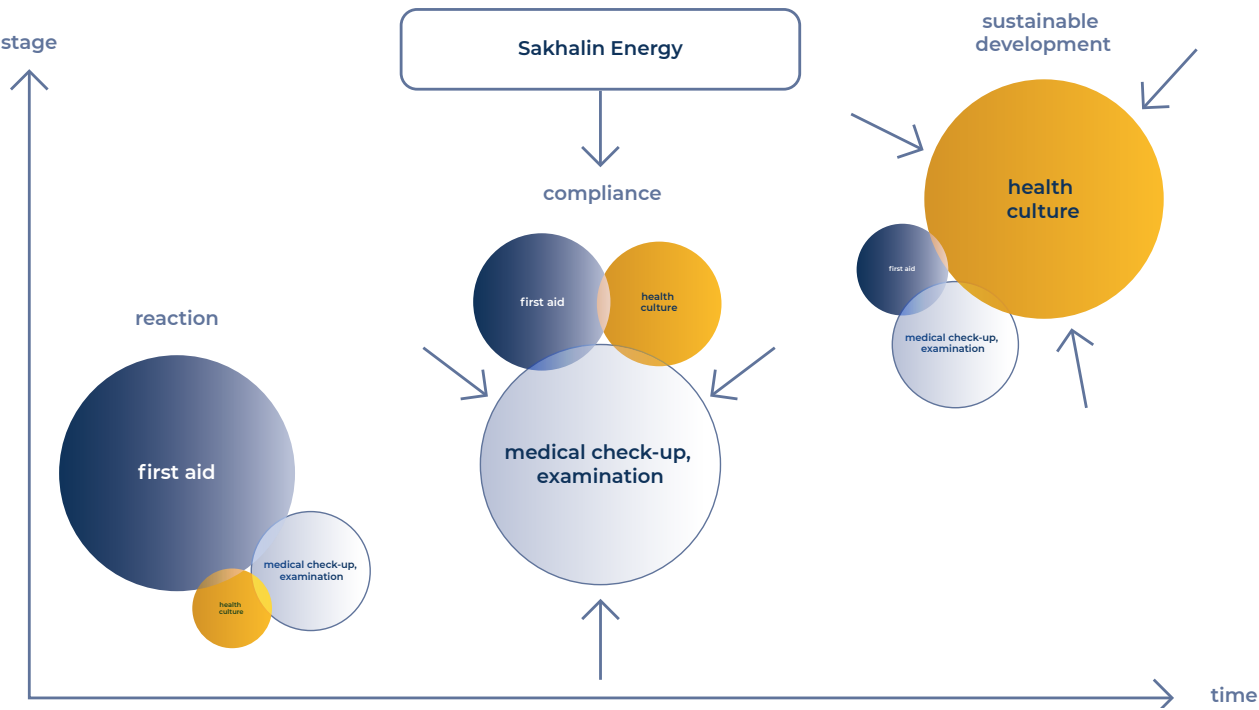
Sakhalin Energy focuses on ensuring first aid provision at the assets. 342 company employees completed in-depth first-aid training in 2023.

The company and contractor employees at Sakhalin-2 remote assets receive medical assistance from Profmedassist Sakhalin. This service includes:

- primary health care (ambulatory and outpatient care) at onshore and offshore assets;



CORPORATE OCCUPATIONAL HEALTH AND HYGIENE EVOLUTION STAGES



- first aid during aeromedical evacuation from onshore and offshore assets;
- provision of the assets' aid posts with medicines, consumables, and medical equipment.

Medical services are also provided to Sakhalin Energy employees at other healthcare organisations under the Voluntary Health Insurance Programme.



In 2023, Sakhalin Energy launched the I-Healthy Strategy aimed at developing the health culture among the company's employees and their families. Various activities, including meetings with employees and webinars on trending topics (active lifestyle, blood pressure, stress, etc.), were held monthly. Healthy Months were also organised. These activities increase employee awareness in preventing and reducing the risk of non-infectious diseases.

The company is successfully implementing a pilot project of group workouts at the Prigorodnoye production complex, which will also be implemented at other assets in 2024.

The Crossteam mobile app, launched by the company in 2022, became an effective tool for promoting a healthy lifestyle. This platform allows employees to track their health at any time and in any place while exchanging useful tips and information about maintaining a healthy lifestyle. The number of registered users grew to over 900 by the end of 2023. The platform was used to hold 15 webinars and 40 courses dedicated to physical and emotional health and good nutrition. The attendees actively used the chat room to exchange their experience and habits.



ROAD SAFETY FORUM: COMBINED EFFORTS
The 2023 Road Safety and Traffic Management conference, a regular corporate conference, was held in November, with representatives of relevant departments in attendance. It was aimed at discussing traffic management solutions that had been implemented on Sakhalin roads and reviewing innovations in internal traffic rules under the Sakhalin-2 project.

Sakhalin Energy presented a set of innovations aimed at preventing incidents with the company’s vehicles and an overview of a new version of the company’s Road Safety Standard. It also reported on the introduction of a new Russian telematics system.

6.2.3. ROAD SAFETY

Despite positive trends over the years, the accident rate on Sakhalin roads still remains high: on average, 15 RTAs with zero injured persons and one or two with injured persons occur every day. About 200,000 vehicles move along Sakhalin roads, including over 650 vehicles engaged in Sakhalin-2 project activities. The total distance travelled under the project exceeds 7 million km a year. Constant heavy public traffic increases the risk of road traffic accidents with project’s vehicles.

Therefore, road safety (RS) is of particular importance for Sakhalin Energy. For daily transportation tasks, company personnel, from workers to management, comply with both Russian transport legislation and the company’s road safety internal regulations.

In 2023, the Road Safety Section continued implementing relevant activities, including:

- monitoring compliance with traffic regulations and road safety standards by company and contractor drivers. Satellite In-Vehicle Monitoring Systems (IVMS) and video recorders analyse driver behaviour and identify risky driving hazards. The monitoring system covers about 1,300 drivers. RS monitoring by in-house traffic inspectors includes monitoring vehicles and checking drivers for signs of alcohol intoxication, as well as checking documents and identifying other traffic violations. Every day, three RS Monitoring Teams patrol the island’s roads;

- training and maintaining high qualifications of company and contractor drivers. The training involves dedicated defensive driving programmes aimed at the selection and training of drivers in various categories and specialisations. Each programme covers all aspects of driving in the presence of hazards. Over 1,000 drivers of various categories completed training in 2023;
- ensuring the proper condition of vehicles in compliance with the company’s requirements and legislation. The company regularly inspects all vehicles used in support of operations. Vehicles failing the compliance inspection are not allowed on the roads;
- safety analysis of roads and routes for company and contractor vehicles. This allows for the development of remedial actions and recommendations when mapping out routes and using specific road sections. The analysis uses official accident statistics, the company’s transport incident statistics, data from the In-Vehicle Monitoring Systems, and field data collected by the monitoring team and drivers.

Interaction with Other Organisations

Together with operators of other natural resources development projects, Sakhalin Energy implements measures to address RS issues at the south access road. The RS Monitoring



CARGO SECURING AND ROAD CARRIAGE TRAINING COURSE

The tasks associated with the Sakhalin-2 project include large-scale transportation of materials and oversize and heavy cargoes along Sakhalin Oblast roads. Sakhalin Energy has developed a dedicated training course, which is mandatory for responsible persons and drivers involved in cargo transportation. The company applies the Cargo Securing Standard, developed with due regard for company and legislative requirements.

Team patrols this road on an ongoing basis.

Promoting the company’s safety standards is an important aim of the Road Safety Programme.

Despite the risks of incidents with Sakhalin-2 vehicles, Sakhalin Energy

has been carrying out its operations for over eight years with no road traffic accidents where the company’s employees or contractor personnel could have been injured. This proves that all the road safety activities are effective.

6.2.4. INDUSTRIAL SAFETY

The company’s industrial safety (IS) goal is to prevent accidents and incidents that can affect the vital interests of individuals and society.

To achieve this goal, the company has approved the Industrial Safety Policy. The Policy’s key principles are as follows:

- the recognised and assured priority of the life and health of employees over the company’s business results;
- employee compliance with IS requirements as an integral part of their daily work.

The company operates 12 registered hazardous production facilities (HPFs) of hazard classes I–IV, where explosive, flammable, and chemically hazardous substances are used, processed, stored, and transported, and where pressurised and hoisting equipment is used.

In compliance with Russian IS requirements, Sakhalin Energy implements the Industrial Safety Management System (ISMS), a unified system for planning and implementing activi-

ties to minimise the risk of accidents at the company’s HPFs. The ISMS is a component of the company’s business management system.

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 the 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.

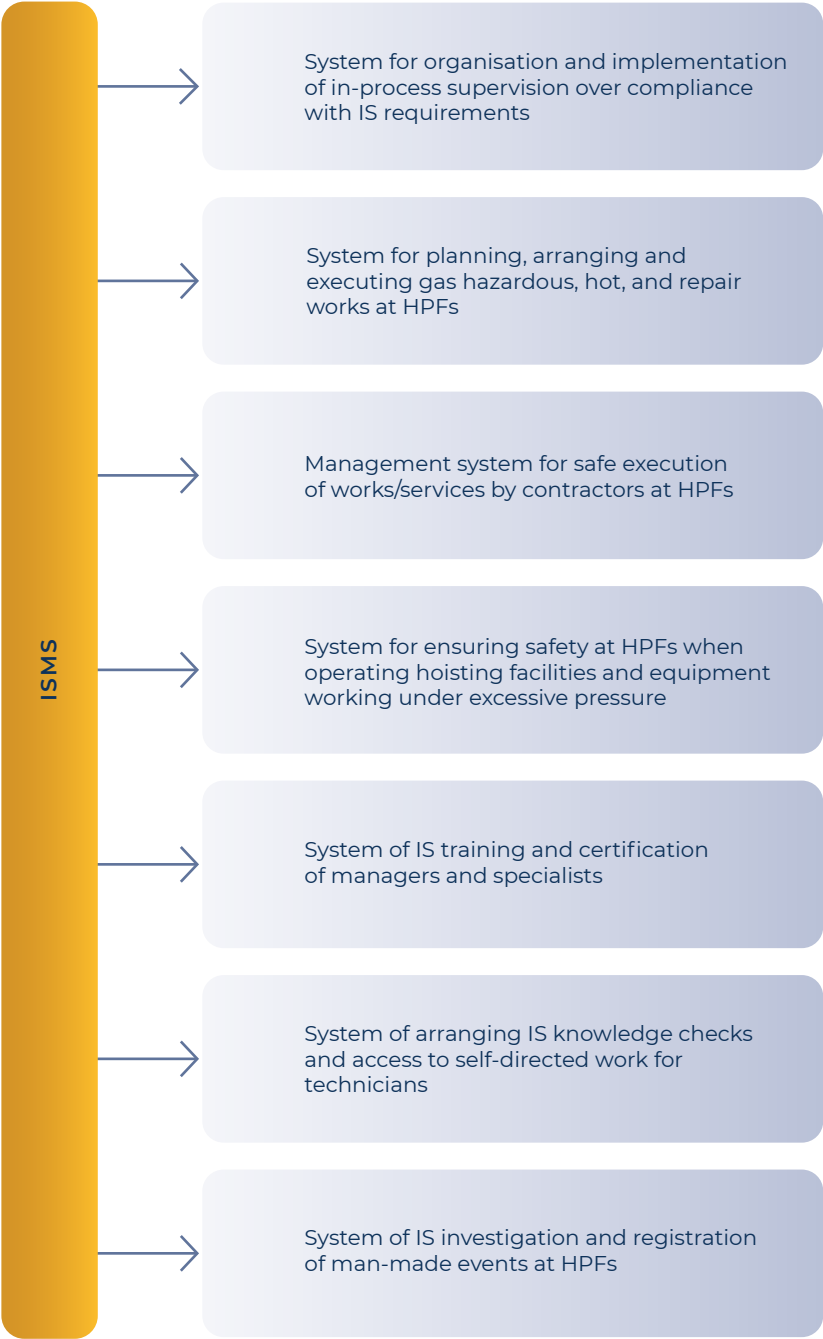
The system of planning, arranging, and performing gas hazardous, hot, and repair works at HPFs sets out mandatory requirements for personnel with regard to the arrangement and safe execution of such works.

The system of ensuring the safety of works (services) performed by contractors at HPFs establishes the requirements mandatory for all contractor and subcontractor personnel who perform works and/or render services at the company’s assets.

The system of ensuring IS when operating lifting equipment and pressure



ELEMENTS OF THE INDUSTRIAL SAFETY MANAGEMENT SYSTEM



equipment is implemented through organisational and methodological support and monitoring of the construction, operation, refurbishment, upgrade, mothballing, and abandonment of lifting equipment and pressurised equipment at the company’s assets.

The HPFs are staffed with qualified personnel trained and certified in IS. The company has created conditions for advanced training and the continuous improvement of its employees.

As established by Russian IS regulatory legal acts and regulatory documents and the ISMS, the company ensures IS training and certification for personnel working at the HPFs. The procedure provides for a system of IS training and certification for the company’s managers and specialists and a system of arranging knowledge checks and admission to unsupervised work for technicians.

Information on the IS certification of the company’s managers and specialists throughout 2023 is provided in the table.

In 2023, the company spent 234,517,423 roubles on industrial safety.

The system of IS investigation and registration of man-made events at the company’s HPFs is a mandatory part of the ISMS. It is aimed at identifying and analysing the causes of incidents, developing measures to prevent similar incidents at all HPFs of the Sakhalin-2 project, and mini-

INFORMATION ON INDUSTRIAL SAFETY CERTIFICATION OF THE COMPANY’S MANAGERS AND SPECIALISTS IN 2023

Number of meetings of the IS Certification Committee		169
Total number of managers and specialists certified in IS		994
Number of certified employees by type of supervision		
Industrial safety basics		239
Supervision over oil and gas sector facilities		388
Geological survey control and safety supervision over subsoil use		9
Supervision over pressurised equipment		148
Supervision over hoisting equipment		92
Production supervision at the sites of use, storage, and application of explosive materials		18
Supervision over chemically hazardous production facilities		323
Supervision over main pipeline transport facilities		23

mising 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.

6.2.5. FIRE SAFETY

The fire safety system is a component of the company’s integrated operations management system to ensure safe and reliable production. Its continuous improvement remains an absolute priority for Sakhalin Energy.

The company has the following fire safety priorities:

- arranging and coordinating activities to ensure compliance with fire safety requirements;



RUSSIAN LAWS ARE DEVELOPED WITH DUE CONSIDERATION OF THE COMPANY’S IS EXPERTISE

Representatives of the Industrial and Fire Safety Department are permanent members of the Section for Safety of Oil and Gas Assets of the Scientific and Technical Council of Rostekhnadzor and participate in quarterly meetings of the Council, thus allowing the company to contribute to the improvement of Russian IS requirements and the update and development of IS regulations.



In 2023, operation of the company’s 12 HPFs was regulated by 14 federal industrial safety rules and standards. Pursuant to these documents, 24 areas have been identified for Sakhalin Energy’s performance appraisal. Individual certification programmes (in 2 to 24 areas) are provided for each of more than 900 company managers and specialists, according to their job descriptions.



In 2023, no accidents or incidents were recorded at the company’s assets.





- arranging and coordinating fire safety training for the company's employees;
- implementing a single fire safety policy;
- organising the activities of fire-fighting units and ensuring their readiness to extinguish fires and perform emergency rescue operations related to fire-fighting;
- ensuring and coordinating efforts aimed at preventing fires at the company's assets;
- developing and implementing fire safety measures at the assets in line with Russian regulatory legal acts and regulatory documents, based on the analysis of the causes of fires and fire-fighting methods, fire hazard assessment of circulating substances and materials, fire hazard of processes, as well as fire safety characteristics of buildings and structures;
- ensuring scientific and technical support in the fulfilment of fire safety requirements; testing and

- implementing new fire-fighting equipment and technology;
- arranging and conducting expert reviews of design documentation for compliance with fire safety requirements established by Russian regulatory legal acts and regulatory documents.

Fire safety systems are essential for proper fire protection at the company's assets. It is primarily due to the nature of the substances used in the process (combustible gases and liquids) that these systems need to be applied extensively. Fire protection of the company's assets must be ensured at the ToR preparation stage.

The company performs the maintenance (including preventive) of fire safety equipment for buildings and structures. At the company's assets, foreign fire protection equipment is being replaced with Russian-made systems.

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

The company performs a systematic, comprehensive analysis of Russian fire safety regulatory legal acts and regulatory documents and ensures that managers and specialists involved in fire prevention at the company's assets are promptly noti-



fied of any changes in the fire safety provisions.

Preventive measures at the inspected assets include briefings on fire response and discussions of fire safety requirements to be observed while using fire-hazardous equipment and performing fire-hazardous operations.

Fire safety training for the company's personnel has been arranged. At the Sakhalin-2 assets, fire and emergency drills are regularly held.

6.2.6. READINESS FOR EMERGENCY RESPONSE

The top priority areas of the company in protecting the general public and territories against natural and man-made emergency situations are as follows: to improve the protection level of territories, assets, and inventory items of Sakhalin Energy from hazards caused by incidents, emergency situations, fires, and accidents; to mitigate emergency hazards and damage to the life and health of personnel under the Sakhalin-2 project, as well as to the environment; and to maintain manpower and equipment preparedness for incidents and emergency response.

To implement the priorities set for protecting the general public and territories from emergencies, the company has established and upholds coordination bodies, permanent strategic and day-to-day management bodies, resources and means, financial and material reserves, communication systems, and systems for notifying Sakhalin Energy's management bodies.

Non-Professional Emergency Response Teams (NERTs) have been established and are maintained on alert at all the company's production

assets. With their equipment, the NERTs are able to effectively carry out rescue and other emergency response operations at the company's assets.

NERTs at the company's offshore assets have been certified to conduct emergency rescue operations related to fire-fighting, as well as gas rescue operations. NERTs at the company's onshore assets have been certified to conduct gas rescue operations, emergency rescue operations related to fire-fighting, and oil spill response operations in the Russian Federation, excluding sea waters.

To ensure readiness for emergency prevention and response operations, the company entered into contracts with Professional Emergency Response Teams certified to conduct gas rescue operations, emergency rescue operations related to fire-fighting, search and rescue operations, oil spill response operations, and blow-out response operations. Emergency Response Teams include the Centre of Rescue and Environmental Operations, JSC, the Sakhalin Branch of the Marine Rescue Service Federal State Budgetary Institution (FSBI),



~750

trainings, drills, and exercises were held at Sakhalin Energy's assets in 2023

the Marine Rescue Service FSBI, and Gazprom Gazobezopasnost, LLC.

A comprehensive system of civil defence and protection of the general public and territories against emergencies has been implemented to improve the company's personnel training system. In accordance with the drills and exercises schedule, a special tactical exercise dedicated to medical evacuation from the PA-A fixed offshore platform was conducted in July 2023 to practice alerting, interaction, decision-making actions, and evacuation of injured personnel. It was the company's first emergency medical evacuation of injured personnel performed to Nabil port by sea and helicopter from the vessel's winch deck. The tasks set during the special tactical exercise were completed, the goals were achieved, and areas to improve the company's readiness for emergency response were identified.

In total, about 750 trainings, drills, and exercises were held at Sakhalin Energy's assets in 2023 to check the readiness of the control, communication, notification, and information systems for various emergency situations. The ability of asset managers to make prompt and sound management decisions was recognised.

All the company's offshore assets are equipped with the necessary collective and personal survival equipment in adequate quantity to ensure timely evacuation of all the personnel from the assets in case of a threat, accident, or emergency situation.

Throughout 2023, all the company's assets were inspected for their readiness to respond to natural and man-made emergencies. The emergency response readiness of the company's management bodies, manpower, and equipment was assessed as compliant with the regulations.

Over the lifetime of the Sakhalin-2 project, no urgent situation has occurred that could be classified as an emergency according to applicable Russian legislation.



6.3. HUMAN RIGHTS

6.3.1. HUMAN RIGHTS: PRINCIPLES AND MANAGEMENT SYSTEM

World Human Rights Day is celebrated annually on 10 December. On this day 75 years ago, the UN General Assembly adopted and proclaimed the Universal Declaration of Human Rights, which establishes the inalienable rights inherent in every human being, regardless of their race, colour, religion, or any other status.

Russia has always consistently upheld the fundamental principles of human rights and, as President Vladimir Putin has pointed out, "managed to find solutions even when times were challenging for our country." Russia maintains its commitment to human rights and is ready to cooperate with all concerned countries and partners in order to find solutions to build an effective, fair, and equal system for ensuring universal adherence to human rights.

The company's key business principles include running its business in a socially responsible manner, compliance with the laws of the Russian Federation, and respect for fundamental human rights.

As a socially responsible company and the Sakhalin-2 project operator, Sakhalin Energy operates in strict compliance with international and Russian principles of compliance, sup-

port, and promotion of human rights in all business operations.

Our human rights standards are laid out in corporate documents to ensure they are implemented on a day-to-day basis. These include the Code of Conduct, Human Rights Policy, Contracting and Procurement Policy, Grievance Procedure, and many others.

Sakhalin Energy has adopted human rights standards in all areas of activity where there are potential risks of violation of these rights: community and personnel engagement, contracting and procurement activities, and asset security. The company's key focus areas in the field of human rights are equality and non-discrimination, the right to work, information, just and favourable conditions of work, medical care, education, security, favourable environment, participation in cultural life, and access to extrajudicial dispute resolution.

The company seeks to promote human rights practices at the regional and federal levels and has repeatedly been recognised as a leader of corporate social responsibility in this area, having set a standard in building a management system based on respect for and promotion of human

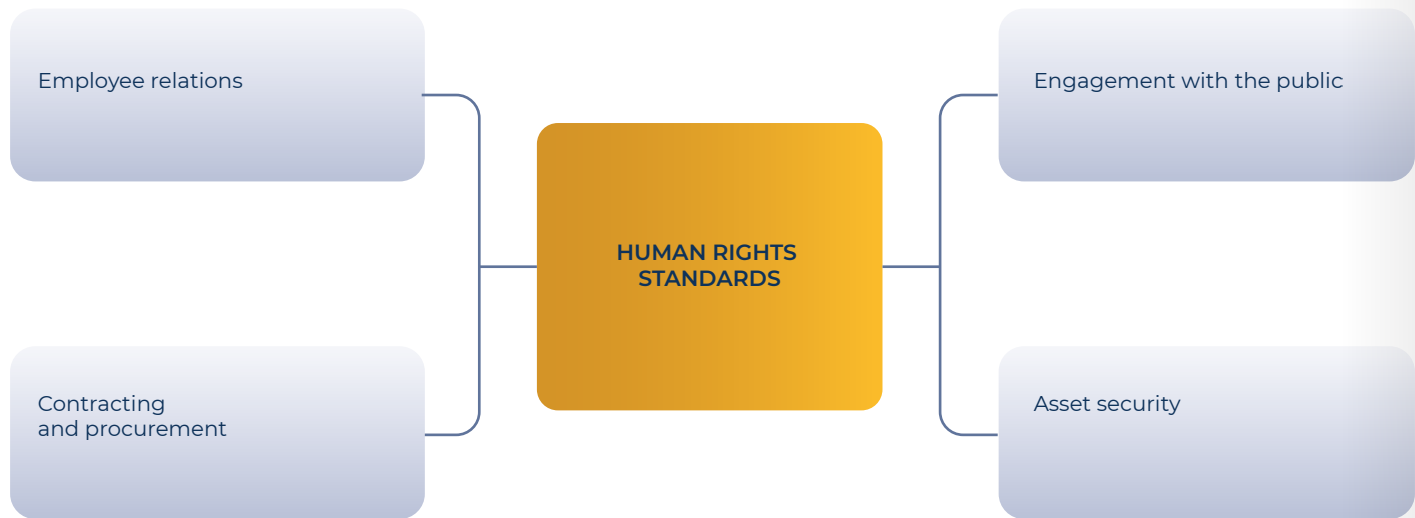


This integrated approach to human rights has several interconnected components:

- commitment to human rights practices;
- incorporation of these practices into the company's policies and procedures;
- human rights risks and impact assessment;
- stakeholder engagement in connection with human rights issues;
- efficient grievance mechanism;
- human rights training arranged for company and contractor personnel;
- human rights monitoring and reporting.



SAKHALIN ENERGY HUMAN RIGHTS ACTIVITIES



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;
- local communities engagement;
- contracting and procurement;
- asset security.

rights practices for many industrial enterprises.

The Human Rights Policy sets forth the company's human rights com-

mitments and discusses managing risks associated with potential or actual violations of human rights resulting from the company's activities.

6.3.2. 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 risks and impacts of a project as large as Sakhalin-2. This is why the company has implemented various mechanisms to effectively address grievances raised in connection with the project. The mechanisms include the following:

- Whistleblowing Procedure to address violations of the Gen-

eral Business Principles, Code of Conduct, or other company procedures (related to conflicts of interest, bribery, corruption, etc.);

- Human Resources Inquiries Procedure concerns labour and employment issues raised by the company's personnel (violation of the labour laws of the Russian Federation and other regulatory legal acts of the Russian Federation containing labour laws, local employer regulations related to



the employee's labour activity, as well as violation 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 this procedure, the company has a separate procedure for addressing grievances related to the Sakhalin Indigenous Minorities Development Plan (see

Section 6.4 Social Investment and Contribution to the Sustainable Development of the Host Region).

The use of the above mechanisms helps to promptly address complaints received by the company, carefully record them, effectively resolve them, and apply remedial actions, thereby reducing the likelihood of their recurrence. This approach contributes to the development of long-term positive relationships between all parties affected by the company's activities.

6.3.3. GRIEVANCE HANDLING IN 2023

In 2023, 59 grievances and requests were received from Sakhalin Energy personnel and external stakeholders via various corporate grievance mechanisms.

As part of the Whistleblowing Procedure, 40 grievances were registered regarding the safety of the company's property, conflicts of interest, and unethical behaviour. All grievances were addressed within the period stipulated by the procedure.

Eight grievances from the company's employees in connection with their employment at Sakhalin Energy and the application of local regulatory acts by the employer were registered as part of the Human Resources Inquiries Procedure. All grievances were addressed within the period stipulated by the procedure.

Eleven grievances were registered under the Community Grievance Procedure. They fell into the category

of labour relations (in contractor and subcontractor organisations), impact on settlements, camp management, quality of medical services, and Code of Conduct compliance. By the end of 2023, eight grievances had been resolved within the time limits established by the Grievance Procedure; three grievances remained unresolved by the end of 2023.



6.4. SOCIAL INVESTMENT AND CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT OF THE HOST REGION

6.4.1. PRINCIPLES AND APPROACHES OF SAKHALIN ENERGY LLC WITH REGARD TO SOCIAL INVESTMENT AND SUSTAINABLE DEVELOPMENT BASED ON ESG FACTORS



In 2023, Sakhalin Energy LLC was awarded the highest category A+ (Leaders) in the Leaders of Corporate Philanthropy–2023 Project rating by the Donors Forum grant sponsor association in partnership with the Commersant Publishing House and B1 Group.

Sakhalin Energy LLC was recognised as the winner of the Leaders of Russian Business: Dynamics, Responsibility, Sustainability–2022 All-Russian Competition in the Contribution to Regional Sustainable Development category.

From the very beginning, the Sakhalin-2 operator has been focused on implementing social programmes in Sakhalin Oblast. The large-scale and consistent social investments and the long-term policy aimed at addressing issues of public importance are compliant with the principles of sustainable development promoted by the company. This area also includes employee involvement in corporate social programmes, developing charity and volunteering in the region, and Sakhalin Energy’s active engagement in tackling issues of vital importance.

The company’s average annual investments amount to 65 mil-

lion roubles. Moreover, the company allocates additional funds to finance special events or projects of social significance (see the Total Investments in External Social Programmes in 2020-2023 table). In 2023, the company invested a total of 76 million roubles in external social programmes.

As per the Sustainable Development Policy, Sakhalin Energy LLC implements programmes and projects which:

- result from consultations with the general public and meet the identified needs of the commu-

TOTAL INVESTMENTS IN EXTERNAL SOCIAL PROGRAMMES IN 2020-2023, mln roubles

YEAR	2020	2021	2022	2023
Social investments	92*	76	76	76

* The increased investment was driven by the need to implement COVID-19 mitigation measures in the host region.



nities impacted by the Sakhalin-2 operator’s activities;

- relate to issues that affect the company’s reputation;
- may not directly relate to the company’s activity but contribute to the economic, environmental, and social development of Sakhalin;
- contribute to the sustainable economic and social development of Sakhalin, as well as to environmental improvement, and demonstrate to stakeholders the company’s commitment to sustainable development.

The company’s social investment programmes and projects provide for targeted measures that contribute to the achievement of the global sustainable development goals, the delivery of Russian national projects, and the application of the Guiding Principles on Business and Human Rights.

The company focuses on implementing strategic long-term partnership projects with the engagement of external stakeholders and the resources of the company and its partners, as well as on using various tools and techniques to implement social programmes, including competitive funding distribution. Governing bodies and expert boards have been established to make decisions under key programmes. These are collegial coordinating and advisory bodies that involve representatives of Sakhalin Energy LLC, government authorities, partners, and members of non-governmental organisations.



Over the years that it has been implementing the Social Investment Programme, Sakhalin Energy LLC has built its own model for managing external social programmes, which is based on the company’s policies and the best international charity practices. Not only does the company adapt and use the best international practices, but it has also become an example of corporate philanthropy.

In 2021, based on internal and external assessments with surveys and situation analyses, the company identified the following social activity priorities: security, education, culture, ecology, and the development of Sakhalin indigenous minorities. For these focus areas, respective strategies, long-term goals and objectives, approaches and implementation mechanisms (programmes and projects), performance indicators, etc. have been developed. The implementation mechanisms of the Social Investment Programme align with the corresponding ESG factors (see Appendix 4. Social Investments Based on Relevant ESG Factors).

The strategies are updated annually to reflect changes in the regional context and the priorities of the company and the region, with a focus on expanding partnerships and the corporate volunteering movement, developing its own innovative models of social investments, and contributing to achieving the national and global sustainable development goals.



The company considers stakeholder engagement at all stages, from planning to performance review, and regular internal and external communication a cornerstone of the Social Investment Programme. A comprehensive and systematic approach is taken to this end. Each target stakeholder group is dealt with using the most appropriate communication channels based on the defined objectives. These channels include public consultations (in the form of public meetings), surveys, dialogues conducted as part of preparing the ESG Report, and consultations with key stakeholders and partners, both during the designing, implementing, and monitoring of social investment strategies, programmes, and projects and during internal and external assessments.



6.4.2. SAFETY IS IMPORTANT PROGRAMME

Safety is one of Sakhalin Energy’s top priorities. Since 2005, the Sakhalin-2 project operator has been implementing the Safety is Important Programme in partnership with the Main Directorate of Emercom of Russia for Sakhalin Oblast and the regional Ministry of Education.

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 Sakhalin State University fire and rescue team, and others.

The programme is developing in several key areas, one of which is the creation and promotion of edu-

cational 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 safety topic. 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 March 2023, the VR-Life Safety pilot project was launched, with the aim of teaching the basics of life safety to middle and high school students using virtual reality equipment. The learning kit includes VR helmets, tablets, and special software, featuring eight scenarios on various life safety topics tailored to Sakhalin conditions in collaboration with experts. Schools



No. 6 and 8 in Yuzhno-Sakhalinsk were the participants at the first project stage. In 2024, the project will be extended to include other Sakhalin Oblast schools (in addition to Yuzhno-Sakhalinsk, Nogliki School No. 2 and Korsakov Secondary School No. 4 have been provided with equipment).

In 2023, together with the Department of the State Road Safety Inspectorate of the RF Ministry of Internal Affairs for Sakhalin Oblast, regular road safety lessons were conducted in Sakhalin schools, reaching over five thousand primary schoolchildren.

In October, the municipal stage of the annual regional Safety Day was held. As always, the event was held in an online format, with more than 500 sixth-formers from 15 regional districts participating. The final regional stage of the competition was attended by 64 finalists. This was the first year that the teachers leading the teams took part in the competition together with the schoolchildren. 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,

Gazprombank, Rodnik Environmental Centre, the Sakhalin Oblast Centre for Public Health and Medical Prevention, and others acted as on-site experts. A total of about 50 experts in various safety areas were engaged in preparing and holding the event.

For three days, sixth-formers and teachers demonstrated their knowledge in 16 competition stages that covered various safety topics. This year, the competition programme introduced stages on industrial safety and financial awareness for the first time. In addition to the highly competitive events, the programme also featured educational lectures and tours.

In November, State Fire Fighting Service staff provided fire safety lessons to elementary and middle school students.

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.

Programme information and materials are available on the website www.senya-spasatel.ru.

6.4.3. VOLUNTEERING DEVELOPMENT

6.4.3.1. HURRY UP FOR GOOD DEEDS: CORPORATE VOLUNTEERING DEVELOPMENT

Corporate volunteering is a component of corporate social responsibility that expands Sakhalin Energy’s charity scope. Favourable charity conditions are created and

volunteer initiatives are supported under its framework. It brings employees together and makes the internal corporate culture stronger.



The Hurry Up For Good Deeds Programme was launched in 2003.

Today, employees have several options:

1. Volunteer in corporate fundraising campaigns in support of social enterprises voted for on the intranet website.

In 2023, Sakhalin Energy LLC implemented four corporate charity campaigns:

- In February – March, the Ski for Good Deeds 2023 campaign took place. The event was conducted in cooperation with several Gazprom Group companies. Funds raised during the campaign were used to purchase equipment for the mini print shop of the SAMI Centre for Employment and Recreation of Young People with Disabilities.
- In September, there was the Big FUEL&Co Expedition: Sea of Dream charity campaign timed to coincide with Oil and Gas Industry Workers Day. As a result, three beneficiaries were supported at the same time: the Mayachok Juvenile Social Rehabilitation Centre, Boomerang Club's Friends of Ocean volunteer group for aiding marine mammals, and the Sailing Department of the Nevelsk Sports School.

- In November—December, two New Year charity events took place. The first was timed to coincide with Vladislav Tretiak's visit and was aimed at supporting the Sakhalin Lionets children's sledge hockey team. The other was the traditional New Year's Miracles campaign. Through this event, company employees fulfilled children's New Year's wishes with gifts. It was launched on Giving Tuesday, 28 November. In 2023, Sakhalin Energy LLC received 130 letters to Father Frost with wishes for a gift from children with disabilities or experiencing hardships from Yuzhno-Sakhalinsk, Korsakov, and Nogliki. Six teams of Father Frosts, Snow Maidens, and their helpers were in charge of wishing the children a happy New Year. In preparation for this, they attended the Father Frost School, where inclusion experts taught them about appropriate ways to interact with people with disabilities and helped with gift wrapping.

All the fund-raising activities were conducted in partnership with the Joy of Life and the Joined Future Sakhalin Charity Funds. The campaign raised over 4.5 million roubles. In accordance with the rules of the Hurry Up For Good Deeds Programme, the company matched this amount, and the combined sum was used to buy equipment and materials for the beneficiaries.



2. Participate in corporate ecological campaigns.

In June and September, large-scale environmental campaigns were held to support the Korsakov City Park of Recreation and Leisure. More than 300 employees took part in landscaping the Energy Garden and cleaning up the entire area of the park. The company also provided the park with educational and informational signs about plants.

3. Initiate and implement charity campaigns with colleagues.

In 2023, employees implemented their own initiatives: they hosted a charity fair for the Dog and Cat animal shelter, and the team of the Prigorodnoye production complex held a spring voluntary clean-up day on the shore of Aniva Bay.

4. Provide pro bono professional assistance, either on their own initiative or by taking part in company campaigns aimed at developing the potential of charity programme participants (non-profit and governmental organisations).

The company's employees acted as experts, speakers, and tutors

at various events, such as the All-Russian OstroVa Youth Forum, the Krusenstern: Around the World Exhibition, International Whale and Dolphin Day during the regatta in Kholmsk, the Ticket to the Future First Career Guidance Festival, and others.

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. Employees may also invite their families to participate, including their children.



In December, the company organised the Giving Tuesday: Time for Good Deeds webinar for all interested employees, which was attended by more than 50 people. A leading regional expert in social design and volunteering talked about volunteering opportunities on New Year's Eve in Russia and Sakhalin.

6.4.3.2. 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 (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 regional landmark and a point of attraction for residents and visitors alike. The project offers Sakhaliners the opportunity to be directly involved in the region's development.

Every August and September, university and high school students join the project to form volunteer teams.

6.4.4. ENERGY SOCIAL INITIATIVES FUND

The Energy Social Initiatives Fund is one of the first competition grant programmes on Sakhalin, demonstrating 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 effective projects, as 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 to certain target groups and boost the confidence of active citizens and organisations in their ability to make a difference. The competition held in the framework of the programme is one of Sakhalin Energy's activities contributing to the achievement of the Sustainable Development Goals and the key indicators of Russia's national projects.

Before the start of the winter season, all volunteers receive an initial safety orientation and training in the rules of conduct at Gorny Vozdukh STC. Throughout the year, the volunteers can also attend training in personal development, the English language, safe and effective event management, and other topics.

Once each season is open, the volunteers start to take an active part in all major sporting events hosted by the facility and support its daily operations. In 2023, the partici-

When selecting projects for the competition, the company has been guided by the principles of openness and transparency. The Expert Council, consisting of representatives of Sakhalin Energy LLC, NGOs, and government authorities, evaluates proposals and selects the winning projects.

During the competition, each potential applicant can receive individual consultations on the conditions for participation and find various guidelines on the programme's website regarding project development and preparing grant applications, including brochures from the Entertaining Project Management series. Grantees regularly have kick-off workshops and training on social design.

Financing is provided for projects in several focal areas, including education, culture and the arts, the environment, and safety.

pants volunteered at the All-Russian alpine skiing championships, the Alpine Skiing Russian Cup stage, as well as other events attended by more than 200,000 residents and visitors to the region.

More than 400 volunteers received relevant instruction and training between 2017 and 2023. They participated in more than 550 events, provided information support to the guests of Gorny Vozdukh STC, helped to ensure safety, and created a hospitable atmosphere within the ski resort.

At the end of 2023, a call for applications for the competition dedicated to the 30th anniversary of the Sakhalin-2 project was launched. The competition will consist of multiple stages. A social design workshop will be arranged for the winners of the first stage. Based on its outcomes, projects will be selected for funding. The implementation of the best projects will start in 2024.



6.4.5. SAKHALIN INDIGENOUS MINORITIES DEVELOPMENT PLAN

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 LLC, the Regional Council of Sakhalin IP (SIM) Authorised Representatives, and the Sakhalin Oblast Government since 2006. It is divided into five-year periods.

Every year, the Plan provides for consultations in all areas of traditional SIM residence in Sakhalin Oblast. In 2023, public meetings were organised in 11 settlements, with 150 people attending. The main objectives of the consultations were to inform the population about the structure of the programme's management, the changes to and time frames of the grant and educational competitions in 2023, and the Grievance Procedure, as well as discuss other issues related to the implementation of the Plan.

In February, experts from the Garant Centre for Social Technologies provided educational seminars on social design to the population.

The Plan's competition programmes (grant and educational) are coordinated by the Sustainable Development Fund Council, comprising solely SIM representatives elected at district meetings. The Council also makes decisions about fund allocations. The Council is supported in assessing the grant applications by the Expert Board, consist-

ing of independent representatives of indigenous minorities of North Siberia and the Russian Far East; educational, cultural, sports, and healthcare organisations; public associations; and others.

In 2023, 29 projects received support under the grant competition in all the Plan's areas: traditional knowledge, ethnic culture and languages, environmental protection and biodiversity conservation, traditional economic activities, SIM capacity building, education, traditional sports,

ethno-tourism, and citizens' health protection.

In the 2022–2023 school year, financial support was provided to 54 students of higher and secondary vocational education institutions under the educational competition.





The Sakhalin Indigenous Minorities Development Plan represents the world's first experience in implementing the principle of free, prior, and informed consent, as set forth in the UN Declaration on the Rights of Indigenous Peoples.

In August 2023, the NUNE Sakhalin Indigenous Minorities Creative Youth Forum was held for the first time. Organised by the Sakhalin Regional Folk Arts and Crafts Centre with support from the regional Ministry of Culture and Sakhalin Energy LLC, the event drew over 50 participants from Sakhalin, Moscow, Yakutia, and Primorye. The forum featured various sections focusing on different disciplines. The aim of the Community section was to help the participants drive positive changes in both large and small areas by forming youth communities. Trainees and experts discussed approaches to promoting youth development and cooperation. The Art and Creativity section concentrated on nurturing the creative potential of young people to promote and preserve the culture of the Indigenous Minorities of the North and included workshops on Northern choreography, ornamental arts (bone carving, beadwork, making souvenirs from natural materials, Udege ornamental embroidery), and acting skills. Experts in the Prospects section engaged with participants to explore the opportunities and resources available to support their initiatives and projects.

The NUNE Forum emerged as a platform for innovative ideas and projects that could advance, preserve, and promote the culture of indigenous minorities.



6.4.6. PROJECTS FOR PRESERVATION OF INDIGENOUS CULTURE AND LANGUAGES

The First Forum of Women of the North

In 2023, Sakhalin Energy LLC acted as the general partner of the First Forum of Women of the North, a communication platform aimed at empowering women from northern regions in sustainable development, preserving and promoting traditional lifestyles and cultural and linguistic heritage, as well as strengthening the values of the Russian people.

The forum held in the Taurida Palace was attended by 40 women representing indigenous peoples from 28 regions of the North, Siberia, and the

Far East of Russia, along with experts, government officials, businesses, non-profit organisations, the scientific community, and others.

The main programme of the forum included plenary sessions, strategic, expert, and topical sessions, discussion platforms, and dialogues between the governmental, private, and business sectors.

The additional programme of the forum included activities of the Consultation Centre for Social Assistance. It provided individual consultations on support for households with children and people with disabilities, social contracts, em-



- Preservation of native languages and the national culture of the Sakhalin indigenous minorities is one of the key subjects in the company's interaction with SIM. The Sakhalin-2 project operator invariably follows the Preserving–Developing–Promoting concept and, together with its partners, continues its efforts to preserve and promote the intangible cultural and linguistic SIM heritage of Sakhalin Oblast.
- The UN General Assembly has declared the period of 2022–2032 as the International Decade of Indigenous Languages.





● ● ●
In 2023, a project dedicated to the start of the International Decade of Indigenous Languages won first place in the Charity Projects category of the ConTEXT competition.

Sakhalin Energy LLC joined the National Organising Committee for the International Decade of Indigenous Languages in the Russian Federation and the organising committee in charge of hosting events in Sakhalin Oblast dedicated to the Decade.

ployment assistance, pension provision, submitting applications for benefits, etc. The forum also hosted medical rooms, the Wellness of the North festival, the Substantive Meeting with Forum Participants media lounge, and other events. An extensive exhibition and cultural and educational programme was prepared for all forum participants.

International Decade of Indigenous Languages

In 2023, the company partnered and combined its efforts with the island region's authorities, cultural and educational establishments, non-profit organisations, SIM representatives, and other stakeholders to implement a series of initiatives aimed at preserving and promoting indigenous languages and culture:

- publication of the Nivkh Dif (Nivkh Word), the only newspaper in the Nivkh language (published twice a month in full-colour print and distributed among SIM peoples and other stakeholders);
- participation of the Sakhalin delegation in the 18th Treasures of the North. Craftsmen and Artists of Russia – 2023 International Exhibition & Fair (participation in festivals, contests, presentation of a stand exposition, master classes on making souvenirs from fish skin, beads, and fur, playing national musical instruments, ethnic food tasting, works of art, and virtual museum using VR technology). Sakhalin Oblast won first place in the Best Regional Display category;

- creation of the Sighted Guide Sky immersive performance inspired by fairy tales of the world, which premiered on National Unity Day;
- support of publishing the book Hare's Hut in the Russian, Nivkh, and Orok languages.

Sakhalin Oblast Traditional Sports Championship among SIM Children

The championship was held in Nogliki. A total of 79 young athletes aged 10 to 17 took part in the sports programme; among them were representatives from the Okha, Alexandrovsk-Sakhalinsky, Nogliki, Tymovsk, Smirnykh, and Poronaysk Districts and from Yuzhno-Sakhalinsk. The children demonstrated mastery of the skills of their ancestors in weight, harpoon, and axe throwing, archery, triple jump, national wrestling, throwing tynzyan on a khorey, running with sticks and weights, jumping over sledges, and tug-of-war.

The Sakhalin Oblast Traditional Sports Championship among Children of Sakhalin Indigenous Minorities is financed by the regional government and Sakhalin Energy LLC, a general partner of the competition.



6.4.7. CULTURAL INITIATIVES: SAKHALIN ENERGY LABORATORY

Since 2021, the Sakhalin-2 operator has been implementing the Sakhalin Energy Laboratory art project in collaboration with regional cultural actors. This cultural phenomenon, 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 practice of creative interaction between the company and artists is aimed at reenvisioning the role of the Sakhalin-2 project operator as a source of relevant creative initiatives for both employees of the company and residents of the region.

In February 2023, the second Force of Energies exhibition project took place at the Sakhalin Regional Art Museum. This event showcased the results of an industrial plein air held at the Prigorodnoye production complex in August 2022. The artworks were all presented in an industrial-style setting. The LNG plant flare, the largest displayed installation, was the highlight of the exhibition.

The exhibition included master classes in different forms of visual art, tours for various audiences (including vulnerable groups of the population), and meet-the-artist sessions with artists and curators. The project brought together professionals, amateurs, and fans of modern art and, for the first time in many years, engaged with the industrial history of the region.

In April, the outcomes of Sakhalin Energy Laboratory's two-year labour were presented at the final stage of the Industrial Tourism Development

Accelerator programme in Moscow (see Section 6.4.8.3 Career Guidance as Part of Industrial Tourism Development). Then the exhibition was demonstrated during the presentation of Sakhalin Energy's 2022 Sustainable Development Report at the State Historical Museum and at the In CONTEXT of Culture art festival within the framework of the Russia International Exhibition & Fair, hosted by the Exhibition of Economic Achievements.

The project was awarded in the Leaders of Corporate Philanthropy 2023 National Contest in the Best Programme for Supporting Culture, Art, and Creative Industries category. According to experts, including the category partner, the President Fund of Cultural Initiatives, the project is unique not only in the Far East, but in Russia as a whole, as it promotes creative perception of the regional industrial heritage by Sakhalin residents and visitors.

● ● ●
The Sakhalin Energy Laboratory project not only inspired art community development but also led to new exhibition spaces, art events, and small businesses in the region. The Sakhalin Oblast Government, large regional business representatives, and sole proprietors were actively involved. Many Sakhalin artists were registered as self-employed. Their works are now in demand: they can be seen and bought not only in museums and exhibition halls but also in the new Yuzhno-Sakhalinsk airport terminal, shopping centres, and hotels across the region.





6.4.8. EDUCATIONAL PROJECTS

6.4.8.1. ENVIRONMENTAL LESSON

On 23 July 2023, in celebration of World Whale and Dolphin Day, the In Whale's Skin project was launched on the portal [заповедныйурок.рф](#). The project was developed by experts from the Zapovedniki Environmental Centre and the Protected Areas Embassy Foundation (Zapovednoye Posolstvo) with financial and expert support from Sakhalin Energy LLC.

The In Whale's Skin lesson marks a new milestone for the Protected Areas Embassy, featuring contributions from leading Russian experts,

including company specialists, in the field of marine mammals. The lesson provides an immersive exploration of whale life, focusing on the gray whale and other cetaceans of Sakhalin Oblast. It offers a comprehensive set of materials for organising educational events, including step-by-step guidelines, an attractive presentation, audio and video recordings, and a student workbook.

The project is freely accessible on the Protected Areas Embassy website, allowing anyone to download the

materials and test their knowledge of whale life.

The inaugural lesson was delivered on 23 July to young regatta participants from Nevelsk, Kholmsk, and Vanino, organised by the Sakhalin Summer Sports Olympic Reserve School named after E. M. Komnatsky, a distinguished coach of the RSFSR. Over the course of five months, more than a thousand students from over 50 schools in Russia have benefited from this educational initiative.

6.4.8.2. EARLY CAREER GUIDANCE PROJECT

In 2023, Sakhalin Energy LLC launched a project focused on providing early career guidance for schoolchildren.

The project kicked off with an interactive quest called The Adventures of Octaman: Destroyle's Trap, which engaged over a thousand schoolchildren from Yuzhno-Sakhalinsk. The plot was based on a book of the same name written by company employees about careers in the oil

and gas industry and the skills necessary for them.

Through the example of the Sakhalin-2 project, students in the third to fifth grades were introduced to the oil and gas sector and demonstrated that working in this field is both prestigious and fascinating.

The career guidance programme for schoolchildren was included in the Force of Energies exhibition

(see Section 6.4.7 Cultural Initiatives: Sakhalin Energy Laboratory).

Kits containing the book and a tabletop game were distributed to all educational institutions in Sakhalin Oblast.

In 2024, a career guidance lesson inspired by the book titled The Adventures of Octaman: Energy Conquerors will be developed and made available on online platforms.

6.4.8.3. CAREER GUIDANCE AS PART OF INDUSTRIAL TOURISM DEVELOPMENT

Industrial tourism has emerged as a key component of the new industrial philosophy in Russia, reflecting the current policy of transparency and honest dialogue between industrial enterprises and their consumers, partners, and future employees.

The Industrial Tourism Development Accelerator aims to create and implement a model for developing industrial tourism in Russian regions. It is expected to be a mechanism for improving the image of Russian regional enterprises, building con-

sumer loyalty to Russian brands, supporting youth career guidance, and attracting tourists through new products.

At the federal level, more than 40 entities of the Russian Federation are

taking part in the project. Sakhalin Energy LLC joined the programme in January 2023 and developed the Energy Conquerors career guidance programme, which was highly rated by federal experts.

A pivotal step in the success of the industrial tourism project at Sakhalin Energy LLC was a career guidance visit from Yuzhno-Sakhalinsk to the Prigorodnoye production complex. During the visit, participants learn about the landmarks of Yuzhno-Sakhalinsk and Korsakov, the history of the oil and gas industry in Sakhalin, and the company's contribution to regional sustainable development. At the Prigorodnoye production complex, visitors gain insight into the history and status of the Sakhalin-2 project and the operations of the LNG plant and oil export terminal. Representatives from the Production and HR Directorates, Corporate Affairs Division, HSE Department, and other company units accompany visitors, tailoring the experience to their interests.

In 2023, about 100 individuals visited the Prigorodnoye production complex, including students from sector-specific universities, contractors, and buyers.



The outcomes of the Transparent Industry Accelerator for industrial tourism development were summarised in Moscow on 20–21 April. Sakhalin Oblast was selected as one of 15 regions to showcase the Accelerator's performance.

Sakhalin Energy LLC played a central role in the regional government's presentation, The Work Day Starts Here!, which was dedicated to Sakhalin Oblast, participating companies, prospects, and specific proposals for developing industrial tourism in the Far Eastern Federal District and throughout Russia.

Based on the presentation of the industrial tourism development strategy for the region, Sakhalin Oblast won the PROM-honour award for the best strategy in creating career guidance programmes and routes. Sakhalin Energy LLC received the highest score in the PROMmedia category for supporting the tour through media.



SAKHALIN ENERGY PLANS FOR 2024. DEVELOPMENT STRATEGY

The Sakhalin-2 project celebrates its 30th anniversary in 2024. Sakhalin Energy, as the operator of this megaproject, holds the reputation of an industry leader not only due to its high production achievements, reliability, and safety performance, but also due to its status as a centre of the best industry competences

Our people, while supporting our core values and delivering our targets, drive the company strategy to achieve our mission and vision.

The goal of the company's strategy is to ensure Sakhalin Energy's sustainable development as a key participant in the international energy market, which includes:

- developing the mineral resource base and its monetisation;
- developing our own and engaging external sources of hydrocarbons;
- aggregating flows of third-party raw hydrocarbons for sale using our own infrastructure and established reputation in the region;
- ensuring security of LNG supply to the Far Eastern Federal District of the Russian Federation as part of the company's obligations to meet the growing consumer demand for gas.

The company has adopted and included the following main objectives in the plans as part of the HSE strategy:

- work as one team with customers, suppliers, contractors, and subcontractors;
- develop leaders at all levels who are ready to make effective decisions and build a corporate culture where all employees take on the company's obligations to ensure safety;

- encourage proactivity regarding HSE, personal intervention, and an honest and responsible work attitude;
- be intolerant of violations of the laws of the Russian Federation and the company's local regulations;
- inspire and support safe operation, and develop a health and well-being culture among employees and their families for their healthy and productive life;
- train and develop personnel in HSE in accordance with Russian legislation, the company's requirements, and best industry practices;

- systematically manage occupational risks that may lead to injury to employees and to occupational diseases;
- apply a systemic approach to environmental management and focus on minimising the impact of our activities on the environment;
- fully comply with the transport legislation of the Russian Federation;
- strive to improve road safety to preserve people's lives and health and to ensure the safety of the company's property;

In 2024, key performance indicators in this area (progress towards SDGs

3, 6, 8, 12, 14, and 15) include the implementation of industrial environmental control, environmental monitoring, and biodiversity conservation programmes, achievement of the planned injury frequency (no more than 0.5 incidents per million man-hours), and the total recordable occupational illness frequency (no more than 1 case per million man-hours). The company is committed to maintaining specific energy consumption and greenhouse gas emission indicators at or below the industry average level in 2024 and in subsequent years (progress towards SDGs 7, 13, and other related objectives).

In 2024 and subsequent years, the main production activities will be related to:

- extending the stable production life of active fields and development of the mineral resource base;
- ensuring production process stability;
- increasing the local content of equipment maintenance capabilities;
- establishing a Joint Competence, Modelling, and Data Management Centre;
- scaling up the introduction of unique innovative technologies on the offshore projects (the maximum water depth at the locations of the company's three offshore platforms is ~49 m);
- introducing alternative technologies and equipment for well

drilling, completion, workover, and monitoring;

- developing and retaining a portfolio of unique competencies for the development of offshore fields.

One of the priority areas for Sakhalin Energy's development in 2024 and in subsequent years remains the implementation of the digital strategy (digital transformation), which includes:

- providing the necessary expertise and resources for the future Digital Technologies Centre through the digital transformation, information technology, and information security units;
- using the centralised management and coordination model to

implement the Digital Platform Sustainability and Information Security Programme and the Digital Transformation Programme;

- developing digital culture and increasing the knowledge and skills of employees regarding digitalisation and new technologies.

To ensure the effective shipping and sale of hydrocarbons while retaining the confidence of buyers and market reputation, the company's strategy includes the following objectives:

- maintain a strong reputation as a reliable supplier of hydrocarbons in the Asia-Pacific region;
- conduct marketing for all produced hydrocarbons and ensure the uninterrupted supply of LNG and Sakhalin Blend crude oil to

existing buyers in accordance with contractual obligations;

- ensure a more sustainable competitive advantage through expansion of the portfolio of buyers, including in markets that are new to the company;

■ maximise the company's revenues through the sale of Sakhalin Blend LNG and crude oil at the best prices;

- ensure transition to a new marketing framework through multi-level flexibility, establishment of a trading infrastructure, and scientific and technical collaboration with customers;

■ provide customers with safe, reliable, and cost-efficient hydrocarbon transportation services





that comply with international, national, and local shipping and environmental requirements;

- implement forward-looking marketing of carbon-neutral LNG and position Sakhalin Energy as a modern, socially responsible, and environmentally conscious world-class supplier.

Sakhalin Energy will continue to focus on ethics and compliance with legal standards and requirements in terms of business integrity. In this area, the company pursues the following strategic objectives:

- develop the control and audit function;
- improve continuous monitoring approaches through the introduc-

tion of digital tools and deviation indicators in the organisation of control and audit activities;

- develop and improve the corporate culture and exercise closer supervision over business ethics and compliance;
- ensure maximum transparency and efficiency of business processes while striking a balance between the control systems and the freedom of action for participants of the business processes.

The goal of the company's HR strategy in 2024 and in subsequent years is to bolster the reputation of Sakhalin Energy as one of the most attractive employers through increasing organisational efficiency, continuous improvement of the human resource po-

tential, and ensuring personnel stability. As part of the strategy implementation, Sakhalin Energy will continue to:

- meet the company's manpower needs for key roles, with a focus on the internal talent pool and effective succession mechanisms, as well as the resources of members of the company;
- recruit highly qualified specialists and talented young professionals and create opportunities for maximising their potential;
- create priority opportunities for developing the potential of local personnel, including through cooperation with the higher and secondary vocational education institutions in Sakhalin Oblast to improve the quality of industry-specific/discipline-specific education;
- introduce an efficient and flexible organisational structure in all areas of the company's activities in compliance with the laws of the Russian Federation and the company's strategic objectives in the current environment;
- actively invest in the professional training and development of personnel capable of taking on technical authority and managerial roles;
- deliver an attractive, competitive, and flexible employee value proposition;
- introduce digital HR technologies and ensure the efficiency of HR

processes under the conditions of continuous improvement.

In 2024 and subsequent years, key performance indicators in this area (progress towards SDGs 4 and 8) include the manning of key positions (filling at least 90% of key positions), filling existing vacancies with internal candidates (within a succession planning scope of at least 65%), and personnel engagement (at least 75%).

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;
- maintain the company's good reputation with its employees, including its image as a reliable and attractive employer;
- maintain effective communication across company functions in the context of the new challenges;
- use advanced digital technologies and solutions to support the company's strong reputation;
- ensure the company complies with established Russian and international standards governing corporate social responsibility, sustainable development, and ESG.

In 2024, key performance indicators in this area (progress towards SDGs 8 and 16) include holding public consultations 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 2024 and in subsequent years, Sakhalin Energy will continue to give priority to partnerships with external stakeholders and to long-term strategic social programmes aimed at regional priorities and national and global goals. The company's objectives in social investments include:

- identifying and supporting new partnership initiatives and developing existing partnerships;
- maintaining a dialogue with stakeholders aimed at creating a sustainable social basis for the company's initiatives;
- improving the effectiveness of social programmes, primarily by involving key stakeholders in their development, implementation, and assessment.

In 2024, key performance indicators in this area (progress towards SDGs 3, 4, 9, 11, 16, 17, and others) include implementing and updating comprehensive social investment strategies and engaging employees in various charitable and volunteer activities, initiatives, and projects (at least 30% of employees).

Sakhalin Energy continues to transform the corporate governance sys-

tem based on ESG principles and criteria to ensure business resilience and effective management of operational and strategic risks, including the following key objectives:

- develop an ESG management system and model, and integrate them into the Corporate Management System to ensure a comprehensive and systemic approach to sustainable development and ESG in the company;
- use ESG principles and criteria to achieve the company's strategic goals and efficiently manage corporate risks;
- develop a uniform understanding of the ESG agenda among employees and key stakeholders with a focus on the leading role of the company's management in the transformation of the Corporate Management System with the support of the expert community and best practices;
- apply digital technologies and solutions for system-wide ESG management and process optimisation.

APPENDIX

APPENDIX 1.

GRI STANDARDS COMPLIANCE TABLE

For explanation of the material topics and their boundaries, see Section 1.3. Defining Material Topics.

GENERAL DISCLOSURES

GRI INDEX	GRI DISCLOSURE	REPORT SECTION AND/OR COMMENTS OR REFERENCES TO OTHER SOURCES	PAGE IN THE REPORT	UN SUSTAINABLE DEVELOPMENT GOALS
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GRI 2: GENERAL DISCLOSURES (2021)

2-1	Organisational details	About Sakhalin Energy LLC	46–61	
2-2	Entities included in the organisation's sustainability reporting	General Information (About the Report)	12–13	
2-3	Reporting period, frequency and contact point	Report for 2023 Annual report Sakhalin Energy—Contact Us		
2-4	Restatements of information	Annual report	12	
2-5	External assurance	General Information (About the Report)	13–14	
2-6	Activities, value chain and other business relationships	Supply Chain Management	92–93	
2-7	Employees	General Information	146–150	8 10
2-9	Governance structure and composition	General Information	147–148	5
2-10	Nomination and selection of the highest governance body	Corporate Governance Model	66–67	16
2-11	Chair of the highest governance body	Corporate Governance Model	66–67	16
2-12	Role of the highest governance body in overseeing the management of impacts	Corporate Governance System and Structure Corporate Governance Model Risk Management System	64–69	16
2-13	Delegation of responsibility for managing impacts	Corporate Governance System and Structure Corporate Governance Model Risk Management System	64–69	
2-14	Role of the highest governance body in sustainability reporting	General Information	13–14	

GRI INDEX	GRI DISCLOSURE	REPORT SECTION AND/OR COMMENTS OR REFERENCES TO OTHER SOURCES	PAGE IN THE REPORT	UN SUSTAINABLE DEVELOPMENT GOALS
2-15	Conflicts of interest	Corporate Culture, Business Ethics, and Compliance	75–77	16
2-16	Communication of critical concerns	Defining Material Topics Risk Management System	18–25 70–74	
2-17	Collective knowledge of the highest governance body	Corporate Governance System and Structure Corporate Governance Model	64–67	
2-18	Evaluation of the performance of the highest governance body	Individual Performance Review (including management)	156–157	
2-19	Remuneration policies	Remuneration and Bonus System	153–154	
2-20	Process to determine remuneration	Remuneration and Bonus System	153–154	
2-22	Statement on sustainable development strategy	Corporate Social Responsibility and Sustainable Development Management System, and Integration of ESG Factors Sustainable Development Policy and Contribution to National and Global Sustainable Development Goals	28–34	16
2-23	Policy commitments	Sustainable Development Policy and Contribution to National and Global Sustainable Development Goals	33–41	16
2-24	Embedding policy commitments	Sustainable Development Policy and Contribution to National and Global Sustainable Development Goals	33–41	
2-25	Processes to remediate negative impacts	Impact Assessment Risk Management System	42 68–74	
2-26	Mechanisms for seeking advice and raising concerns	Corporate Governance System and Structure Corporate Culture, Business Ethics, and Compliance Grievance Mechanisms	66 77 194	16
2-27	Compliance with laws and regulations	Corporate Social Responsibility and Sustainable Development Management System, and Integration of ESG Factors Corporate Culture, Business Ethics, and Compliance Production Sharing under the Sakhalin-2 PSA and Tax Revenues of Sakhalin Oblast Environmental Management System Personnel: Management and Development Occupational Health and Safety Human Rights	33 74 79 108 118 144 176–192 193	16

GRI INDEX	GRI DISCLOSURE	REPORT SECTION AND/OR COMMENTS OR REFERENCES TO OTHER SOURCES	PAGE IN THE REPORT	UN SUSTAINABLE DEVELOPMENT GOALS
2-28	Membership associations	Engagement with Non-Governmental and Non-Profit Organisations	88	
		International and Regional Cooperation	90	
2-29	Approach to stakeholder engagement	Defining Material Topics	18	
		Strategy, Principles, Mechanisms, and Engagement Tools	80	

MATERIAL TOPICS

GRI INDEX	GRI DISCLOSURE	REPORT SECTION AND/OR COMMENTS OR REFERENCES TO OTHER SOURCES	PAGE IN THE REPORT	UN SUSTAINABLE DEVELOPMENT GOALS
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GRI 3: MATERIAL TOPICS (2021)

3-1	Process to determine material topics	Defining Material Topics	18	12
				16
3-2	List of material topics	Defining Material Topics	18–20	12
				16

ECONOMIC PERFORMANCE

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Defining Material Topics	22–25	
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GRI 201: ECONOMIC PERFORMANCE (2016)

201-1	Direct economic value generated and distributed	Importance of the Sakhalin-2 project for Sakhalin Oblast and the Russian Federation as a Whole	48	8
		Production Sharing under the Sakhalin-2 PSA and Tax Revenues of Sakhalin Oblast	80	
			94–95	
		Russian content: Strategy and Outcomes	154	
		Remuneration and Bonus System		9
201-3	Defined benefit plan obligations and other retirement plans	Social Benefits and Compensations	154–156	

GRI INDEX	GRI DISCLOSURE	REPORT SECTION AND/OR COMMENTS OR REFERENCES TO OTHER SOURCES	PAGE IN THE REPORT	UN SUSTAINABLE DEVELOPMENT GOALS
201-4	Financial assistance received from government	The company received no financial assistance from the government in 2023		

MARKET PRESENCE

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Remuneration and Bonus System	153	
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GRI 202: MARKET PRESENCE (2016)

202-1	Ratios of standard entry level	Remuneration and Bonus System	154	1
				5
				8
202-2	Proportion of senior management hired from the local community	General Information	147–148	8
		Recruiting, Hiring, and Onboarding New Employee	151	

INDIRECT ECONOMIC IMPACTS

GRI 3: MATERIAL TOPICS (2021)

3-3	Infrastructure investments and services supported	Importance of the Sakhalin-2 project for Sakhalin Oblast and the Russian Federation as a Whole	48	
		Natural Gas	60–61	
		Social Investment and Contribution to the Sustainable Development of the Host Region	196	

GRI 203: INDIRECT ECONOMIC IMPACTS (2016)

203-1	Infrastructure investments and services supported	Importance of the Sakhalin-2 project for Sakhalin Oblast and the Russian Federation as a Whole	48	1
			60–61	5
		Natural Gas		9
		Social Investment and Contribution to the Sustainable Development of the Host Region	196	11
203-2	Significant indirect economic impacts	Importance of the Sakhalin-2 project for Sakhalin Oblast and the Russian Federation as a Whole	48	1
			60–61	5
		Natural Gas	196	9
				11

GRI INDEX	GRI DISCLOSURE	REPORT SECTION AND/OR COMMENTS OR REFERENCES TO OTHER SOURCES	PAGE IN THE REPORT	UN SUSTAINABLE DEVELOPMENT GOALS
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PROCUREMENT PRACTICES

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Supply Chain Management Policy Russian content: Strategy and Outcomes	92–95	
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GRI 204: PROCUREMENT PRACTICES (2016)

204-1	Proportion of spending on local suppliers	Russian content: Strategy and Outcomes	95–96	8
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ANTI-CORRUPTION

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Anti-Bribery and Corruption	77–79	
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GRI 205: ANTI-CORRUPTION (2016)

205-2	Communication and training about anti-corruption policies and procedures	Anti-Bribery and Corruption	78	16
205-3	Confirmed incidents of corruption and actions taken	No cases of corruption were registered in 2023		16

ENERGY

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	General Information Energy Production and Consumption		
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GRI 302: ENERGY (2016)

302-1	Energy consumption within the organisation	Energy Production and Consumption	109 119–120	7 8 12 13
302-3	Energy intensity	Energy Production and Consumption	120	7 8 12 13

GRI INDEX	GRI DISCLOSURE	REPORT SECTION AND/OR COMMENTS OR REFERENCES TO OTHER SOURCES	PAGE IN THE REPORT	UN SUSTAINABLE DEVELOPMENT GOALS
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WATER AND EFFLUENTS

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Impact on Water Bodies Environmental Protection Costs and Payments for Negative Impact	111–112 116	
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GRI 303: WATER AND EFFLUENTS (2018)

303-2	Management of water discharge-related impacts	General Information Impact on Water Bodies	109 111–112	6
303-3	Water withdrawal	Impact on Water Bodies	111–112	6
303-4	Water discharge	Impact on Water Bodies	111–112	6
303-5	Water consumption	Impact on Water Bodies	111–112	6

BIODIVERSITY

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Environmental Monitoring and Biodiversity Conservation Environmental Protection Costs and Payments for Negative Impact	123–135 116	
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GRI 304: BIODIVERSITY (2016)

304-1	Operational sites on, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environmental Monitoring and Biodiversity Conservation	123–135	6 14 15
304-2	Significant impacts of activities, products and services on biodiversity	Environmental Monitoring and Biodiversity Conservation There are no significant impacts of activities, products or services on biodiversity	123–135	6 14 15
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Environmental Monitoring and Biodiversity Conservation	126–135	6 14 15

GRI INDEX	GRI DISCLOSURE	REPORT SECTION AND/OR COMMENTS OR REFERENCES TO OTHER SOURCES	PAGE IN THE REPORT	UN SUSTAINABLE DEVELOPMENT GOALS
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EMISSIONS

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Impact on Atmospheric Air	109–110	
		Environmental Protection Costs and Payments for Negative Impact	116	
		Greenhouse Gas and Ozone-Depleting Substance Emissions	118–119	
			121–122	

GRI 305: EMISSIONS (2016)

305-1	Direct (Scope 1) GHG emissions	Greenhouse Gas and Ozone-Depleting Substance Emissions	121	3
				12
				13
				14
				15
305-2	Energy indirect (Scope 2) GHG emissions	Greenhouse Gas and Ozone-Depleting Substance Emissions	121	3
				12
				13
				14
				15
305-6	Emissions of ozone-depleting substances (ODS)	Greenhouse Gas and Ozone-Depleting Substance Emissions	121	3 12
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Impact on Atmospheric Air	109–110	3
				12
				14 15

GRI INDEX	GRI DISCLOSURE	REPORT SECTION AND/OR COMMENTS OR REFERENCES TO OTHER SOURCES	PAGE IN THE REPORT	UN SUSTAINABLE DEVELOPMENT GOALS
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WASTE

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Impact on Water Bodies	111	
		Waste Management	113–114	
		Oil Spill Prevention and Response Readiness	135–137	
		Environmental Protection Costs and Payments for Negative Impact	116	

GRI 306: WASTE (2020)

306-3	Waste generated	Waste Management	113–114	3
				6
				11
				12
306-4	Waste diverted from disposal	Waste Management	113–114	3
				11
				12
306-5	Waste directed to disposal	Waste Management	113–114	3
				6
				11
				12
				15

SUPPLIER ENVIRONMENTAL ASSESSMENT

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Corporate Social Responsibility and Sustainable Development Management System, and Integration of ESG Factors	28–29	
			43	
		Inspection and Audit	92–93	
		Supply Chain Management	108–109	
		Environmental Management System		

GRI 308 SUPPLIER ENVIRONMENTAL ASSESSMENT (2016)

308-1	New suppliers that were screened using environmental criteria	100%		
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GRI INDEX	GRI DISCLOSURE	REPORT SECTION AND/OR COMMENTS OR REFERENCES TO OTHER SOURCES	PAGE IN THE REPORT	UN SUSTAINABLE DEVELOPMENT GOALS
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EMPLOYMENT

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Approaches to HR Management and HR Policy	144–146	
		Grievance Mechanisms	194–195	

GRI 401: EMPLOYMENT (2016)

401-1	New employee hires and employee turnover by age group, gender, and region	General Information	148	5
		Recruiting, Hiring, and Onboarding New Employees	151	8
				10
401-3	Return to work and retention rates after parental leave, by gender	General Information	147	5
				8

LABOR/MANAGEMENT RELATIONS

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Engagement with Personnel	82–85	
		Approaches to HR Management and HR Policy	144–146	
		Grievance Mechanisms	194–195	

GRI 402: LABOR/MANAGEMENT RELATIONS (2016)

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
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GRI INDEX	GRI DISCLOSURE	REPORT SECTION AND/OR COMMENTS OR REFERENCES TO OTHER SOURCES	PAGE IN THE REPORT	UN SUSTAINABLE DEVELOPMENT GOALS
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OCCUPATIONAL HEALTH AND SAFETY

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Occupational Health and Safety	176–192	
		Grievance Mechanisms	194–195	

GRI 403: OCCUPATIONAL HEALTH AND SAFETY (2018)

403-1	Occupational health and safety management system	Occupational Health and Safety	176–192	3
				8
403-2	Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety	176–192	8
403-3	Occupational health services	Occupational Health	184–185	8
403-5	Worker training on occupational health and safety	Personnel Training	162–163	8
		Occupational Health and Safety	176–192	
403-6	Promotion of worker health	Occupational Health	184–185	3
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety Personnel Safety and Labour Protection	176–192	8
403-9	Work-related injuries	Occupational Health and Safety	179	3
				8
				16
403-10	Work-related ill health	Occupational Health	184	3
				8
				16

GRI INDEX	GRI DISCLOSURE	REPORT SECTION AND/OR COMMENTS OR REFERENCES TO OTHER SOURCES	PAGE IN THE REPORT	UN SUSTAINABLE DEVELOPMENT GOALS
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TRAINING AND EDUCATION

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Personnel Learning and Development	158	
		Grievance Mechanisms	194–195	

GRI 404: TRAINING AND EDUCATION (2016)

404-1	Average hours of training per year per employee by gender, and by employee category	Personnel Training	161–162	4
				5
				8
				10
404-2	Programs for upgrading employee skills and transition assistance programs	Personnel Training	160–174	8
404-3	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Individual Performance Review	157	5
				8
				10

DIVERSITY AND EQUAL OPPORTUNITY

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Personnel: Management and Development	144	
		Grievance Mechanisms	194–195	

GRI 405: DIVERSITY AND EQUAL OPPORTUNITY (2016)

405-1	Diversity of governance bodies and employees	General Information	146–150	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 INDEX	GRI DISCLOSURE	REPORT SECTION AND/OR COMMENTS OR REFERENCES TO OTHER SOURCES	PAGE IN THE REPORT	UN SUSTAINABLE DEVELOPMENT GOALS
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NON-DISCRIMINATION

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Personnel: Management and Development	144	
		Grievance Mechanisms	194–195	

GRI 406: NON-DISCRIMINATION (2016)

406-1	Incidents of discrimination and corrective actions taken	No cases of discrimination on any grounds were registered in 2023		5
				8

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Personnel: Management and Development	144	
		Grievance Mechanisms	194–195	

GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING (2016)

407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	No operations in which the right to exercise freedom of association and collective bargaining may be at significant risk		8
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CHILD LABOR

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Personnel: Management and Development	144	
		Grievance Mechanisms	194–195	

GRI 408: CHILD LABOR (2016)

408-1	Operations and suppliers at significant risk for incidents of child labor	No operations risk of involving child labour		5
				8
				16

GRI INDEX	GRI DISCLOSURE	REPORT SECTION AND/OR COMMENTS OR REFERENCES TO OTHER SOURCES	PAGE IN THE REPORT	UN SUSTAINABLE DEVELOPMENT GOALS
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FORCED OR COMPULSORY LABOR

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Personnel: Management and Development	144	
		Grievance Mechanisms	194–195	

GRI 409: FORCED OR COMPULSORY LABOR (2016)

409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	No operations risk of involving forced or compulsory labour		5
				8

SECURITY PRACTICES

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Human Rights: Principles and Management System	193–195	
		Grievance Mechanisms		

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
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RIGHTS OF INDIGENOUS PEOPLES

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Engagement with Sakhalin Indigenous Minorities	86–87 193–195 203–206	
		Human Rights: Principles and Management System		
		Grievance Mechanisms		
		Sakhalin Indigenous Minorities Development Plan		
		Projects for Preservation of Indigenous Culture and Languages		

GRI 411: RIGHTS OF INDIGENOUS PEOPLES (2016)

411-1	Incidents of violations involving rights of indigenous peoples	No registered cases of violation of rights of Indigenous Peoples in 2023		2
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GRI INDEX	GRI DISCLOSURE	REPORT SECTION AND/OR COMMENTS OR REFERENCES TO OTHER SOURCES	PAGE IN THE REPORT	UN SUSTAINABLE DEVELOPMENT GOALS
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LOCAL COMMUNITIES

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Corporate Social Responsibility and Sustainable Development Strategy, Principles, Mechanisms, and Engagement Tools	194–195	
		Sakhalin Energy's Principles and Approaches with regard to Social Investment and Sustainable Development based on ESG Factors Grievance Mechanisms		

GRI 413: LOCAL COMMUNITIES (2016)

413-1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Impact Assessment	28	
		Strategy, Principles, Mechanisms, and Engagement Tools Social Investment and Contribution to the Sustainable Development of the Host Region 100%	80 196–197 194–195	
413-2	Operations with significant actual and potential negative impacts on local communities	In 2023, the company did not carry out operations with significant actual or potential negative impacts on local communities		1 2

SUPPLIER SOCIAL ASSESSMENT

GRI 3: MATERIAL TOPICS (2021)

3-3	Management of material topics	Corporate Social Responsibility and Sustainable Development Management System, and Integration of ESG Factors	28–29	
		Inspection and Audit	43	
		Supply Chain Management Policy	92–93	
		Personnel Safety and Labour Protection		

GRI 414: SUPPLIER SOCIAL ASSESSMENT (2016)

414-1	New suppliers that were screened using social criteria	100%		5
				8
				16

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 2023		16
GRI 417: MARKETING AND LABELING (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 2023		16

APPENDIX 2.

STAKEHOLDERS’ COMMENTS AND SUGGESTIONS ON INDIVIDUAL ASPECTS, INDICATORS, AND/OR PROGRAMMES, AND SAKHALIN ENERGY’S RESPONSE AND COMMITMENTS

On the left side of the table are questions, comments, and suggestions that were voiced during the preparation of this Report. The right column contains the company’s responses.

COMMENT, QUESTION, CRITICAL REMARK, OR SUGGESTION	COMPANY’S RESPONSE AND/OR COMMITMENT
Sustainable development plans	The information is provided in the Report, see Section 7 Sakhalin Energy's Plans for 2024. Growth Strategy
Cooperation with the indigenous community	The information is provided in the Report, see Section 4.8.5 Cooperation with Sakhalin Indigenous Minorities
Contribution to the development of the region where the company operates	The information is provided in the Report, see Section 3.2 Importance of the Sakhalin-2 project for Sakhalin Oblast and the Russian Federation as a Whole
Employment of the local population in the project	The information is provided in the Report, see Section 6.1.2 General Information
Yearly progress report and examples of social responsibility activities	The information is provided in the Report, see Section 3.3 Sakhalin Energy's Main Production Results in 2023, Section 5 Environmental Impact Management, and Section 6 Social Impact Management
Social benefits for Sakhalin Oblast	The information is provided in the Report, see Section 3.2.3.3 Natural Gas, Section 3.2 Importance of the Sakhalin-2 project for Sakhalin Oblast and the Russian Federation as a Whole, Section 4.7 Production Sharing under the Sakhalin-2 PSA and Tax Revenues of Sakhalin Oblast, and Section 6.4 Social Investment and Contribution to the Sustainable Development of the Host Region
Support and development of corporate volunteering	The information is provided in the Report, see Section 6.4.3.1 Hurry Up for Good Deeds: Corporate Volunteering Development
Programmes for young specialist development	The information is provided in the Report, see Section 6.1.7.4 Traineeship Programme and Section 6.1.7.7 Graduate Development Programme
A more flexible approach to recruitment, taking into account the indigenous population. Recruitment of SIM people. Employment and education for SIM people and the local population	The company provides equal opportunities for all job applicants and employees in strict accordance with well-defined and generally accepted recruitment rules and labour standards and prevents any discrimination, including ethnicity-based
Dynamics of the company's manpower	The information is provided in the Report, see Section 6.1.2 General Information

COMMENT, QUESTION, CRITICAL REMARK, OR SUGGESTION	COMPANY'S RESPONSE AND/OR COMMITMENT
Interaction with administrations in Sakhalin Oblast on strategic planning	<p>Sakhalin Energy regularly interacts with the Sakhalin Oblast Government and municipal governments on the company's current activities and strategic development.</p> <p>Thus, company representatives are members of advisory bodies set up under the Sakhalin Oblast Government (working groups, commissions, etc.) for interaction with business (e.g., the Investment Council).</p> <p>Every year, company representatives hold meetings with the heads of municipal governments in Sakhalin Oblast where production facilities, including the main oil and gas pipelines, are located. They discuss issues requiring the attention of both parties, as well as the prospects for further interaction</p>
Emerging role of projects for indigenous peoples aimed at developing entrepreneurship and social capital	<p>The information is provided in the Report, see Section 6.4.5 Sakhalin Indigenous Minorities Development Plan</p>
How are employees involved in social investment projects on Sakhalin?	<p>The information is provided in the Report, see Section 6.4.3.1 Hurry Up for Good Deeds: Corporate Volunteering Development</p>
Establishment of petroleum, oil, etc. refineries	<p>The company operates on the basis of the Production Sharing Agreement. Under the PSA, Sakhalin Energy is developing the Piltun-Astokhskoye and Lunskeye fields offshore north-east Sakhalin. The tasks of the company include production, transportation, processing, and sale of oil and natural gas</p>
Occupational risk management (new in RF legislation): disciplines should be split into industrial safety, fire safety, civil defence, and emergency response	<p>The information is provided in the Report, see Section 6.2 Occupational Health and Safety</p>
Environmental monitoring in places of traditional residence of indigenous ethnic groups. This area should be highlighted to show that the company cares about protecting nature and that its operations do not harm nature	<p>The information is provided in the Report, see Section 5 Environmental Impact Management</p>
Monitoring of deep subsurface disposal sites (injection wells on platforms)	<p>The information is provided in the Report, see Section 5.2.4 Waste Management</p>
Involvement of indigenous people in monitoring and arranging for their training to conduct monitoring	<p>The information is provided in the Report, see Section 6.4.5</p> <p>Sakhalin Indigenous Minorities Development Plan</p>
Plastic waste management	<p>The information is provided in the Report, see Section 5.2.4 Waste Management</p>
The climate agenda and its impact on indigenous peoples' traditional lifestyles	<p>Sakhalin Energy highlights the importance of the climate agenda in its activities. On the one hand, it is about reducing greenhouse gas emissions (which is in compliance with carbon regulations); and on the other hand, we are forming a register of climate risks with an impact on production facilities and processes and are developing measures to adapt to climate change. There is no doubt that the climate factor determines the state of biological communities, but specialised research organisations study this impact on vegetation, wildlife, aquatic biological resources, and the SIM's traditional way of life.</p> <p>For its part, the company implements programmes for industrial environmental control, environment monitoring, and biodiversity conservation in potential impact areas of the project production facilities, in accordance with the requirements of the State Environmental Expert Review for the Industrial Environmental Control and Local Monitoring System as approved by Rosprirodnadzor for the operation phase (see Section 5 Environmental Impact Management)</p>

APPENDIX 3.

LIST OF ACRONYMS AND ABBREVIATIONS

ALARP	As low as reasonably practicable
AP	Asia-Pacific
BAP	Biodiversity Action Plan
BAT	Best available technology
BCMS	Business Continuity Management System
BS 2	Booster station 2
CI	Continuous improvement
CSR	Corporate social responsibility
ESG	Environmental, Social, and Corporate Governance
FUEL&CO	Fuel. Energy. Leadership and Competitiveness
GCU	Gas compression unit
GHG	Greenhouse gases
GRI	Global Reporting Initiative
HEMP	Hazard and Effect Management Process
HPF	Hazardous production facilities
HSE	Health, safety, and environment
IC	Information Centre
IEC&LMS	Industrial Environmental Control and Local Monitoring System
IFRS	International Financial Reporting Standard
ISO	International Organisation for Standardisation
IVMS	In-Vehicle Monitoring System
LNG	Liquefied natural gas
LSR	Life-Saving Rules
LUN-A	Lunskoye-A platform
MCHS	Ministry for Emergency Situations
MEDIA	Mass media
MNR	Ministry of Natural Resources
MPC	Maximum permissible concentrations
MPE	Maximum permissible emissions
NERT	Non-Professional Emergency Response Team

NPO	Non-profit organisation
OET	Oil export terminal
OPF	Onshore processing facility
OPFC	Onshore processing facility compression station
OSR	Oil spill response
PA-A	Molikpaq platform (Piltun-Astokhskoye-A platform)
PA-B	Piltun-Astokhskoye-B platform
PMD	Pipelines maintenance depot
PRIGORODNOYE PC	Prigorodnoye production complex
PSA	Production Sharing Agreement
RAIPON	Russian Association of Indigenous Peoples of the North
RTA	Road traffic accident
RTD	Regulatory technical document
RUIE	Russian Union of Industrialists and Entrepreneurs
SAW	Special assessment of workplace
SCM	Supply chain management
SDG	Sustainable Development Goals
SIM	Sakhalin Indigenous Minorities
SOG	Sakhalin Oblast Government
SPZ	Sanitary protection zone
SSU	Sakhalin State University
STC	Scientific and Technical Council
TIBAA	Technical Integrity Barrier Assessment and Assurance
TLU	Tanker loading unit
TPH	Total petroleum hydrocarbons
TRCF	Total recordable case frequency
WP	Workplace
WRFM	Well, reservoir, and facility management
\$	US dollar

APPENDIX 4.

SOCIAL INVESTMENT PROGRAMMES
AND CORRESPONDING ESG COMPONENTS

SOCIAL INVESTMENT PROGRAMMES	COMPONENTS		
	E	S	G
Safety Is Important Programme Section 6.4.2	Environmental safety	Local communities Health Safety Human rights Inclusiveness	Management system Stakeholder engagement Business ethics Openness and transparency Internal and external assessment
Corporate volunteering development and promotion in the region (Hurry Up For Good Deeds programme and My Contribution to the Development of the Island Project) Section 6.4.3	Biodiversity	Local communities Health Safety Human rights Inclusiveness	Management system Stakeholder engagement Business ethics Openness and transparency Internal and external assessment
Energy Social Initiatives Fund Section 6.4.4	Biodiversity	Local communities Health Safety Human rights Inclusiveness	Management system Stakeholder engagement Business ethics Openness and transparency Internal and external assessment
Sakhalin Indigenous Minorities Development Plan Programme Section 6.4.5	Biodiversity	Local communities Health Safety Human rights Inclusiveness	Management system Stakeholder engagement Business ethics Openness and transparency
Preservation of indigenous culture and languages Section 6.4.6		Local communities Human rights Inclusiveness	Management system Stakeholder engagement Business ethics Openness and transparency Internal and external assessment
Cultural projects Section 6.4.7		Local communities Staff attraction and retention Human rights Inclusiveness	Management system Stakeholder engagement Business ethics Openness and transparency Internal and external assessment

APPENDIX 5.

LIST OF SAKHALIN ENERGY’S INFORMATION CENTRES

MUNICIPALITY	RESIDENTIAL PLACE	ORGANISATION	ADDRESS
Poronaysk Urban District	Poronaysk	Poronaysk Central Library of the Poronaysk Centralised Library System Municipal Cultural Institution	45 Gagarina str.
Nogliki Urban District	Nogliki	Nogliki Central Library of the Nogliki Centralised Library System Municipal Cultural Institution	5a Pogranichnaya str.
Korsakov Urban District	Korsakov	Korsakov Youth Library, Branch No. 13, Subdivision of the Korsakov District Centralised Library System Municipal Institution	7 Molodezhny lane.

APPENDIX 6.

FEEDBACK FORM

DEAR READERS,

You have just read the 2023 Sakhalin Energy Non-Financial ESG Report. Your opinion on this Report is very important to us, and we would really appreciate it if you helped us improve the quality of reporting by answering the questions stated in this form.

1. Do you have a better idea and understanding of Sakhalin Energy’s activities in sustainable development after reading the Report?

- ☐ Yes
- ☐ Generally yes
- ☐ Equally yes and no
- ☐ Generally no
- ☐ Not sure

Please provide comments in support of your answer

2. What is your impression of the information contained in this Report?

- ☐ Very interesting
- ☐ Generally interesting
- ☐ Equally interesting and uninteresting
- ☐ Generally uninteresting
- ☐ Very uninteresting
- ☐ Not sure



3. How do you rate this Report in terms of the credibility and impartiality of the information provided?

- ☐ Very favourable
- ☐ Generally favourable
- ☐ Equally favourable and unfavourable
- ☐ Generally unfavourable
- ☐ Very unfavourable
- ☐ Not sure

Please provide comments in support of your answer

4. How do you rate the Report in terms of how easy it is to find information of interest?

- ☐ Very convenient
- ☐ Generally convenient
- ☐ Equally convenient and inconvenient
- ☐ Generally inconvenient
- ☐ Very inconvenient
- ☐ Not sure

Please provide comments in support of your answer



5. Which section of the Report did you find the most interesting and useful?

6. Which aspects of Sakhalin Energy’s activity, in your opinion, should be improved in sustainable development?

7. What other information would you like to see in Sakhalin Energy’s future Non-Financial ESG Report?

8. Please provide general comments on the Report:

9. Are you or your organisation interested in attending dialogues about the preparation of the 2024 Non-Financial ESG Report?

- ☐ Yes (please specify your contact information below)
- ☐ No

10. Which group of stakeholders or persons do you belong to?

- ☐ Sakhalin Energy’s staff
- ☐ Sakhalin Energy’s management
- ☐ Member of the company



- ☐ Purchaser
- ☐ Contractor/Supplier
- ☐ Government authorities
- ☐ Business/industry representative
- ☐ NPO
- ☐ General public
- ☐ Representative of the scientific community / expert
- ☐ Media

Other stakeholder group (please specify):

What type of communication is preferable?

- ☐ By mail
- ☐ By e-mail

Please specify your contact information below:



Please return the completed feedback form on the Non-Financial ESG Report 2023 to:

35 Dzerzhinskogo str., Yuzhno-Sakhalinsk,
Sakhalin Oblast, 693020 Russian Federation

You may also send this form by e-mail to: ask@sakhalin2.ru
or leave it at a company Information Centre.

The list and addresses of Sakhalin Energy's Information Centres are given in Appendix 5.

THANK YOU FOR YOUR FEEDBACK!

**Conclusion on the Results of the Review of Sakhalin Energy's 2023 Non-Financial ESG Report
by the RUIE Council for Non-Financial Reporting, ESG Indices, and Sustainability Ratings
for the Purpose of Public Endorsement**

The RUIE Council for Non-Financial Reporting, ESG Indices, and Sustainability Ratings (the Council) has reviewed the 2023 Non-Financial ESG Report (the Report) at the request of Sakhalin Energy LLC (the Company, Sakhalin Energy).

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 the information disclosed in the Company's Report in accordance with responsible business conduct 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 with Russian and international social responsibility and sustainability standards and guidelines.

The public endorsement procedure was undertaken from 3 to 27 September 2024 in accordance with the Council-approved Rules for Public Endorsement of Non-Financial Reports. This Conclusion was prepared following an expert review and assessment by the RUIE Expert Council on Sustainability Reporting, analysis of the Report, and review of the assessment results by members of the Council for Non-Financial Reporting, ESG Indices, and Sustainability Ratings.

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 completeness and relevance 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).

The completeness of the information demonstrates that the Company's Report provides comprehensive 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, and 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 to which the Report complies with international reporting systems.

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 LLC. The Company may use this Conclusion for internal purposes, as well as for its engagements with stakeholders, provided it is published as is, without any changes.

CONCLUSIONS

Based on the review of the information provided and the public information published on the Company's website, and on a subsequent discussion of the results of the independent review of the Report and the expert review by the RUIE Expert Council on Sustainability Reporting, the Council confirms the following:

The 2023 Non-Financial ESG Report of Sakhalin Energy LLC 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 2023 Non-Financial ESG Report addresses the Council's recommendations upon public endorsement for Sakhalin Energy's 2022 Sustainable Development Report. The Report contains more details on the Company's activities to deliver on the climate agenda, as well as on the approach and principles of engagement with vendors and contractors in the current economic environment. The results of the first phase of the Programme for Digital Platform Sustainability of Information Security have been demonstrated.

The Company's 2023 Report contains substantive information regarding the following aspects of responsible business practices:

Economic Freedom and Responsibility: The Report provides a description of the Sakhalin-2 project and the role of the project in the long-term development of Sakhalin Oblast and the contribution it makes to meet the national objectives for the development of the Far East. It reflects plans for the project's further development, including those for 2024. The document reports on the construction of new production infrastructure. It provides information on the membership structure of the Sakhalin-2 project. The document outlines key product types and procedures to ensure their high quality and safety. The Report gives an account of the Company's efforts to ensure stable supplies of LNG and petroleum products. It contains information on measures to replace equipment and materials with Russian-made analogues, as well as the Company's contribution to the Sakhalin Oil and Gas Industrial Park. There is a significant focus on industrial safety measures taken on the production platforms, LNG plant, and pipelines. The installation of the first geological and research stations in the Company's history on one of the platforms is included. The Report provides information on the implementation of the Continuous Improvement Programme, as well as the Programme for Digital Platform Sustainability. It includes a description of actions taken to ensure information security. The work to ensure stable production and technological sovereignty within the Joint Integration Centre is highlighted, which is seen as a new business process management model. The Corporate Social Responsibility and Sustainable Development Management System is presented. The document outlines the contents of the Sustainable Development Policy and the Code of Conduct. The Report reflects information on the risk management system, describes the risk analysis, assessment, and control process, and lists key ESG risks. It is noted in the document that to ensure effective risk management, a Business Continuity Policy and a corresponding programme based on the national standard GOST R 22301:2021 (Social Security. Business Continuity Management Systems) and the international standard ISO 22301:2012 are in place. The Report includes information on the UN Sustainable Development Goals that are of priority for the Company, as well as programmes and projects that are aligned with these goals. It is reported that the Company had been named a National Projects Partner for its contribution to the implementation of the goals and objectives of five national projects. Quantitative indicators measuring progress towards the SDGs and National Projects are presented. The Report notes self-assessment practices in relation to corporate responsibility activities in accordance with ISO 26000. Information on the Corporate Culture Development Programme and Business Ethics Programme implementation is included in the Report, as well as key documents, procedures, and measures to prevent corruption.

Business Partnership: The Report outlines the main groups of stakeholders, and defines the principles, forms, and tools for engagement with each group. A description of the main engagement activities over the reporting year is included. **Shareholders.** The company's Corporate Governance Model for the Sakhalin-2 project is described, and the company's compliance with the terms and conditions of the Production Sharing Agreement is reported. **Personnel.** Information is included on HR relations, including HR policy, social guarantees and incentives, and training and development of employees. The Report includes a description of the remuneration and bonus system. A system of internal communications and feedback is described, including regular employee

opinion surveys. Information is provided on the Company's priorities in improving occupational health and safety conditions, building a culture of safety, and on the successful completion of the Occupational Health and Safety Management System audit under the GOST R ISO 45001-2020 standard. **Government Authorities.** The Report outlines methods and areas of engagement with legislative and executive authorities at the federal, regional, and local levels. It highlights the role of the Company's Supervisory Board Working Group in carrying out such communication on a wide range of topics. The Company's role in the experiment to achieve carbon neutrality in Sakhalin Oblast, implementation of partnership programmes, and social projects with the region is highlighted in the Report. **Vendors and Contractors.** The Report includes information on ongoing vendor development programme implementation, application of corporate sustainability requirements to contractors, including industrial and environmental safety, reduction of injuries, compliance with human rights, business ethics, and requirements to the quality of supplied materials, equipment, and services. Communication with contractors on occupational health and safety, audits during the contract period, and procurement management principles are reported. Information is included on the increase in the share of Russian companies supplying materials and equipment, and rendering services, as well as on the growing share of Sakhalin companies in the contracts concluded. **Customers, Consumers.** The Report provides the results of a customer satisfaction survey for LNG buyers. It also reports an increase in the Company's contacts with buyers and shipowners in order to expand the sales markets. **Other Partners.** The Report provides information on the company's community engagement activities on a variety of issues related to the development of the Sakhalin-2 project. The document includes information on the Company's membership in business associations and those dealing with sustainable development-related issues. It contains information on the first meeting of the HR Directors Club, initiated by the Company for Sakhalin companies to share their experiences on a regular basis.

Human Rights: The Report sets out the Company's approach and principles regarding respect for human rights. The document reports on the introduction of corporate standards to govern this area. The Report describes the Company's principles and commitments to respect human rights, including the rights of employees and of Sakhalin Indigenous Peoples. It contains information on the observance of workers' social and labour rights, and declares the right of employees to unionise and to enter into collective bargaining agreements. It declares that there is no discrimination in recruitment. Indicators are given to show that the Company employs people with disabilities within the established quota, and that it facilitates the employment of such people in other organisations. Feedback mechanisms are presented, as well as progress in handling grievances and appeals from residents and representatives of Sakhalin indigenous minorities, on training employees, and on procedures to monitor compliance with human rights. The Report presents documents regulating the Company's relations with indigenous minorities based on respect for their rights and promotion of their development.

Environmental Protection and Climate Agenda: The Report presents the Company's environmental policy as part of its overall sustainable development policy, the environmental management system, and environmental control. The Report states that the management system in the reporting year was confirmed to comply with international standards ISO 14001:2015 and ISO 45001:2020. The Company's position with regard to the rational use of natural resources is stated. Measures to optimise water consumption and reduce pollution, to utilise associated petroleum gas and transport it to the Company's gas pipeline system, and to reduce air pollutant emissions and waste management are highlighted. Gross and specific indicators are provided to show the impact of the Company's operations on the environment. The activities included in the Oil spill response plans and procedures to protect restricted use areas are described. The Report contains information for personnel on the Oiled Wildlife Rescue Training Programme. The document reports on the use of "zero-discharge" drilling waste technology at the Sakhalin-2 project. Information is presented on the Environmental Monitoring Programme for Biodiversity Conservation in the reporting year. The Report includes the results of studies of ecosystem components, including rivers, wetlands, protected bird species, grey whales, marine biota, and the seabed. The document states the Company's focus on the rational use of energy resources. The Reports covers the issues of energy saving and energy efficiency improvement within the Continuous Improvement and Operational Excellence programme. It is reported that innovative technological

solutions are used in the construction of the new facilities. The Report outlines climate risks and measures to manage them. It states that a Climate Change Adaptation Plan has been developed. Information on the Company's mandatory carbon reporting is included in the Report, as well as information on greenhouse gases to be reduced in accordance with the emission quotas received. Action plans are presented for the gradual replacement of equipment containing ozone-depleting substances until it is completely phased out. The Report states that ballast water is controlled on vessels entering Prigorodnoye Port to prevent the introduction of invasive species.

Local Communities and Territories: The Report provides information on the Company's contribution to the social and economic development of the region where it operates. The data on taxes and other mandatory payments to the budget of Sakhalin Oblast and local budgets are given. The Company's participation in the all-Russian project for the development of industrial tourism in partnership with the regional government is reported. The document states that external social investment programmes are delivered in line with the Sustainable Development Policy. Priority areas for supporting local communities, including long-term strategic partnerships, are presented. The Report reflects the Company's contribution to the social sphere in Sakhalin Oblast. It describes the largest and most important social programmes, as well as the Hurry Up for Good Deeds volunteering programme. The Energy Social Initiatives Fund's activities are highlighted, and career guidance projects for schoolchildren and students are presented. The Report covers the Company's engagement with Sakhalin indigenous minorities, including through a grant contest for popular social projects and support for students. It reports on the implementation of the Sakhalin Indigenous Minorities Development Plan, highlights projects to preserve the culture and languages of indigenous minorities, and includes information on the Tripartite Cooperation Agreement for the development of the territory. The document gives a description of how Community Liaison Centres operate, the nature of requests made by residents, and provides the details of public hearings and other face-to-face events for stakeholders. The document presents a progress report on the total amount of investment in external social programmes.

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, about the management of said impact, and about the strategy, policies, and performance results, including economic, social, and environmental aspects. The Company's goals and objectives are presented in relation to the UN SDGs 2030 and National Projects. Stakeholder engagement, ESG factors, and risk management are highlighted under the sustainable development agenda.

The Report was prepared with due regard for the recommendations used in domestic and international reporting practices (GRI Standards, including sector standards), which allow for the comparability of information with that provided by other companies. When preparing the Report, the Company also took into consideration the UN Global Compact, UNCTAD indicators, Sustainable Development Reporting Guidelines by the Ministry of Economic Development of Russia, and other related documents. It is noted that the material subjects to be included in the Report were decided with due consideration of the opinions of stakeholders.

The 2023 Report continues the Company's practice of disclosing information on sustainable development, which confirms the Company's adherence to transparency and openness.

RECOMMENDATIONS

Recognising the merits of Sakhalin Energy's 2023 Non-Financial ESG Report, the Council would like to bring to the Company's attention a number of aspects related to informational relevance and completeness of disclosure that are essential for 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 reports are still relevant and can be used in future reporting.

The 2022 Report included specific activities and quantitative indicators that the Company planned for 2023 in the section "Sakhalin Energy Plans for 2023. Development Strategy." When covering the Company's activities in the future, the Company is recommended to give more emphasis to informing about the implementation of the activities planned for the reporting period, to present the stated goals in comparison with the results achieved, or to provide comments when data is not available.

For the stakeholders to easily analyse and perceive the reported information, it is recommended that the Company divides plans categorised by planning horizon into strategic goals, medium- and long-term objectives, and near-term objectives for the reporting year. In this regard, in accordance with best reporting practices, it is recommended that companies assess the extent of progress towards strategic goals in each reporting period.

For the Company's contributions to the UN SDGs and national development goals to be understood in a more complete and comprehensive manner, it would be appropriate, in addition to the information detailed in the different sections of the Report, to present a summary of the qualitative and quantitative results of such contributions.

The Report contains quantitative indicators characterising the Company's key impacts over time. It seems reasonable that special attention should be paid in future to the indicators reflecting negative dynamics over a number of years. It should be kept in mind that the quality of information is improved when a company identifies problems and demonstrates its intention to address them.

Where the Company's performance is compared to industry averages, the Company is recommended to provide references to relevant sources that contain the industry averages given in the Report.

The Report lists the standards that have been used to compile it, including the use of the Sustainable Development Reporting Guidelines. In this case, it would be advisable to include additional comments on the substantial portion of indicators that are not disclosed in the Report, but which are listed in those guidelines. In the future, it is recommended that the Report include more indicators from the list of those recommended by the Ministry of Economic Development of Russia or state the reasons as to why some of them are not used.

It is recommended that information on the climate agenda be expanded to include information on strategy, key activities and results.

The Report provides sufficient detail on the Company's digital transformation activities, as well as on the implementation of the Continuous Improvement Programme. It seems advisable to give more emphasis in the future to providing information on the targets set for these programmes and the specific quantitative results achieved.

The Report provides detailed coverage of the Company's engagement with its employees, including social support issues. For the Company's employee-focused social programmes to be better represented, it is recommended that the Company's structure of costs related to these programmes be presented in the future.

The Report discloses data on the extent of social investments and provides information on priority areas of the Company's social activities in the territories where it operates. It would be advisable in future reports to also present the structure of social investments by individual areas and to provide more detailed descriptions of the

data in order to provide insight into the results and efficiency of social investments.

The Report provides a description of the process for identifying material topics, information on the stakeholder opinion survey, and indicates the total number of stakeholders involved. It is recommended that more detailed quantitative data on the structure of the surveyed representatives of the main stakeholder groups be provided in the future.

The RUIE Council for Non-Financial Reporting, ESG Indices, and Sustainability Ratings 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 2023 Non-Financial ESG Report of Sakhalin Energy LLC has received public endorsement.

**RUIE Council for Non-Financial Reporting, ESG
Indices, and Sustainability Ratings**



Российский союз промышленников и предпринимателей

СВИДЕТЕЛЬСТВО

об общественном заверении
корпоративного нефинансового отчета

Обзор нефинансовой деятельности в области ESG за 2023 год ООО «Сахалинская энергия»

прошел процедуру общественного заверения
в Совете РСПП по нефинансовой отчетности

Развернутое заключение Совета РСПП об общественном заверении Обзора нефинансовой деятельности в области ESG за 2023 год ООО «Сахалинская энергия» направлено в Компанию, которая может публиковать его без каких-либо изменений и использовать как для внутрикорпоративных целей, так и в целях коммуникаций с заинтересованными сторонами.

Регистрационный номер 271.01.004.01.23

Президент РСПП



А.Шохин

Москва, 2024

