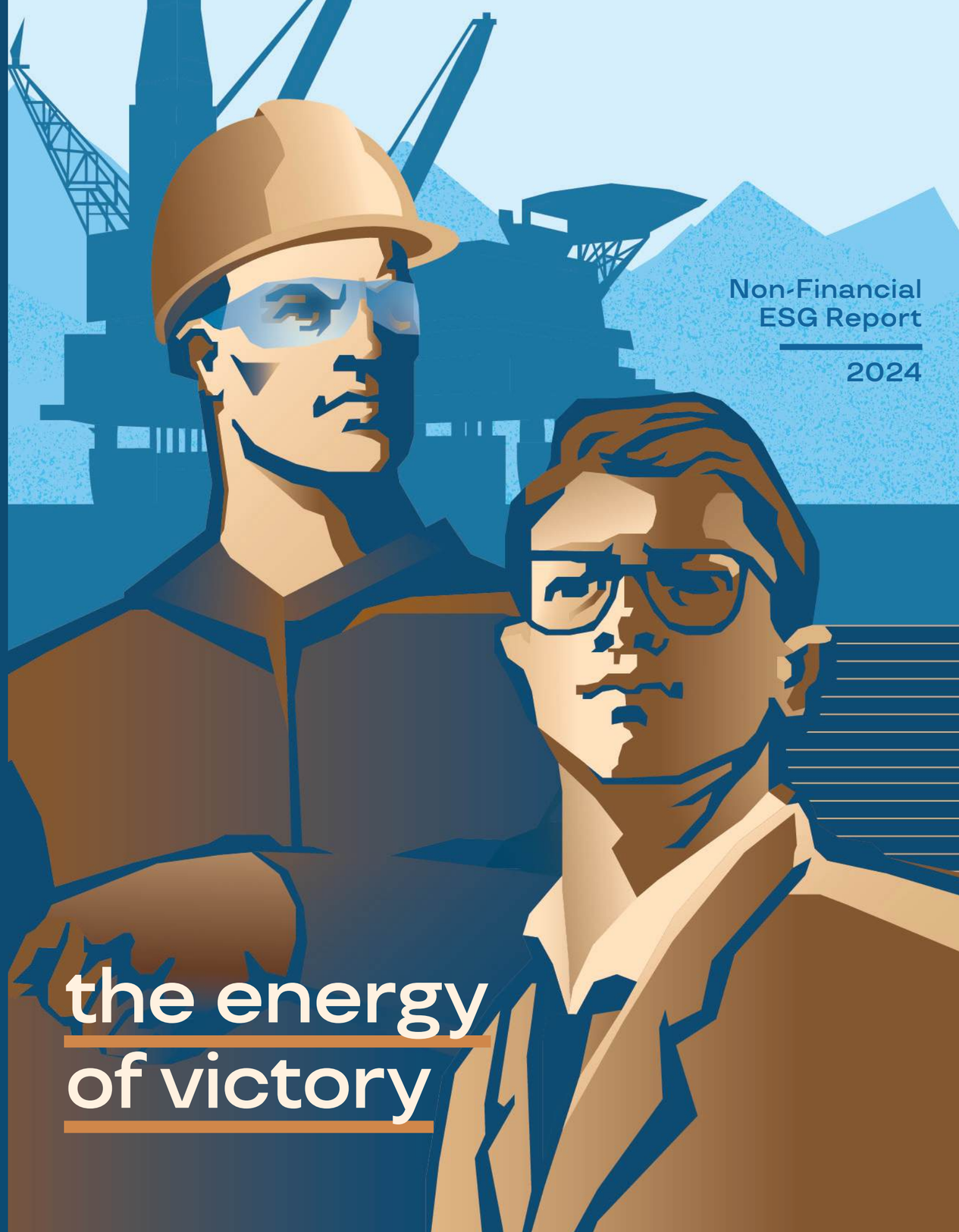
SAKHALIN ENERGY

Non-Financial ESG Report — 2024



# Non-Financial ESG Report

2024

# the energy of victory

# NON-FINANCIAL ESG REPORT

2024

# CONTENTS

# Dear colleagues and partners,

**Allow me to present you with an overview of Sakhalin Energy's ESG non-financial activities that took place in 2024.**

This past year, Sakhalin-2, one of the most technically advanced integrated oil and gas projects with international participants, celebrated its 30th birthday. Over its history, the project has become the core of the Sakhalin oil and gas production industry and a case study of innovation in offshore oil and gas production, as well as natural gas liquefaction, for Russia's energy industry.

The project operator has gained substantive experience while pursuing ESG transformation based on national and global sustainable development goals. The ESG principles serve as a guide for us and are integrated into our corporate management system, the foundation of Sakhalin Energy's business.

Our functional management system allows the company to effectively respond to external and internal changes and make well-considered and balanced proactive decisions grounded in objective information, looking into the future with confidence.



Observing the external environment, we believe that one can only remain in a leadership position by following sustainable development principles. Given that adherence to such principles is conducive to the implementation of our strategic plans, Sakhalin Energy, as well as running its core business activities in a well-managed way, continues to contribute to the social and economic development of the host region.

Our social policy pursues partnership and systematic support of socially significant initiatives seamlessly woven into the fabric of the Russian National Projects. Today, achieving the relevant goals and objectives opens up a world of possibilities for us to mobilise the resources of our company and of our partners.

Together with public organisations and government authorities, we successfully implement long-term programmes in such areas as environmental protection, safety, improving the quality of education, and preserving cultural heritage, thus enabling Sakhalin Energy to continue its partnership with various Russian National Projects.

We were awarded the top grade (A+) in the annual 2024 Leader of Corporate Charity All-Russian Rating, reflecting the effectiveness of our corporate practices and our structured approach to social investment.

We are committed to fostering the host region's development in areas that are crucial for both the Oblast and the company, including enhancing its appeal to skilled professionals who choose to develop their careers in the island region. By joining the All-Russian Open Industry Project, Sakhalin Energy, being an oil and gas company, is driving the growth of industrial tourism in the region, while simultaneously tackling its priority business objectives and dealing with regional development issues.

Sakhalin Energy boasts a wealth of experience that can drive the continuous growth of the Sakhalin-2 project, and we are eager to share our expertise to help to unlock the potential of other offshore fields.

**A+**

**top grade in the annual 2024 Leader of Corporate Charity All-Russian Rating**

**reflects the effectiveness of corporate practices and our structured approach to social investment**

I would like to express my gratitude to the entire company team for their professionalism, and to the LLC members and our partners for their unwavering support and trust over the years. Together, we will continue to meet the objectives of the Russian fuel and energy sector, aligning our efforts with Russian national interests. We will maintain positive momentum across all areas of activity, and cement Sakhalin Energy's leadership position in the energy sector.

Roman Dashkov, CEO

# 1

About the Report

# 1.1. GENERAL INFORMATION

**Following the Sustainable Development Policy, the company undertakes to annually provide non-financial reporting in the form of a Non-Financial ESG Report, which serves as a tool for systematising the company's 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;
- makes it possible to identify the views and expectations of stakeholders regarding the company's activities, and to explain its strategy in non-financial activities;
- demonstrates that the company is aware of and takes into account the stakeholders' opinions, creating long-term trust as well as transparent and constructive cooperation;
- serves as an effective tool for identifying, preventing, and mitigating non-financial risks, creating a sustainable reputation;
- drives the development of new opportunities and areas of involvement that are relevant to the company, the region, and the country as a whole.

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. The 2024 Report is devoted to the theme "The Energy of Victory".

### 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 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 Chief Executive Officer on an annual basis.



**Non-Financial Reporting Preparation Process at Sakhalin Energy LLC**


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, approval by the company's Discipline Leads, and endorsement by the Chief Executive Officer.

The Report is published on Sakhalin Energy's web site; copies are sent to the main stakeholders by mail.

# 1.2. REPORT PREPARATION STANDARDS AND PRINCIPLES

Sakhalin Energy LLC prepares its reports in compliance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).

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:

- SD Reporting Guidelines (approved by Order of the Ministry of Economic Development of Russia dated 1 November 2023 No. 764);
- Guidance on Core Indicators for Entity Reporting on Contribution Towards Implementation of the Sustainable Development Goals (adopted by the United Nations Conference on Trade and Development (UNCTAD) in 2019);

- Recommendations of the Central Bank on non-financial reporting by public joint-stock companies (information letter dated 26 July 2021 No. IN-06-28/56);
- GOST R ISO 26000:2012 Guidance on Social Responsibility (approved and put into effect by Order No. 1611 of the Federal Agency for Technical Regulation and Metrology dated 29 November 2012).

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

### Sustainable Development Goals to Which Sakhalin Energy LLC Contributes Most Significantly, Based on Stakeholders' Opinions

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



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 table Most Material Topics to Be Included in the Report, Based on Stakeholders' Opinions, Considering ESG Factors).

The company acknowledges and uses the key national and international SD reporting principles as presented in the Report Preparation Principles table. The main approach to presenting information about Sakhalin Energy's activities is to provide a balanced report on the material aspects of ESG factors, with due regard to stakeholders' opinions.

### Report Preparation Principles

| 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

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 a preliminary list of topics by the task force, taking into account the potential and actual impact and risks, requests of stakeholders, as well as national and international requirements, and recommendations for disclosure of information.

**As is tradition, two rounds of discussions were held while preparing the Report (in November 2024 and February 2025, both in person and online). Stakeholder representatives had the opportunity to put questions to the company's representatives and express their opinions on the materiality of any aspect of Sakhalin Energy's activities. 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, as well as experts in corporate social responsibility and sustainable development, and other stakeholders. In total, more than 130 people attended the sessions.**

2. 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);
- dialogue meetings with external stakeholders.

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 2023 non-financial reporting. Sakhalin Energy LLC has also analysed the relevance of the topics presented in the non-financial reports prepared by Russian and foreign companies in accordance with the best international practices.

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

**The Most Material Topics to Be Included in the Report, Based on Stakeholders' Opinions, Considering ESG Factors (determined based on the highest total score)**

| Topics | Total points* | Report section |
|---|---|---|
| The company's key performance results in 2024, including hydrocarbon production and shipment | **601** | **3.2** |
| Contribution to the national and global Sustainable Development Goals | **547** | **2.2** |
| Performance standards | **534** | **2.1** |
| E | | |
| Impact on water bodies | **561** | **5.2.3** |
| Impact on the atmosphere | **553** | **5.2.2** |
| Waste management | **551** | **5.2.4** |
| Associated gas utilisation during production | **547** | **5.2.5** |



| Topics | Total points* | Report section |
|---|---|---|
| Monitoring of marine biota and their habitat | **535** | **5.4.6** |
| Monitoring of protected bird species | **531** | **5.4.5** |
| Energy production and consumption | **529** | **5.3.2** |
| Gray whale monitoring and marine mammals protection | **529** | **5.4.8** |
| 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** |
| S | | |
| Occupational safety | **597** | **6.2** |
| Occupational health | **589** | **6.2.2** |
| Industrial and fire safety, blowout, and emergency response | **587** | **6.2.4** |
| Personnel learning and development | **574** | **6.1.7** |
| Approaches to HR 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** |
| Personnel recruitment and placement | **550** | **6.1.3** |
| The company's principles and approaches to social investment and sustainable development | **544** | **6.4.1** |
| Road safety | **542** | **6.2.3** |
| External social investment programmes | **540** | **6.4.2–6.4.9** |
| Grievance handling | **538** | **6.3.3** |
| Grievance mechanisms | **531** | **6.3.2** |
| G | | |
| 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** |
| Information security | **520** | **4.11** |

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

# 2

Corporate Social Responsibility and Sustainable Development

# 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 4.8 Stakeholder Engagement Management and Information Disclosure), as well as systematic identification, accounting, and control of internal and external impact factors 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 and Assurance).

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

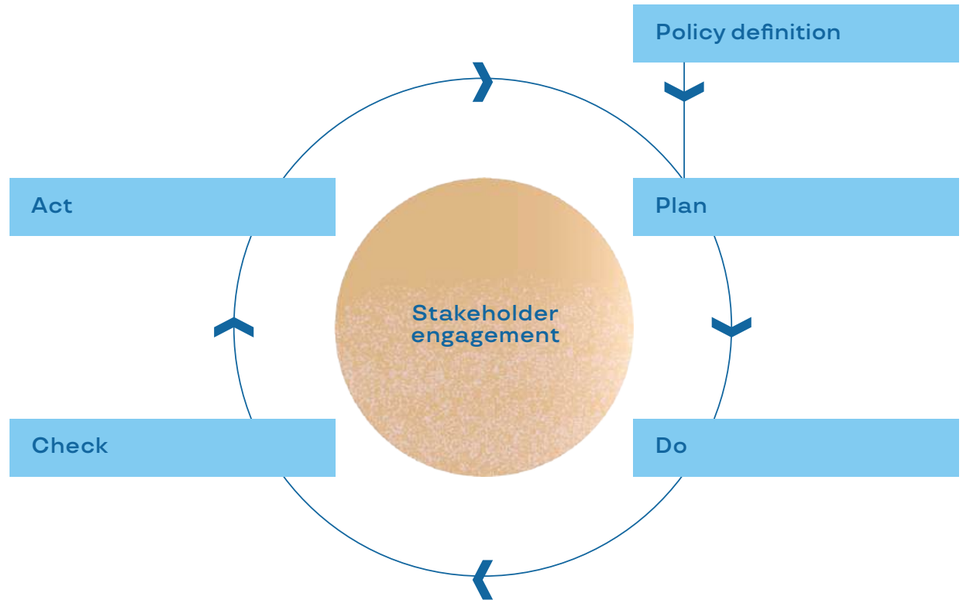
Sakhalin Energy LLC extends a substantial part of the requirements and business principles set out in these documents to its contractors. In addition to special contractual provisions and specific requirements, including the results of environmental, health, and social impact assessments (see Section 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 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 2024, the new revision of the Corporate Governance System Guidelines sets out the ESG agenda as an approach to implementing Sakhalin Energy's activities. 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 table Key Programmes, Projects, and Measures of Sakhalin Energy LLC, Broken Down by ESG Factors).



**Sakhalin Energy's CSR Management System**




**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<br>Biodiversity action plan | 5.4 |
| Water use | Industrial environmental control<br>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<br>Improving the operational reliability of equipment and the energy efficiency of the process flows, etc. | 5.3.2 |
| Waste management | Industrial environmental control<br>Applying the best available technologies to prevent negative environmental impact (ITS-17 Industrial and Consumer Waste Disposal, 2016)<br>Separate collection of waste for further recycling, decontamination, and reduction of waste disposed of in landfills, etc. | 5.2.4 |
| Pollutants | Industrial environmental control<br>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 |

| ESG factors | Key programmes, projects, and measures | Report section |
|---|---|---|
| Greenhouse gas emissions | Industrial environmental control<br>Operational decarbonisation measures<br>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<br>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)<br>Stakeholder engagement on environmental issues (public authorities, the expert community, contractors and buyers, the general public, indigenous peoples, and others)<br>Educational environmental activities for personnel and external stakeholders, environmental volunteering development<br>Participation in voluntary initiatives and WGs on environmental issues | **2.3**<br>**4.8**<br>**4.9.4**<br>**6.1.7.1**<br>**6.3.3** |
| 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.) | **4.9** |
| **S — Social** | | |
| Occupational health and safety | Programmes for industrial, fire, and road safety, occupational health, etc.<br>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<br>Mandatory environmental, health, and safety training, professional and in-house technical training<br>Programmes for skill pool formation and development, leadership development, development of young professionals, intern training, etc.<br>Providing an attractive and competitive employee value proposition | **6.1.3**<br>**6.1.4**<br>**6.1.5**<br>**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<br>Corporate volunteering<br>Capacity-building projects for the non-profit sector of the region | **6.1.3**<br>**6.4** |
| Human rights | Training on human rights, including for contractor personnel<br>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)<br>Self-assessment of the application of GOST R ISO 26000-2012 / ISO 26000:2012<br>Stakeholder engagement on social issues (public authorities, the expert community, contractors and buyers, indigenous peoples, the general public, and others)<br>Educational activities on social issues for personnel and external stakeholders, volunteering development<br>Participation in voluntary initiatives and WGs on social issues | **2.3**<br>**4.8**<br>**4.9.4**<br>**6.1.7.1**<br>**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.) | **4.9**<br>**6.2** |
| **G — Governance** | | |
| Corporate governance system | Corporate governance system and model<br>Integration of ESG factors into current plans and long-term strategy | **2.1**<br>**4.1–4.3** |
| Risk management | Risk management and internal assurance system<br>Impact assessment<br>Business continuity management system | **4.4** |
| Business ethics<br>Corporate culture | Anti-bribery and corruption actions<br>Measures to maintain and develop corporate culture<br>Measures to enforce compliance with the Code of Conduct and legislation<br>Hotline / appeals and grievance mechanism | **4.5** |
| Information security | Measures to prevent data privacy breaches and cyber threats | **4.11** |
| Disclosure and transparency | Stakeholder engagement<br>Preparation and publication of non-financial reporting and public assurance thereof | **1**<br>**4.8** |
| Supply chain management | Supply chain management system<br>Vendor Development Programme<br>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) | **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 "meeting the needs of the present without compromising the ability of 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 2024, 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, while taking into account cultural diversity;
- Sakhalin Energy LLC will work with all stakeholders to identify ways to contribute to the wider, long-term economic, environmental, and social development of 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

The 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 the National Projects.



**NATIONAL PROJECT PARTNER**

**In 2024, 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 the 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 educational exhibitions, and other initiatives (see Section 6.4 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 L&D plans are drafted in Sakhalin Energy LLC every year, in line with employees' production tasks, career development, and competence assessments; 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 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).

The efficiency of work directly depends on the motivation of employees, and various corporate initiatives help to improve it. One such initiative is the Peak corporate championship. The project included an ongoing health and safety awareness campaign, master classes, business games, webinars, and competitions. This initiative was selected to be a model for others in the area of 'Effective Work'.

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 6.6 Social Investment and Contribution to the Sustainable Development of the Host Region).

## 2.2.3. UN Sustainable Development Goals

The universal character of the UN SDGs allows companies to adopt a set of Goals that best corresponds to their activities and existing CSR programmes.

### UN Sustainable Development Goals: Measures taken by Sakhalin Energy LLC


The company's core SDG efforts are as follows:

- 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 are included in the agendas of dialogues with external stakeholders in the preparation of Sustainable Development 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 and Principles);
- 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 corresponding SDGs.

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



### 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, projects (examples) | Indicators (included in the Report) | Section of the Report |
|---|---|---|---|---|
| 1.1<br>1.2<br>1.4<br>1.5<br>2.3<br>2.4<br>9.1<br>9.4<br>11.1<br>11.2<br>11.4<br>12.7<br>12.8 | Provide an attractive and competitive employee value proposition. Achieve and enhance Russian content. Contribute to the sustainable development of the host region. Resolve grievances from stakeholders effectively, paying special attention to vulnerable groups. Conduct effective and timely environmental impact assessments. Introduce innovative solutions and carry out digital transformation | Remuneration and bonus system. Social guarantees, benefits and compensations. Digital strategy. Localisation projects (Sakhalin Energy Maintenance and Repair Facility in the Sakhalin Industrial Park). Continuous Improvement Programme. Vendor Development Programme. 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. Projects to preserve indigenous minorities' cultural heritage, culture, and languages. Road safety assurance activities | Ratio of the entry-level wage to the established minimum wage.<br>Russian and local content.<br>Significant indirect economic impacts.<br>Intellectual property rights portfolio.<br>Grievance resolution indicators.<br>Organisational units with significant actual or potential negative impact on local communities.<br>Total number of infringement cases affecting the rights of indigenous minorities, and actions taken.<br>Operations in areas where indigenous communities are present or affected by activities and where specific engagement strategies are in place.<br>Number and description of significant disputes with local communities and indigenous peoples.<br>Number of road accident victims | **3.2**<br>**3.3**<br>**4.8**<br>**4.9**<br>**6.1**<br>**6.2**<br>**6.3**<br>**6.4** |
| 3.3<br>3.5<br>3.6<br>3.8<br>3.9 | Goal Zero: No Harm. No Leaks.<br>Ensure employee health and safety | Occupational safety and health (measures to ensure industrial and fire safety, health, road safety, etc.) Occupational health. Industrial environmental control | Occupational injury rate.<br>Occupational disease rate.<br>Total number of work-related fatalities.<br>Occupational safety costs.<br>Industrial safety costs.<br>Coverage of employees carrying out activities in hazardous, dangerous, and arduous working conditions via mandatory periodic medical examinations and clinical screening.<br>Greenhouse gas emission indicators.<br>Emissions of ozone-depleting substances.<br>Emissions to the atmosphere.<br>Total volume of discharges.<br>Total waste, by type and disposal method.<br>Total number and volume of significant spills.<br>Volume of flared and vented hydrocarbons.<br>Number of road accident victims | **5.2**<br>**5.6**<br>**6.2** |

Note: Since SDGs are complex and indivisible, the goals and objectives of the company, with examples listed, are presented for several SDGs simultaneously.

| SDGs and their targets | Company goals and objectives | Areas, programmes, projects (examples) | Indicators (included in the Report) | Section of the Report |
|---|---|---|---|---|
| 4.3<br>4.4<br>4.5<br>4.7<br>8.1<br>8.2<br>8.3<br>8.5<br>8.6<br>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 region | Personnel training and development programmes. Localisation projects (Sakhalin Energy Maintenance and Repair Facility in the Sakhalin Industrial Park). Continuous Improvement Programme. Vendor Development Programme. 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.<br>Proportion of trained personnel, by gender and employee category.<br>Staff training costs.<br>Indicators of skill development and education programmes, including for graduates, trainees, etc.<br>Proportion of employees receiving regular performance and career development reviews, by gender and employee category.<br>Russian and local content.<br>Ratio of the standard entry-level wage to the established minimum wage.<br>Return to work after parental leave, by gender.<br>Occupational injury rate.<br>Occupational disease rate.<br>Number of industrial safety accidents and incidents.<br>Total number of work-related fatalities.<br>Number of road accident victims | **4.7**<br>**4.9**<br>**6.1**<br>**6.2** |
| 5.1<br>5.2<br>5.4<br>5.5<br>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.<br>Ratio of the basic salaries of men and women.<br>Composition of governance bodies and main employee categories, by gender and age group.<br>Proportion of employees receiving regular performance reviews, by gender and employee category.<br>Average hours of training per year per employee, by gender and employee category.<br>Number of employees with disabilities.<br>Proportion of trained personnel, by gender and employee category.<br>Return to work after parental leave, by gender.<br>New employee hires and employee turnover, by age group and gender.<br>Ratio of the standard entry-level wage to the established minimum wage | **6.1**<br>**6.4** |



| SDGs and their targets | Company goals and objectives | Areas, programmes, projects (examples) | Indicators (included in the Report) | Section of the Report |
|---|---|---|---|---|
| 6.3<br>6.4<br>6.6<br>7.3<br>8.4<br>9.5<br>12.2<br>12.4<br>12.5<br>12.6<br>13.1 | Implement effective and lean manufacturing methods.<br>Introduce innovative solutions and digitalisation of all processes.<br>Comply with legislation on environmental protection, observance of established environmental standards, assurance of the rational use of natural resources, and fulfilment of plans for minimising environmental impact | Operation of gas turbines with a system for reducing nitrogen oxide emissions. Application of enhanced gas turbulence system to ensure sootless flaring. Associated gas evacuation. Drilling waste disposal via dedicated re-injection 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.<br>Carbon regulation Climate Change Adaptation Plan. Public non-financial reporting | Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal.<br>Volume and disposal of formation or produced water.<br>Volume of flared and vented hydrocarbons.<br>Rate of associated gas burning.<br>Total waste, by type and disposal method.<br>Total water discharge, by quality and destination.<br>Pollutant emissions.<br>Specific pollutant emissions.<br>Emissions of ozone-depleting substances.<br>Energy indirect greenhouse gas emissions.<br>Direct greenhouse gas emissions.<br>Specific greenhouse gas emissions.<br>Energy consumption, specific power consumption.<br>Total water withdrawal, by source.<br>Water sources significantly affected by the organisation's water intake.<br>Specific water use indicators.<br>Total number and volume of significant spills.<br>Operational sites on or adjacent to protected natural areas and areas of high biodiversity value outside protected areas.<br>Soil disturbance and restoration.<br>Impacts of activities on biodiversity in protected natural areas and areas of high biodiversity value.<br>Number of species listed in the IUCN Red List and the National List of Protected Species.<br>New environmentally assessed vendors.<br>Current environmental costs and payments for adverse environmental impact, including their structure.<br>Investments in fixed capital aimed at environmental protection and sustainable use of natural resources.<br>Fines paid | **1**<br>**3.3.1**<br>**5** |

| SDGs and their targets | Company goals and objectives | Areas, programmes, projects (examples) | Indicators (included in the Report) | Section of the Report |
|---|---|---|---|---|
| 14.1<br>14.2<br>14.3<br>14.a<br>15.1<br>15.2<br>15.5<br>15.9 | Assess the condition and restoration of the environment in the areas of the company's production assets, to identify signs of the current impact, and to develop actions to mitigate it, if necessary.<br>Conduct effective and timely environmental impact assessments.<br>Mitigate impact, develop and implement actions aimed at the preservation of rare and endangered species, as well as environmentally significant and vulnerable biotopes | Assess environmental risks and impacts. Carbon regulation, measures to further reduce greenhouse gas emissions in the integrated gas chain, etc.<br>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 | Volume of flared and vented hydrocarbons.<br>Pollutant emissions.<br>Direct greenhouse gas emissions.<br>Indirect greenhouse gas emissions.<br>Operational sites on or adjacent to protected natural areas and areas of high biodiversity value outside protected areas.<br>Soil disturbance and restoration.<br>Impacts of activities on biodiversity in protected natural areas and areas of high biodiversity value.<br>Recovery of wetlands in disturbed areas of the ROW.<br>Changes in the status of nesting populations, protected plant and animal species, and their habitats.<br>Changes in aquatic ecosystems.<br>State of soils.<br>Overgrowing of the ROW.<br>Number of species listed in the IUCN Red List and the National List of Protected Species.<br>Total number and volume of significant spills.<br>Fines paid | **5** |
| 16.1<br>16.2<br>16.3<br>16.5<br>16.6<br>16.7<br>16.10 | Comply with all applicable laws and regulations of the countries in which the company operates.<br>Effective corporate governance.<br>Corporate culture management.<br>Anti-bribery and corruption enforcement.<br>Provide all stakeholders with safe and confidential channels to express concerns and grievances, as well as report non-compliances | Availability of the General Business Principles, values, norms, and standards of the Code of Conduct. Anti-bribery and corruption actions. Feedback and grievance mechanisms. Assurance of safety with respect for human rights. Conflict of Interest Procedure. Stakeholder engagement practices, including open public consultations and public non-financial reporting | Total monetary value of political contributions by country and recipient/beneficiary.<br>Total number of incidents related to non-compliance with regulations and voluntary codes concerning product and service information and labelling.<br>Total number of discrimination cases and corrective actions taken.<br>Confirmed incidents of corruption and actions taken.<br>Communication and training on anti-corruption policies and procedures.<br>Internal audits.<br>Number of security personnel trained in the organisation's human rights policies and procedures that are relevant to operations.<br>Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the abolition of child labour.<br>Stakeholder engagement indicators, including feedback.<br>Grievance resolution indicators | **1**<br>**4.1–4.6**<br>**4.8**<br>**6.3** |



# 2.3. IMPACT ASSESSMENT

Sakhalin Energy LLC seeks to avoid or reduce any negative environmental 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.

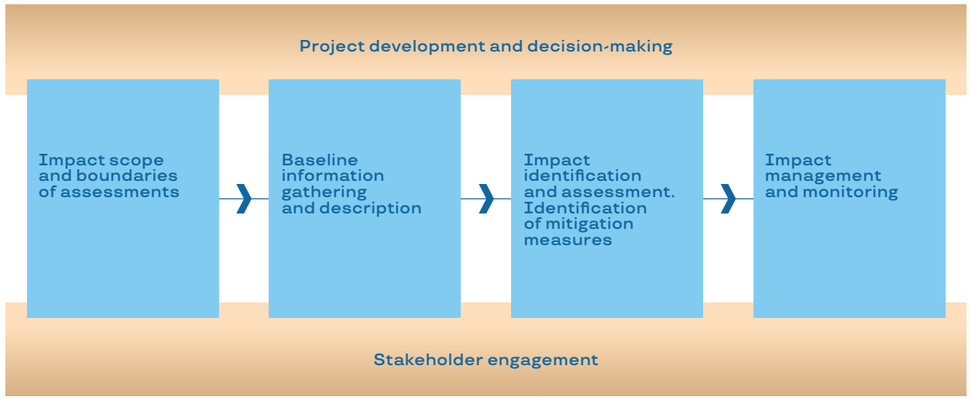
When any potential adverse impact is identified, the following actions are subsequently developed and taken:

- 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. They are held to inform stakeholders about planned activities, identify concerns, consider their opinions, and discuss possible measures to manage any 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.

### Stages of Impact Assessment of Sakhalin Energy LLC



In 2024, Sakhalin Energy LLC held public hearings of design documentation, including:

- Workover of Astokh Wells at Piltun-Astokhskoye Oil, Gas and Condensate Field (Group 8) (venue: Okha Urban District Municipality and Nogliki Urban District Municipality).
- Engineering Survey Programme for the PDD Development under the PA-A (Molikpaq) Rejuvenation Project (venue: Okha Urban District Municipality and Nogliki Urban District Municipality).
- Workover of Piltun Wells PB-302, PB-305, PB-307, PB-308, PB-309, PB-313, and PB-418 at the Piltun-Astokhskoye Oil, Gas, and Condensate Field (Group 1) (venue: Okha Urban District Municipality and Nogliki Urban District Municipality).
- Workover of Wells LA-501, LA-502, and LA-512 at the Lunskoye Oil, Gas, and Condensate Field (Group 17) and Workover of Wells LA-501, LA-502, LA-512 at the Lunskoye Oil, Gas, And Condensate Field (Group 18) (venue: Okha Urban District Municipality and Nogliki Urban District Municipality).
- Pilot Seismic Survey Programme Using Light Remote-Operated Surface Vehicles at the Lunskoye Licence Area (venue: Okha Urban District Municipality and Nogliki Urban District Municipality).
- Workover of Wells LA-501, LA-502, and LA-512 at the Lunskoye Oil, Gas, and Condensate Field (Group 18) (venue: Okha Urban District Municipality and Nogliki Urban District Municipality).

Sakhalin Energy LLC provided responses to all the questions raised during the hearings. The participants of the public hearings did not express any negative views on the activities planned by the company.

## 2.4. REVIEW AND AUDIT

External and internal inspections and audits are conducted regularly in the company for the purpose of monitoring and analysing all elements of the HSE management systems (occupational health and safety, environmental protection, road safety, industrial and fire safety, civil defence, and emergency response).

### External and Internal Audits of the Company

Sakhalin Energy LLC actively engages company employees qualified as auditors in internal inspections and audits.

In 2024, Bureau Veritas, an inspection and certification company, conducted training and a relevant certification in the area of "Auditor/Lead Auditor of Occupational Health and Safety Management Systems GOST R ISO 45001-2020" for the company's employees in the pool of internal auditors of the HSE management systems.

In 2024, the company conducted one external audit to check the compliance of the corporate Occupational Health and Safety Management System and Environmental Management System with applicable standards such as GOST R ISO 45001-2020 and GOST R ISO 14001-2016 (auditor: Russian Register Certification Association). Following the audit, the Occupational Health and Safety Management System and the Environmental Management System were recognised as fully compliant with legislative acts, regulatory documents, and standards GOST R ISO 45001-2020 and GOST R ISO 14001-2016.



### Inspections by Supervisory Authorities

In order to exercise state control (supervision) over compliance with requirements established by Russian legislation and regulatory documentation in the areas of health, safety, environment, industrial and fire safety, civil defence, and emergency response, the supervisory authorities conducted scheduled and unscheduled inspections of the company in 2024 in accordance with the procedure established by law.

The Sakhalin Office of the Federal Service for Environmental, Technological, and Nuclear Supervision conducted 36 inspections of the company's hazardous production facilities as part of the continuous supervision over compliance with mandatory industrial safety requirements for hazardous production facilities. Work is underway to address the issues uncovered by the inspections.

The Far Eastern Interregional Office of Federal Environmental Supervision Service of Russia carried out inspections of three of Sakhalin Energy's facilities that have a negative impact on the environment to check compliance with mandatory requirements in atmospheric air protection, protection of water bodies, and waste management, which revealed one violation. Corrective actions were taken in 2024.

As a preventive measure, the Sakhalin-Kuril Territorial Administration of the Federal Agency for Fisheries made a visit to the Prigorodnoye production complex as part of the Federal State Control (Supervision) of Fisheries and Conservation of Aquatic Biological Resources. No violations of Russian laws and regulations or threats of harm (damage) were identified.

The Territorial Supervision and Prevention Office of the Nogliki District of the Supervision and Prevention Department of the Sakhalin Oblast Main Department of EMERCOM of Russia carried out five preventive visits to the company's hazardous production facilities as part of state fire supervision. No violations of fire safety requirements were identified.

To implement federal state supervision in civil defence, the Territorial Office of the Sakhalin Oblast Main Department of EMERCOM of Russia conducted an unscheduled audit of the company's activities. The unscheduled audit revealed no violations.

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About
Sakhalin Energy LLC

# 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 the Agreement on the Development of Piltun-Astokhskoye and Lunskoye Oil and Gas Fields on the Basis of Production Sharing, the first Production Sharing Agreement (PSA) in Russia.

The project operator, Sakhalin Energy, is developing the Piltun-Astokhskoye and Lunskoye fields in the territorial sea off the eastern coast of Sakhalin Island. The average water depth within the company's two fields is 32 and 48 metres, respectively (with a maximum sea 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, treatment, 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.

# 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.

- 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.

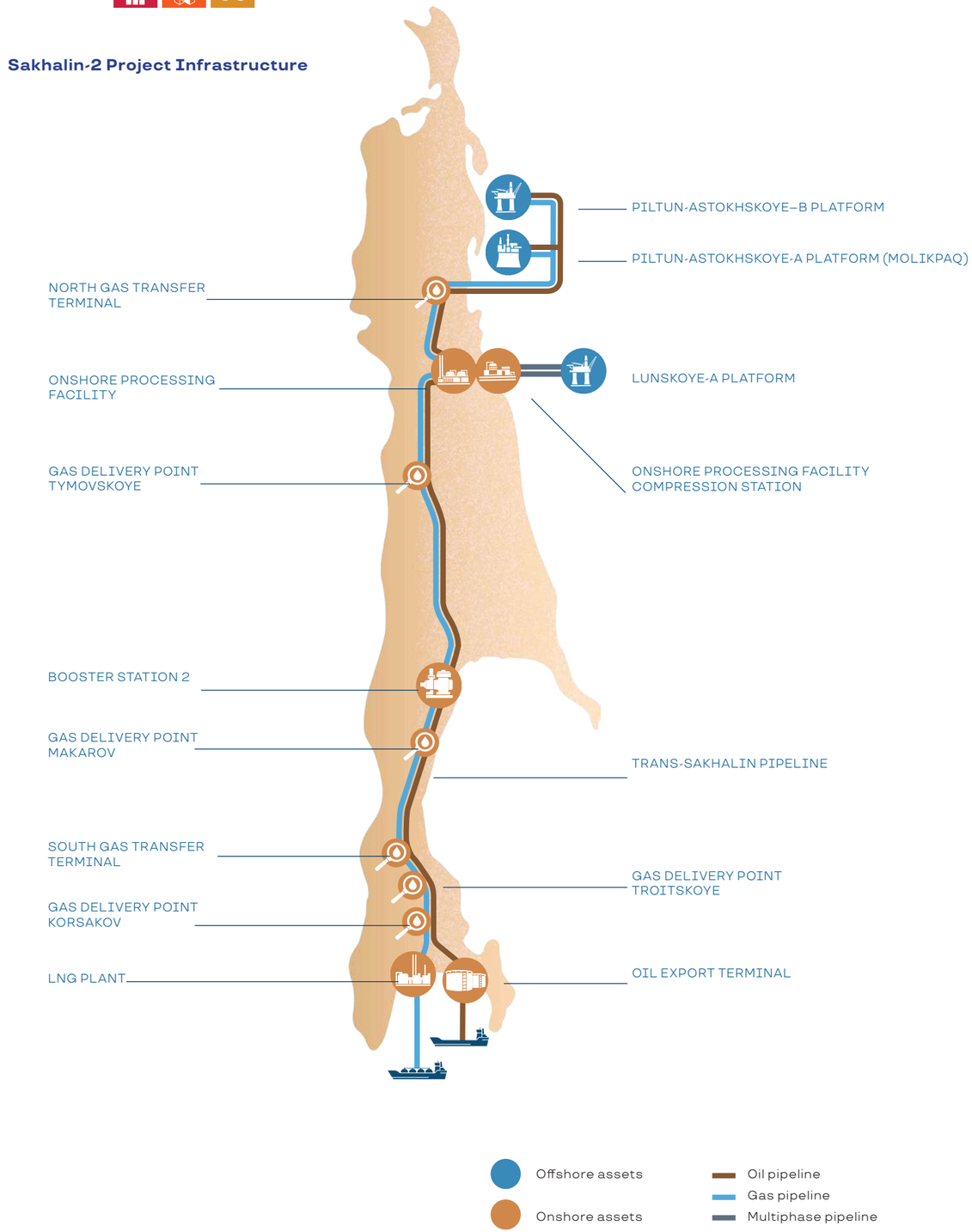
In 2024, according to the audited accounting (financial) statements, Sakhalin Energy's revenue totalled RUB 637.3 billion.

**Revenue in 2023–2024, RUB billion**

| Indicator | 2023 | **2024** |
|---|---|---|
| Revenue | **585.3** | **637.3** |



**Sakhalin-2 Project Infrastructure**



# 3.3. SAKHALIN ENERGY'S MAIN PRODUCTION RESULTS IN 2024

## 3.3.1. Assets

In 2024, the company achieved excellent performance in the following key focus areas:

- Hydrocarbon production plans were fulfilled. Oil, gas, and condensate production volumes matched production forecasts in the approved reservoir management plans (within permissible deviation limits), as prescribed by legislation.
- High levels of production equipment reliability were achieved.
- For the first time in the history of the Sakhalin-2 project, the turnaround campaign involved a simultaneous shutdown of the integrated oil system and the integrated gas chain. Preparations for the large-scale effort began in 2023. The total labour input for the 2024 summer turnaround campaign amounted to approximately 1.5 million man-hours, with more than 4,000 specialists from a variety of disciplines involved. The activities at the integrated gas chain (IGC) facilities included an overhaul of the refrigerant compressor gas turbines at the Prigorodnoye production complex; replacement of a gas turbine engine and maintenance of the power turbine of a compressor in the main driver/compressor package at booster station 2; an internal inspection of the rich MEG storage tank at the OPF; and an internal inspection of a flare knockout drum at the LUN-A platform. The following activities were carried out at the integrated oil system (IOS) facilities, specifically at the Molikpaq platform: replacement of the gas turbine drive of the injection gas compressor; replacement of a high-pressure flare tip; an annual cleaning of the process vessels; and a repair of a high-pressure separator. On the PA-B platform, the sales gas unit gas turbine drive was replaced; process tanks were cleaned up; the main oil heater tube bundle was replaced; and a number of inspections were carried out.
- The IGC was successfully started up in OPFC mode after the turnaround campaign.
- As part of the Sakhalin Oblast natural gas grid expansion programme, the construction and commissioning of a gas transfer terminal for the Dolinsk gas distribution station (GDS) was completed in late August.
- The drilling programme was implemented in full: scale treatment, production logging and production testing, well integrity testing, and workover campaigns.
- 90% of well integrity work was completed, against a target of 87.5%.
- Implementation of the scientific and technical capability development programmes and plans was continued with a view to improving unique skills in the field of offshore field development (see Section 6.1.7.9 Developing Research Capability).
- Russia's first sand retention and erosion resistance test bench was developed under the guidance and technical expertise of the company. A supply contract was signed and a PO was placed for the first batch of Russian-made sand screens for oil wells.



### 3.3.1.1. Piltun-Astokhskoye-A (Molikpaq/PA-A) Platform

Molikpaq remains the main oil production platform in the Sakhalin-2 project.

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 2024, the operating well stock of the Molikpaq platform included 17 oil production wells, seven water injection wells, and one cuttings re-injection well.

In 2024, the average daily production from the platform was 2.7 thousand t (20.0 thousand bbl) of oil and 0.3 million $m^3$ of associated gas.

Since the commencement of field development, the PA-A platform has produced more than 46 million t (about 400 million bbl) of oil and more than 7.4 billion $m^3$ of associated gas, including 0.9 million t (6.4 million bbl) of oil and 0.1 billion $m^3$ of associated gas produced in 2024.

more than

**46.0**

mln t of oil

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

**The year 2024 marked a major production milestone: 25 years since the first drop of oil was produced on the Russian shelf from the Molikpaq platform on 5 July 1999.**

**In 2024, as part of the reliability improvement plan, the operator's console at the central control room and the distributed control system servers were replaced with Russian-made hardware. Specialists now have at their disposal new software, a panel of monitors and a process control panel that displays all the indicators of the offshore production facility.**

In 2024, the main objectives at the Piltun-Astokhskoye field included: continuing efficient development through reliable well stock operation; maintaining balanced operating envelopes of wells 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 and the reliability of the drill cuttings re-injection system; and implementing Well, Reservoir, and Facility Management activities. Well intervention, production logging, and testing, and well integrity testing campaigns were implemented successfully and in full, along with well delivery plans. 91% adherence to optimal well operating envelopes was achieved, against a target of 80%.

### 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.

As at the end of 2024, the operating well stock of the PA-B platform included 22 production wells, eight water injection wells, and two cuttings re-injection wells.

The platform's average daily production rate in 2024 was 2.4 thousand t (17.8 thousand bbl) of oil and 0.6 million $m^3$ of gas.

Since the commencement of field development, the PA-B platform has produced about 23.2 million t (over 171 million bbl) of oil and more than 8.4 billion $m^3$ of associated gas, including 0.8 million t (5.8 million bbl) of oil and 0.2 billion $m^3$ of associated gas produced in 2024.

more than

**23**

mln t of oil

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

**In 2024, in order to extend the service life and enable the development of more challenging areas of the fields, a comprehensive rig inspection campaign was implemented with a view to replacing rig equipment based on diagnostics results.**



### 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 (OPF).

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 2024, the operating well stock of the LUN-A platform included 21 production wells and three cuttings re-injection wells.

In 2024, the well survey and maintenance programme was implemented in full. A comprehensive production testing and production logging campaign made it possible to optimise the wells' operating envelopes and enabled stable operation of the well stock with a high uptime ratio (0.96).

more than

**255**

bln $m^3$ of gas

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

**For the first time in the company's history, a high-rate gas producer at the Lunskoye field was worked over without being directly killed.**

**In 2024, for the first time, UAV-assisted maintenance activities were carried out as part of the internal inspection of the platform's reinforced concrete foundations (without rope access).**

To extend service life, a comprehensive rig inspection campaign was implemented with a view to replacing rig equipment based on diagnostics results. A workover of a high-rate well was carried out, whereupon the well was brought back into continuous production. There were no idle wells at the end of the year. Preparations were completed for the sidetracking of the LA-512 well, which, once upgraded, will be added to the producing well stock.

In 2024, the platform continued to produce an uninterrupted flow of gas from the existing wells. The average daily production was 45.90 million $m^3$ of gas and 3.09 thousand t (27.28 thousand bbl) of condensate.

Since the commencement of development, the platform has produced about 256 billion $m^3$ of gas and over 21.8 million t (over 190.8 million bbl) of condensate, including 15.9 billion $m^3$ of gas and 1.1 million t (9.5 million bbl) of condensate produced in 2024.

### 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 Lunskoye 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 the OPF's BS 1.

In 2024, the OPF's daily average shipment volume amounted to 45.54 million $m^3$ of gas and 7.74 thousand t (61.46 thousand bbl) of oil and condensate.

**In 2024, for the first time in the history of the Russian oil and gas industry and the Sakhalin-2 project, the diagnostics of the pump housings at the OPF were performed using the Introscan Russian autonomous robotic complex (equipped with an acoustic measuring system on point-contact sensors for automatic ultrasonic inspection and a laser-optical measuring system). All external and internal surfaces and welds of the housings were inspected using visual and ultrasonic inspection methods.**

**In 2024, development of a standalone OPF data mart has been continued and the project will be scaled up to create the company's corporate data repository. This infrastructure will enable the full cycle of inputting data into the data mart: processing, retrieval, aggregation, and quality assurance. The solution will enable high-speed preparation of data and its relevance for operational and strategic analytics.**



**In 2024, an effort was underway at the OPF to automate the 90-day planning process. BI analytics was built, comprehensively integrating all elements of the maintenance and technical integrity process. Quality and timely maintenance are ensured through the principle of process continuity and integrated analytics. The level of work ergonomics and the efficiency of process specialists have risen.**

### 3.3.1.5. Trans-Sakhalin Pipeline System

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, boasting a total length of almost 1,800 km, 104 block valve stations, five pipeline maintenance depots, BS 2, two gas transfer terminals (Northern and Southern), and five operating gas delivery points (in Tymovskoye, Korsakov, Troitskoye, Makarov, and Dolinsk).

The main objectives and tasks include ensuring uninterrupted and safe hydrocarbon transportation to the Prigorodnoye production complex.

Sakhalin Energy LLC has developed an HSE case document for its pipeline system, which identifies all potential hazards to the physical integrity of the assets: internal and surface corrosion, pipeline overpressurisation, earthquakes, landslides, soil erosion, stream bank erosion, marine vessel traffic, unauthorised taps, and inadvertent or wilful damage.

Various mitigation measures are used to prevent and address potential hazards, including the use of approved materials, specialised monitoring, and control and repair techniques.

Statistics indicate that more than 70% of pipeline incidents in the world are caused by unintentional damage from human activity. In 2024, Sakhalin Energy LLC continued regular 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 all relevant contact details. Additionally, information signs are located along the right-of-way with toll-free telephone numbers in case of questions.

**All of the Sakhalin-2 project's pipelines have been in operation for less than 30 years (as at the end of 2024), which does not exceed the standard service life. To verify this, Sakhalin Energy LLC carries out regular pigging with a subsequent analysis of results and development of plans for repairs and preventive maintenance.**

### 3.3.1.6. Prigorodnoye Production Complex

The Prigorodnoye production complex, which is located in the south of Sakhalin on the shores of the ice-free Aniva Bay, is a practical example of a high-tech and environmentally responsible enterprise. The complex includes the liquefied natural gas (LNG) plant and the oil export terminal (OET) with a tanker loading unit (TLU) located some 5 kilometres offshore. The LNG plant has two trains, each with a design capacity of 4.8 million t of LNG per year.

2024 saw a number of high-profile activities aimed at improving reliability, safety and environmental efficiency. One of the highlights was the overhaul of two gas turbine units of refrigerant compressors at train 2, each with a capacity of more than 80 MW. The activities included the complete replacement of the unit's components (rotor, stator blades, and combustion chamber elements) and required careful coordination. The effort resulted in the improved operational reliability of the equipment.

A large-scale review of 11 pipeline loops at the OET, a unique exercise for an LNG plant, was also undertaken as an important prerequisite for ensuring the safety, integrity, and reliability of the asset.

**168**

**million t (374 million m³)**

**has exceeded total liquefied natural gas production since the start of operations**

Pursuant to Federal Law No. 123-FZ, Technical Regulations on Fire Safety Requirements, a series of strength, density, and leakproofness tests of the outdoor fire extinguishing pipeline systems were successfully conducted at the Prigorodnoye production complex.



## 3.3.2. Hydrocarbon Production and Export

### 3.3.2.1. LNG

**In 2024, the share of Sakhalin LNG amounted to around 2.5% of global LNG demand, 3.8% of demand in Asia-Pacific countries, 8.4% of demand in Japan, 3.5% of demand in South Korea, and 3.6% of demand in China.**

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 1/600$^{th}$ of its initial volume, which allows it to be collected, stored, and shipped by special sea transport.

LNG shipments to buyers began in March 2009. The Sakhalin-2 project has a solid reputation due to the stability of its 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 master sale and purchase agreements with buyers in the Asia-Pacific as well as international trading companies;
- geographical proximity to the main markets;
- flexibility of delivery schedules;
- oil and LNG compositions that meet buyers' process 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.

In 2024, Sakhalin Energy LLC shipped approximately 10.2 million t of LNG (156.5 standard LNG cargoes) from Prigorodnoye Port (one standard LNG cargo is 65,000 t). Approximately one half of the total LNG produced is sold on FOB (Free on Board) terms, while the remaining volumes are sold on DES (Delivered ex Ship) terms.

The Company's current production volumes exceed its contracted supply volumes, allowing additional hydrocarbon cargoes to be produced for sale on the market. Additional products are sold on a short-term basis to existing and new buyers under master LNG sale and purchase agreements.

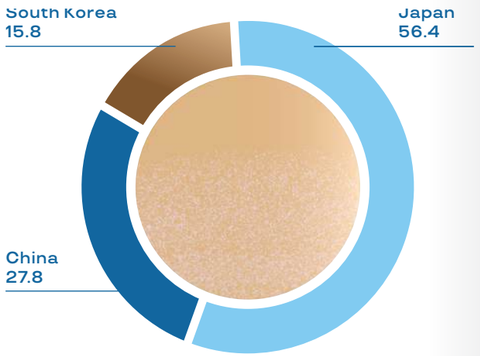
**The Company's strong reputation as a reliable supplier of hydrocarbons in the Asia-Pacific is maintained through the efficient planning of timely LNG deliveries and fulfilment of all contractual obligations to buyers and contractors in the face of existing geopolitical risks.**

In 2024, uncommitted LNG cargoes were effectively sold in part due to increased competition as a result of the expansion of the LNG buyer portfolio. The Company continues to ensure adaptability and prompt response to changing market conditions, use flexible pricing mechanisms, and provide customised solutions to buyers.

All hydrocarbons produced in 2024 were successfully delivered to buyers on time and in full compliance with the terms of respective sale and purchase agreements. In 2024, LNG was transported by three ice-class LNG carriers chartered on a long-term basis, as well as vessels chartered by LNG buyers. The Company chartered two more LNG carriers for a short-term period to deliver all of its products.

In 2024, the Company delivered LNG to Japan, China, and South Korea.

**Sakhalin LNG Deliveries in 2024, %**






### 3.3.2.2. Oil

**The share of Sakhalin Blend exported by Sakhalin Energy LLC makes up about 0.1% of global oil consumption, 0.2% of consumption in Asia-Pacific countries, and 0.6% of consumption in China.**

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

Gas condensate produced in the Lunskoye 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) and a sulphur content of about 0.12%. 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, with condensates, and with heavier Far Eastern blends, such as Sokol and ESPO.

Successful sales of Sakhalin Blend are driven by the proximity to developed oil refineries in the Asia-Pacific region, relatively low transportation costs per barrel, the ability to offload in multiple ports, and the flexibility of the delivery schedule, as well as the Company's reliability, its high reputation, and strong business relations and experience of cooperating with most of the major buyers in the region.

Starting in 2014, the Sakhalin-2 project operator has sold Sakhalin Blend both on a spot basis and under fixed-term contracts (up to 1 year). Since 2023, the Company has been selling Sakhalin Blend cargoes only on spot sale terms.

In 2024, the Company shipped about 24.9 million bbl (about 3.1 million t) of Sakhalin Blend from Prigorodnoye Port, which amounts to 35.6 standard oil cargoes (one standard oil cargo is 700,000 bbl).

Geopolitical factors continue to have a significant impact on Sakhalin Blend's sales market structure. Since 2023, leading oil refineries in China and trading companies have been the key buyers of Sakhalin Blend. At the same time, the Company continues to maintain business contacts with major players of the Asia-Pacific oil market, striving to maintain its current buyer portfolio and actively searching for new buyers and sales markets.

In 2024, the situation in the oil and petroleum products markets remained volatile. This was due to the continuing 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 petroleum products market. Despite these circumstances, the Company was able to successfully produce and deliver all Sakhalin Blend cargoes safely and on time through precise coordination of its actions and continuous improvement.

In 2024, year-round uninterrupted shipments of Sakhalin Blend to Chinese ports were carried out by the Company's chartered oil tanker fleet — reinforced ice-class Aframax tankers, as well as two additional crude oil tankers on a short-term charter.

### 3.3.2.3. Natural Gas

Since 2011, the Company has been supplying natural gas to Gazprom PJSC'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 Sakhalin 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;
- at the Dolinsk GDP to supply gas to the Dolinsk GDS.

In accordance with the most recent Regulations on the Distribution of Hydrocarbons under the Production Sharing Agreement of the Piltun-Astokhskoye and the Lunskoye Oil and Gas Fields Development and the Specifications for the Transfer and Acceptance of Natural Gas between Sakhalin Energy LLC and Gazprom PJSC, in the coming years the Company is expected to supply gas against royalty payments at one more GDPs on Sakhalin (in Leonidovo, Poronaisk municipal district).



over

**15,638.2**

million m³ of natural gas

**Since the start of gas supplies, the Russian party has been provided with over 15,638.2 million m³ of natural gas under the Sakhalin-2 project (842.4 million m³ in 2024), including:**

about

**8,662.8**

million m³

**via the Southern GDP for Sakhalin Oblast consumers**

about

**6,975.4**

million m³

**was supplied via the Northern GDP to the Sakhalin–Khabarovsk–Vladivostok gas transmission pipeline.***

* This gas is intended for further use under the Russian Far East fuel and energy sector development programmes.

# 4

Corporate
Governance

# 4.1. VISION, MISSION, VALUES, AND GENERAL BUSINESS PRINCIPLES

Sakhalin Energy's Mission and Vision provide a foundation for determining the company's objectives and strategies.

Sakhalin Energy's activity is based on fundamental values such as:

- honesty and integrity;
- respect and care for people;
- professionalism and individual responsibility;
- continuous improvement of business and team members' leadership skills.

These values exemplify the company's responsibility to all parties:

- members;
- the Russian party;
- customers;
- employees;
- business partners;
- the community as a whole.

**VISION**

To be a leader in the global energy market.

**MISSION**

To strive to be the hub of expertise in integrated offshore field development and the 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, which is available on the company's official web site (www.sakhalinenergy.ru).



# 4.2. CORPORATE MANAGEMENT SYSTEM

The Corporate Management System is a set of interrelated management elements, established by Sakhalin Energy's management, which ensures that the company meets its objectives and commitments in the most effective and secure manner while adhering to its business principles and core values.

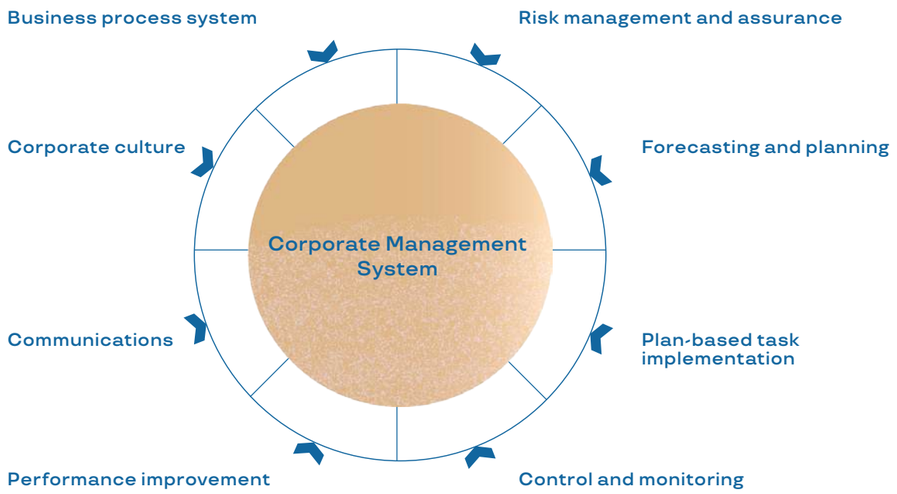
The Corporate Management System Manual was updated in 2024. It is the supreme document within the hierarchy of Sakhalin Energy's local regulations, which describes the management and control system for the company's activities based on differentiated rights and obligations of the company's members and its operational management bodies, which balances all stakeholders' interests.

The key elements of the Sakhalin Energy's Corporate Management System are presented in the Elements of the Corporate Management System chart.

## Corporate Culture

The company's corporate culture is based on core values that set the rules for employee conduct and behaviour. Behaviours, communication styles, and management practices are all shaped by these values. A corporate culture built on trust and fundamental principles enhances our reputation and supports the successful development of the company's business.

**Elements of the Corporate Management System**



Sakhalin Energy seeks to develop and improve its corporate culture by incorporating the Business Ethics and Compliance Programme into the business strategy to be further integrated with the company's operations, as well as by improving its internal communications system and arranging corporate events, including volunteer and patriotic events (see Sections 4.5 Corporate Culture, Business Ethics, and Compliance; 4.8.3 Engagement with Personnel; and 6.4.3 Hurry Up for Good Deeds: Developing Corporate Volunteering).

### Risk Management and Assurance

Sakhalin Energy applies a risk-based approach when making decisions across all its activities. 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 and Assurance).

### Forecasting and Planning

Forecasting and planning are key elements for achieving the company's goals and fulfilling its commitments, taking into account the statutory requirements of the Russian Federation and the Sakhalin-2 PSA. There are three forecasting and planning horizons: long-term, medium-term and short-term, which are evaluated and adjusted every year. Plans are developed during active and open discussion, involving representatives of all the company's structural units, as well as key stakeholders. Strategies, goals, objectives, and performance targets are communicated to all employees through an annual Journey Book.

### Plan-Based Task Implementation

Performance indicators are established and monitored, and results are reported. Corrective measures are taken as necessary, and policies, organisational structure, risks, plans, and actions to accomplish the assigned tasks 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.

### Control and Monitoring

Assurance is in place to ensure the management system is reasonably effective. Controls include external audits and internal inspections that are independent of the audited processes or assets. Audits and inspections are followed up on in a timely manner. The management regularly reviews the effectiveness of the assurance framework.

### Performance Improvement

Sakhalin Energy actively applies a systematic approach to improve its business process performance and business results. The company implements the Continuous Improvement Programme to develop and reinforce its culture of operational excellence (see Section 4.10.2 Continuous Improvement Programme).

### Communications

Transparent and open communication is essential to ensure the company's business objectives are met. Managers engage with their staff, informing them of business goals and priorities. The Business and Operations Committee receives their feedback for information and possible follow-up. The Chief Executive Officer and other members of the Business and Operations Committee reinforce this communication framework with regular staff engagement sessions (see Section 4.8.3 Engagement with Personnel).

### Business Process System

Sakhalin Energy applies a process management approach aimed at improving business process performance and effectiveness with a view to fulfil its objectives and commitments. Business processes are defined along with clear lines of responsibility.



## 4.3. CORPORATE GOVERNANCE MODEL

The Supervisory Board is the strategic management body of the Sakhalin-2 project, established in accordance with the provisions of the Sakhalin-2 PSA. 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, employment and training plans for Russian nationals, and others. 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 uses the following corporate governance model:

- the General Meeting of the Members of the Company is the supreme governing body of the company;
- the Chief Executive Officer, the sole executive body, is responsible for the daily management of the company.

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, 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.

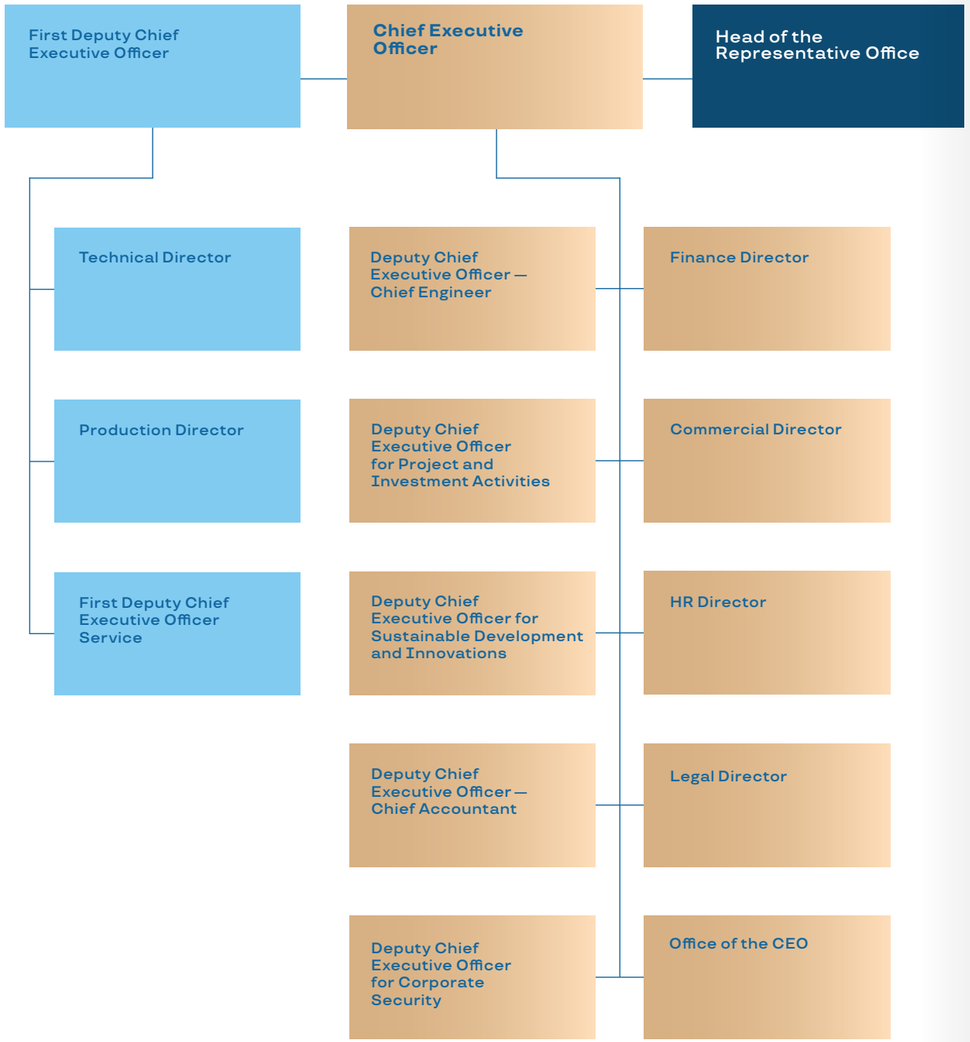
When managing the company's daily activities, the Chief Executive Officer forms advisory and consultative bodies to ensure the company's efficient and continuous operations.

The Business and Operations Committee is an advisory and consultative body that ensures a comprehensive assessment and development of relevant recommendations for the Chief Executive Officer. For expert development of the Business and Operations Committee's recommendations, advisory and consultative bodies are established in the form of committees for the company's various focus areas:

- Engineering and Design Council;
- Tender Boards;
- Budgeting Council;
- Business Integrity Board;
- Business Assurance Board;
- Council for HSE, Industrial Safety, and Liaison with Supervisory Authorities.

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

**Organisational Structure of Sakhalin Energy LLC (as at 31 December 2024)**






# 4.4. RISK MANAGEMENT AND ASSURANCE

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.

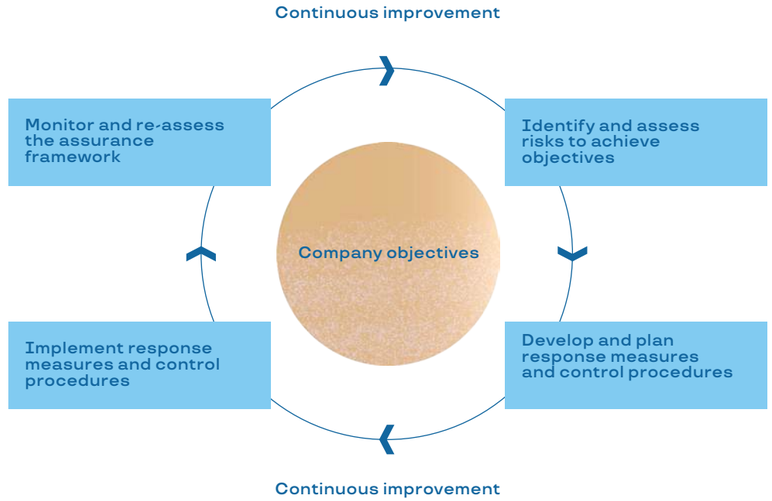
Sakhalin Energy LLC understands risk as a potential situation that can affect the achievement of corporate objectives. Accordingly, all risks and opportunities are assessed in terms of their likelihood and their impact on achieving the company's objectives.

## 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 safe recovering and restoring critical processes in the event of an incident that can disrupt normal operations.

To ensure the effective risk management, Sakhalin Energy has a Business Continuity Policy and a corresponding programme based on GOST R ISO 22301:2021 (National Standard of the Russian Federation. Dependability in Technology. Business Continuity Management Systems. Requirements), GOST R 53647.1-2009 (National Standard of the Russian Federation. Business Continuity Management. Part 1. Code of Practice) and ISO 22301:2019 international standard (Security and Resilience — Business Continuity Management Systems — Requirements). To ensure business continuity, the company implements procedures that support sustainable operations in such areas as human resources, financial stability, and information technology.

## Sakhalin Energy's Risk Management Cycle




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

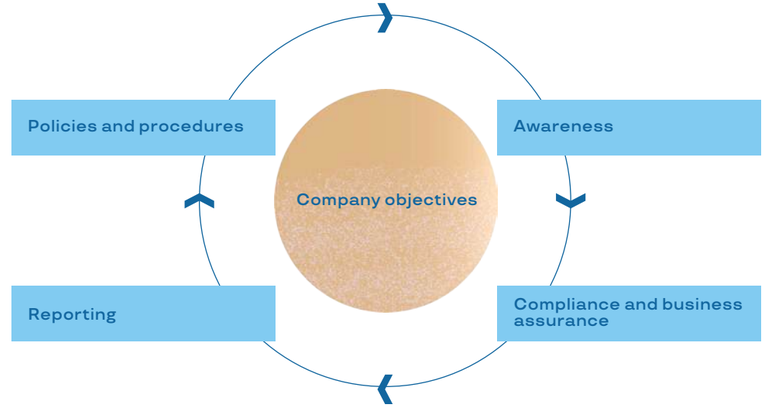
One of the most important components of effective risk management is conducting an impact assessment. This process is carried out before starting any work that could potentially affect various areas (see Section 2.3 Impact Assessment).

Risk management lies within the purview of those responsible for achieving the objectives associated with these risks (risk owners and coordinators). Each manager in the company ensures proactive risk management as part of his/her activities.

Sakhalin Energy has a unified approach in place to ensure the effective functioning of the business assurance framework, aiming to mitigate the existing risks up to an acceptable level and achieve both long-term and short-term objectives of the company, to foster a culture focused on meeting the established requirements, and to maintain best corporate governance practices. The Business Assurance Council is the advisory body responsible for ensuring corporate control and risk management. It includes Deputy CEOs, the company's directors and organisational unit managers (see the chart Sakhalin Energy's Control Framework).



## Sakhalin Energy's Control Framework




## 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 and reduced biodiversity | The company uses the following controls to reduce the risk of negative impacts on the environment and the risk of contamination, and to comply with Russian regulatory requirements and Sakhalin Energy's local regulations pertaining to environmental protection (special Atmospheric Air Protection Standard, Water Use Standard, Waste Management Standard, Soil Use Standard, Marine Environment Protection Standard, and Biodiversity Standard):<br>— 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;<br>— developing and implementing comprehensive programmes for industrial environmental control (IEC), operational environmental monitoring (OEM), and biodiversity conservation in the areas of production facilities;<br>— analysing the results of monitoring, assessing the efficiency of controls, and developing and implementing environmental protection plans.<br>Risks are managed in accordance with the general requirements of the Risk Management Procedure. | 5 |

| Risks | Description/controls | Section of the Report |
|---|---|---|
| Climate risks | The company's assets, located on Sakhalin Island and in the shelf area of the Sea of Okhotsk (the maximum depth of the sea at the locations of the company's three offshore platforms is about 49 m), are in natural hazard zones (landslides, wildfires, hurricanes, snowstorms, floods, tsunamis, earthquakes, etc.).<br>In terms 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).<br>The requirements placed upon low-carbon development from regulations and regulatory documents of the Russian Federation, customers and partners, and society as a whole change from time to time as well.<br>The company uses the following controls:<br>— monitoring and analysing international and national regulations aimed at limiting greenhouse gas emissions, market trends, and stakeholder expectations;<br>— implementing measures aimed at increasing equipment reliability, ensuring energy efficiency, managing gas flaring, and preventing possible leaks;<br>— inspecting the company's production facilities and controlling the condition of engineering structures;<br>— monitoring meteorological and hydrological phenomena, the risk of natural fires and possible restrictions on transport accessibility in the areas where the company's assets are located, implementing preventive measures to mitigate the risk of emergencies;<br>— monitoring natural hazards (landslides, mudflows, soil erosion, and river channelling) and their possible impact on engineering structures. | **5.3.4** |
| **Social risks** | | |
| Staff attrition | 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 talent pool to fill crucial roles.<br>In order to mitigate this risk, the company has a medium-term HR strategy in place that is designed to improve organisational efficiency and ensure the sustainable development of HR potential and staff stability. As part of the strategy, the company has been working to maintain the talent pool and the effectiveness of the succession plan. Managerial and leadership skills development programmes are being implemented. The competitiveness of the employee value proposition is regularly assessed. | **6.1** |
| Industrial safety risks | Industrial safety (IS) ensures the protection of vital interests of individuals and of society from potential accidents and incidents at hazardous production facilities (HPFs) and mitigates their effects.<br>Lack of proper control over compliance with IS requirements, obsolete equipment used at the company's assets (especially subject to limitation of access to OEM parts for most equipment units) may result in a number of risks, such as:<br>— technical process disruptions resulting in incidents, accidents, and emergencies at HPFs;<br>— 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** |



| Risks | Description/controls | Section of the Report |
|---|---|---|
| | — imposition of administrative penalties by Rostekhnadzor and other state regulatory bodies supervising compliance with IS requirements;<br>— damage to the company's business reputation caused by its failure to meet the requirements of RF IS regulations.<br>To manage the above-mentioned risks, in accordance with RF regulations, Sakhalin Energy LLC operates an Industrial Safety Management System (ISMS), a unified system of planning and implementing measures to minimise the risk of accidents and incidents at the company's HPFs. A lot of effort is taken to replace equipment and spare parts with analogues from Russian manufacturers. | **6.2** |
| Occupational safety risks | Key risks are related to injuries to personnel in the course of performing work.<br>For the purpose of mitigating these risks, controls are implemented as part of the OHS management system with regard to their priority, in accordance with the requirements established by RF regulations and regulatory documents, as well as local regulations of Sakhalin Energy LLC, including: the elimination of hazardous or harmful types of work or their replacement with less hazardous types; the introduction of engineering solutions to minimise employee contact with hazards; the implementation of administrative controls; the provision of PPE to employees; and medical check-ups. | **6.2.1**<br>**6.2.2**<br>**6.2.3** |
| **Corporate governance risks** | | |
| Risks of adverse consequences resulting from existing and potential foreign economic restrictions and other unfavourable trade policy measures | A number of countries have introduced unilateral foreign economic restrictions and other unfavourable technology trade policy measures, which can potentially have a medium- and long-term impact on the company's business.<br>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 a technological self-sufficiency policy and a policy of substituting foreign goods and services with equivalent Russian goods and services. | |
| Restrictions on maintenance and procurement of materials and services | A number of countries have tightened their export control rules in relation to the Russian Federation, which has restricted supplies of hi-tech products to Russia, including some products and equipment for oil refining and gas production, as well as components and equipment for the aviation industry. The restrictions lead to a disruption of the supply chains for goods and services, as well as logistical difficulties. Key controls:<br>— establish a Joint Integration Centre for the integrated localisation of materials and services for the company;<br>— search for alternative manufacturers and contractors within the RF and in friendly countries;<br>— search for similar materials, equipment, replacement parts, and services within the RF and in friendly countries;<br>— intensify market research to ensure a thorough analysis of the Russian market and identify the necessary equipment that meets the company's requirements;<br>— 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

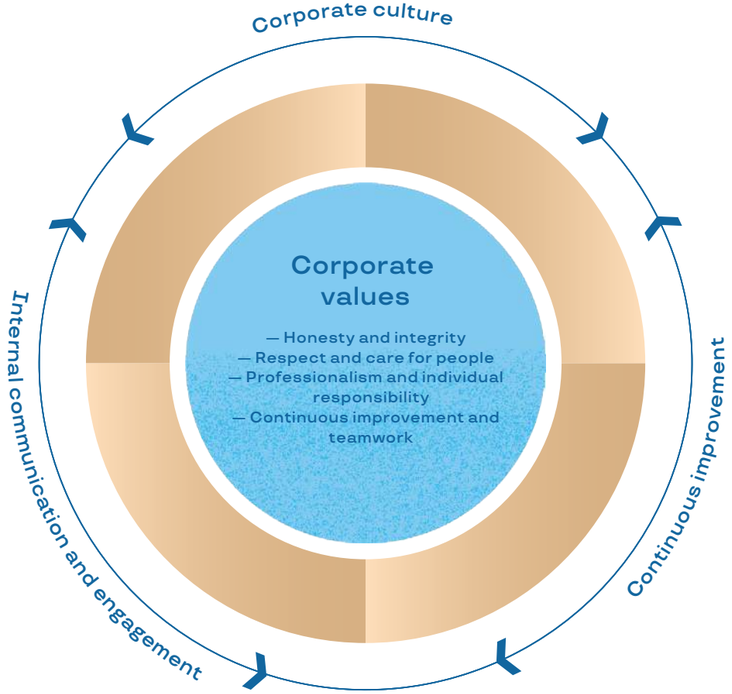
Sakhalin Energy's corporate culture is made up of values, principles, rules, norms, and traditions, making it unique and guiding it along its set path.

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 Vision, Mission, Values, and General Business Principles).

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

- promoting the development and the best use of its employees' talents;

**Sakhalin Energy's Corporate Values**






**The key provisions of the Code of Conduct are communicated to newcomers during regular awareness sessions.**

**Every two years, all company employees must complete online training on the Code of Conduct, Anti-Bribery and Corruption Principles, and the Conflict of Interest Procedure. In 2024, as in previous years, 100% of employees completed the mandatory scheduled training.**

- 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;
- Sakhalin Energy's management is actively involved in promoting a corporate culture based on mutual trust and respect, according to which no acts of negligence in the workplace will be tolerated.

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

- the Ethics & Compliance Programme, developed in accordance with the best Russian and global 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 working groups with representatives of the company's members);
- regular awareness and training sessions;
- special section for recording and controlling conflicts of interest on the company's management and employee portal for key HR processes (on Sakhalin Energy's intranet site).

Sakhalin Energy's Code of Conduct is an integral part of its corporate governance and culture, defining essential rules, standards, and norms of conduct aimed at achieving the company's objectives in line with its requirements, corporate values, and principles. The Code of Conduct applies directly to each employee and covers various aspects, including 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 chart Sakhalin Energy's Basic Elements of Ethics and Compliance). Adherence to the business ethics and compliance principles is a part of the annual individual objectives and tasks of all company employees and managers (see Section 6.1.6 Individual Performance Appraisal).

**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;
- 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 the legislation of the Russian Federation, as well as with Sakhalin Energy's general business principles. The company has established a safe and confidential whistleblowing hotline for employees and third party representatives to raise any concerns, ask questions, and report incidences of non-compliance with the company's business ethics requirements.

Sakhalin Energy LLC continuously improves its direct staff engagement procedures, including by holding pan-asset staff communication sessions and meetings with all company units, using electronic means of communication and exploring various channels for gathering feedback (see Section 6.3 Engagement with Personnel), and others.

**The corporate Conflict of Interest 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.**

**Pursuant to the procedure, each employee shall annually complete Sakhalin Energy's conflict of interest declaration. In 2024, 100% of employees did this.**

**An employee shall immediately record a real or potential conflict of interest if one 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 of interest are developed and agreed upon.**

## 4.6. ANTI-BRIBERY AND CORRUPTION

Sakhalin Energy follows Russian and applicable international anti-corruption and anti-fraud regulations, requirements outlined in internal policies and procedures, and the Code of Conduct, including the general business principles.

The company does not tolerate corporate fraud, bribery or 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 elements of business assurance to prevent any unlawful activities.

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

The procedure establishes an overall set of internal controls for compliance with anti-bribery and corruption laws, including:

- statutory and regulatory requirements in this area;
- 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 procedure lists categories of employees who present the highest risk of violating anti-bribery and corruption laws. In 2024, the list of such positions included 30% of the total workforce.

In order to enhance zero tolerance for corruption and fraud, the company has developed regular face-to-face ethics & compliance training sessions for such employee categories. 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 2024, and around 500 employees were trained in 25 planned sessions held during the year.

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

In 2024, to raise employee awareness, the company issued several bulletins and publications on business ethics and conducted anti-corruption training sessions. In December 2024, an annual newsletter on business ethics and business assurance was released as a supplement to Sakhalin Energy's Vesti newsletter.

The Legal Directorate in cooperation with the Auditing Division advises employees on anti-bribery and corruption legal issues and risks associated with non-compliance.

The company contributes to promoting 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 following measures are taken:

- the Legal Directorate, in cooperation with the Auditing Division, shall monitor any changes in standard contractual clauses that define the company's anti-bribery and corruption requirements;



**The company informs both internal and external stakeholders of channels for reporting violations of anti-bribery and corruption laws.**

**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 intranet site has a 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.**

- the Business Assurance and Risk Management 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;
- the company shall focus on compliance with the business ethics and anti-bribery and corruption requirements at regular meetings and seminars with contractors and vendors.

Each year, the Business Assurance and Risk Management 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 conflict of interest management.

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.

No cases of corruption were recorded in 2024.

# 4.7. PRODUCTION SHARING UNDER THE SAKHALIN-2 PSA

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

**Production sharing with the state under the Sakhalin-2 PSA began in 2012, after the operator'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 income tax, which has a rate of 32% for the duration of the PSA.**

According to the PSA, the state retains ownership rights to the field and grants the operator exclusive rights to develop the mineral resources. The operator 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 operator 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 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**

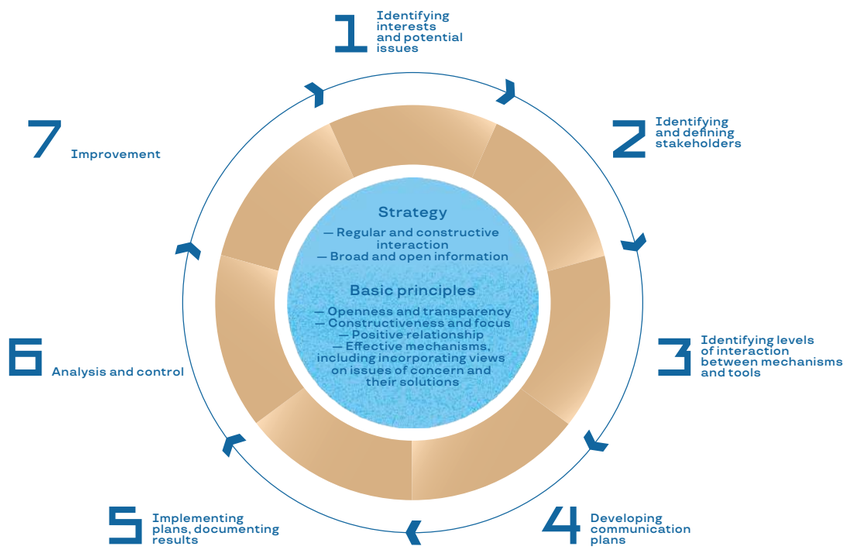

Sakhalin Energy's engagement with stakeholders is based on its commitments as set forth in key corporate documents, which include:

- 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 the interaction and depends on the stakeholder group (see Sections 4.8.2–4.8.9).

**Stakeholder Engagement Process**




## 4.8.2. Stakeholder Engagement in 2024

In 2024, Sakhalin Energy continued to systematically and consistently engage 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, printed materials, and videos;
- 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 Engagement with Non-Governmental and Non-Profit Organisations);
- engagement with buyers, vendors, and contractors (see Section 4.8.7 Engagement with Customers, Section 4.9 Supply Chain Management and Vendor Development Programme, and Section 6.2.1 General Information);
- engagement with state and local government authorities (see Section 4.8.8 Engagement with State and Local Government Authorities).



## 4.8.3. Engagement with Personnel

Sakhalin Energy makes every effort to maintain an open dialogue with its personnel 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 strengthening 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:

- meetings of the company's management with all personnel, including employees at remote assets, via online teleconferencing;
- e-mail messages from the Chief Executive Officer and members of the Business and Operations Committee;
- distribution of the Journey Book among personnel, a crucial document outlining the strategic plans for all directorates and organisational units for the medium-term (five years);
- various customised opinion surveys. In 2024, 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 corporate culture and the efficiency of communications, the quality of services provided by various units (administrative support), 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, risk assessments, and mitigation measures;

### VETERANS OF THE SAKHALIN-2 PROJECT: PRIDE AND GLORY

**In the year of the project's 30th anniversary, one of the key topics of internal communications was the contributions made by veterans of the project and the oil and gas industry to the company's activities. Sakhalin Energy made a film featuring some of the distinguished employees who were present at the origins of Sakhalin-2. They shared their experience, which is of interest and use to those who are now working on tasks related to the Sakhalin-2 project.**

### CORPORATE CULTURE SURVEY

**The company annually conducts a survey on the efficiency of internal communications and maintaining corporate culture.**

**Personnel had the opportunity to express their opinion on the events and information campaigns held in 2024, as well as on the company's contribution to the social and economic development of the region. The questionnaire contains questions, the answers to which help to form plans for keeping employees informed in the coming year.**

**Every year, 30 to 40 percent of the company's employees participate in the survey.**

- Sakhalin Energy's Vesti monthly newsletter, which is distributed among the personnel and stakeholders;
- a monthly ESG digest with news relating to the corporate, Russian, and global ESG agenda and information about the company's experience in implementing the UN Sustainable Development Goals;
- an annual addition to the Vesti corporate newsletter on business ethics and assurance;
- launch of the Vesti TV project (corporate television). It is a special section on the company's intranet site where all videos about its key events, activities, and achievements are posted. The videos are also shown on TV displays across the company's offices and assets;
- a quarterly newsletter from the Supply Chain Management Department;
- a monthly news digest from the Vendor Relations Development Subdivision;
- 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 on special stands in the company's offices;
- messages on the internal corporate website and regular updates of topical sections;
- active involvement of employees in corporate projects and activities, including volunteering, charity, and patriotic events.



### Corporate Patriotic Events

In 2024, the practice of holding patriotic events and visiting exhibitions dedicated to the history of the island region and Russia continued. These are attended by company managers and business unit leaders, as well as by all interested employees and members of their families.

The company has endorsed a calendar of patriotic events, in accordance with which thematic programmes for commemorative dates are implemented:

- 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).

## 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. A series of events took place in 2024:

- six public discussions of project design documentation:
  - Programme of Trial Seismic Survey Using Light Steerable Above-water Vehicles (LUNA-S) in the Lunskoye Licence Area;
  - Programme of Geotechnical Surveys for the Development of Project Design Documentation Package 'Molikpaq Platform Rejuvenation Project';
  - Well Upgrades in the Astokh Area of the Piltun-Astokhskoye Oil and Gas Condensate Field (Well Group #8);

### FOCUS ON CHILDREN!

**In 2024, staff participation in corporate patriotic, volunteering, and social projects included a strong focus on engaging family members. Several events were held throughout the year, including various contests for children, such as poetry reading and drawing competitions.**

**A new format was introduced: a children's literary contest that involved writing a fairy tale with a bear as the main character – "A Heroic Fairy Tale" or "A Family Fairy Tale".**

**The mascot and gift at all children's events was a teddy bear. The teddy bears were all dressed as servicemen – an infantryman, a sailor, a tank crew member, a pilot, and a commander of the Soviet army. These images were included in a congratulatory video dedicated to the 80th anniversary of the Great Victory in 2025.**

**At the end of the year, the most active participants in the children's corporate projects were awarded a commemorative trip – 20 children accompanied by their parents travelled to Vladivostok, a city of military glory. The itinerary of their trip included laying flowers at the Eternal Flame at the Combat Glory of the Pacific Fleet memorial, a tour of the Voroshilov Battery, a visit to the country's largest oceanarium, and a performance of Dersu Uzala, based on the novel by Vladimir Arsenyev, staged by the Primorsky Regional Puppet Theatre. This extraordinary trip to Vladivostok was not just a journey to the country's main eastern outpost, but also a true school of patriotism, friendship, and respect for the heroic pages of our country's history.**

- Upgrades of Wells LA-501, LA-502, and LA-512 at the Lunskoye Oil and Gas Condensate Field (Well Group #17);
- Upgrades of Wells LA-501, LA-502, and LA-512 at the Lunskoye Oil and Gas Condensate Field (Well Group #18);
- Upgrades of Wells PB-302, PB-305, PB-307, PB-308, PB-309, PB-313, and PB-418 in the Piltun Area of the Piltun-Astokhskoye Oil and Gas Condensate Field (Well Group #1);

- 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 2024, information centres in Nogliki, Poronaisk, and Korsakov continued their work.

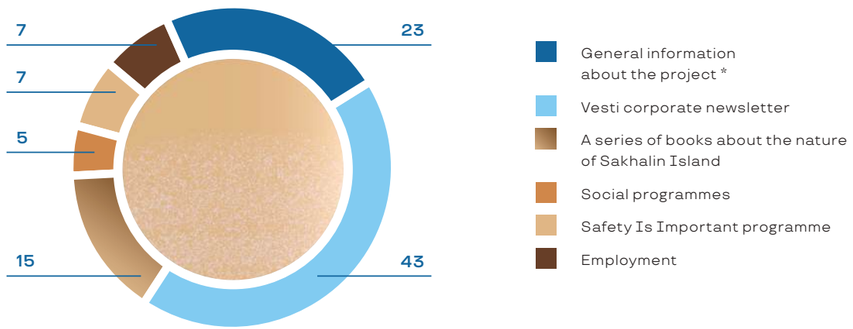
During their working hours, librarians provide consultation to information centre visitors on issues related to the company.

The following activities are carried out at the information centres:

- regular updating 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 759 people visited Sakhalin Energy's information centres in 2024. The data on the visits are presented in the Statistics of Visits to the Information Centres in 2024 chart.

**Statistics of Visits to Information Centres in 2024, %**




* Internet site, information stands, printed materials.



## 4.8.5. Engagement with Sakhalin Indigenous Minorities

Since its foundation, the Sakhalin-2 project operator has continuously interacted with Sakhalin Indigenous Minorities (SIM). The SIM 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.

**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, and the Sakhalin Oblast Government.**

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 Authorised Representatives of Sakhalin Indigenous Peoples), and government authorities (the Sakhalin Oblast Government). 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 2024, 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 Sakhalin Indigenous Minorities — public meetings were held under the SIMDP (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;**
- **open hours with the Community Liaison Officer for SIM visitors in all traditional SIM residence districts (over 400 individual consultations).**

## 4.8.6. Engagement with Non-Governmental and Non-Profit Organisations

In 2024, the company continued cooperating with local, regional, and international public organisations. Important areas of engagement include:

- participation in the work of 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 2024, Sakhalin Energy continued to foster effective two-way communication with customers and strengthen long-term partnerships as the basis for mutually beneficial agreements. Regular working meetings with LNG and Sakhalin Blend buyers were held throughout the year, enabling prompt resolution of various tasks and challenges to ensure the uninterrupted sale of hydrocarbons from the Sakhalin-2 project.**

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 establish long-term business relationships, resolve operational challenges that arise in the course of LNG and oil contract execution, and enter into new agreements on mutually beneficial terms 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, including exploring new markets for the company. 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 actively seek out new market players (refineries and traders) for establishing short- and long-term cooperation.

In 2024, the company fully met its obligations to supply hydrocarbons to buyers while maintaining high standards of safety and operational reliability. Sakhalin Energy continues to adhere to the principles of economic efficiency in organising the maritime transportation of produced hydrocarbons to buyers, in compliance with international and national legislation, as well as local requirements for maritime transport. Ensuring the continuous availability of a sufficient number of technically reliable commercial vessels, including through the chartering of additional oil tankers and LNG carriers, remains a key objective for the company.

Active efforts are underway to mitigate the risks of critical operational and technical incidents on board chartered LNG carriers and oil tankers, as well as at Prigorodnoye Port – on board FOB LNG carriers chartered by buyers.

**In winter 2024, a successful icebreaking and loading operation for a non-ice class gas carrier took place at Prigorodnoye Port — marking the first such achievement in the global LNG shipping industry.**

### LNG AND SAKHALIN BLEND CUSTOMER SURVEY

**Sakhalin Energy conducts annual customer satisfaction surveys for LNG buyers. In 2024, respondents again noted the high quality of Sakhalin LNG, the timeliness and stability of deliveries, the efficiency of the company's commercial fleet, compliance with international HSE regulations and standards, and the company's focus on customers and long-term partnership relations.**

## 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 2024, 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 various topics, most intensively in the following areas:

- current production activities;
- preparation and organisation of voting in the elections for the President of the Russian Federation and the Governor of Sakhalin Oblast, mainly in the remote locations of the Sakhalin-2 project;
- implementation of a series of activities dedicated to the 30th anniversary of the Sakhalin-2 project;
- implementation of joint partner programmes in the region (see Section 6.1 Personnel Management and Development) and social investments (see Section 6.4 Social Investment and Contribution to the Sustainable Development of the Host Region);
- the company's participation in major external events in partnership with the Sakhalin Oblast Government — the 28th Far Eastern Energy Forum 'Oil and Gas of Sakhalin', the Eastern Economic Forum, and Russia Expo, an international exhibition, and a forum held at VDNKh;
- 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.

## 4.8.9. International and Regional Cooperation

In 2024, Sakhalin Energy continued to actively participate in forums, conferences, exhibitions, and specialised industry events.

### RUSSIA EXPO, an international exhibition and forum (February/March, Moscow)

It was a large venue at the VDNKh (Exhibition of Achievements of the National Economy), where the country's regions presented their achievements to the capital's residents and guests. At the Sakhalin Oblast stand, the company staged a centrepiece exhibition showcasing the oil and gas industry. The programme featured a variety of formats and was filled with educational talks by the company's experts, as well as business and cultural events in three main sections: HR, Production, and Safety Culture. The speakers included top-level executives of Sakhalin Energy and young professionals from the region's oil and gas industry.

### 5th Joint Scientific and Practical Workshop "Innovations and Current Requirements for the Preparation of Reserves Estimates and the Design of Hydrocarbon Field Development" (April, Yuzhno-Sakhalinsk)

The workshop focused on changes in Russian subsoil use regulations and the specifics of developing the Sakhalin-2 project fields. The meeting featured representatives of the State Reserves Committee (SRC) and the Eurasian Union of Subsoil Use Experts and was attended by more than 30 managers and specialists from the Technical Directorate: geologists, geophysicists, reservoir engineers, and process engineers.



### Meeting of the Gas Industry Commission for Field Development and Subsoil Use and Gazprom's 18th Coordination Geological Meeting (May, Sochi)

The annual meeting held to review the results of the development of Gazprom's gas fields and oil and gas condensate fields is a landmark event for the Russian gas industry. Engineers and managers in the field of theoretical and practical geology from all over the country come together to report on the work done and plans for the coming years, and share their know-how and expertise. The agenda included current issues in geological exploration and field development, as well as improving operational efficiency. The meeting participants reviewed Russian technologies, the use of AI in geology, and devices for geological exploration of the subsurface. They also heard presentations by independent experts from the oil and gas industry.

### Eastern Economic Forum (September, Vladivostok)

During the EEF, the Chief Executive Officer led a delegation that engaged in multiple meetings with partners and members of the company and took part in various sessions. The Sakhalin Oblast pavilion at the Far East Street expo featured an exhibit dedicated to the Sakhalin-2 project, reflecting the entire hydrocarbon extraction/LNG production cycle.

### 4th Eurasian Women's Forum (September, St. Petersburg)

The 4th Eurasian Women's Forum was held in St. Petersburg under the motto "Women for Strengthening Trust and Global Cooperation". The venue brought together over 2,000 delegates from 126 countries and millions of online viewers. The participation of Russian President Vladimir Putin contributed to the forum's high profile. The business programme included more than 100 events.

Sakhalin Energy shared its experience at the following sessions on the business agenda: "Women in the Development of Culture and Traditions of Indigenous Peoples", "Boosting the Appeal of Women's Professional Development in the Workplace", and "Corporate Social Support Programmes for Women: New Approaches and Techniques". The company acted as the general partner of the international forum-festival Traditions and Cultural Diversity, which was held as part of the Eurasian Women's Forum (see section "6.4.8. Women's Leadership").

### 28th Sakhalin Oil and Gas Far Eastern Energy Forum (October, Yuzhno-Sakhalinsk)

Technology priorities became one of the key topics at the 2024 Forum.

Some 100 events on seven topics took place on the margins of the forum: Offshore Services and Technologies; Hydrocarbon Processing; Clean Future; Logistics and International Co-operation; Integration of Science and Education into Business; HR Potential for Industry Development; Creation and Promotion of the Region's Geobrand (a new topic initiated by the company on the margins of the FEEF).

During the plenary session, Roman Dashkov, Sakhalin Energy's CEO, spoke about the outlook for the development of the Russian Federation's offshore fields. The company's executives and staff were present at the forum's main programme and took part in various business meetings.

The participants and guests of the forum visited the company's Energy of Sakhalin pavilion, which brought together in one space innovative industry technologies, the expertise of the company's key Russian contractors, social projects, and environmental initiatives. The forum also hosted an open-air exhibition of specialised oil and gas production equipment.

For the first time, the forum featured a youth track for graduates of specialised universities and technical colleges, university students, and high school seniors. Within its framework, sessions aimed at attracting and developing young professionals were held with the company's participation, along with additional early career guidance activities for schoolchildren.

### 12th All-Russian Conference "The Cretaceous System of Russia and Neighbouring Countries: Problems of Stratigraphy and Palaeogeography" (October, Yuzhno-Sakhalinsk)

A large-scale scientific and practical event, relevant for both the geological community and the

professionals of Sakhalin's oil and gas industry, it served as a forum for discussing modern challenges facing fundamental geological science and the island's offshore oil and gas industry. The meeting was held in a hybrid format, including a plenary session and technology roundtables. The conference featured two sections, with nearly 50 presentations on Cretaceous-related topics, covering new insights and geological discoveries. The conference confirmed the participants' willingness to collaborate on developing key competencies, methodologies, and scientific, technical, and technology areas in the field of oil and gas geology, as well as the development and exploitation of offshore fields.

### St. Petersburg International Gas Forum (November, St. Petersburg)

This forum traces its history back to 2011 and stands as one of the most prestigious business events of the gas industry, bringing together leading representatives of the global community every year. The company's delegation, led by its First Deputy CEO, took part in key sessions and workshops, including industry-specific sessions hosted by Gazprom PJSC: an annual meeting focusing on technological advancements, a meeting of HR experts, a banking support workshop, and a round table entitled "International Cooperation to Expand the Use of Natural Gas".

# 4.9. SUPPLY CHAIN MANAGEMENT

## 4.9.1. Contracting and Procurement Policy

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

The fundamental document in this area is the Contracting and Procurement Policy (hereinafter referred to as the policy). This policy applies to all company 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 — maximising economic value and long-term commercial benefits;
- elimination of profiteering, bribery, and corruption in all SCM operations — in accordance with the principle of transparency;
- competition — creating conditions for contractors to compete when participating in procurement in order to obtain better price, quality, and delivery time in the corresponding commodity market;
- 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 — ensure sustainable development in contractor selection and in SCM decision making;
- Sakhalin-2 project growth plans — contribution to the development of major projects, including Russian content opportunities.

The policy lists the 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 4.9.4 Vendor Development Programme);
- pre-qualify potential vendors.

### Conduct Competitive 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 organising meetings to review contractor performance;
- the company raises awareness of and 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 4.9.4 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.

### HSE Requirements

Contractors must:

- include compliance with HSE-SP principles (including human rights) in performance assessments;
- perform checks and investigate any breaches of HSE-SP requirements to ensure the company's HSE-SP policies are properly followed;

- independently certify HSE-SP control systems for compliance with generally recognised standards;
- verify that they comply with HSE-SP standards.

### Requirements for the Quality of Materials, Equipment, and Services Supplied

Contractors must:

- develop a 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

Russian content requirements have arisen from the PSA concluded with the Russian party. The parameters used to measure Russian content are the weight of materials and equipment, the number of man-hours, and their cost equivalents.

### Requirements for a Competitive Tender Proposal

A competitive tender proposal shall demonstrate and confirm the following:

- the bidder in the tendering process is a financially stable and solvent company/organisation;
- the tenderer 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.

## 4.9.2. Strategy to Ensure Sustainable Operations

In 2024, the company continued focusing on events devoted to sustainable operations through a qualitative transition to Russian service and equipment providers, technology and IT structure, expert appraisal, knowledge base, and localisation of key services in Sakhalin Oblast.

Russian content is the use of Russian manpower, equipment, and services for the Sakhalin-2 project. The PSA requires Russian content to be measured in labour input (in man-hours) and materials and equipment (in terms of weight) supplied by Russian legal entities and individuals. Sakhalin Energy is committed to achieving a level of Russian content of 70% over the lifetime of the project.

### Russian Content Indicators in 2024

| Indicators | % |
|---|---|
| Russian content in terms of labour input (man-hours) | **97** |
| Russian content in terms of materials and equipment used (weight) | **95** |



### Focus Areas

Company standardisation system:

- phased transition to Russian standards at all stages of production, project and investment activities without risk to production and safety.

Maintaining the stability of material and technical support:

- identifying, searching for, and adapting available Russian analogues of imported equipment, materials, and services, including expanded cooperation with integrator companies;
- maintaining the national policy of stronger technological self-sufficiency and the achieved share of Russian content in order to establish long-term and mutually beneficial cooperation with Russian manufacturers; maintaining business relations by regularly using trusted equipment and materials of the highest quality, which results from the adherence of partners to strict quality standards and continuous improvement of their products;
- updating and agreeing upon the concept of searching for and selecting domestic analogues of IT solutions, and the introduction of digital solutions under the Programme for Digital Platform Sustainability, Information Security, and Compliance with Russian Laws, as well as the Digital Transformation Programme;
- continuing the programme for raising awareness and motivation and incentivising the company's employees and vendors/contractors for their contribution to Russian content development.

The company continues implementing the planned measures to further develop Russian content in its supply chain of materials, equipment, and services. Examples include:

- the 2024 turnaround being successfully completed by Russian contractors;
- a contract being awarded to a Russian company for subsea inspection services as well as project documentation and drawings development services for the restoration of the protective belt at the Piltun-Astokhskoye-B and Lunskoye-A platforms;
- a contract being awarded to a Russian company for repair and maintenance of turbine compressor equipment as well as electrical and instrumentation equipment;
- contracts being awarded to a Russian contractor for drilling services at the offshore platforms and for repair and maintenance of drill complexes of the fixed offshore platforms.

**The company created the Sustainable Development and Innovation Service with a view to ensure its strategic development in all areas by using an innovative approach to setting up goals and finding ways to achieve them.**

**Sakhalin Energy's activities aimed at developing Russian vendors and creating expert competence centres at the company form and strengthen the robust Russian resource base for providing the required materials, equipment and services within the scope of current and future needs of the Sakhalin-2 project, ensure stable long-term development of the company, and contribute to the achievement of Russian national goals in technological independence.**

Sakhalin Energy continues implementing programmes to support the development of domestic manufacturers and vendors. Pilot tests of the well mud system were conducted in 2024. Following the test results, a Russian company was qualified as a prospective contractor for engineering support services for mud systems during the company's drilling operations.

From the start of the project and through the end of 2024, the combined value of contracts with Russian companies reached $ 31.9 billion. In 2024, the value of contracts with Russian companies reached $1,381 million, or 86% of the value of all new contracts and variations in the value of existing contracts.

In 2024, the company awarded 8,788 contracts and orders, 8,443 of which were awarded to Russian companies.

In 2024, the share of contracts and purchase orders awarded to Russian companies registered on Sakhalin amounted to 70% (5,933) of all contracts awarded to Russian companies.

Sakhalin Energy is creating favourable conditions for business growth and employing Russian nationals and Sakhalin Oblast residents.

As they take part in the project, Russian companies gain unique experience and leaning and development opportunities for their staff, and embed top quality assurance, HSE, and industrial safety standards. This experience makes the companies more competitive in the domestic and international markets.

**BEST RUSSIAN CONTENT DEVELOPMENT PROJECTS**

- **in September 2024, at the Oil and Gas of Sakhalin Far Eastern Energy Forum, an award ceremony was held to recognise the contribution of six contractors and manufacturers to Russian content development;**
- **articles about Russian content development in the Sakhalin-2 project were featured in the Vesti corporate newsletter.**

**Holding such events not only raises awareness among Sakhalin Energy's employees about Russian content commitments and successes, but also contributes to the positive image and credibility of national manufacturers and vendors.**



## 4.9.3. Sakhalin Energy Maintenance and Repair Facility in the Sakhalin Industrial Park

**The Sakhalin Oil and Gas Industrial Park, deployed in the vicinity of the existing production assets, has particular importance for Sakhalin Energy and for Sakhalin 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 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.

In 2019, the decision was made to launch Phase 1, which provided for the deployment of 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.

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, involving funds from the Sakhalin Oblast Development Corporation.

In 2021, the Sakhalin Industrial Park site began operating logistics assets 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 1 detailed documentation were completed.

Taking into account the replacement of foreign service companies by Russian contractors and their localisation on Sakhalin Island, in 2022, the decision was made to perform the design work for Phase 2 of the Sakhalin Energy MARF. Phase 2 will include the construction of several assets, including repair and maintenance shops for specific equipment, an equipment maintenance and hydraulic testing shop, a laboratory complex, a drill pipe maintenance and repair base, and the required infrastructure. In 2023, the vertical layout of the area for the construction of the MARF was carried out.

In 2024, the company completed surveying, developing design documentation, obtaining an expert review of the design documentation, developing drawing and estimate documentation for MARF Phase 2, and started construction of an archive building and a car shop.

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

### 4.9.4. Vendor Development Programme

Russian vendor development remains one of the company's key activities. The main purpose of Russian vendor development 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 vendors in Sakhalin Oblast. Current areas of focus include:

- developing Russian companies as part of creation of an industry competence centre on Sakhalin;
- developing local competencies by locating services at the Maintenance and Repair Facility of the Sakhalin Oil and Gas Industrial Park;
- implementing training programmes for vendors that include technical evaluations of enterprises, as well as the training and development of personnel.

**Sakhalin Energy successfully engages Russian enterprises in the project. Comprehensive marketing research of Russian manufacturers and selecting analogues of materials, equipment, spare parts, and services are carried out in direct collaboration with domestic manufacturers and vendors. The company conducts round tables to determine the abilities 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. Regular meetings and information exchange testify to the willingness of manufacturers and customers to develop partnerships.**

## 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 effectively leverage existing and implement new digital IT solutions, ensuring the company's continuous operations through advanced technology, fault tolerance, and robust IT system security.

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

- ensuring the sustainability of the company's digital platform through the implementation of existing and new IT projects;
- guaranteeing reliable protection for critical information infrastructure and other information systems, in compliance with legal requirements and the specificities of the company's business processes;
- developing and implementing a programme to replace foreign IT solutions and technologies with domestic alternatives;



**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 and utilises the technologies 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.**

- fostering a digital culture to enhance the knowledge and skills of the company's employees in digitalisation and new technologies.

The stable 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).

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.

As part of the second stage of the Digital Platform Sustainability Programme, efforts continued in 2024 to systematically restore or replace the remaining applications and IT services. Simultaneously, new initiatives are being introduced as part of the digital transformation programme, aimed at improving the existing systems and launching new Russian-made systems to deliver diverse features at the request of the company's organisational units.

## 4.10.2. Continuous Improvement Programme

**In 2024, Sakhalin Energy topped the Oil and Gas Shelf Development in Russia rating in the Production Efficiency category.**

### 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.

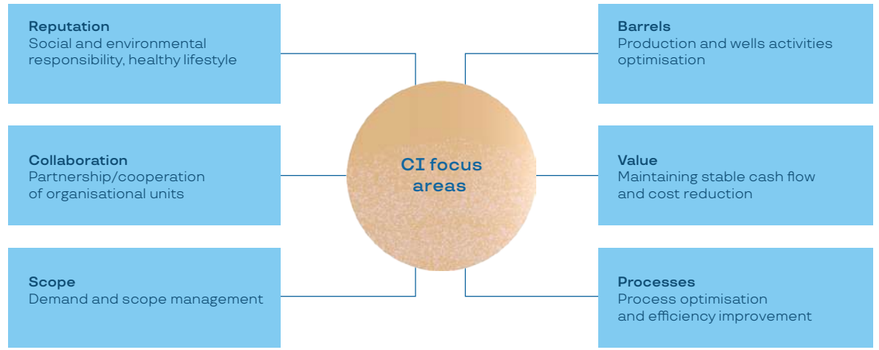
Such an approach allows the following goals to be achieved:

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



**Sakhalin Energy's Continuous Improvement Focus Areas**




### Leadership Commitment to Continuous Improvement

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 Employee Performance Appraisal).

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 Methods

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

**In 2024, over 350 employees were involved in implementing CI initiatives as originators, leaders, and members of relevant project teams.**

**In the first half of 2024, nine 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.**

**343.9**

million roubles per person

**labour productivity in the company reached in 2024**

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 implementing CI initiatives.

### Continuous Improvement Capability Building

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

In 2024, more than 300 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.

### 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.

## 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 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 2024:

- six software programmes;.
- four patents for invention;
- two industrial design patents;
- one combined trademark.

In 2024, Sakhalin Energy LLC continued the joint patenting of technical solutions developed by the company in collaboration with contractors. This led to the granting of a joint invention patent and a utility model patent in 2024.



During the Intellectual Property business process, more than 90 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 2025, the company will keep expanding its intellectual property portfolio by patenting and registering unique IT, technical, and other solutions and interacting with contractors in order to benefit from applying new solutions developed under the Sakhalin-2 project.

# 4.11. INFORMATION SECURITY

The global improvement of information technologies and the growth of digital data processing are accompanied by the emergence of new threats. Based on a risk-oriented approach, the company develops its information security system in accordance with current legislation and international standards. Sakhalin Energy's activities in this field are aimed at improving the security level of information systems, production processes, and information technology infrastructure, as well as the timely identification of threats and incidents, and a prompt response to them.

Key corporate regulations include:

- Information Security Policy;
- Personal Data Protection Policy;
- Information Classification Standard;
- Regulation on the Commercial Secret Regime.

In 2024, measures were taken to optimize the existing and implement new means of protection. Pilot testing of technical means of data protection produced by local vendors was carried out. Based on the results equipment that met the requirements was approved for implementation in the company's information infrastructure.

With a view to ensuring information confidentiality, a set of measures has been implemented to introduce a commercial secret regime in the company, relevant local regulations have been developed and applied.

Regular information security awareness sessions are held for employees. In addition to the annual mandatory e-course on information security, thematic messages are sent out on identified and current threats in the digital environment.

The Company's management regularly considers issues related to information protection and ensuring the security of critical information infrastructure facilities.

In 2024, no significant incidents in the field of information security, including violations in the field of personal data processing, were identified.

Environmental
Management

# 5.1. ENVIRONMENTAL MANAGEMENT SYSTEM

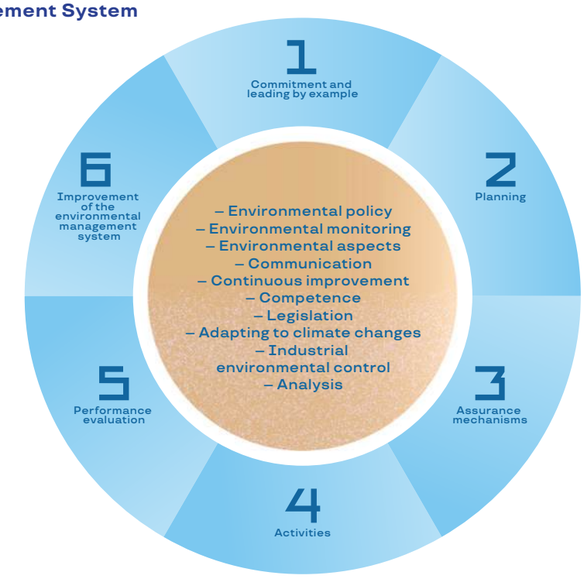
Sakhalin Energy conducts its activities based on the requirements established by legal acts, regulations, and normative documents of the Russian Federation in the field of environmental protection and in line with international standards and best oil and gas industry practices.

The company's guiding document is the Environmental Policy, aimed at minimising impacts through preventive risk management and a comprehensive system of control measures, forming the foundation of an effective environmental management system.

According to the policy, Sakhalin Energy is committed to minimising the environmental impact of its operations. To achieve this goal, the company has committed to the following:

- comply with the requirements of Russian Federation legislation, as well as industry and corporate regulatory standards, governing environmental protection activities applicable to the company's operations;
- ensure the mitigation of negative environmental impacts and the rational use of resources, including through the implementation of best available technologies;
- implement measures to reduce greenhouse gas emissions, adapt to climate change, and conserve biodiversity;
- ensure continuous improvement of the environmental management system;
- ensure transparency and accessibility of information regarding the company's environmental protection activities;
- inform stakeholders and maintain an active dialogue with them regarding the company's environmental protection initiatives;
- communicate the company's environmental protection policy obligations to all personnel, including employees, contractors, and subcontractors;

**Environmental Management System**






**ENVIRONMENTAL AWARENESS**

Sakhalin Energy actively promotes environmental responsibility among its employees, key stakeholders, and the wider community in the host region. Environmental awareness serves as a vital tool for fostering and advancing environmental culture, creating opportunities to address the region's most pressing issues in both the short and long term. These include waste management, climate action and carbon regulation, and biodiversity conservation. In 2024, the company's environmental safety specialists conducted the following environmental awareness initiatives:

**Internal:**

- a quiz and survey on waste management for company employees and contractors;
- information sessions on pressing environmental issues for company employees and contractors;
- informational materials on the Green Office programme, climate agenda, carbon regulation, and biodiversity conservation were prepared and disseminated through various channels, including posters in the offices and facilities, the Vesti corporate newspaper, the monthly bulletin of the Chief Engineer's Office, and daily news updates on the company's internal website;
- posters highlighting information on the Sustainable Development Goals.

**External:**

- the lesson 'We Are Friends with Nature – We Do Not Need Garbage' (designed to familiarise children with waste sorting rules) was developed and conducted for primary school students at School No. 13 in Yuzhno-Sakhalinsk (see Section 6.4.3 Hurry up for Good Deeds: Development of Corporate Volunteer Initiatives);
- a thematic lesson titled 'In Whale's Skin' (introducing the biology and ecology of cetaceans) was conducted in several schools and at various venues as part of regional and federal events (see Section 6.4.9.1 Environmental Lesson);
- an environmental safety contest was developed and held as part of the regional Safety Holiday (see Section 6.4.2 Safety is Important Programme);
- presentations on biodiversity conservation were delivered at various regional and federal events (see Section 4.8.9 International and Regional Cooperation).

- foster a corporate culture where all employees embrace and uphold these obligations.

The company applies a systematic approach to managing environmental protection issues based on the Environmental Management System.

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

With an aim to 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, analyses, external and internal audits, regular internal inspections are carried out to ensure compliance with regulatory legal acts, normative documents of the Russian Federation, and corporate standards and procedures at the company's facilities. The audit criteria are based on the requirements of the GOST R ISO 14001-2016 standard (refer to Section 2.4 Inspection and Audit).

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 the requirements set out in the Russian Federation's environmental regulations and normative documents, as well as the company's standards and procedures (see Section 2.4 Inspection and Audit).

# 5.2. INDUSTRIAL ENVIRONMENTAL CONTROL

## 5.2.1. General Information

Sakhalin Energy exercises industrial environmental control over its assets to ensure compliance with legislation and management of risks associated with environmental impact, to observe established regulations, to support the rational use of natural resources, and to execute plans for minimising environmental impact.

The company conducts industrial environmental control, including inspection and analytical monitoring, in the following areas:

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

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

The company has developed and is implementing measures in compliance with the requirements outlined in 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-$NO_x$ burners, which is the best available technology (Oil Production Information and Technical Reference Book 28, 2021). A system to increase 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 diagnostics 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 2024, the total volume of air emissions was 18.180 thousand t. An increase in emissions from the previous year, including carbon oxide, methane, and other pollutants, is associated with the design parameters and equipment operating modes during the 2024 inventory of emission sources, as part of updating permit documentation for five of the company's facilities with negative environmental impact (three platforms, the OPF, and the Prigorodnoye production complex), and the subsequent updates of the estimated pollutant emissions by stationary sources in accordance with permits obtained in 2024. 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 showed compliance with established standards for allowable concentrations of pollutants.

### Gross Air Emissions in 2021–2024, thousand tonnes

| Pollutant | 2021 | 2022 | 2023 | **2024** |
|---|---|---|---|---|
| Carbon oxide | **3.74** | **7.33** | **8.37** | **10.06** |
| Nitrogen oxide (in $NO_2$ equivalent) | **3.83** | **4.79** | **4.87** | **4.89** |
| Methane | **0.74** | **2.07** | **2.07** | **2.37** |
| Sulphur dioxide | **0.03** | **0.02** | **0.03** | **0.03** |
| Other pollutants | **0.36** | **0.37** | **0.44** | **0.83** |
| Total | **8.70** | **14.58** | **15.78** | **18.18** |

### Specific Air Emissions in 2021–2024, by Areas of Activity

| Activity | 2021 | 2022 | 2023 | **2024** |
|---|---|---|---|---|
| Hydrocarbon production (kg/toe) | **0.16** | **0.36** | **0.44** | **0.56** |
| Hydrocarbon transportation (kg/thousand t-km) | **0.07** | **0.09** | **0.07** | **0.07** |
| LNG production (kg/toe) | **0.21** | **0.21** | **0.26** | **0.28** |

## 5.2.3. Impact on Water Bodies

Sakhalin Energy LLC 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 domestic 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 discharge of pollutants to water bodies and the rational use of water resources, the company monitors the efficiency of sewage treatment plants and carries 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.

An increase in water extraction from surface sources was driven by water usage on the PA-A platform to maintain reservoir pressure, aimed at enhancing oil recovery in the Astokh area of the Piltun-Astokhskoye field. Additionally, the commissioning of the drilling complex on the PA-A platform after repair works required water for equipment cooling, the flushing of drilling equipment, the preparation of drilling muds and fluids, and the processing of drill cuttings for injection into a dedicated injection well.

The increase in precipitation has resulted in reduced storm wastewater discharges at the OPF and Prigorodnoye production complex. These factors contributed to the rise in specific indicators for water consumption and discharge during hydrocarbon and LNG production.

**Consolidated Water Use Figures in 2021–2024, thousand m³**

| Indicator | 2021 | 2022 | 2023 | **2024** |
|---|---|---|---|---|
| Water intake, including: | 28,693.61 | 28,791.17 | 26,446.13 | **28,354.32** |
| from surface sources | 27,653.75 | 27,826.68 | 25,447.44 | **27,254.77** |
| from underground sources | 478.22 | 462.43 | 418.87 | **369.32** |
| Water consumption, including: | 27,985.77 | 28,150.02 | 25,874.52 | **27,645.56** |
| for production needs (not including consumption for reservoir pressure maintenance needs) | 21,972.31 | 22,434.42 | 21,209.10 | **21,810.61** |
| for reservoir pressure maintenance needs | 5,738.21 | 5,415.86 | 4,237.48 | **5,298.86** |
| Water discharge, including: | 22,689.46 | 23,106.41 | 22,050.77 | **22,925.50** |
| into surface water bodies | 22,589.45 | 22,966.02 | 21,920.41 | **22,787.02** |



Wastewater discharged into water bodies is treated. Only 2% of wastewater was insufficiently treated, 3% of wastewater was treated to minimum standards, and the other 95% met minimum standards without treatment.

**Specific Water Use in 2021–2024, by Areas of Activity**

| Activity | Water consumption for in-house needs | | | | Discharge of insufficiently treated wastewater into surface water bodies | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | **2024** | 2021 | 2022 | 2023 | **2024** |
| Hydrocarbon production, m³/toe | 1.0 | 1.063 | 1.095 | **1.208** | 0.006 | 0.006 | 0.007 | **0.011** |
| Hydrocarbon transportation, m³/thousand t-km | 0.001 | 0.001 | 0.001 | **0.001** | – | – | – | **–** |
| LNG production, m³/toe | 0.004 | 0.003 | 0.004 | **0.004** | 0.001 | 0.002 | 0.007 | **0.01** |

The increase in the mass of pollutants was driven by a higher load on treatment facilities due to several factors: the rise in personnel on three platforms in preparation for and during the scheduled shutdown, the increased volume of wastewater discharge from the PA-A platform's West sluice following seawater flushing of the sewage pipeline in 2024, and the continuous discharge of wastewater from the OPFC water outlet (commissioned in 2023) over the 12 months of 2024.

**Mass of Pollutants Discharged into Surface Water Bodies in 2021–2024, tonnes**

| Indicator | 2021 | 2022 | 2023 | **2024** |
|---|---|---|---|---|
| Mass of pollutants | 19.235 | 20.063 | 29.012 | **100.132** |

## 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 domestic waste.

In an effort to prevent negative impact on the environment, in 2024, the company continued to dispose of drilling waste (Hazard Class IV) by injecting it through special absorption wells into deep subsoil horizons, which have isolating layers sufficient to ensure the complete containment and reliable disposal of waste. This is one of the best available technologies (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 2024.

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 waste disposal sites.

At the company's production assets waste is collected separately for subsequent processing, utilization, 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.

The company consistently implements measures to minimise waste generation, such as reducing the use of plastic products. The company has established targets for reducing the use of plastic products, identified and implemented measures to achieve these goals, and is actively working to raise awareness among its personnel and contractors about waste minimisation.

All Hazard Class I-V waste is transferred to licensed contractors for processing, utilization, and treatment. All Hazard Class IV–V waste is sent to specially-equipped landfills. In 2024, the share of waste (excluding drilling waste and metal scrap) sent for utilisation, and treatment accounted for 49% of the total mass of waste transferred for further handling.

**Waste Breakdown by Hazard Class in 2021–2024 (Including Drilling Waste), tonnes**

| Hazard Class | 2021 | 2022 | 2023 | **2024** |
|---|---|---|---|---|
| Class I | **1.907** | **0.651** | **1.196** | **1.924** |
| Class II | **91.327** | **18.445** | **20.664** | **39.363** |
| Class III | **774.921** | **630.525** | **555.207** | **674.247** |
| Class IV | **21,138.20** | **6,938.20** | **10,132.8** | **16,282.123** |
| Class V | **4,499.80** | **4,807.10** | **4,460.5** | **3,260.689** |
| Total | **26,506.155** | **12,394.921** | **15,170.367** | **20,258.346** |



**Waste Management Indicators (Including Drilling Waste) in 2021–2024, thousand tonnes**

| Indicators | 2021 | 2022 | 2023 | **2024** |
|---|---|---|---|---|
| Waste generated in the reporting year (all Hazard Classes) | **26.51** | **12.39** | **15.17** | **20.26** |
| Transferred to other organisations for processing, utilisation, and treatment | **4.96** | **5.02** | **4.72** | **3.41** |
| Transferred to other organisations for disposal at landfills, including: | **1.99** | **2.14** | **2.60** | **3.04** |
| in Sakhalin Oblast (with SMW) | **1.33** | **1.47** | **2.22** | **2.82** |
| outside Sakhalin Oblast | **0.66** | **0.67** | **0.38** | **0.22** |
| Waste disposed of at the company's sites (burial of drilling waste) | **19.56** | **5.23** | **7.85** | **13.79** |

Since 2022, in compliance with legal requirements, Sakhalin Energy LLC has been transferring Hazard Class I–II waste to the Federal Environmental Operator (FEO) on a contractual basis. In 2024, 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, 19.024 tonnes of waste was being 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 at the company's facilities and the replacement of batteries at the BS 2, PA-A, and PA-B platforms.

The increase in Hazard Class III waste is attributed to the generation of off-spec water-cut mixture waste during routine treatment of the lean MEG tank at the OPF, which was subsequently transferred for neutralisation.

The increase in the total amount of Hazard Class IV waste generated was associated with the scheduled increase in the scope of drilling operations at three platforms.

The increase in the mass of Hazard Class IV–V waste sent for landfill disposal in Sakhalin Oblast is due to repairs of facilities at the Prigorodnoye production complex, as well as inventory checks of materials and equipment that have been reclassified as waste (loss of utility) at the Prigorodnoye production complex and OPF.

The reduction in the mass of Hazard Class V waste sent for disposal is due to the absence of work in 2024 to replace zeolite at the gas dehydration unit of the Prigorodnoye production complex.

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 combined with LUN-A gas for further transportation. Some of the associated gas is used as fuel at production assets.

The company has included targets for associated gas utilisation in the Reservoir Management Plans for the PA-A and PA-B platforms. The actual associated gas utilisation in 2024 was 98.9%.

## 5.2.6. Environmental Protection Costs and Payments for Negative Impact

To comply with the requirements set out in regulatory legal acts and normative documents of the Russian Federation, Sakhalin Energy implements environmental action plans developed for its production facilities. The costs of their implementation in 2024 amounted to approximately 4,631.14 million roubles.

### Current Environmental Costs, thousand roubles

| Indicator | 2021 | 2022 | 2023 | **2024** |
|---|---|---|---|---|
| Total<br>including | **3,248,806** | **3,666,030** | **3,623,631** | **4,631,144** |
| atmospheric air protection and climate change prevention | **7,731** | **7,790** | **20,387** | **36,587** |
| wastewater collection and treatment | **114,730** | **128,192** | **173,186** | **228,903** |
| waste management | **403,693** | **465,754** | **515,933** | **607,349** |
| protection and reclamation of land as well as surface water and groundwater, including offshore areas | **2,644,056** | **2,916,410** | **2,836,370** | **3,669,306** |
| biodiversity conservation and protection of natural areas | **63,732** | **144,083** | **47,429** | **55,399** |
| radiation safety of the environment | **2,935** | **3,597** | **26,724** | **30,119** |
| other environmental protection activities | **11,929** | **204** | **3,602** | **3,481** |



The increase in costs in 2024 is due to the development of design and permit documentation as part of obtaining comprehensive environmental permits (CEP) for five of the company's facilities (three platforms, the OPF, and the Prigorodnoye production complex), the expanded scope of drilling operations on three platforms, higher rates for round-the-clock emergency response services for oil and oil product spill containment and response at sea, as well as payments to a new contractor for the Industrial Environmental Control (IEC) and the Environmental Monitoring Programme (EMP).

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 2024, the Far Eastern Interregional Directorate of Rosprirodnadzor carried out a scheduled on-site inspection of category I negative impact facilities (the PA-A, PA-B, and LUN-A platforms) as part of federal state environmental supervision.

Following the inspection, the company was issued a directive to address an identified violation, with no fine imposed. Corrective actions were implemented in 2024.

### Payments for Adverse Environmental Impact in 2020–2024, thousand roubles

| Indicator | 2021 | 2022 | 2023 | **2024** |
|---|---|---|---|---|
| Air emissions | **659.04** | **1,104.14** | **2,964.87** | **1,936.58** |
| Discharges into water bodies | **237.12** | **197.86** | **515.71** | **2,920.34** |
| Waste disposal | **3,076.04** | **6,329.69** | **2,923.61** | **910.36** |
| Total | **3,972.20** | **7,631.69** | **6,404.19** | **5,767.28** |

The inventory check of emission sources and the issuance of permits in 2024 for the new OPFC emission sources commissioned in 2023 made it possible to pay the fee without applying the multiplying factor subject to the availability of permissible emission standards.

The increase in the payment for the discharge of pollutants into water bodies was driven by the higher load on treatment facilities due to the rise in personnel on three platforms in preparation for and during the major turnaround, as well as the increased volume of wastewater discharge from the PA-A platform's West sluice following seawater flushing of the sewage pipeline in 2024.

The reduction in the negative impact fee for the company's waste disposal was due to the updated logistical scheme for waste removal from its facilities, implemented as part of obtaining comprehensive environmental permits in 2024.

Above-limit fees made up 63% of adverse impact fees, mainly due to the increase in the mass of pollutants discharged into water bodies (see Section 5.2.3 Impact on Water Bodies).

# 5.3. CLIMATE AGENDA AND CARBON REGULATION

Sakhalin Energy LLC 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 becoming increasingly relevant for Sakhalin Energy for the following reasons:

- establishment of greenhouse gas emission targets by most countries, including the Russian Federation;
- tightening of carbon regulations, both at the international and national levels;
- increased stakeholder focus on information disclosures on climate risk management.

Sakhalin Energy 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 the reliability and adaptivity of production operations to the impacts of climate change.

## 5.3.1. Carbon Regulation

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, plans are underway to achieve carbon neutrality by the end of 2025, i.e., reduce the difference between greenhouse gas emissions and absorption in the region to zero, taking into account the capabilities of the ecosystem.

For the purposes of this regional experiment, relevant entities shall 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 regional authorities.

In 2024, Sakhalin Energy performed the following actions aimed at ensuring compliance with the new mandatory requirements provided by legislative acts on the climate experiment:

- Mandatory Carbon Reporting for 2023 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 data for the compilation of a regional inventory of anthropogenic emissions by sources and absorption by sinks of greenhouse gases for 2023, and submitted it to the Ministry of Ecology and Sustainable Development of the Sakhalin Oblast.
- The company monitored compliance with the greenhouse gas emission quota approved by the Ministry of Ecology and Sustainable Development of the Sakhalin Oblast in September 2023. For the 2024 results, the quota was not exceeded. The key measures that enabled the company to comply with the established quota included optimising the technological regime of the LNG plant's operation as part of rational field development, as well as adjusting the OPF compression station's operating mode in line with the forecasted requirements.



## 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 the 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 company's infrastructure in Yuzhno-Sakhalinsk and Korsakov is powered by the public electrical grid, while energy used for heating is generated independently at the assets.

The energy consumption balance is shown in the table Energy Generated and Consumed in 2021–2024, million GJ.

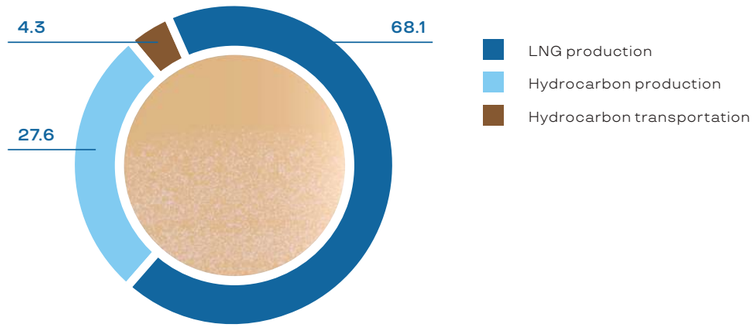
**Energy Generated and Consumed in 2021–2024, million GJ**

| Indicator | 2021 | 2022 | 2023 | **2024** |
|---|---|---|---|---|
| Primary energy generated | **748.12** | **783.97** | **698.33** | **676.94** |
| Primary energy sold, including: | **701.52** | **741.30** | **653.22** | **629.70** |
| provided to the Russian party | **40.29** | **40.91** | **37.90** | **28.47** |
| Primary energy consumed, including: | **51.19** | **55.39** | **54.10** | **55.44** |
| direct energy consumed (natural gas) | **49.40** | **53.90** | **52.40** | **53.70** |
| primary energy purchased (liquid fuel) | **1.79** | **1.49** | **1.70** | **1.73** |
| Indirect energy purchased/consumed (electricity) | **0.12** | **0.12** | **0.11** | **0.11** |

The slight increase in energy consumption in 2024 is primarily due to a shorter turnaround period of the PA-A platform compared to 2023.

A breakdown of energy consumption by activity is shown in the diagram Energy Consumption in 2024, by Areas of Activity.

**Energy Consumption in 2024, by Areas of Activity, %**



The primary energy consumer is the LNG plant, which remains one of the most energy-efficient facilities globally.

### Energy Intensity in 2021–2024, by Areas of Activity

| Activity | 2021 | 2022 | 2023 | **2024** |
|---|---|---|---|---|
| Hydrocarbon production, GJ/t hydrocarbons produced | **0.67** | **0.63** | **0.80** | **0.98** |
| Hydrocarbon transportation, GJ/Kt-km | **0.15** | **0.15** | **0.16** | **0.18** |
| LNG production, GJ/t LNG produced | **3.63** | **3.66** | **3.79** | **3.70** |

The company's energy efficiency indicators are high and are among the best in the world. In particular, in 2024, the specific energy consumption at the company's production assets was 0.98 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.

## 5.3.3. Greenhouse Gas and Ozone-Depleting Substance Emissions

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 ensuring reliability, safety, and productivity, as well as improving the energy efficiency of all production processes play an important 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 in-process loss, and optimising start-up procedures and the frequency of major turnarounds of the integrated gas chain.

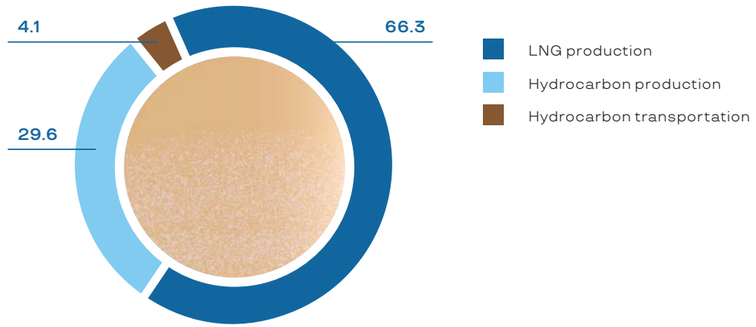
In 2024, there was a slight increase in total greenhouse gas emissions compared to 2023, primarily due to higher energy consumption by equipment on the PA-A platform resulting from a shorter turnaround period in 2024.

### Greenhouse Gas Emissions in 2021–2024, million tonnes of $CO_2$ equivalent

| Indicator | 2021 | 2022 | 2023 | **2024** |
|---|---|---|---|---|
| Direct emissions (Scope 1) | **3.304** | **3.492** | **3.434** | **3.497** |
| Indirect emissions (Scope 2) | **0.008** | **0.008** | **0.008** | **0.008** |
| Total | **3.312** | **3.500** | **3.442** | **3.505** |



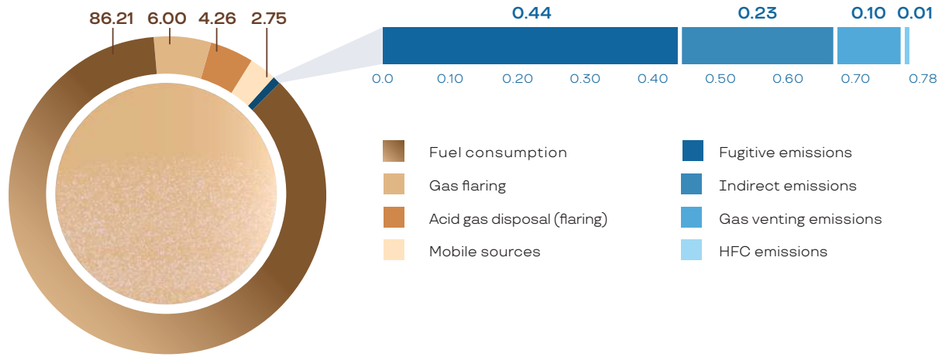
### 2024 Greenhouse Gas Emissions, by Areas of Activity, %




### Specific Greenhouse Gas Emissions in 2021–2024, by Company Activity

| Activity | 2021 | 2022 | 2023 | **2024** |
|---|---|---|---|---|
| Hydrocarbon production, t $CO_2$ eq./t of hydrocarbons produced | **0.045** | **0.043** | **0.055** | **0.066** |
| Hydrocarbon transportation, t CO2 eq./thousand t-km | **0.009** | **0.009** | **0.009** | **0.011** |
| LNG production, t $CO_2$ eq./t of LNG produced | **0.232** | **0.227** | **0.236** | **0.228** |

### Structure of Greenhouse Gas Emission Sources in 2024, %




Some equipment at the company's assets, such as air conditioners and cooling machinery, contains ozone-depleting substances regulated by the Montreal Protocol. In 2024, 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.

### 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.

Therefore, the development of additional engineering measures for their management is not currently required The company monitors meteorological and hydrological phenomena, as well as the risk of natural fires and potential restrictions on transport accessibility in the areas where its facilities are located. It implements preventive actions to reduce the risk of emergencies and tracks natural hazards — such as landslides, mudflows, soil erosion, and changes in riverbeds — along with their potential impact on engineering structures.

**Sakhalin Energy's Climate Risk Management**

| Risk category | Risk description | Management |
|---|---|---|
| Transitional: Regulatory risks | Risks associated with the introduction and potential tightening of international and national carbon regulations | The company monitors and analyses international carbon regulations, market trends, and stakeholder sentiment<br>Representatives of the company participate in the development and expert review of legislative acts within the Russian Federation<br>The company collaborates with federal and regional authorities through working groups on carbon regulation matters<br>The company reduces greenhouse gas emissions to meet the established quota<br>The company purchases carbon units to compensate for greenhouse gas emissions that exceed the established quota<br>The company prepares carbon reporting and carries out independent verification in accordance with the requirements of the RLA and RD |
| Transitional: Reputational risks | Risks related to stakeholder perception of the company's actions on the climate agenda | The company regularly discloses information on climate risk management and greenhouse gas emissions, with due regard to stakeholders' requests |
| Transitional: Technological risks | Risks related to the need to adopt low-carbon technologies to maintain a competitive carbon footprint for products and sustain leadership positions | The company prioritises enhancing equipment reliability, managing gas flaring, and preventing potential leaks |
| 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 normative documents in the area of environmental protection and the State Environmental Expert Review's requirements for the Industrial Environmental Control and Local Monitoring System at the operational stage.

Practical measures to minimise impacts on fauna and flora at all stages of the Sakhalin-2 project's development are governed by the Biodiversity Standard and Biodiversity Action Plan.

The company has developed and implemented a Marine Mammal Protection Plan to mitigate the risks of production activities impacting Red Book species, such as the Sea of Okhotsk gray whale population.

The Marine Mammal Protection Plan outlines the boundaries of the gray whale feeding grounds off northeast Sakhalin, the vessel traffic corridors for the Sakhalin-2 project, and measures to reduce the risk of vessel collisions with marine mammals.

To evaluate the effectiveness of the measures implemented in areas potentially impacted by its production facilities, the company conducts annual environmental monitoring.

In 2024, the environmental monitoring programme included the following areas:

- soil cover;
- river ecosystems;
- flora and vegetation;
- 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 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 LLC 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 monitoring programme. The soil cover study includes the collection of data on pollutant values and on the physical, chemical, and agrochemical properties of soils. In 2024, soil studies were conducted in the areas of the Prigorodnoye production complex, the OPF (including the BCS), and BS 2 as well as in the areas adjacent to the OPF and BS 2, within zones of their potential impact.

The soils (a 0–25 cm layer) within these production assets were analysed for a wide range of potential ecotoxicants. The results indicate that the condition of technogenically disturbed soils is satisfactory. The total petroleum hydrocarbons in the

soils across most sites aligned with the natural presence of oil and petroleum products in natural soils. At the OPF, a slight increase was observed within permissible limits for the category of clean soils. The concentration of ethylene glycol in the soils at all assets was found to be below the detection limit (<1.0 mg/kg).

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.

With respect to certain substances, used solely in the production process of the Prigorodnoye production complex, check studies of soil samples from the complex detected the presence of piperazine and methyldiethanolamine above the lower detection limit (0.1 and 1.0 mg/kg, respectively). No significant signs of degradation in soil composition and properties have been identified within the areas of the production facilities.

Soil monitoring around the OPF was conducted in four directions (north, south, west, and east) at distances of up to 4 kilometres, and around BS 2 in four directions at distances of up to 0.5 kilometres. In the area surrounding the OPF, boggy lowland and upland peat soils, as well as brown forest soils, are predominant. Boggy top peat soils and brown forest soils are also present in the BS 2 area. In the study areas, peat soils are characterised by a strongly acidic environment, while brown forest soils exhibit an acidic environment.

The key indicator for assessing pollution in areas potentially impacted by production facilities is the level of oil products and benzo(a)pyrene content in soils. Based on the results, the petroleum hydrocarbon content in the soil profile around the OPF ranged from <20 (the detection limit) to 150 mg/kg, while in soils around BS 2, it ranged from <20 to 141 mg/kg.

The presence of benzo(a)pyrene in the entire soil mass at the sites around the OPF and BS 2 was below the detection limit (<0.005 mg/kg) and the regulatory limit (0.020 mg/kg).

Monitoring of the soil mantle in the zone of potential impact from the OPF and BS 2 showed that the obtained results align with the background parameters of the respective soil types, and no soil contamination was detected.

As at the end of 2024, the area of disturbed soils associated with the construction of production assets has not changed and covers 83.36 ha (see the table Soil Disturbance and Reclamation in 2021–2024, ha).

**Soil Disturbance and Reclamation in 2021–2024, ha**

| Indicator | 2021 | 2022 | 2023 | **2024** |
|---|---|---|---|---|
| Disturbed soils | **0** | **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** |



## 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 river benthos (community of sediment dwellers);
- assessment of Pacific salmon spawning conditions (carried out on Goluboy Stream only).

In 2024, river ecosystems were monitored in:

- watercourses crossed by pipeline (water and soil sampling at 27 watercourses, and river benthos sampling at 14 watercourses);
- the Vatung River (water, soil and river benthos sampling — in the area of potential impact from the OPF);
- the Mereya River and Goluboy Stream (sampling of water, soil and river benthos at each watercourse — in the potential impact area of the Prigorodnoye production complex).

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 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 determined for water bodies of commercial fishing importance.

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 complied with MPCf (0.05 mg/dm$^3$).

The content of petroleum products in bottom sediments was insignificant. 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.

In 2024, monitoring of river benthos continued, focusing on crustaceans, and the larvae of mayflies, stoneflies, and caddisflies. Analysis of habitat conditions (bed type, current speed, sediment type, and depth) and of quantitative and qualitative indices of zoobenthos showed that the variability of the composition, state, and structure of bed communities between the baseline and control sections of the watercourses under study 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, which specifies the level of water pollution. The water of the monitored watercourses complied with class I–II quality indicators and was classified as clean.

Monitoring of salmon in Goluboy Stream, which flows through the Prigorodnoye production complex, revealed that over 160,000 pink salmon fry migrated in 2024. The number of returning spawners in 2024 is estimated at 3,100 fish. Two fish passage structures installed on the Prigorodnoye production complex territory enabled the unimpeded migration of salmonids to the upper reaches of the stream for spawning.

Overall, the outcomes of monitoring river ecosystems in 2024 can be attributed to the natural fluctuations of 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 onshore production 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 onshore pipelines' right-of-way and to generate recommendations for additional work required in some areas.



In 2024, flora and vegetation monitoring was conducted in the area of the Prigorodnoye production complex, around the OPF (including the 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 2024, 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 2023–2024 revealed that the process of plant recovery is evident, with bare sections of shoots now covered by young, healthy conifer needles.

The species composition and environmental and substrate features of lichens in the potential impact area of the Prigorodnoye production complex remained the same. Seven protected species of lichens have been identified, with thalli of these species found at the monitoring sites and adjacent areas. Additionally, sites, including control areas, showed signs of young thalli lichens, 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. In some areas, dead trees from windthrows in previous years remain, but no evidence of new windthrows was observed. The species composition of subordinate layers in all sampling areas surveyed has not changed.

Four protected lichen species were recorded at and near the monitoring sites within the zone of potential impact of the OPF, including the OPFC. Habitats of protected species are not disturbed.

Lichen indication studies show no signs of negative impact on lichens in 2024. However, there are indications of previous anthropogenic load. Young

thalli of lichens were observed, indicating favourable conditions for their growth and preservation of species composition.

The condition of protected plant species at the surveyed sites and in individual locations along the pipeline route is not a cause for concern. The habitats of protected species remain undisturbed, except for some areas affected by strong winds in previous years. However, the protected species growing in these areas are in good condition.

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. Monitoring of Protected Bird Species

### General Monitoring of Protected Bird Species

To monitor the environmental impact of the Sakhalin-2 project, protected bird species sensitive to anthropogenic changes have been selected as key indicators of ecosystem health. Monitoring of this group of birds in specific areas potentially impacted by the company's production facilities is conducted at three-year intervals.

In 2024, protected bird species were monitored across four sections of the pipeline route in the Dolinsk, Makarovsky, Tymovsky, and Nogliki districts. The survey was conducted during the breeding period in June and July, 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.

Based on the results of the ornithological surveys in 2024, 923 individuals from 20 rare and protected bird species were observed. For the first time, a great white heron and a southern white heron were observed within the monitoring zone.

During monitoring, special attention is given to regularly breeding bird species, with multi-year population dynamics being tracked. One such keystone species is the Japanese snipe. According to the 2024 survey results, the number of breeding pairs of Japanese snipe has stabilised in some areas, while in others it continues to rise. The spread of Japanese snipe is supported by the emergence of meadow habitats on the reclaimed pipeline right-of-way, providing additional nesting opportunities for this island-restricted species.

Surveys of the yellow-breasted bunting near the pipelines in the Tymovsky Valley revealed that the population of this endangered species remains critically low. In 2024, seven breeding pairs were recorded in the monitoring area, an increase from the most recent surveys, which found only two pairs.

The list of monitored species includes the rustic bunting, which was once a common species in Russia but has been included in the Red Book of Russia due to a significant decline in its population. It was seen at the pipeline route section in the Nogliki district, where a total of 13 nesting pairs were recorded. The same area is also home to another protected bird species, the Siberian spruce grouse. The survey data indicated that its population during the operational phase remains stable.

In 2024, unusually high numbers of Japanese quail were recorded along sections of the route in the Dolinsk and Tymovsky districts. The number of breeding pairs of Japanese robin also increased. Permanent nesting of the great gray owl was confirmed in the Tym River valley within the monitoring area, as well as that of the mandarin duck in the Lesnaya River valley.

Other protected species recorded during field surveys included the white-tailed eagle, Steller's sea eagle, osprey, besra sparrowhawk, hobby falcon, black-billed capercaillie, black grouse, whooper swan, red-necked phalarope, Aleutian tern, boreal owl, and cinnamon russet sparrow.



Based on the 2024 survey results, the operation of the pipelines has no adverse impact on protected bird species. Some species exhibited positive population growth due to the creation of new habitats, while the numbers of other bird species fluctuated within natural ranges.

### Steller's Sea Eagle Monitoring

A dedicated monitoring programme is in place for the Steller's sea eagle, which nests only in the Russian Far East. The species is listed in the IUCN Red List of Threatened Species, as well as the Red Books of Russia and Sakhalin Oblast.

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 2024, 89 Steller's sea eagles 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 2024, 69 nests were discovered along the pipeline route, including 13 breeding nests and 19 nests occupied by eagle pairs that did not breed in them. Ninety nests were discovered in the control zone on the shore of Lunsky Bay: pairs were breeding in seven nests. In addition, 32 nests were occupied by non-breeding pairs.

Pairs nesting along the pipeline route raised 15 chicks. In the control area, pairs successfully fledged only seven chicks.

The Steller's sea eagle stopped nesting for several years in the OPF area due to increased production activity associated with the commissioning of the BCS, and heightened activity of third parties in the adjacent area. In 2024, one intact nest was discovered, but no eagles were spotted.

As in previous years, breeding pairs remain at risk of nest predation by brown bears: in 2024, one nest was destroyed within the area of potential pipeline impact, resulting in the death of a chick. No nest predation was recorded on the coast of Lunsky Bay, but claw marks left by bears on nest trees were observed in 55% of the eagles' nesting areas.

The 2024 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. However, in 2024, a lower number of breeding pairs was recorded in the control area around Lunsky Bay compared to those along the pipeline route. Two natural factors have negatively impacted sea eagle nesting along the bay coast: an increase in brown bear disturbances and a localised decline in the food supply during the chick-rearing period.

**Number of Active Nests vs Total Number of Steller's Sea Eagle Nests in 2021–2024**

| Area | 2021 | 2022 | 2023 | **2024** |
|---|---|---|---|---|
| Pipeline route | **13/75** | **10/68** | **16/70** | **13/69** |
| Lunsky Bay shore (control area) | **17/64** | **11/71** | **15/71** | **7/90** |



## 5.4.6. 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 mainland shoal of the Sea of Okhotsk, along the north-east coast of Sakhalin, and in the Aniva Bay coastal area.

Monitoring at the Piltun-Astokhskoye and Lunskoye fields, as well as in the water area of Prigorodnoye Port in Aniva Bay, was carried out in 2024 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 (see Section 5.2.4 Waste Management) did not exceed baseline levels. All TPH concentrations recorded in the sea water were below 0.02 mg/dm$^3$, 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 the sea water near the offshore production assets comply with the standards; 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 offshore platforms and on the field borders. They are typical of the mainland shoal of the Sea of Okhotsk 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, of the well-being of marine biota, and of the stability of marine ecosystem indicators in the water areas of Piltun-Astokhskoye and Lunskoye fields and Prigorodnoye Port. The monitoring results confirm compliance of the production activities of Sakhalin Energy's offshore assets with environmental standards.

## 5.4.7. Ballast Water Control

In accordance with the International Convention for the Control and Management of Ships' Ballast Water and Sediments, adopted by the International Maritime Organisation (hereinafter – the Convention), 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 2024 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 2024 environmental monitoring in the water area of Prigorodnoye Port confirm the absence of adverse ballast water impacts on Aniva Bay.

As a result of the long-term monitoring of 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.



## 5.4.8. 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, and the Far Eastern carnivorous population of killer whales, as well as pinnipeds, such as the Steller sea lion.

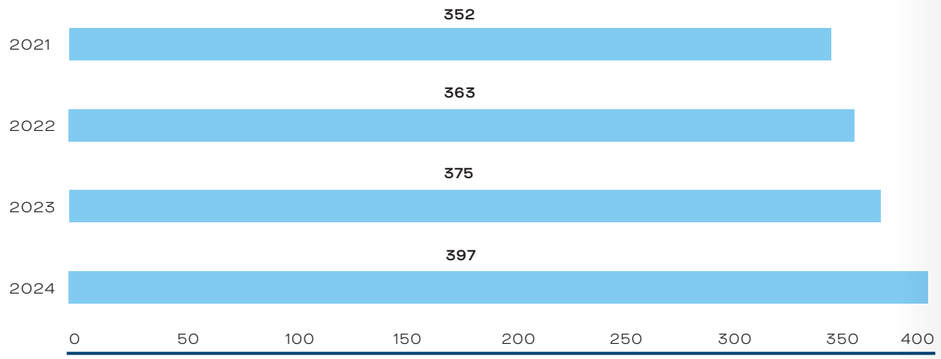
The Sea of Okhotsk population (western subpopulation) of gray whales has been assigned a high conservation status in the Red Book of the Russian Federation and the International Union for the Conservation of Nature's (IUCN) Red List. The Sea of Okhotsk population of gray whales is also included in the 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 of great importance.

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 addresses all risks associated with the company's offshore facilities and vessel operations, and provides for a package of measures to prevent and mitigate negative impacts on gray whales and other species of marine mammals. Measures include: establishing vessel traffic corridors that bypass the main feeding areas of gray whales, implementing speed restrictions for vessels, and maintaining safe distances from the animals. Another crucial component of

**Number of Gray Whales Registered in the Sakhalin Photo Catalogue in 2021–2024**




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;

- Implementation of a Gray Whale Monitoring Programme, consisting of two main components: determining gray whale group size, demographic and individual indicators through photo-identification, as well as monitoring gray whale distribution during the summer-autumn period within their feeding areas.

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 the harbour porpoise and Dall's porpoise, 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 short-finned pilot whale, the northern right whale dolphin, the North Pacific right whale, and the humpback whale have been observed in different years.

During the 2024 field season, 190 individual gray whales were preliminarily identified, including 22 new individuals: 15 calves and seven adult whales. The information about these new additions has been added to the Sakhalin photo catalogue, bringing the total number of registered gray whales to 397.

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 whalefeeding 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. 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, 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 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 Sakhalin avifauna, and the severe climate.

In scope of the programme, training sessions are organised for company and contractor employees engaged in ensuring preparedness for oil spill response. Sessions include theoretical training and practical skill training. In 2024, 15 company and contractor employees, including 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 birds 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 2024, regular monitoring and geotechnical studies were conducted along the right-of-way of the onshore pipelines. The results were analysed and used to implement the corrective response measures.

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

- helicopter fly-overs and photography;
- satellite imagery of the right-of-way, minimum allowable distances, and access roads;
- river crossing surveys;
- river surveys based on principles of geomatics;
- monitoring of hydrological characteristics of the rivers;
- studies 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 conducted and completed in December 2024. The effects of natural erosion were eliminated at 15 sections without preparing special technological solutions.

Engineering surveys were conducted in 2023–2024, resulting in the development of technical solutions for protecting pipelines from landslides in several sections of the Makarovsky and Anivsky districts. Measures were taken to stabilise banks at three pipeline crossings over water barriers (rivers of the highest fishery value) in the Smirnykhovsky and Dolinsk districts.

Repairs for landslide protection were performed at three sections. Work in one of the sections involved a landslide stabilisation technique that was new to the company. Additionally, during the 2024 non-spawning period, bank reinforcement was carried out on a section of the pipeline water crossing through one of the rivers damaged by floods, and the riverbanks were stabilised.

**at**

**15**

**sections**

**effects of natural erosion were eliminated**

# 6

Social Impact Management

# 6.1. PERSONNEL: MANAGEMENT AND DEVELOPMENT

Personnel is the company's main asset and the basis of its business. Sakhalin Energy LLC is committed to upholding human rights in accordance with 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 and the creation of safe and favourable working conditions.

Sakhalin Energy LLC provides equal opportunities for all job applicants in accordance with well-defined and established recruitment rules and in strict adherence to the principles of business ethics and corporate culture.

Sakhalin Energy LLC undertakes to develop and follow labour regulations in all aspects of employment based on the principles of a culture of openness and business partnership.

**According to the 2024 ranking of Russia's best employers by HeadHunter, the largest Russian online recruitment company, Sakhalin Energy LLC was placed in the top 10 among oil and gas enterprises, ranking second in the Energy, Mining, and Processing sector. The company continues to top the list of employers in Sakhalin Oblast.**

## 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, guided by the following strategic priorities:

- ensuring workforce stability and the providing for company's personnel needs in key areas with a focus on the internal successor pool, effective succession mechanisms, and the potential of the company's members;
- 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;
- recruiting highly qualified professionals and talented young specialists and creating conditions to maximise their potential;
- creating opportunities for the priority development of the potential of local personnel, 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;
- investing in professional training and personnel development in order to prepare personnel for appointments as technical authorities and managers of the company's organisational units;
- 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 continuing to develop a unique corporate culture by adapting it to the rapidly changing environment.



**The management of the Company is confident that all employees should feel the support and respect of the employer, be engaged in the company's activities, and have the opportunity to contribute to its development by applying their knowledge, skills, and expertise. The level of employee engagement is measured and analysed based on survey results. The survey examines in detail the key components of engagement (job enthusiasm, commitment to the company, and initiative), the level of which reflects one of the most important indicators — job satisfaction within the company.**

**In the 2024 survey, 96% of employees participated, demonstrating the workforce's strong interest in this type of research while also ensuring the highest objectivity of the results. Based on the survey findings, measures are implemented to improve indicators requiring additional attention.**

**The employee engagement level in the company reached 74%, significantly exceeding the average for the Russian fuel and energy sector (66% in 2024). This reflects employees' strong desire to participate in the company's activities and development.**

In order to achieve its human resources management goals, the company is improving organisational efficiency, developing human resources potential, ensuring personnel stability, and strengthening Sakhalin Energy's reputation as one of the most attractive employers in the new business reality.

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 allows the company to quickly respond to external geopolitical factors and changing conditions in the global oil and gas market, as well as in the labour market of qualified specialists.

Supervised by the Chief Executive Officer, the company's HR Director and the Business and Operations Committee oversee the development, modification, and approval of the HR policy. 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;
- Personnel Learning and Development Standard;
- Successor Pool Planning and Development Policy;
- Regulations on Labour Remuneration, Bonuses, and Social Benefits.

## 6.1.2. General Information

As at 31 December 2024, the total number of people employed by the company was 2,068, including 2,055 Russian employees, with 2,036 employees in Sakhalin Oblast and 32 employees in Moscow.

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 2024, the number of Sakhalin Oblast residents working for the company was 1,211, which is 59% of total personnel.

The personnel structure is mandated by the specific nature of the company's operations: 86% are managers, specialists, and clerks; 14% are workers. About 70% are office employees; the remainder are employed at the project's production facilities.

**59%**

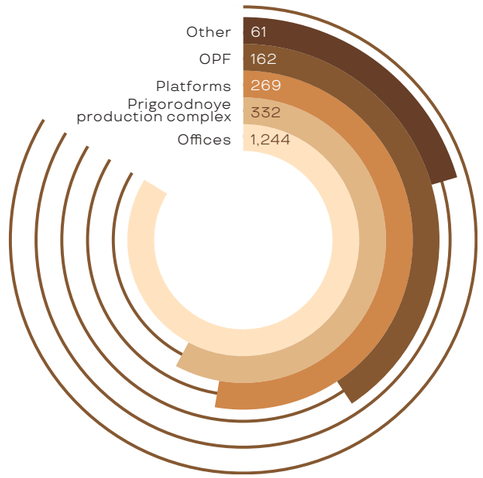
**of the company's personnel are Sakhalin Oblast residents**



535 Russian employees hold managerial positions, of which 251 are Sakhalin Oblast residents (see the table Managerial Personnel Structure in 2024). The company is training, developing, and promoting its current staff, as well as actively recruiting new qualified specialists. The implementation of the Traineeship Programme makes it possible to meet the company's needs for junior technical staff (see Section 6.1.7.4 Traineeship Programme).

As at the end of 2024, there were 519 women among the company's employees (25% of the staff). Of these, 97 occupied managerial positions, making up 18% of the company's management team (see the table Managerial Personnel Structure in 2024).

**Personnel Structure in 2024 by Asset, persons**




**Personnel Structure in 2024**

| Personnel | Total, persons | Including, persons | | Total, % | Including, % | |
|---|---|---|---|---|---|---|
| | | female | male | | female | male |
| Russian personnel | 2,055 | 518 | 1,537 | 99.4 | 25.1 | 74.3 |
| including Sakhalin Oblast residents | 1,211 | 411 | 800 | 59 | 20 | 39 |
| Foreign personnel | 13 | 1 | 12 | 0.6 | 0.04 | 0.56 |
| Total | 2,068 | 519 | 1,549 | 100 | 25.1 | 74.9 |

**Managerial Personnel Structure in 2024 (as at the year end)**

| Personnel | Total, persons | Including, persons | | Total, % | Including, % | |
|---|---|---|---|---|---|---|
| | | female | male | | female | male |
| Russian personnel | 535 | 97 | 438 | 99.4 | 18 | 81.4 |
| including Sakhalin Oblast residents | 251 | 76 | 175 | 47 | 14 | 33 |
| Foreign personnel | 3 | 0 | 3 | 0.6 | 0 | 0.6 |
| Total | 538 | 97 | 441 | 100 | 18 | 82 |

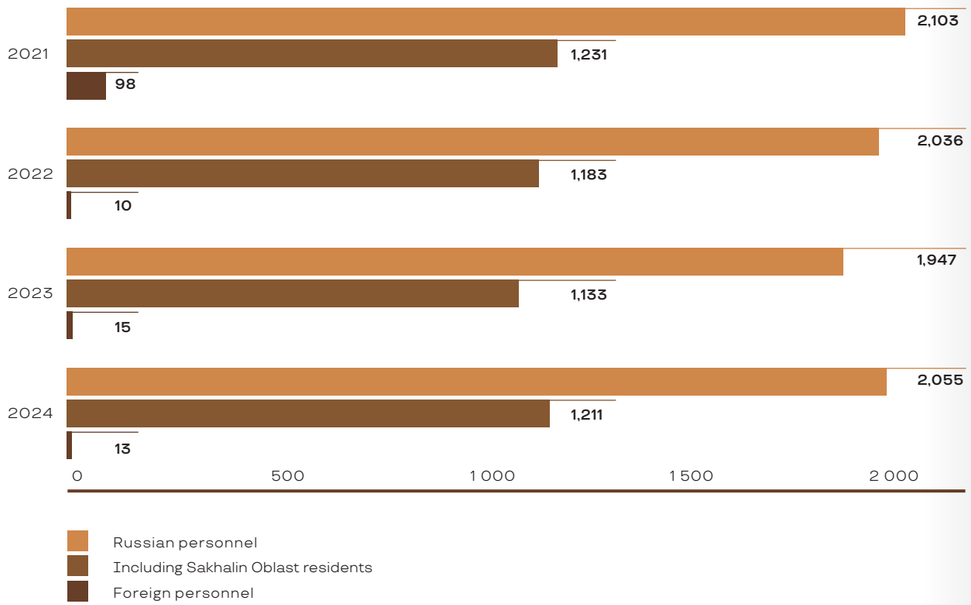
### Managerial Personnel Number in 2021–2024 (as at the year end), persons

| Personnel | 2021 | | | 2022 | | | 2023 | | | **2024** | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Including | | Total | Including | | Total | Including | | Total | Including | |
| | | female | male | | female | male | | female | male | | female | male |
| Russian personnel | **480** | **103** | **377** | **498** | **104** | **394** | **467** | **92** | **375** | **535** | **97** | **438** |
| including Sakhalin Oblast residents | **245** | **81** | **164** | **245** | **83** | **162** | **229** | **73** | **156** | **251** | **76** | **175** |
| Foreign personnel | **48** | **1** | **47** | **2** | **0** | **2** | **5** | **1** | **4** | **3** | **0** | **3** |

The number of employees has changed over the past four years. In 2024, the company continued to carry out a set of measures to form an appropriate successor pool for the timely and effective provision of highly qualified personnel to Sakhalin Energy's assets.

In 2024, 69 employees were granted child care leave. Among them, 11 were fathers. During the same period, 20 employees (including five men) resumed their job duties at the end of their child care leave.

### Number of Employees in 2021–2024 (as at the year end), persons






In 2024, 263 people (202 men and 61 women) left the company. These include four foreign and 259 Russian employees (154 Sakhalin Oblast residents). The personnel attrition rate was 4.8% in 2024, 4.7% in 2023, 6.5% in 2022, and 4.6% in 2021.

The 2024 personnel attrition statistics by age group and gender are shown in the table Personnel Attrition Structure in 2024.

### Personnel Attrition Structure in 2024

| Age, years | Total, persons | Including, persons | | Total, % | Including, % | |
|---|---|---|---|---|---|---|
| | | female | male | | female | male |
| Below 35 | **143** | **33** | **110** | **55** | **13** | **42** |
| 36–50 | **88** | **25** | **63** | **33** | **9** | **24** |
| Above 50 | **32** | **3** | **29** | **12** | **1** | **11** |
| Total | **263** | **61** | **202** | **100** | **23** | **77** |

### Personnel Attrition in 2021–2024, persons

| Personnel | 2021 | 2022 | 2023 | **2024** |
|---|---|---|---|---|
| Russian personnel | **218** | **312** | **387** | **259** |
| including Sakhalin Oblast residents | **130** | **199** | **261** | **154** |
| Foreign personnel | **19** | **86** | **14** | **4** |
| Total | **237** | **398** | **401** | **263** |

At the end of 2024, the average employee age in the company was 41 years. Employees under the age of 50 accounted for around 85% of total personnel.

### Personnel Structure in 2024 (by age and gender)

| Age, years | Total, persons | Including, persons | | Total, % | Including, % | |
|---|---|---|---|---|---|---|
| | | female | male | | female | male |
| Below 35 | **542** | **120** | **422** | **26** | **6** | **20** |
| 36–50 | **1,260** | **365** | **895** | **61** | **17** | **44** |
| Above 50 | **266** | **34** | **232** | **13** | **2** | **11** |
| Total | **2,068** | **519** | **1,549** | **100** | **25** | **75** |

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 HSE Management System), as well as the absence of full-time positions for low-skilled personnel, as at the end of 2024, eight employees with disabilities (five women and three men) were working in the company as part of quota jobs. Additionally, 25 persons with disabilities were employed within the quota set for the company under the job creation agreement concluded with the SAMI Centre for Employment and Recreation of Young People with Disabilities, including special jobs for disabled persons.

The working schedules used at the assets are shown in the table Company Personnel Working Schedules by Asset.

The following working schedules are established in Sakhalin Energy's local normative acts:

- everyday work under five-day working week with two days off;
- unlimited working hours;
- shift work;
- working pattern with flexible weekends according to individual schedules of work;
- rotation-based work;
- telework.

**Company Personnel Working Schedules by Asset**

| Asset | Working schedule |
|---|---|
| Offices | — everyday work under five-day working week with two days off<br>— unlimited working hours<br>— working pattern with flexible weekends according to individual schedules of work<br>— telework |
| Prigorodnoye production complex | — everyday work under five-day working week with two days off inlimited working hours<br>— rotation-based work<br>— working pattern with flexible weekends according to individual schedules of work<br>— shift work<br>— telework |
| Platforms (Piltun-Astokhskoye-A, Piltun-Astokhskoye-B, Lunskoye-A), OPF, BS 2 | — rotation-based work schedule |
| Other | — everyday work under five-day working week with two days off<br>— unlimited working hours<br>— working pattern with flexible weekends according to individual schedules of work<br>— shift work<br>— telework<br>— rotation-based work |

As at the end of 2024, around 30% of the company's employees were working on a rotation-based working schedule and living in hotels and rotational camps built and equipped in accordance with Russian legislation and best international practices. Working hours and rest time at all of the company's assets are established in compliance with regional and federal laws of the Russian Federation (see Section 6.2.2 Occupational Health).



## 6.1.3. Recruitment and Hiring, Onboarding of New Employees

Recruiting the best people in their field is one of the most important components of the human resources strategy, which is primarily based on a culture of openness, business partnership, and development.

Openness in recruitment means selecting candidates for vacant positions from all possible sources, enabling the recruitment of high-level professionals. All other things being equal, priority in hiring for vacant positions is given to Sakhalin Oblast residents. The main sources for attracting potential candidates and informing them about vacancies are:

- Sakhalin Energy's website. For the convenience of job seekers, the website has an automated form for sending CVs;
- publication of vacancies on internet resources;
- active cooperation with leading Russian specialist universities;
- implementation of the Referral Programme, whereby Sakhalin Energy employees who refer candidates receive a bonus if these candidates are hired by the company and pass the probationary period;
- participation in local and regional specialised job fairs;
- monthly submission of vacancy information to the Yuzhno-Sakhalinsk Employment Centre;
- cooperation with leading recruitment agencies;
- recruitment of qualified employees from among the company members.

### THE ENERGY CUP CORPORATE CASE CHAMPIONSHIP

The annual Energy Cup case championship was established in order to maintain and develop the employer brand, expand cooperation with Russian higher education institutions, and attract the most active and promising young specialists in the industry to the company. The first championship was held in 2023. In 2024, 255 participants from 39 universities in 23 Russian regions were registered. The company's experts developed 24 technical cases in various areas, while the contestants proposed 137 solutions. The winners of the championship were 22 students from Moscow, St. Petersburg, Tomsk, Tyumen, Sakhalin, Perm, Bashkortostan, and Tatarstan. Based on the results of the championship, more than 30 potential candidates were provided an opportunity to participate in the Graduate Development Programme.

All 255 participants were invited to online internships with experts in various technical areas of the company. In addition, a trip to Sakhalin was organised for the championship winners to promote the region as a place to work. The students visited the Prigorodnoye production complex and met with the company's management and specialists. The Sakhalin Oblast Human Capital Development Agency was a partner in organising the visit, and its experts held training sessions for the championship participants to develop their business skills.

**During 2024, Sakhalin Energy continued to actively develop cooperation with leading Russian universities. As part of the events organised by Gazprom, representatives of the company participated in eight university job fairs, which helped strengthen partnerships with the career centres of these educational institutions. In addition to representatives from the HR Directorate, technical experts from the Production Directorate took part in the fairs. The company's specialists informed the students about career opportunities, the student internship programme, and the Graduate Development Programme.**

**255**

**participants from 39 universities**

**were registered for the annual Energy Cup Corporate Case Championship in 2024**

In 2024, a traditional onboarding session was held for newly hired employees, providing a complete overview of the specifics of the structural units' activities and the processes of interaction between the units and the stakeholders. Video footage of the meeting was published on the company's website so that all new employees could familiarise themselves with information about the company.



### Personnel Hiring in 2020–2024, persons

| Personnel | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| Russian personnel | 225 | 245 | 299 | 365 |
| including Sakhalin Oblast residents | 151 | 146 | 190 | 235 |
| Foreign personnel | 26 | 4 | 2 | 2 |
| Total | 251 | 249 | 301 | 367 |

The statistics of personnel hiring by age group and gender are reflected in the table Structure of Personnel Recruitment in 2024.

### Structure of Personnel Hiring in 2024

| Age, years | Total, persons | Including, persons | | Total, % | Including, % | |
|---|---|---|---|---|---|---|
| | | female | male | | female | male |
| Below 35 | 248 | 57 | 191 | 67.1 | 15 | 52.1 |
| 36–50 | 114 | 35 | 79 | 31.5 | 10 | 21.5 |
| Above 50 | 5 | 1 | 4 | 1.4 | 0.3 | 1.08 |
| Total | 367 | 93 | 274 | 100 | 25.3 | 74.7 |

## 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 qualification and position level. This system encourages efficient work and provides motivation for excellent performance.

Remuneration of employees includes:

- base salary, hourly rate according to the employment contract;
- supplementary allowances, uplifts and other payments of a compensatory or incentive nature stipulated by the company's Regulations on Labour Remuneration, Bonuses, and Social Benefits and other company local normative acts, Labour Code of the Russian Federation and other normative legal acts.

A unified approach to personnel bonuses is applied, including several types of bonuses:

- annual performance bonus;
- special recognition award;
- long service award;
- employee referral reward;
- one-off payment to employees in connection with rewarding;
- bonus for participation in a Research-to-Practice Conference;
- award of the Business and Operations Committee to employees who have achieved special success in teamwork;
- bonus for being awarded with the pin of honour for outstanding performance and contribution to the company.

Employees may be awarded certificates of merit and letters of acknowledgement on Oil and Gas Workers Day and on the company's anniversaries. Recognition may also be given on an employee's 50th birthday and then every five years.

In order to ensure that salaries remain competitive, the company indexes them, taking into account the results of the salary market survey of leading companies in the oil and gas sector.

In 2024, the average monthly salary of the company's workers was three times higher than the minimum wage established by the legislation of the Russian Federation, taking into account the regional coefficient and northern uplift. In the reporting year, Sakhalin Energy's labour remuneration expenses totalled 13.47 billion roubles, with award/bonus payments totalling 2.43 billion roubles.

## 6.1.5. Social Benefits and Compensations

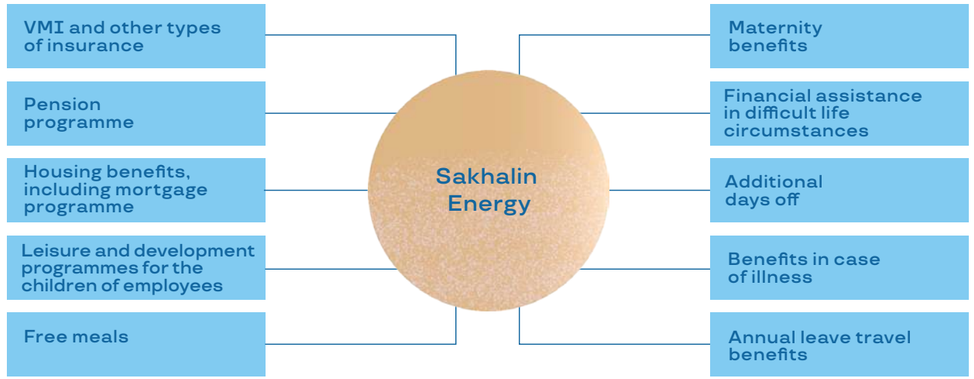
The company does everything possible to ensure the competitiveness of its employee value proposition in order to attract and retain skilled and high-potential personnel. The compensations and benefits provided to Sakhalin Energy's personnel enhance the well-being and social security of employees and 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).



### Social Benefits and Compensations at Sakhalin Energy LLC




### Housing Benefits

The company offers benefits related to the provision of housing for employees and their families who are hired on terms of relocation. 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 the amount set by the company.

Since the beginning of the programme, 467 Russian employees have participated in the mortgage programme.

As at the end of 2024, there were 153 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.

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.

At the end of 2024, 22% of the company's Russian employees were enrolled in the corporate pension programme.

In 2024, the company contributed a total of 59.9 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 preschool children. As at the end of 2024, the Children's Centre was attended by 76 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 multilingual programme. As at the end of 2024, there were 62 students in the elementary education programme and 103 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.

In 2024, 752 schoolchildren participated in the summer programme. Additionally, during the autumn and spring holidays, Smart Vacations career guidance programmes were organised for school-age children. More than 150 children aged 7 to 16 participated in the career guidance shifts.

The 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.



## 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: Individual Performance Reviews are conducted annually;
- openness: information on the timing, procedure, and process criteria is available to each employee of the company;
- integrated approach: the measures include a performance assessment, a competence assessment, and professional development planning.

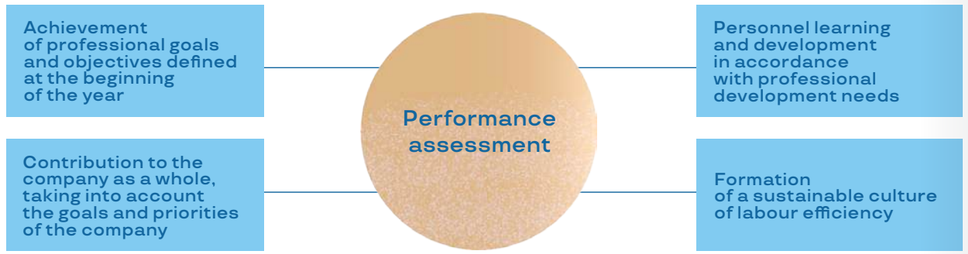
As part of the process, an employee's performance is assessed based on their progress in fulfilling business and individual professional tasks set by each employee at the beginning of the year, including tasks on staff development (for managers), as well as on business ethics, corporate culture and compliance, HSE, safety, and continuous improvement. Additionally, this assessment allows to identify employee's needs for professional development to ensure their further professional growth and to contribute to the improvement of the company's efficiency in general.

As at the end of 2024, 1,948 employees (94% of company personnel) had successfully undergone an Individual Performance Review (see the table Individual Performance Reviews at Sakhalin Energy LLC).

### Individual Performance Reviews in 2021–2024

| Personnel category | Gender | Employees who underwent the Individual Performance Review, persons | | | | Share of employees who underwent the Individual Performance Review, % | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2021 | 2022 | 2023 | **2024** | 2021 | 2022 | 2023 | **2024** |
| Managers | | **515** | **497** | **470** | **538** | **98** | **99** | **99** | **100** |
| including | male | **415** | **395** | **379** | **441** | **98** | **99.7** | **99.5** | **100** |
| | female | **100** | **102** | **91** | **97** | **96** | **98** | **99** | **100** |
| Specialists | | **1,297** | **1,222** | **1,163** | **1,183** | **95** | **97** | **97** | **95** |
| including | male | **871** | **837** | **802** | **799** | **97** | **100** | **99** | **96** |
| | female | **426** | **385** | **361** | **384** | **91** | **92** | **92** | **92** |
| Clerks | | **3** | **1** | **1** | **1** | **100** | **100** | **100** | **100** |
| including | male | — | — | — | — | — | — | — | — |
| | female | **3** | **1** | **1** | **1** | **100** | **100** | **100** | **100** |
| Workers | | **237** | **240** | **239** | **226** | **79** | **83** | **83** | **81** |
| including | male | **233** | **236** | **236** | **224** | **79** | **83** | **83** | **81** |
| | female | **4** | **4** | **3** | **2** | **80** | **80** | **100** | **67** |
| **TOTAL** | | **2,052** | **1,960** | **1,873** | **1,948** | **93** | **96** | **95** | **94** |
| including | male | **1,519** | **1,468** | **1,417** | **1,464** | **94** | **97** | **96** | **95** |
| | female | **533** | **492** | **456** | **484** | **92** | **93** | **94** | **93** |

**Individual Performance Review at Sakhalin Energy LLC**




## 6.1.7. Personnel Training 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 in order to achieve its short- and long-term production objectives, primarily through the formation of an internal successor pool.

Employees' learning and development in the company is based on the following principles:

- compliance: learning is based on a thorough study of personnel and business requirements and leads to the achievement of production objectives and the implementation of the company's general strategy;
- competence-based approach: the process of learning and development is based on an analysis of employees' competence;
- centralisation and control: the learning and development subdivisions are responsible for and shall control training processes in the company, planning and spending the budget for training;
- cost efficiency: achieving value maximisation through the use of learning and development criteria agreed with the business, and through a thorough selection of the training service providers to avoid compromising safety and reliability;
- equal opportunities: continuous, systematic, and consistent improvement of the professional qualifications and development of employees' potential throughout their career in the company;
- reasonable balance: maintaining a balance between on-the-job training, distance learning, internal and external training based on the 70/20/10 approach;
- 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 professional, leadership, personal and business competencies has been developed for each position. Competence assessment is used as the basis for the further learning and development of an employee occupying a given position, as well as for other HR decisions.

Job competence profile is a list of competences and their required levels needed for a certain job.

Competence assessment gives a clear understanding of an employee's professional and behavioural qualities against the established requirements, based on their qualifications, job, and tasks performed.

There are various assessment tools in Sakhalin Energy's Personnel Assessment Tool Portfolio available for 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:

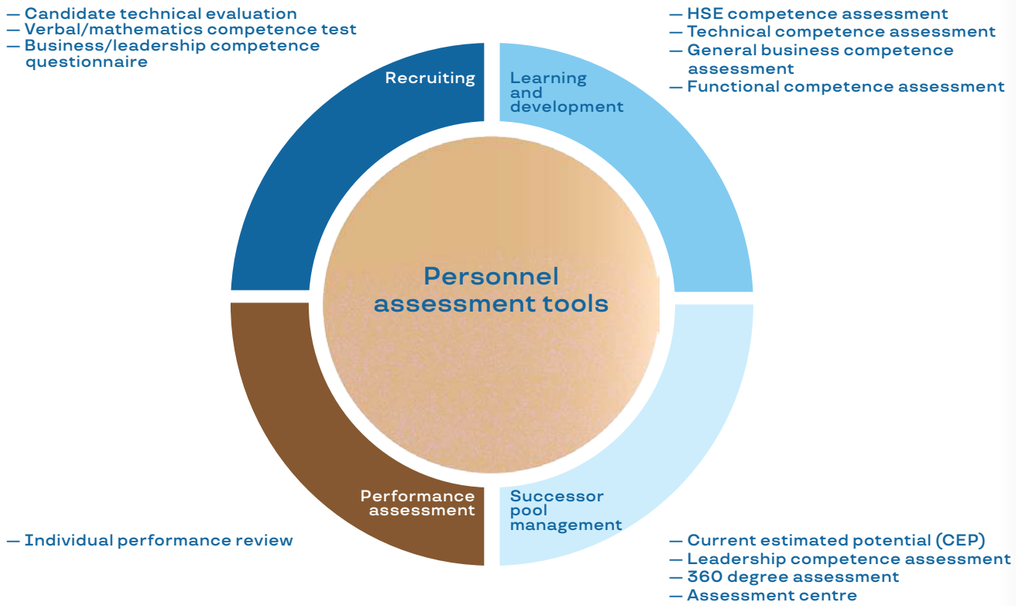
- Current Estimated Potential Ranking Exercise — an estimate of the highest position that an employee can occupy during his/her work at the company. The assessment is based on the CAR criteria: capacity, achievements, and relationship;
- Assessment/Development Centre — a technology for the integrated 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 and current managers. In 2024, 64 such employees underwent an integrated assessment;
- 360 Degree Assessment — an additional tool used to assess employees' leadership competencies and personal effectiveness. During the assessment, an 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 rating of each group of raters and accompanied by key findings regarding the employee's strengths and weaknesses, as well as recommendations for the employee's development.

A structured interview is a recommended method for assessing professional competencies. This is an interview during which the competence of a job candidate or employee is determined by applying the appropriate methodology. The purpose of the structured interview is to collect and analyse information to confirm the level of competence.

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 recommended.

The Competence Assurance Programme is an important element of the company's HR strategy and an effective tool for ensuring that the production facilities are staffed with highly qualified employees who will operate the facilities safely and smoothly. An objective and systematic approach allows for maintaining employees' motivation for development and, consequently, their aspirations for professional growth. The programme is a system for examining and confirming the competencies of technical personnel involved in the support of technical processes and in the repair and maintenance of production equipment. During the assessment, employees demonstrate professional knowledge acquired through training and professional development, as well as practical abilities and skills. In addition, when assessing employees' competencies, focus is placed on the rules and standards of labour behaviour in the team and the employees' attitude towards their work, which is an important component of operating hazardous production facilities safely.

### Sakhalin Energy's Personnel Assessment Tool Portfolio




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 tracking processes of the Competence Assurance Programme have been automated, which makes it possible for all parties involved, including workers and their managers, to visualise the competence profiles and their status. This ensures the high effectiveness of the programme as a tool for developing qualified personnel.

In 2024, 99% of the company's employees underwent a competence assessment, of which 98% achieved the required competence score.

**The training and certification of those responsible for competence assessments and process quality assurance was carried out by foreign specialists with international expertise. In 2024, the Production Training Centre, together with a Russian training provider, developed programmes and trained 17 in-house instructors. Two of them have already achieved the status of authorised instructors and are themselves training colleagues and certifying them as instructors. In this way, the company is not only completing the process of replacing training content with home-grown analogues, but is also preserving and developing international best practices and its own internal expertise.**



## 6.1.7.3. Personnel Learning and Development

Sakhalin Energy LLC prepares annual plans for personnel learning and professional development based on current production targets, career development plans, and competence assessment results.

During the implementation of the 2024 training plan, certain factors have been considered, namely:

- search for analogues and import substitution of training activities according to the company's needs;
- increase of Russian content in professional/vendor training, including internal courses development;
- in-house training development.

In 2024, 1,942 employees attended workshops and training courses, including online learning. The company provides training for all categories of employees without exception (see the table Employee Training in 2024). The average training duration was 13.98 man-days, or 112 hours per employee (excluding on-the-job training).

In 2024, Sakhalin Energy LLC invested 241 million roubles in employee learning and development.

### Key Indicators of Personnel Learning and Development in 2021–2024

| Indicator | 2021 | 2022 | 2023 | **2024** |
|---|---|---|---|---|
| Number of employees who completed training, persons | **2,051** | **2,232** | **2,097** | **1,942** |
| Share of employees who completed training, % | **93** | **97** | **89** | **93** |
| Average training duration per person, days/hours | **6.3/50** | **7/56** | **12.3/98** | **13.98/112** |
| Training costs, million roubles | **170** | **143** | **236** | **302** |

### Employee Training in 2024 (as at 31 December 2024)

| Personnel category | Gender | Number of employees who completed training, persons | Trained employees, % | Average training duration, man-hours | Average number of training courses per person |
|---|---|---|---|---|---|
| Managers | | 501 | 93 | 74 | 4.2 |
| including | male | 416 | 94 | 75 | 4.2 |
| | female | 85 | 88 | 71 | 4.2 |
| Specialists | | 1,076 | 86 | 101 | 4.5 |
| including | male | 748 | 90 | 113 | 4.9 |
| | female | 328 | 78 | 75 | 3.8 |
| Clerks | | 1 | 100 | 250 | 1.0 |
| including | male | 0 | 0 | — | — |
| | female | 1 | 100 | 250 | 1.0 |
| Workers | | 277 | 99 | 256 | 12.6 |
| including | male | 275 | 99 | 257 | 12.6 |
| | female | 2 | 67 | 38 | 3.5 |
| TOTAL | | 1,855 | 90% | 117.10 | 5.6 |
| including | male | 1,439 | 93% | 129.56 | 6.2 |
| | female | 416 | 80 | 74 | 3.9 |

In 2024, in the frames of digitalisation strategy, the company continued actively implementing and using various forms of distant learning (webinars, online courses, and mixed formats), involving internal and external resources. Priority was given to group training on Sakhalin. Such measures contribute to high employee competence level.

Sakhalin Energy uses diverse and largely unique training resources, bringing 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.

Types of personnel training, resources for personnel training, performance review, certification, advanced training, and professional retraining shall be identified in the following four areas.



### 1. Mandatory Training in Accordance with the Requirements of the RF Laws and Internal Standards of the Company

Timely and efficient organisation of mandatory training in the field of ensuring safe working conditions allows each employee to acquire knowledge, skills and admission for the safe performance of work, as well as the safety of other employees, the environment, and the company's assets.

Sakhalin Energy strictly complies with all requirements, implementing amendments to relevant regulatory legal acts of the Russian Federation in all areas of mandatory training — occupational safety, industrial safety, fire safety, civil defence and emergency response, and others — in a timely manner. The company has developed and updated local normative acts in the area of organisation and provision of mandatory training.

HSE training plays an important role in reducing the number of accidents at work and occupational diseases, as well as developing the competence of employees to ensure safe working conditions within the performance their professional duties. In 2024, the company issued an updated Regulation on the Organisation of Training and Testing of HSE Knowledge. The training structure and the set of programmes to be offered to employees depending on their scope of employment have been reviewed based on a risk-oriented approach. Non-Professional Emergency Response Teams (NERTs) play a crucial role in ensuring the safety of the company's production facilities and in responding promptly to emergencies. The knowledge, skills, and ability of NERT members to act in emergency situations determine the effectiveness of emergency response. Unscheduled training of offshore asset rescuers was conducted as part of the course 'Training of Rescuers for Oil and Petroleum Product Spill Response in the Russian Federation, Excluding Internal Sea Waters and the Territorial Sea of the Russian Federation' within the framework of the plan to create a unified Sakhalin Energy LLC NERT and its subsequent certification for three types of work (rescue and fire-fighting; gas rescue; oil and petroleum product spill response in the Russian Federation, excluding internal sea waters and the territorial sea of the Russian Federation), along with unscheduled certification for these types of work.

In addition to the requirements of Russian legislation, the company continues to provide training in accordance with local regulations in ensuring safe working conditions, including behavioural programmes aimed at forming and maintaining an informed attitude towards safety. In 2024, the curriculum of the Effective Observation and Intervention programme, which is an integral part of the occupational safety management system, was updated.

The Mandatory Requirements Profile on the ESS/MSS Fiori portal (hereinafter referred to as the profile) remains an effective tool for the timely planning of mandatory training and monitoring compliance with the requirements of the laws of the Russian Federation and local regulations of the company. It visualises the entire mandatory training list applicable to an employee's position and/or role, as well as the expiry dates of the requirements. The profile is equipped with a modern interface and extended functionality. Employees can register for training themselves, and in some cases even attend training via the portal. The profile information allows an employee's line manager to quickly determine the employee's eligibility for certain types of work. In the profile, it is possible to generate a report on compliance with mandatory requirements as of 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.

The tool's functionality includes a number of automatic notifications reminding employees of the expiry of mandatory training, the addition of a new requirement, etc.

In 2024, 4,015 man-courses of mandatory training were conducted in accordance with the laws of the Russian Federation and with the local regulations of the company, including distance training. The average training duration was 2.1 man-days, or 16.5 hours per employee (excluding on-the-job training).

## 2. Professional Training

The main objective in this training area is to improve the professional competence of personnel. Ensuring that each employee's qualifications comply with the complexity of their work is a prerequisite for the safe, reliable, and efficient operation of all the company's organisational units and production facilities.

Sakhalin Energy LLC offers the following types of professional training for personnel:

- professional development for managers and specialists, including short-term training courses, workshops, conferences, round table discussions;
- professional training and retraining in technical and non-technical areas;
- upgrade training courses for employees of working occupations; obtaining qualifications for another/related occupation;
- vendor training (training in engineering support, equipment maintenance, and software operation 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 regional providers of educational and consulting services within the framework of the Russian Content Development Strategy in each individual case and gives preference to them as long as proper quality is ensured. Arranging training with the help of regional suppliers helps significantly reduce the cost of training in terms of logistics and organisation. In addition, the company seeks to provide professional training for employees directly at production facilities, thereby reducing the number of required 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 2024, 5,376 man-courses of professional training have been carried out, including distant learning. The average training duration was 2.77 man-days, or 22.1 hours per employee (excluding on-the-job training).

## 3. In-house Technical Training

The growth of the company, the use of advanced technologies, and the implementation of the digitalisation strategy require technicians to have a 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 a system of continuous technical training for technicians of the company's production facilities and major contractors. The centre is staffed with highly skilled in-house technical training instructors from relevant disciplines who have extensive production and teaching experience.
- The centre's instructors participate in implementing targeted programmes, including the Traineeship Programme (see Section 6.1.7.4 Traineeship Programme), the Internship Programme for students of universities and secondary vocational schools (see Section 6.1.7.10 Internship Programme), 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 are dedicated to improving the technical competence of employees in accordance with the agreed-upon professional development plan and competence assessment results. Training of the main contractors' personnel is also aimed at maintaining an appropriate level of professional competence to ensure the efficient and accident-free operation of the company's assets.



The systematic development of training programmes ensures uniform implementation of competence standards at production facilities. The programmes reflect asset-specific features related to workflow, 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 Technical Training Centre actively participates in the implementation of the corporate digitalisation strategy by expanding the portfolio of e-learning courses, which enables the training process to be carried out in the most efficient way and with maximum coverage of the target audience among the company's employees and contractor personnel. Cooperation with Gazprom's Training Simulator Computer Centre (TSCC) is continuing in the area of developing electronic technical courses. According to the action plan, 12 e-courses have been introduced in 2024.

The process of standardisation of learning and teaching materials for in-house technical training courses continues based on the experience of the Private Institution of Further Vocational Education Gazprom TSCC.

**The company actively uses innovative training methods and Technical Security Means, including computer-based training systems (CBTS), which allow Operators and Control Room Trainee Operators to practise and consolidate their skills, not only during stable asset operation, but also in abnormal/emergency situations.**

**A significantly upgraded CBTS of the control room at the LNG plant is used to train Control Room Operators. In the first quarter of 2024, the project to upgrade the onshore processing facility (OPF) CBTS for OPF Operators training was successfully completed. In 2024, preparatory work was underway for the CBTS modernisation project for the PA-A and LUN-A offshore platforms, with the project scheduled for completion in 2025. The company is actively developing an industrial VR simulator project for training electricians to promptly switch electrical installations. Pilot versions of the simulator were developed in 2023. In 2024, work was underway to launch a tender for the development of an industrial simulator, with the project to be completed in 2025.**

**TTC specialists continue to work on the localisation of training courses from foreign training providers. With a wealth of production experience and a high level of qualification, in-house technical training instructors are engaged in the development of targeted courses in close cooperation with technical experts from relevant disciplines. An Educational Content Localisation Plan through 2026 has been drawn up, which includes more than 30 courses. According to the plan, three courses were completed in 2023 and seven more were developed in 2024.**

In 2024, the company delivered 2,960 man-courses of in-house technical training in all training event formats for company and contractor personnel. The average training duration was 2.16 man-days, or 17.29 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 costs caused by inefficient labour and the need for training within the initial period of work, and strengthening employee motivation towards self-education and commitment to the company's corporate culture.

Management, leadership, and personal and business skills development programmes are being implemented, as are employee personal effectiveness programmes, which are based on competence assessments. Training, in the form of classroom instruction 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 competence development framework is delineated in Section 6.1.7.6 Leadership and Management Development Programmes.

In 2024, the company carried out 1,083 man-courses on leadership, personal and business skills development, including distance learning. The average training duration was 0.56 man-days, or 4.5 hours per employee (excluding on-the-job training).

## 6.1.7.4. Traineeship Programme

The company's personnel strategy prioritises filling vacancies for technicians with candidates from among the Traineeship Programme's graduates. In 2023, the programme underwent changes, including changing the name, due to the introduction of professional standards. In 2024, the introduction of new means and methods of training as well as the intensification of the process allowed for the further optimisation of the first part of the programme, from 14 to 10 months. This optimisation mainly concerned the Technical English course, which was integrated into the general theoretical technical training course. The programme was launched in 2003. By the end of 2024, there had been 399 trainees in total, 45 of which are continuing their training in 2025.

The programme focuses on the professional development and further employment of Sakhalin Oblast youth with vocational 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 College, the Sakhalin Industrial Technical College, and the Sakhalin Agricultural Engineering College. Twenty-two young employees joined the 2024 group.

Programme 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 while working at all the company's assets.

Developing practical skills and gaining on-the-job experience are key components of Traineeship Programme. The practical component of the programme ensures that trainees develop their skills and learn the material so that they reach the required competence level.

Various methods and forms of training are actively used in the educational process, including project activities, simulation, and analysis of production scenarios.

The volume of company-developed in-house e-learning has significantly increased. These e-courses are used as an effective tool for preliminary preparation for a new module, or as a means of consolidating and controlling acquired knowledge after the completion of a training module.



The Traineeship Programme consists of two parts, with an overall duration of 28 months.

The first part of the programme lasts 10 months and includes professional theoretical and practical training, study of equipment, the operation, maintenance and repair processes of offshore and onshore production facilities, training in the permit-to-work system, initial technological process training on computer simulators, work with training equipment in classrooms and workshops, etc.

The second part of the programme lasts 18 months and includes on-the-job training as part of a shift or in an assigned work area.

**The use of e-learning makes it possible to intensify the trainees learning process (it is possible to study outside the TTC premises at the employees' convenience), to optimise the process of technical adaptation in terms of load reduction and maintaining the flexibility of the training schedule. In particular, the General Operating Manual for the LNG Liquefaction Shop of the LNG plant e-learning course, comprising 25 operating instructions, has been developed and introduced. The introduction of this course has ensured that the programme participants arriving at the LNG plant within the framework of the second part of the Traineeship Programme were as prepared as possible to test their knowledge of work instructions, significantly accelerating their adaptation to the new working conditions at the plant.**

**Sakhalin Energy's Traineeship Programme**

**28** months / 2 years and 4 months

| General modular course of theoretical technical training integrated with English language course | Technical training in the disciplines:<br>— Operations Technician<br>— Electrical Technician<br>— Mechanical Technician<br>— Instrument Technician | On-the-job training |
|---|---|---|
| **5** months | **5** months | **18** months |

## 6.1.7.5. Successor Pool Formation and Development

The company prioritises successor pool-related activities as they promote the further development of human resources.

Sakhalin Energy's human resource development system is a set of mutually supportive elements that are based on the principle 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 the readiness of potential successors to succeed positions according to the Succession Matrix;
- development of potential successors in accordance with job requirements for the positions planned for succession.

As part of the 2025–2029 successor pool formation process, potential successors (in the short- and long-term) were identified for 649 of the 701 positions within the succession planning scope. Individual development plans were developed for all employees included in the successor pool, incorporating activities to be undertaken under the personnel training and development system (professional training, leadership and management skills development, internships, mentoring, project management, and others).

In 2024, 81 vacant positions out of 117 included in the Succession Matrix were filled by internal candidates from among Russian personnel.

Sakhalin Energy LLC pays special attention to the development of the successor pool, not only internally but also externally, as it accomplishes strategic long-term tasks and strives for the sustainable development of the region, the industry, and the country as a whole. In partnership with government authorities and relevant organisations, the company carries out systematic work in the following areas:




- career guidance for students of Sakhalin Oblast. In 2024, 27 career guidance events were held for students in Yuzhno-Sakhalinsk and Korsakov, some of which were attended by young company specialists. In addition, The Adventures of Octaman. Conquerors of Energy, an early career guidance project for schoolchildren, was continued in 2024 (see Section 6.4.9.2 Early Career Guidance Project);
- including Sakhalin Oblast schoolchildren and students in events organised by Sakhalin Energy. For example, students of Far Eastern universities took part in the 11th Research-to-Practice Conference of Young Employees in the 'University' section;
- holding job fairs for students of leading Russian universities with majors relevant to the company's business activities, including career guidance events for students during the Russia International Exhibition and Fair, hosted by the Exhibition of Economic Achievements;
- business games for university students.

**To build and develop leadership and communication skills, young employees visited the Russia International Exhibition and Fair, hosted by the Exhibition of Economic Achievements. The events were attended by 20 young employees from Sakhalin Energy LLC, who represented all directorates of the company. Over the course of three weeks, the delegation worked at the Sakhalin region stand, acquainting visitors with unique technologies of oil and gas production on the Sakhalin shelf, telling them about oil refining processes, gas liquefaction, and many other things.**

In August 2024, a group of students of Russian oil and gas universities participating in the OstroVa Nation-Wide Youth Forum also made a study trip to the Prigorodnoye production complex.

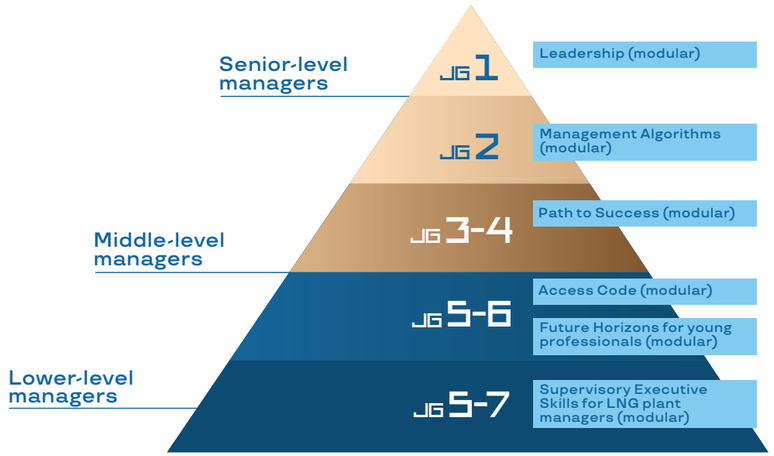
In October, as part of the 28th Sakhalin Oil and Gas International Energy Forum, the Sakhalin Energy pavilion organised career guidance and educational tours for schoolchildren and university students. For the first time, the forum included a youth track for graduates of specialised universities and technical colleges, as well as university and high school students, in addition to a children's track for schoolchildren from Sakhalin Oblast.

As part of the track, the company participated in sessions aimed at attracting and developing young specialists and additional career guidance activities for schoolchildren.

Such events increase the company's attractiveness as an employer and, at the same time, help inform potential employees about the uniqueness of the island region as a place equally interesting to work and live in.



**Leadership and Management Development Programmes**




**Team management, coaching skills, effective management of people and projects, etc.**
(2–3-day standard programmes for JG 5–7)

**The Leadership Development Programme**
(is a selection of leadership development courses in the Gazprom Knowledge Base and the Alpina Digital library)

### 6.1.7.6. Leadership and Management Development Programmes

Forming and developing employees' 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 Planets leadership competence model (see the chart Leadership and Management Development Programmes).

Nine Planets is a corporate model of leadership competencies. It is a set of skills, knowledge, and attributes that enable an employee to effectively take on a leadership role and manage a team. The model is made up of nine competencies. It is used to assess an employee's leadership skills (using a variety of methods) and to draw up a development plan based on the results. Training and development programmes for employees in leadership positions are also based on the Nine Planets model.

As at the end of December 2024, 337 Russian company employees, occupying 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 to increase efficiency. This is an internal corporate programme to develop the leadership competencies of the company's managers. Its main tasks include promptly building up the expertise of newly appointed managers for the effective implementation of the company's business priorities, as well as supporting the manager in his/her new role (including during their transition to a new level). The programme focuses on improving leadership, teamwork, and cross-func-

**As part of the company's efforts to improve management training, the company launched an MBA (Master of Business Administration) programme in cooperation with the Russian Academy of National Economy and Public Administration. Currently, 25 trainees are receiving professional training focused on improving their leadership skills. This modular programme lasts two years and takes place in Yuzhno-Sakhalinsk.**

tional interaction competencies. The format of the mentoring relationship involves the mentee developing through sharing experience with the mentor. In particular, the mentee determines their development needs based on the specific challenges he or she faces as the leader of his or her team. Communication within the framework of mentoring allows young managers to adopt not only knowledge and experience, but also the leadership mentality of the company's top managers.

In addition, mentoring contributes to the development and strengthening of the corporate and leadership cultures in the company.

As at the end of 2024, there were 27 managers nominated by upper management to be mentors in the company. After receiving training in mentoring methodology, they confirmed that they were ready to participate in the programme. Twenty mentor-mentee pairs have been formed.

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. Organising Work with Young Company Employees

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 chart Stages of Sakhalin Energy's Graduate Development Programme).

In 2024, the company hired 20 graduates under the programme. Since 2010, 246 graduates, including 76 Sakhalin Oblast residents, have participated in the programme. As at the end of 2024, there were 47 programme participants, including 20 Sakhalin residents.

#### Council of Young Scientists and Graduates

Sakhalin Energy established the Council of Young Scientists and Graduates (CYSG) in 2023. That same year, the Procedure for Organising the Council of Young Scientists and Graduates was approved. The START! forum, also held in 2023, served as a catalyst for spreading CYSG activities in various fields.

During the year, more than 200 young employees took part in various CYSG activities.

The Council works in three main fields: research-to-practice, education, and mass culture.

#### Research-to-Practice

At the company's 11th Scientific and Technical Conference for Young Specialists, 33 young employees presented their reports. As part of their technical research activities, CYSG representatives organised the second annual round table in the Technical Directorate, and a scientific and technical club was launched in the Production Directorate. Over the course of the year, CYSG members took part in scientific events in Moscow, Kazan, Orenburg, St. Petersburg, and Novy Urengoy.



**Stages of Sakhalin Energy's Graduate Development Programme**


#### Education

As part of career guidance activities, young employees of the company participated in job fairs at leading Russian universities (including Sakhalin State University), at schools in Yuzhno-Sakhalinsk and Korsakov, and in career guidance for schoolchildren as part of the children's track of the Oil and Gas of Sakhalin Far Eastern Energy Forum. Young employees took part in a number of regional intellectual games and attended training courses as part of the CYSG activities. In August 2024, members of the company's Council organised a public speaking club, which held several meetings and classroom training. The chairman of the club acted as the moderator at the official closing ceremony of the research-to-practice conference. These activities are aimed at developing the scientific potential of young employees and preparing scientific papers for participation in internal and external conferences.

#### Mass Culture

One of the most important components of community development is team-building events, where employees develop a social circle in an informal environment. For the first time, CYSG members took part in a cyber sports event held by Gazprom's subsidiaries, climbed Chekhov Peak, and organised number of team-building sports competitions.

The Council organised an initiative team that participated in large-scale events (the Russia International Exhibition and Fair, hosted by the Exhibition of Economic Achievements, the 28th Oil and Gas of Sakhalin Far Eastern Energy Forum, the 12th All-Russian Meeting with international participation Cretaceous System of Russia and Neighbouring Countries: Problems of Stratigraphy and Paleogeography, and the 11th Open Research-to-Practice Conference of Young Employees) as organisers, secretaries, administrators, and speakers.

CYSG volunteers have independently organised and conducted four events since the beginning of the year and participated in a number of city initiatives (see Section 6.4.3 Hurry Up for Good Deeds: Corporate Volunteering Development).

### 6.1.7.8. Developmental Assignments

Developmental 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 personnel to participate in developmental assignments and study the practical aspects and specific features of work in the corresponding organisational units of the host party and to interact more effectively while implementing joint projects.

During developmental assignments, participants acquire new skills and experience in solving complex tasks and get an opportunity to use their knowledge and abilities.

In 2016–2024, development assignments were organised for 38 Sakhalin-2 project employees. In turn, 36 employees of member companies got the opportunity to complete their personnel developmental assignments at Sakhalin Energy assets.

**In 2024, two group internships were organised and conducted for employees of member subsidiaries (10 employees) on the topic 'Exchange of experience on the commissioning of the complex, debugging of start-up operations', and four group internships (20 employees) for the company's employees at a production facility of one of the member subsidiaries on the topic 'Exchange of experience in improving industrial safety, hazardous operations, organisation and execution of maintenance and repair work, prevention and elimination of accidents and improvement of equipment reliability'. The specialists shared their experience in scheduled turnarounds of LNG process lines and gained knowledge about the specifics of equipment operation and reliability improvement.**

### 6.1.7.9. Scientific Potential Development

Sakhalin Energy LLC has set targets for technological superiority as part of its medium-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 participation in scientific and technical events to share experience and best practices and to present the company's achievements to the public;
- increase publication activity to highlight the scientific and technological achievements of the Sakhalin-2 project;
- train in-demand specialists with unique competencies in offshore field development;
- develop interaction with scientific and technical partners and contribute to the improvement of technical and technological solutions used in offshore field development;
- 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, in the preparation and delivery of lectures, and in other activities.




**In October 2024, Yuzhno-Sakhalinsk hosted the 11th Scientific and Technical Conference for Young Specialists, aimed at unlocking the potential of young employees and developing their leadership competencies. The conference was attended by 24 experts and 58 speakers, including not only Sakhalin Energy employees, but also representatives of Gazprom subsidiaries, operator companies, and key contractors of the leading oil and gas projects in Sakhalin Oblast, as well as students of Far Eastern universities. The participants presented reports on a variety of topics. How to simplify work with the help of a chatbot? What will help a company optimise costs? How to address the need for the substitution of goods and services of foreign origin with Russian analogues? The speakers proposed different ideas and projects and demonstrated leadership, professional aspirations, fresh outlooks, and courage in decision-making.**

**In April 2024, a publication by a young employee of the Technical Directorate was awarded 1st prize in the scientific and technical articles competition among young employees of the Association of Gas Industry Organisations Non-Profit Partnership Gazprom in Orenburg Region.**

Laying the foundations for developing scientific and technical potential, Sakhalin Energy LLC 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 technicians) and traineeship programmes (for workers).

In 2024, 74 young members of the Company's Council of Young Scientists and Graduates took part in scientific competitions and conferences.

In May, the 4th New Materials and Corrosion in the Oil and Gas Industry International Conference, held in St. Petersburg, was attended by a young employee of the Technical Directorate.

In June, a young employee and an expert from the company took part in the 3rd Research-to-Practice Conference on Petroleum Hydrogeology, Geochemistry, and Hydrodynamic Modelling in Kazan.

In September, young company employees attended the 3rd Shelf Frontier Sakhalin Youth Technical Forum held in cooperation with subsidiaries of the Sakhalin Energy's member companies, operator companies, and key contractors of leading oil and gas projects in Sakhalin Oblast.

In October in Orenburg, the company's young employees earned bronze medals in the Open Engineering Problem (Case) Solving Championship.

### 6.1.7.10. Internship Programme

Since 2000, the Sakhalin-2 project operator has been helping students gain their first professional experience and prepare for future employment. During internships, students work alongside experienced specialists, familiarise themselves with modern technologies, and learn to apply their knowledge in real-life conditions.

In 2024, 78 people completed internships, including 59 students from higher education institutions and 19 students from secondary vocational education institutions in Sakhalin Oblast. Almost half of the university students represent the country's leading universities. More than 70% of the total number of trainees are local residents.

The company maintains a stable partnership with educational organisations in the region, including Sakhalin State University, Sakhalin Industrial Technical School, Sakhalin Industrial and Economic Technical School, and others. This allows for training the future successor pool in high-demand professions and specialities.

In 2024, the company launched the Expanded Internship Programme for senior students, which is distinguished by its duration and its classes being held in parallel with studies at an educational organisation. The programme involves 33 participants, of whom 29 students undergo internships at the Prigorodnoye production complex, learning the intricacies and specifics of working professions, while the other four students receive training in engineering professions at the Yuzhno-Sakhalinsk office.

The Internship Programme provides the company with an influx of talented young people and increases the employability of future graduates, opening up further career development opportunities under targeted training programmes for young employees.




**Number of Students Who Completed Internships in 2021–2024**

| | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| University students, persons | 32 | 35 | 47 | **72** (including 13 with Expanded Internship) |
| Secondary vocational school students, persons | 24 | 23 | 33 | **39** (including 20 with Expanded Internship) |
| Total, persons | 56 | 58 | 80 | **111** (including 33 with Expanded Internship) |
| including Sakhalin Oblast residents, % | 82 | 53 | 62 | 70 |

### 6.1.7.11. Scholarship Programme

The company's Scholarship Programme was launched in 2003.

It is competitive and open to Sakhalin Oblast students of secondary 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).

The purpose of the programme is to financially support talented Sakhalin youth who wish to study at Russian higher education institutions that train engineering and technical specialists for the oil and gas industry and related industries, with the prospect of employment with Sakhalin Energy.

In 2024, seven Sakhalin school graduates were named winners of the competition.

As at the end of 2024, 16 Scholarship Programme participants were studying at Russian universities with the company's financial support.

During the period of the Scholarship Programme, 32 participants were employed by the company, including three in 2024.

# 6.2. OCCUPATIONAL HEALTH AND SAFETY

## 6.2.1. Occupational Health and Safety Management System

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 compliance with Article 217 of the Labour Code of the Russian Federation, Sakhalin Energy LLC applies a systematic approach to Occupational Health and Safety issues in line with the Regulations on Occupational Health and Safety Management Systems (OHSMS). The company's OHSMS meets the GOST R ISO 45001-2020 Occupational Health and Safety Management System standard.

**The company continues to run the Effective Observation and Intervention Programme, which is designed to identify and prevent unsafe actions and conditions in the workplace, as well as to continuously improve a culture of safety and safe behaviours. In 2024, 330 employees of the company and contractor organisations completed training under the programme.**

The company follows the Occupational Health and Safety (OHS) Policy, which sets forth the following goals: preserving the life and health of employees at work, providing safe and comfortable working conditions, eliminating the occupational injury risks and negative impact of operations on third parties, and ensuring compliance with the rules and requirements stated in regulatory legal acts and regulatory documents of the Russian Federation, the company's local normative acts, and regulatory documents on OHS issues.

### Occupational Health and Safety Assurance

The company consistently implements targeted programme activities to preserve the life and health of its employees and improve their working conditions in line with the OHS requirements stated in regulatory legal acts and regulatory documents of the Russian Federation.

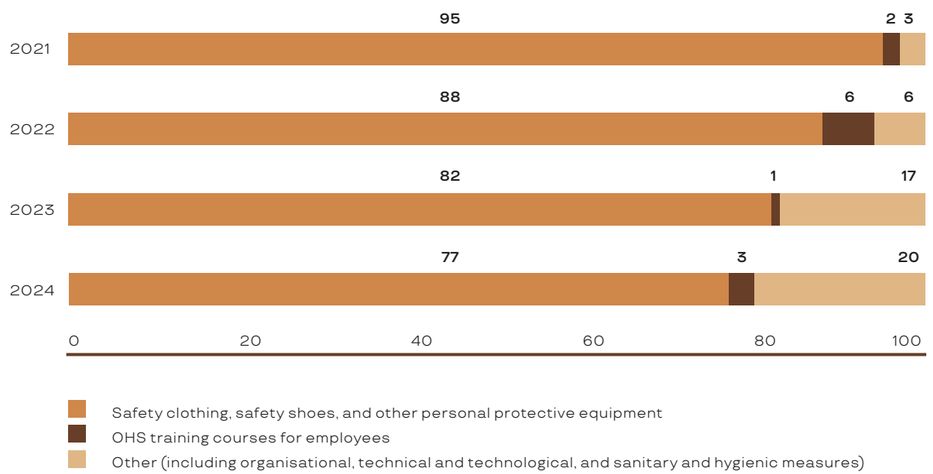
**Costs for Occupational Health and Safety Measures, thousand roubles**

| 2021 | 2022 | 2023 | **2024** |
|---|---|---|---|
| **370,155.1** | **320,538.5** | **473,779.7** | **328,659.9** |

The decreased costs of implementing OHS measures in 2024 are primarily due to planned reductions in PPE costs (some PPE types have a service life of two or more years).



**Cost Structure of Occupational Health and Safety Measures in 2021–2024, %**




### 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 identifies hazards and assesses risks, 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 company's risk management process is governed by the Professional Risk Management Standard. In 2024, over 1,800 employees (including new hires) were made aware of the occupational risk assessment analysis.

The company carries out special assessments of working conditions (SAWC) to develop and implement measures aimed at improving working conditions and mitigating the risks of exposure to harmful and/or hazardous occupational factors.

In 2024, the company continued implementing a system for monitoring harmful production factors under the asset industrial assurance control.

Improvements to working conditions are based on the professional risk assessment, SAWCs, and industrial assurance control.

### Distribution of Workplaces by Working Conditions Class in 2024

| Name | Number of workplaces and number of employees at them | | Number of workplaces and number of employees, split by classes (subclasses) of working conditions vs number of workplaces in column 3 (units) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | total | including with a completed SAWC | Class 1 | Class 2 | Class 3 | | | | Class 4 |
| | | | | | 3.1 | 3.2 | 3.3 | 3.4 | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Workplaces, units | 1,738 | 1,543 | 0 | 1,279 | 126 | 138 | 0 | 0 | 0 |
| Employees working at workplaces, persons including | 1,983 | 1,711 | 0 | 1,140 | 216 | 355 | 0 | 0 | 0 |
| women | 505 | 416 | 0 | 409 | 4 | 3 | 0 | 0 | 0 |
| persons under 18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| persons with disabilities | 8 | 8 | 0 | 8 | 0 | 0 | 0 | 0 | 0 |

According to the SAWC results, as at 31 December 2024, the share of workplaces (WP) with permissible working conditions (Class 2) was 73.6%.

There were 7.2% of WPs with 1st degree harmful working conditions (Class 3.1) and 7.9% of WPs with 2nd degree harmful working conditions (Class 3.2).

As at 31 December 2024, unscheduled SAWCs were being conducted for 3.9% of WPs. The remaining 7.4% of WPs were formed during reorganisation and new workplace creation; a SAWC is scheduled for the first half of 2025.

According to the results of the SAWCs, there were no hazardous working conditions found at the assessed WPs.

The key performance indicator of the Occupational Health and Safety Management System is the occupational injury frequency rate (including contractor organisations) per one million man-hours for a five-year time horizon (see the table Occupational Injury Frequency Rate (Including Contractor Organisations) per One Million Man-Hours). Detailed information on injury rates is presented in the table Injury Rates for Sakhalin Energy LLC and Contractor Organisations in 2021–2024.

### Occupational Injury Frequency Rate (Including Contractor Organisations) per One Million Man-Hours

| 2024 | | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|
| target | actual | | | | | |
| **<0.5** | **0.2** | **≤0.5** | **≤0.45** | **≤0.45** | **≤0.4** | **≤0.4** |



### Injury Rates for Sakhalin Energy and Contractor Organisations in 2021–2024

| Indicator | 2021 | 2022 | 2023 | **2024** |
|---|---|---|---|---|
| Number of accidents for the company and contractor organisations at the company's assets (company only) | 7 (1) | 5 (0) | 8 (1) | **4 (1)** |
| including fatalities | 0 | 0 | 0 | **0** |
| Number of people injured in workplace accidents for the company and contractor organisations, total people (company only) | 7 (1) | 6 (0) | 8 (1) | **4 (1)** |
| including fatalities | 0 | 0 | 0 | **0** |
| Number of minor injuries (microtraumas) for the company and contractor organisations, total people (company only) | 42 (1) | 31 (2) | 42 (5) | **38 (5)** |
| Personnel occupational Injury frequency rate for the company and the contractor organisations per 1 million man-hours (company only, LTIFR) | 0.2 (0.3) | 0.2 (0) | 0.3 (0.3) | **0.2 (0.3)** |
| 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 company's OHSMS provides for the allocation of responsibilities among the heads of directorates, services, 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 Health, Safety, and Environment Council functions as part of the company. It is a collegiate, consultative, and advisory body chaired by the Deputy Chief Executive Officer (Chief Engineer), which provides the comprehensive assessment and preparation of OHS proposals for consideration by the company's senior management. 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 OHS information stands at all company assets and during every information session.

### 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.

As part of the OHSMS, employees are informed of the following:

- the company's OHSMS 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;
- results of special assessments of working conditions at workplaces.

The company's managers and employees are informed on OHS issues through the several communication channels provided by the organisational units of the Chief Engineer's Office, such as:

- Health, Safety, and Environment Council;
- reviews of the company's local normative acts containing OHS requirements;
- exchanges of information about working conditions, existing professional risks (including their degree), and control measures;
- preparation and issue of materials, awareness campaigns;
- OHS meetings, Safety Days;
- updates to information on the company's intranet website and dedicated information stands, internal e-mail distributions;
- communication of OHS control inspection findings;
- use of safety signs and signal marking at the company's assets.

**Sakhalin Energy LLC strives to promote high OHS standards externally as well. The company's employees take part in external labour protection activities on a regular basis.**

**In 2024, the company submitted proposals for the Ministry of Labour and Social Protection of the Russian Federation on further legal environment improvement. The proposals covered the provision of PPE and cleaning agents to employees, work safety at height, and the special assessments of working conditions. The company's proposals to the Ministry of Labour draft decree On Amendments to Order No. 766n on the Rules for Providing Employees with Personal Protective Equipment and Cleaning Agents Approved by the Ministry of Labour and Social Protection of the Russian Federation of 29 October 2021 were submitted and partially approved as part of public discussions.**

**At the regional level, the company took part in the Sakhalin Oblast Labour Protection competition.**

**The company's employees exchanged experience and developed new practices to engage employees in safety issues resolution, including the Russian Labour Safety Week and the Safety and Labour Protection specialised exhibition (BIOT 2024). Seven employees of the company received laureate diplomas for the 2024 Russian National Occupational Health and Safety at Work Testing, organised by the FSBI Russian Labour Research Institute of the Ministry of Labour of the Russian Federation.**




**In 2024, the company organised the following activities to promote safety culture:**

- **12 Assist and Assure training focused on building social and psychological skills, with an emphasis on ensuring safe workplace conditions for line managers (170 participants);**
- **36 leadership visits by managers of various levels to the company's assets and contractor facilities;**
- **awareness campaign dedicated to the World Day for Safety and Health at Work;**
- **Summer Safety Day with over 3,100 attendees, made up of company employees and contractor personnel. The event has evolved into an awareness marathon (with webinars by guest speakers) on personal safety;**
- **Winter Safety Day with over 4,200 attendees, made up of company employees and contractor personnel.**

In 2024, the Winter 2023/24: Endurance Test! corporate championship continued as part of the systematic work within the Great FUEL&Co Expedition, focusing on promoting and reinforcing safe behaviour, enhancing employee awareness and responsibility regarding safety and health, and demonstrating leadership and commitment to safety issues. The championship included a both team and individual competitions. 5,325 company and contractor employees (24 teams) participated in the events. In 2024, the following events were held as part of the championship:

- the Safe New Year children's drawing contest (63 drawings submitted);
- the I-Healthy Lifestyle project, where participants shared stories of healthy lifestyle development (26 participants);
- an initiative for counting the steps taken by team members during the competition period (76,007,644 steps);
- the Safety Starts with Me project, rewarding employees for safe behaviour and intervening with unsafe situations (159 nominations over three months);
- the Zero Waste Day quiz, dedicated to Earth Day, focusing on the theme 'Planet vs. Plastic'; its goal is to raise awareness among employees about the global issue of pollution on our planet and in outer space (229 participants).




## Cooperation with Contractor Organisations

The company cooperates efficiently with contractor organisations on workplace safety by following the One Team approach, by establishing consistent requirements and conditions for training, and by 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 company's requirements for ensuring safe workplace conditions.

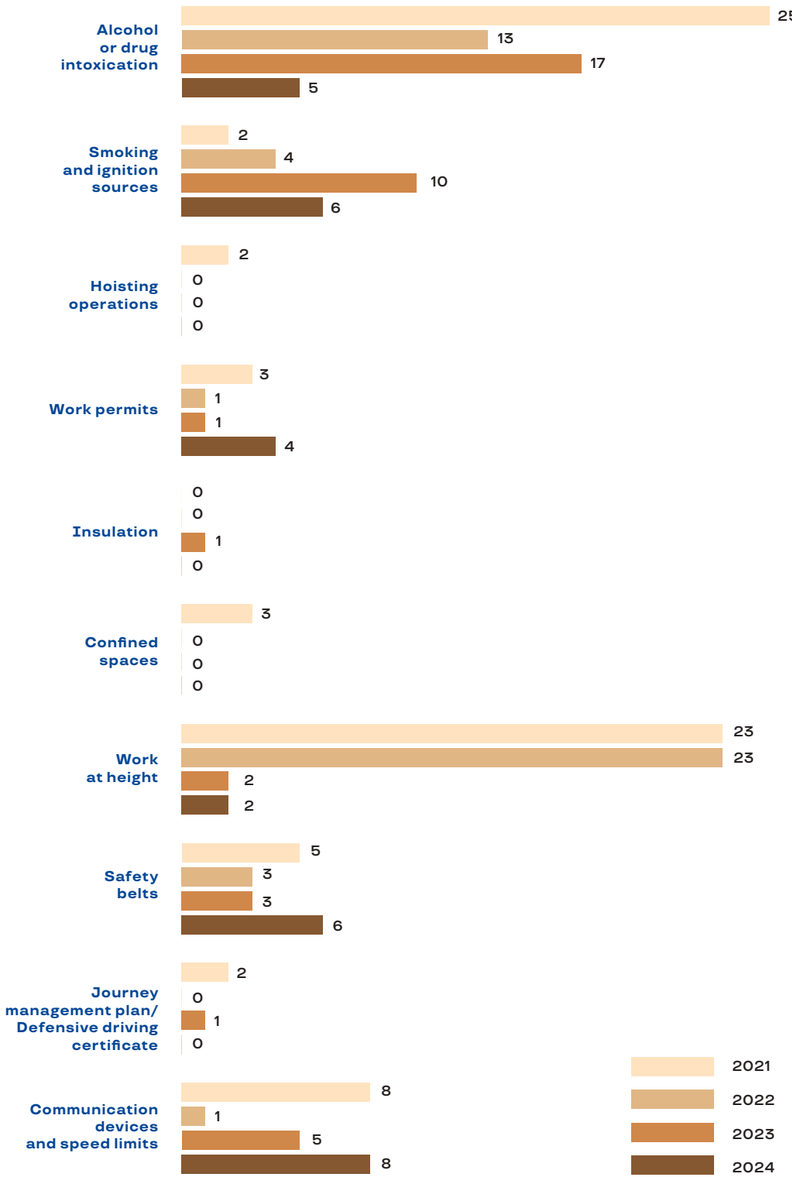
Forums dedicated to ensuring safe working conditions are held twice a year for constant exchange of experience with contractor organisations. The attendees discuss safety performance, opportunities, and combined efforts to improve OHSMS.

## 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 the chart Sakhalin Energy's Life Saving Rules).

The company takes disciplinary action against violations of the LifeSaving Rules.

### Statistics of Violations of the Life Saving Rules in 2021–2024






## 6.2.2. Occupational Health

Developing conditions for the professional longevity of employees is one of the strategic priorities of the company. This involves organising medical check-ups, implementing preventive measures to avoid occupational illnesses, providing on-site primary medical care, and promoting a culture of health among our employees and their families.

In 2024, 1,157 employees of Sakhalin Energy LLC underwent a periodic medical check-up.

Comprehensive medical examinations were conducted for all newly hired employees and skill pool employees. A total of 209 medical examinations were conducted.

The company took regular measures to prevent acute respiratory viral infections and influenza, including hygiene and sanitation awareness campaigns and vaccinations (1,950 employees from both the company and contractor organisations received influenza vaccinations).

The company continued using the DAVID diagnostic and treatment complex to prevent back pain. 334 employees underwent rehabilitation.

Sakhalin Energy LLC places a strong emphasis on providing first aid at its assets. 129 company employees completed in-depth first-aid training in 2024.

Company and contractor employees at Sakhalin-2 operational assets can receive medical assistance in the following areas:

- primary health care (ambulatory and outpatient care) for onshore and offshore assets;
- emergency care during aeromedical evacuation from onshore and offshore assets;
- medicines, consumables, and medical equipment, provided at the assets' aid posts.

Moreover, Sakhalin Energy LLC employees receive medical services from other healthcare organisations under the Voluntary Health Insurance Programme (see Section 6.1.5. Social Benefits and Compensations).

**1,157**

company's employees

underwent a periodic medical check-up

### Industrial Assurance Control Over Sanitary Compliance and Preventive Measures

In accordance with Federal Law No. 52-FZ of 30 March 1999 On the Sanitary and Epidemiological Well-being of the Population, the company has developed industrial assurance control programmes to monitor compliance with sanitary requirements and the implementation of anti-epidemic (preventive) measures — IAC programmes. The IAC programmes include research and measurements of the industrial process and environment factors at all Sakhalin-2 project assets.

In 2024, a total of 12,476 studies and measurements were completed, with over 90% meeting hygienic standards. This high compliance rate remains consistent with similar figures from 2022 and 2023.

Based on analyses of work environment factors, the company develops action plans to enhance working conditions and updates occupational risk registries.

As in previous years, no occupational diseases were registered in 2024.

## 6.2.3. Road Safety

Personnel from Sakhalin Energy LLC and contractors handle complex logistics and extensive transportation tasks. In 2024, over 50 Sakhalin-2 project contractors operated 650 vehicles. The total distance travelled annually under the Sakhalin-2 project is nearly 8 million km. Constant heavy public traffic increases the likelihood of road traffic accidents involving project vehicles.

Therefore, road safety (RS) is of particular importance for Sakhalin Energy LLC. Every company employee, from workers to management, is committed to strictly following Russian transport regulations and the company's internal policies aimed at enhancing road safety performance.

### Risk Assessment and Mitigation

Safe driving and comfortable working conditions for drivers are critical for minimising road accident risks. To ensure safety on the road, risks associated with project vehicles are identified, categorised, and mitigated accordingly.

The fundamental principles of risk management for all road travel are outlined in the Sakhalin Energy LLC Road Safety Standard, which applies to employees of the company, as well as to all contractors operating vehicles as part of business operations.

The company's own road safety monitoring team is responsible for compliance with traffic regulations and road safety standards by company and contractor drivers (direct observation of vehicles, checking drivers for signs of alcohol intoxication, verifying documents, and identifying other traffic violations).

They regularly analyse road and route safety and develop remedial actions and recommendations when mapping out routes and using specific road sections. These analyses use official RTI statistics, the company's transport incident statistics, data from the In-Vehicle Monitoring System, and field data collected by the monitoring team and drivers.

The effectiveness of the implemented road safety measures is supported by the absence of road traffic accidents involving Sakhalin-2 project employees over the last eight years.

### Driver Qualifications and Additional Training

Drivers eligible to work in the project are trained on the basics of safe (defensive) driving under special programmes, thus ensuring a high level of qualification.

All defensive driving programmes are aimed at selecting and training drivers in various categories and specialisations. Each programme covers all aspects of driving in the presence of hazards and is designed to develop a conscious driving style that prevents hazardous situations. The courses help drivers to identify road risks in advance and predict traffic conditions.

### Driving Performance and Safe Driving Conditions

- Various auxiliary electronic systems installed in vehicles, In-Vehicle Monitoring Systems (IVMS), and DVRs (vehicle video recorders) analyse driver behaviour and identify risky driving hazards.

A new telematic control system for Sakhalin-2 vehicles and drivers has been launched. The system is made by a Russian company and uses Russian software. Audio communication with the driver makes it easier for them to understand driving modes and improves the safety of the driver's working conditions.

### Time Tracking

The company considers lack of rest and excessive periods of uninterrupted driving to be the causes of high-severity road traffic accidents. The company uses tachographs and a telematic transport operation monitoring system (see above) to objectively track the condition of drivers and reduce risks associated with possible labour and rest violations.



The implemented monitoring systems use personal driver identification cards to recognise employees who exceed driving limits and notify them via feedback (a buzzer).

**The company has implemented a rule against continuous driving for more than two hours.**

### Vehicle Condition

The proper condition, technical characteristics, and full configuration of vehicles have a direct impact on the workplace safety of the driver, passengers, and other road users.

Sakhalin Energy LLC regularly inspects the technical condition of all vehicles used in support of operations. Vehicles failing the compliance inspection are not allowed on the roads.

## 6.2.4. Industrial Safety

Sakhalin Energy'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 adopted 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;
- development of employees understanding that IS compliance is 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 lifting equipment and pressure equipment is used.

In compliance with the Russian Federation IS requirements, Sakhalin Energy implements the Industrial Safety Management System (ISMS), a unified system for planning and implementing activities to minimise the risk of accidents at the company's HPFs. The ISMS is a component of the company's business management system.

Industrial assurance control (IAC) over IS compliance is an integral part of the ISMS. IAC 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 IAC is regular and scheduled inspections of IS compliance at the company's HPFs.

Planning, arranging, and executing hazardous works, including gas-hazardous, hot, and repair works at HPFs, sets out mandatory requirements for personnel training and permission to perform work using the Electronic Permit to Work System, which is an intellectual property of the company.

The system ensures the proper preparation of required documents for the permit to work in compliance with the federal rules and standards in the field of industrial safety and the company's local regulations. It also ensures timely verification, approval of responsible parties, and control throughout all stages of work.

Key advantages of the system include complete data security, which ensures more comprehensive database of work experience compared to traditional paper documentation, and flexibility in functionality, which enables the adaptation of workflows in response to changes in Russian legislation or internal requirements.

To ensure the safety of work (services) performed by contractors at HPFs, mandatory requirements are established for all contractor and subcontractor personnel who perform work and/or provide services at the company's assets.

The system of ensuring IS when operating lifting equipment and pressure equipment is implemented through the 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.

HPFs are staffed with qualified personnel. The company has created conditions for their advanced training and the continuous professional skills improvement.

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 IS training and certification for the company's managers and specialists, arranging knowledge checks, and admission to independent work for technicians.

Information on the IS certification of the company's managers and specialists throughout 2024 is provided in the corresponding table.

**Information on Industrial Safety Certification of the Company's Managers and Specialists in 2024**

| | |
|---|---|
| Number of sessions of the IS Certification Committee | **185** |
| Total number of managers and specialists certified in IS | **896** |
| Number of certified employees by type of supervision | |
| Industrial safety basics | **218** |
| Supervision over oil and gas sector facilities | **327** |
| Geological survey control and safety supervision over subsoil use | **8** |
| Supervision over pressurised equipment | **179** |
| Supervision over lifting equipment | **149** |
| Production supervision at the sites of use, storage, and application of explosive materials | **22** |
| Supervision over chemically hazardous production facilities | **192** |
| Supervision over main pipeline transport facilities | **66** |
| Supervision over high-risk tasks | **74** |



In 2024, the company spent 505,833,918 roubles to follow industrial safety requirements.

The procedure 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 Sakhalin-2 project HPFs, and at minimising the risks of emergencies, harm to the health of company employees and third parties, damage to property, and harm to the environment.

**In 2024, no accidents or incidents were registered at Sakhalin Energy LLC assets.**

## 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 priorities in this area:

- implementing a uniform policy on fire safety;
- arranging and coordinating activities to ensure compliance with fire safety requirements, aimed at preventing fires at the company's assets;
- arranging and coordinating fire safety training for the company's employees;
- organising the activities of fire-fighting units and ensuring their readiness for fire-fighting operations and performing emergency rescue operations related to fire-fighting;
- ensuring scientific and technical support in the fulfilment of fire safety requirements; testing and implementing new fire detection and extinguishing 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 operation 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 maintenance (including preventive) of fire safety equipment for buildings and structures. The company is systematically replacing foreign fire protection equipment with Russian-made systems at its assets.

In 2023–2024, the company's assets were assessed for fire safety compliance and analysed in accordance with Russian and international legislation. All buildings and structures were inspected, and comprehensive tests of the fire safety systems were conducted. The assessment results are used to develop measures aimed at improving fire safety of the company's assets.

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.

Fire safety training for the company's personnel is arranged. At the operational assets and offices, fire and emergency drills are regularly held.

The company organised fire prevention activities at the assets and in the offices. Fire safety experts systematically monitor fire safety compliance at the company's assets and in the offices. Preventive measures include briefings on fire response and discussions of fire safety requirements to be observed while using fire-hazardous equipment and performing fire-hazardous operations.

## 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 potentional incidents and emergency response.

**In 2024, for the first time, one of the company's NERTs (Prigorodnoye production complex) participated in a regional review competition for non-professional emergency response teams and emerged victorious. These competitions are key events organised by EMERCOM of Russia in various regions. Participants were evaluated by 18 criteria, including the availability of organisational and reporting documents, the condition of physical resources, the number of training sessions and practice sessions, the number of trained and certified rescuers.**

To effectively address key civil defence tasks and protect both the general public and territories from emergencies, the company has established and currently operates a Civil Defence System. This system encompasses a range of measures designed to train employees and protect the company's assets from risks associated with military conflicts, natural and man-made disasters, and the consequences of terrorist acts. The system focuses on protecting the general public and territories from emergencies caused by accidents and catastrophes at the company's potentially hazardous and non-hazardous assets. 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.

Non-Professional Emergency Response Teams (NERTs) have been established and are maintained on alert at five of the company's production assets. With their equipment level, 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 (Piltun-Astokhskoye-A, Piltun-Astokhskoye-B and Lunskoye-A offshore platforms) 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 (Prigorodnoye production complex and gas treatment section — onshore processing facility) 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 (PERT) certified to conduct gas rescue operations, emergency rescue operations related to fire-fighting, search and rescue operations, oil spill response operations (onshore and offshore), and blowout response operations. Emergency response teams include the Centre of Rescue and Environmental Operations (CREO) JSC, the Sakhalin Branch of the Marine Rescue Service Federal State Budgetary Institution (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 September 2024, comprehensive drills were arranged in accordance with the drill and training schedule. The subject was 'Joint actions of the company's management bodies and civil protection system forces and resources aimed at addressing emergency response and rescue tasks at the company's offshore assets'. The drills were held at the company's assets located in the south and north of Sakhalin Island in two stages, during which the trainees practised the goals and measures related to alerting, interacting, and making decisions on containing, and eliminating emergency situations. The first stage was conducted in the waters of Prigorodnoye Port and on the coast of Aniva Bay. The second stage was in the waters of the Lunskoye oil and gas condensate field. As per the instructions of the second stage, there was a complete collapse of a diesel fuel tank during maintenance on the Lunskoye-A offshore platform and the subsequent combustion of oil. The company had to eliminate the offshore facility emergency by using a standby vessel and locate and rescue personnel overboard the offshore stationary platform with the standby search and rescue helicopter.

The objectives of the drills were achieved. Emergency Response Teams performed their actions in strict compliance with their objectives and demonstrated a high level of expertise. The drills demonstrated the high level of professional emergency response training of the management bodies and the company's civil protection forces.

In 2024, all planned exercises and drills at the company's assets were fully conducted. The drills tested the actions of the management bodies and the readiness of the control, communication, notification, and information systems for various emergency situations.

All the company's potentially hazardous offshore assets are equipped with the necessary collective and personal survival equipment in adequate quantity to ensure timely evacuation of all personnel from the assets in case of a threat, accident, or emergency situation.

Throughout 2024, 12 of 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 which could be classified as an emergency in accordance with Russian legislation has occurred at the assets.



### Preparedness for OSR

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

Since the beginning of the Sakhalin-2 project assets operation, there have been no oil or petroleum product spills at the company's assets that could be classified as a man-made emergency situation.

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

Specialised vessels, equipped with the necessary equipment for responding to oil spills at sea, are on standby near the company's offshore stationary platforms and at Prigorodnoye Port.

To increase the OSR readiness of personnel and improve their practical skills, the company conducts monthly practical and theoretical training sessions of various levels at all its assets.

**In 2024, the company's non-professional emergency response teams competed for the title of 'Best NERT'. The competition identified the strongest unit, helped to achieve other established goals, and improved the preparation and quality of rescue operations (human rescue, fire extinguishing in conditions close to real-life emergency situations).**

In 2024, Sakhalin Energy LLC implemented updated the OSRPs for three onshore assets: the gas treatment section — onshore processing facility (GTS–OPF), the main storage oil pipeline tank field (MSOPTF), the Prigorodnoye production complex, and the Transsakhalin pipeline system. Three comprehensive OSR drills were held in order to confirm the company's preparation for the oil and petroleum product spill containment and response. The objectives of the comprehensive drills were fully achieved. Each of the new OSRPs has received positive reports from government regulatory authorities on the company's preparation for the oil and petroleum product spill containment and response.



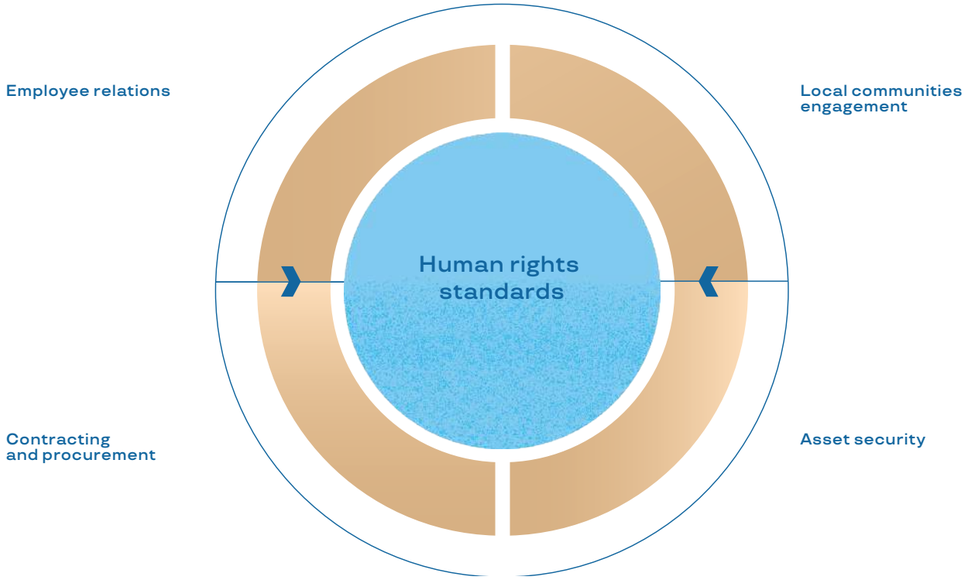
# 6.3. HUMAN RIGHTS

## 6.3.1. Human Rights: Principles and Management System

Running its business in a socially responsible manner, strict compliance with the laws of the Russian Federation, and respect for fundamental human rights are the principles that underpin the company's interaction with its stakeholders.

These principles are laid out in the following corporate documents: the Code of Conduct, Human Rights Policy, Contracting and Procurement Policy, Grievance Procedure, and many others.

### Sakhalin Energy Human Rights Activities



Sakhalin Energy operates in full compliance with high international and Russian standards to protect, support, and promote human rights at all stages of production and business operations where there is a potential risk of violations:

- employee relations;
- local communities engagement;
- contracting and procurement;
- asset security, etc.

The company is focused on key aspects such as equity and non-discrimination, right to work, access to information, fair and comfortable working conditions, health, education, safety, a favourable environment, participation in cultural life, and access to out-of-court dispute resolution.

The Human Rights Policy sets forth the human rights commitments and discusses managing risks associated with potential or actual violations of human rights resulting from the company's activities.

**Sakhalin Energy LLC respects and observes human rights while being guided by:**

- **UN Universal Declaration of Human Rights;**
- **Core conventions of the International Labour Organisation;**
- **UN Guiding Principles on Business and Human Rights;**
- **UN Global Compact principles;**
- **ISO 26000 Guidance on Social Responsibility;**
- **Voluntary Principles on Security and Human Rights.**

**The integrated approach to human rights has several interconnected components, in particular:**

- **Human Rights Policy commitment;**
- **incorporation of these commitments into the company's policies and procedures;**
- **human rights risks and impact assessment;**
- **stakeholder engagement in connection with human rights issues;**
- **an efficient grievance mechanism;**
- **human rights training arranged for the company's personnel and contractors**
- **human rights monitoring and reporting.**



## 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 adverse impacts of a project as large as Sakhalin-2. This is why the company uses various mechanisms to effectively address grievances raised in connection with the project. The mechanisms include the following:

- Whistle Blowing Procedure, to address violations of the General Business Principles, Code of Conduct, or other company procedures (related to conflict of interest, bribery, corruption, etc.);
- Human Resources Inquiries Procedure, to address labour and employment issues raised by the company's personnel (violations of the labour laws of the Russian Federation and other regulatory legal acts of the Russian Federation containing labour laws, local regulations of the employer related to the employee's labour activity, as well as violations of the terms of employment contracts concluded with employees);
- Community Grievance Procedure, to address grievances from the public and contractor/subcontractor employees in connection with the Sakhalin-2 project. In addition to the Community Grievance Procedure, the company has a separate procedure 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 timely and effectively address complaints received by the company, record them, and process and apply remedial actions, thereby reducing the likelihood of their recurrence. This approach contributes to the development of a positive long-term relationship among all parties affected by the company's activities.

## 6.3.3. Grievance Handling in 2024

In 2024, 25 grievances and requests were received from Sakhalin Energy personnel and external stakeholders via various corporate grievance mechanisms.

As part of the Whistleblowing Procedure, 22 grievances were registered regarding the safety of the company's property, conflicts of interest, and unethical behaviour. Nineteen grievances were addressed within the period stipulated by the procedure. Three grievances are currently under review in accordance with the company's established procedures.

As part of the Employee Grievance Procedure, one grievance from a company employee was registered and addressed within the stipulated period.

Two grievances were registered under the Community Grievance Procedure. They fell into the categories of impact on settlements and unethical behaviour. By the end of 2024, one grievance had been resolved within the time limits established by the Grievance Procedure; one grievance remained unresolved.

# 6.4. SOCIAL INVESTMENT AND CONTRIBUTION TO 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 2024, Sakhalin Energy was awarded the highest category A+ (Leaders) in the rating of the Leaders of Corporate Philanthropy 2024 project, implemented by the Donors Forum Partnership of Grant-Making Organisations in partnership with Kommersant Publishing House and B1 Company Group.

The Sakhalin-2 operator has been focused on implementing social programmes in the host region. 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.

In 2024, the company invested a total of 85 million roubles in external social programmes (see the Total Investments in External Social Programmes in 2021-2024 table).

**Total Investments in External Social Programmes in 2021–2024, million roubles**

| Indicator | 2021 | 2022 | 2023 | **2024*** |
|---|---|---|---|---|
| Social Investments | **76** | **76** | **76** | **85** |

The company's social investment programmes and projects provide for targeted measures that contribute to the achievement of the global sustainable development goals and the implementation of Russian national projects.

The company focuses on implementing strategic long-term partnership projects with the engagement of external stakeholders and utilisation of the company's and partners' resources, 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 the key programmes. These are collegial coordinating and advisory bodies that involve the company's representatives, government authorities, partners, and members of non-governmental organisations.

* The increased investment was driven by additional cultural projects dedicated to the 30th anniversary of the Sakhalin-2 project (traditionally, in milestone anniversary years, the company presents the local community with the gift of special cultural projects).



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 communities 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.

Sakhalin Energy has been implementing strategies and programmes related to corporate social responsibility and ESG principles that contribute to the achievement of national and global sustainable development goals, taking into account regional priorities, including priorities for security, education, culture, ecology, engagement with Sakhalin indigenous minorities, and women's leadership.

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, and on developing its own innovative models of social investments. It is also aimed at 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 design, implementation, and monitoring of social investment strategies, programmes, and projects, and during internal and external assessments.

## 6.4.2. Safety Is Important Programme

Sakhalin Energy's absolute priority is safety in all aspects of the company's daily activities. The Safety is Important programme is one of the main tools for communicating safety culture externally. Since 2005, the Sakhalin-2 project operator has been implementing the programme in partnership with the Main Directorate of Emercom of Russia for Sakhalin Oblast and the regional Ministry of Education.

The programme has 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 educational cartoons on the rules of safe behaviour in various situations. The collection of educational videos totals 46 episodes, each dedicated 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 an active participant in all programme events, is the symbol of the Safety Is Important programme.

In 2024, cartoons were released before the summer holidays to teach safe behaviour in the forest, including 'Beware of Ticks', 'Bear Encounter', and 'Beware of Snakes and Poisonous Plants'.

In 2024, the VR-Life Safety project continued, with the aim of teaching the basics of life safety to middle and high school students using virtual reality equipment, which made the subject more accessible and engaging for the target audience.



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, the Pushkin Gymnasium (No. 1) and Lyceum No. 1 in Yuzhno-Sakhalinsk participated in the project together with Nogliki School No. 2 and Korsakov Secondary School No. 4.

In partnership with the Department of the State Road Safety Inspectorate of the RF Ministry of Internal Affairs for Sakhalin Oblast and State Fire Supervision authorities, relevant road and fire safety issues, which are an integral part of the Safety is Important programme, have been regularly highlighted in Sakhalin schools.

The traditional annual regional safety festival was attended by more than five hundred sixth-graders from 15 regional districts at its municipal stage, with 64 winners travelling to Yuzhno-Sakhalinsk to take part in the final stage. A unique feature of this project is that it brings together more than 10 commercial and non-profit organisations with more than 60 experts to ensure that students not only compete, but also gain new knowledge and skills in various aspects of life safety. In 2024, a career guidance component was added to the competition, with each of the experts speaking to the participants about the nuances of their profession prior to the start of the stage. In addition to the highly competitive events, the festival programme featured a workshop for teachers, and thematic lectures and tours for all competition participants.

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.

## 6.4.3. Hurry Up for Good Deeds: Corporate Volunteering Development

Corporate volunteering is an integral component of corporate social responsibility and expands the scope and opportunities of Sakhalin Energy's charitable programmes.

In order to effectively implement volunteering activities, the company has a programme called Hurry Up for Good Deeds, which not only supports local public initiatives, but also encourages employees to take an active approach to life and participate in the future of the company and society as a whole.

**In March, the first corporate volunteer convention, Energy of Good, was held under the motto 'Doing Good Together and Now'. Together with top federal experts on corporate volunteering, participants identified priority areas, including environmental, social and intellectual (pro bono) volunteering and donations, and worked on them throughout the year. Following the convention, the company's volunteering team was established.**

**Separate meetings were held and initiative groups worked in each area. In November, the second corporate volunteer convention, New Horizons, was held, where participants summarised the preliminary results of the year's work and drew up a corporate volunteering agenda for 2025.**

**In 2024, the company supported more than 25 volunteering events in various areas and provided assistance to eight non-profit organisations. Most of the events were organised by the company's active volunteers, but there were also traditional events involving any and all employees wishing to take part.**

In 2024, Sakhalin Energy implemented:

## Corporate Charity Campaigns

- In February–March, Ski for Good Deeds 2024. The event was conducted in cooperation with several Gazprom Group companies. Funds raised during the campaign were used to purchase inventory and equipment for the children of the therapeutic group of the Winter Sports Olympic Reserve School for Skiing and Snowboarding.

- A charity event was held in October to raise funds for equipment and appropriate care for the rehabilitation of people with disabilities. Company employees purchased the equipment and donated it to the Rodnye Lyudi independent non-profit organisation.

- In November and December, the traditional New Year's Miracles campaign was held, in which Sakhalin-2 project employees distributed presents to children. It was launched on Giving Tuesday (3 December). In 2024, Sakhalin Energy received 164 letters addressed to Father Frost from children with disabilities and/or facing challenging life situations. The letters came from Korsakov, Aniva, Yuzhno-Sakhalinsk, Nogliki, and Okha. Six teams of Father Frosts, Snow Maidens, and their assistants were in charge of visiting the children. In preparation for this, they attended Father Frost School, where they learned from an inclusion expert about the appropriate ways to interact with people with disabilities and helped with the wrapping of presents. In addition, a fund-raising event was held to purchase rehabilitation equipment for lonely people with disabilities (selected as the result of an employee survey).

All the fund-raising activities were conducted in partnership with the Future Together Sakhalin Charity Foundation. As a result, over RUB 1.2 million was raised. Per the Hurry Up for Good Deeds Programme, the collected amount was matched and used to buy equipment and materials for the beneficiaries.



## Corporate Eco-Events

In May, a major ecological campaign was held in support of the Sakhalin Zoobotanical Park, with over 170 employees and their family members involved in cleaning and improving the area. The company also provided expert support for two regional children's science conferences. Employees taught primary school children about waste separation.

Prigorodnoye employees organised two major cleaning campaigns on the beach adjacent to the plant (in May and October), and active volunteers worked in small groups throughout the year to help the botanical and zoobotanical parks.

## Personal Initiatives of Employees

Employees implemented their own initiatives: A charity fair was held to support the Dog and Cat Shelter and the No Stray Animals Fund.

The company's active volunteers organised a clothing collection and participated in the 'Social Tent' municipal campaign to support people suffering hardships.

## Pro Bono Professional Assistance

Pro Bono means that employees, either on their own initiative or by participating in the company's projects, help to support charitable, public or non-profit organisations.

- Company employees acted as experts, lecturers, and mentors at various events, such as the Russia International Exhibition and Forum at VDNKh, the Eastern Economic Forum, the All-Russian OstroVa Youth Forum, regional children's science conferences at the Sakhalin Zoobotanical Park, the Young Professionals Science and Technology Conference, the XII All-Russian Conference Cretaceous System of Russia and Neighbouring Countries: Problems of Stratigraphy and Paleogeography, the 28th Sakhalin Oil and Gas Far Eastern Energy Forum, and others.

- In November, as part of the second corporate volunteer convention, New Horizons, a corporate volunteer school was opened for all interested employees. The convention's participants became its first students and completed training in corporate social volunteering under the supervision of Yury Belanovsky, leader of the All-Russian Danilovtsy movement, and Alena Artasheva, leader of the #GivingTuesday charity movement in Russia.

The variety of formats for participation in the Hurry Up for Good Deeds programme allows us to involve both those who are ready to initiate and organise volunteer activities and those who want to be part of a charity event. Employees are welcome to invite their family members to participate, including children.

## 6.4.4. Energy Social Initiatives Fund

The Energy Social Initiatives Fund is the company's competition grant programme, 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.

The programme was launched in 2003. Since that time over 800 projects have received financial backing, which has significantly contributed to the development of the host region.

At the end of 2023, a call for applications for the competition, dedicated to the 30th anniversary of the Sakhalin-2 project, was launched and over 70 applications were received. The competition consisted of multiple stages. A social design workshop was organised for the winners of the first phase (17 applicants) in February 2024, which resulted in 10 projects being approved for funding by the Expert Council. When selecting projects for the competition, the company has been guided by the principles of openness and transparency. Projects are evaluated by an Expert Council, consisting of representatives of Sakhalin Energy LLC, NGOs, and government authorities.

In December 2024, the company began accepting applications for a competition dedicated to the 80th anniversary of the Great Victory. The best projects will be launched in 2025.

**The grant competition provided funding to educational institutions in Yuzhno-Sakhalinsk and Korsakov whose projects are related to the study of VR technologies and artificial intelligence. With the company's support, a VR studio has been created. The Korsakov House for Children and Youth, and Yuzhno-Sakhalinsk Lyceum No. 1 are working on the creation of a virtual geology museum.**

**In June, with the support of Sakhalin Energy, the State Historical Archive of Sakhalin Oblast opened the III Festival of Archival Film Documents 'SakhArchiveFest'. It will run until February 2025, with events taking place not only in Yuzhno-Sakhalinsk, but throughout the Sakhalin region.**

**The festival programme includes screenings of archive films, meetings with history enthusiasts, and lectures on local history. Special attention will be paid to films about veterans of the Great Patriotic War who worked in Sakhalin enterprises in the 1950s-1980s and contributed to the development of the region.**



## 6.4.5. Sakhalin Indigenous Minorities Development Plan

**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.**

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 Authorised Representatives of Sakhalin Indigenous Minorities (SIM), and the Sakhalin Oblast Government. It was launched in 2006 and is divided into five-year periods.

Every year, the plan provides for consultations in all areas of traditional SIM residence in Sakhalin Oblast. In 2024, public meetings were organised in 12 settlements, with 109 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 2024, 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 15 educational seminars on social design to the general public.

The Sustainable Development Fund Council coordinates the plan's competition programmes (grant and educational) and makes decisions on fund allocation. The council comprises solely SIM representatives elected at district meetings.

In 2024, 26 projects received support under the grant competition in the plan's areas: traditional knowledge, ethnic culture and languages, environmental protection and biodiversity conservation, traditional economic activities, SIM capacity building, education, and traditional sports.

In the 2023-2024 academic year, 51 students of higher and secondary vocational education institutions received financial support under the education competition.

**In December, the Sakhalin Regional Folk Art Centre, supported by Sakhalin Energy, presented the Tugun: the Conqueror of Two Suns audio play. The play is based on the eponymous Nivkh epic, published in 2021 as a graphic novel. The authors brought to life a story based on the myths and legends of the peoples of the Sakhalin North by combining art production, theatre, sound, and music. Both professional and amateur actors voiced the characters, which made the project especially diverse and exciting.**

## 6.4.6. Projects for the Preservation of Indigenous Culture and Languages

**Sakhalin Energy provides annual support for and takes actions aimed to preserve, develop, and promote SIM cultural and language heritage, particularly during the International Decade of Indigenous Languages declared by the UN General Assembly for 2022 through 2032 at the regional and federal levels.**

### International Decade of Indigenous Languages

In 2024, 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:

- presentation of the first Nivkh-Russian and Russian-Nivkh dictionary (Sakhalin dialect): a textbook for schools, teacher-training colleges, and universities;
- publishing support of the book At the Source by V. M. Sangi in Russian, Nivkh, and English;
- activities dedicated to the 45-year anniversary of the modern Nivkh alphabet: The Nivkhs Have This Letter animation competition and the award ceremony, and the Nivkh Alphabet exhibition opening in the A. P. Chekhov airport building in Yuzhno-Sakhalinsk;
- a round table discussion titled Languages of the North, Siberia and Russian Far East Indigenous Minorities as a Cultural Heritage Basis of a Multi-national Russia, organised in partnership with the North, Siberia, and Russian Far East Indigenous Minorities Association during the Russia trade fair forum;
- 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);
- decoration of At the Source and Silhouette Magic of Semyon Nadein expositions in the A. P. Chekhov airport building in Yuzhno-Sakhalinsk;
- activities dedicated to International Indigenous Minorities Day in Yuzhno-Sakhalinsk: the Time-keepers exhibition opening in the A.P. Chekhov airport building in Yuzhno-Sakhalinsk; presentation of the new edition of the Nivkh legends by Vladimir Sangi Why Are There Few People on the Earth; the Living Traditions 7th Regional Festival organisation.



### Sakhalin Oblast Traditional Sports Championship among SIM Children

In 2024, the 20th anniversary competitions, supported by the regional government, Sakhalin Energy LLC, and Nogliki Urban District municipal administration, were named after Paitan Chaika, a Hero of Socialist Labour.

The Championship was held in Nogliki. A total of 70 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, throwing tynzyan (a lasso) on a khorey (a pole), archery, triple jump, national wrestling, 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 funded by the regional government and Sakhalin Energy LLC, general partner of the competition.

## 6.4.7. Cultural Initiatives: Sakhalin Energy Laboratory

Sakhalin Oblast has significant cultural potential that can be used to attract attention to the region. To unlock this potential, the Sakhalin-2 project operator, together with the Sakhalin Oblast government and local cultural actors, has been running the Sakhalin Energy Laboratory pilot project for four years. The project aims to improve the socio-cultural environment of the region by strengthening the territorial identity of the residents and introducing the population and staff to the local culture.

In 2024, the lab hosted a number of projects. In February, the Sakhalin Regional Museum of Local History hosted the third "Link of Times: Time of the Firsts. Reflection of the Past in the Present" exhibition, which summarised the results of the regional industrial plein air held in the municipality of Korsakov in October 2023 and dedicated to the history and industrial heritage of the territory. The exhibition was an attempt to rethink the history of the region. Its works were presented in every section of the museum's permanent collection. Works by contemporary authors were presented in harmony with the museum's exhibits, inviting visitors to take a new look at the place where they live.

The exhibition was accompanied by lectures and master classes on art history and local history, regular guided tours for different groups, including vulnerable groups, and meetings with artists and curators. The project was the first of its kind in the local history museum, bringing together professionals, amateurs, and connoisseurs of contemporary art.

In April, an exhibition hall was opened in the new Yuzhno-Sakhalinsk airport terminal, divided into two thematic areas: one with a Nivkh carved boat as a symbol of tradition, and the other with a gas tanker as a symbol of modern life, surrounded by works by Sakhalin artists. For those involved in the Sakhalin Energy Laboratory project, it was a new opportunity to express themselves, and for the region, it became a tool for geobranding.

From April to December, the site hosted six exhibition projects dedicated to the heritage and traditions of Sakhalin Indigenous Minorities and other important issues such as ecology, production, and regional development.

The thematic encounters between artists and company staff continued with another technological plein air programme in the new airport terminal, dedicated to the links between Sakhalin and the Russian mainland. Logistics experts and airport staff explained the specifics of their work to the artistic community, while the artists sought to rethink the region's development through the prism of its logistical accessibility.

The results of the project were also presented at the 28th Sakhalin Oil and Gas Far Eastern Energy Forum.

**The Sakhalin Energy Laboratory project received recognition in the Leaders of Corporate Philanthropy 2023 national competition in the category Best Culture, Art, Creative Industries Support Programme, the 2023 KonTEKst Award in the category of Territorial Development Projects, the first Festival of Geobrands "Land of Discoveries 2023" in the category I'll Take You to the Museum, and was a finalist of the Russian National Creative Industries Award. According to experts, including the nomination's partner, the Presidential Foundation for Cultural Initiatives, the project is not only unique in the Far East, but in Russia as a whole, as it stimulates the creative perception of the region's industrial heritage by Sakhalin residents and guests.**




## 6.4.8. Women's Leadership

In 2024, Sakhalin Energy continued its activities focused on women's leadership. Following the results of the First Forum of Women of the North, the company, together with its partners, developed and implemented a series of events contributing to the consolidation and development of cooperation between women leaders and women's associations for the benefit of the social, economic, and ethno-cultural development of the North, Siberia, and the Russian Far East.

- The Women's Lounge social and business platform is the first cross-regional exhibition on the sidelines of the XIX International Exhibition-Fair "Treasures of the North. Craftsmen and Artists of Russia 2024". The platform hosted 26 business and cultural-educational events in four areas: Multilingual North (preservation and promotion of native languages and cultures), Stylish North (development of creative industries), Ecological North (discussion of climate change and the importance of preserving the ecosystems of the North, Siberia, and the Far East), and Tasty North (traditional knowledge and master classes on cooking traditional dishes).
- The Traditions and Cultural Diversity international festival as Part of the IV Eurasian Women's Forum. Sakhalin Energy was the general partner of the festival. More than 50 events were organised, including discussions, presentations, and a cultural and educational programme dedicated to the role of women in preserving and promoting traditional culture, native language, and folk crafts.
- A special project of continuing education (professional training programmes) "Current Problems and Effective Sustainable Development Practices of Indigenous Peoples of the North, Siberia, and the Far East of Russia". This is a special educational platform based at the Russian Presidential Academy of National Economy and Public Administration, where representatives of indigenous peoples, public authorities and businesses can acquire academic and practical knowledge on national issues relevant to the global community and Russian regions. In 2024, 21 people completed the training and received a certificate, including leaders of tribal communities, public organisations, regional organisations of Sakhalin

Indigenous Minorities and the Far East of the Russian Federation, and representatives of business, legislative, and executive authorities. The programme is implemented by the Association of Indigenous Minorities of the North, Siberia, and the Far East of Russia and the Russian Academy of National Economy and Public Administration, with the support of the Eurasian Women's Forum, Sakhalin Energy LLC, VMV Consulting Company (Sustainable Development Platform), and the Development Fund for Indigenous Minorities of the North, Siberia, and the Far East of Russia.

## 6.4.9. Educational Projects

### 6.4.9.1. Environmental Lesson

The lesson "In Whale's Skin", developed in 2023 by experts from the Zapovedniki Environmental Centre and the Protected Areas Embassy Foundation (Zapovednoye Posolstvo), with financial and expert support from Sakhalin Energy LLC, is still relevant and is being successfully used for educational purposes today. The lesson provides an overview of the life of marine mammals through the example of the grey whale and other cetaceans of Sakhalin Oblast, and comes with a complete kit for preparing and conducting the educational event, including step-by-step methodological recommendations, a colourful presentation, audio and video materials, and a student workbook.

Since its launch, the lesson has been attended by more than 3,000 students; more than 200 lessons have been held in 60 educational institutions across Russia; and more than 5,000 people have taken part in public and corporate game programmes based on the lesson materials. The lesson's website has more than 35,000 hits.

There are plans to include the lesson in the programmes of children's festivals and conferences in the future, as well as to disseminate it among representatives of the non-profit sector involved in environmental protection.

The project is available on the Zapovednoye Posolstvo website www.заповедныйурок.рф. You can download the materials free of charge and test your knowledge of whale life.

### 6.4.9.2. Early Career Guidance Project

In 2024, the company continued the project focused on providing early career guidance for schoolchildren.

Sakhalin Oblast educational institutions and children's health camps hosted game programmes to introduce primary school students to careers in the oil and gas industry.

In October, the topic of early career guidance was presented during the children's track at the 28th Sakhalin Oil & Gas Far Eastern Energy Forum. Schoolchildren from Yuzhno-Sakhalinsk, Korsakov, and Dolinsk districts participated in the event.

At the end of 2024, a career guidance lesson was held for students in grades 3-7 based on the book The Adventures of Octaman: Energy Conquerors. The lesson introduces primary and middle school students to the wide variety of careers in the oil and gas industry in a playful way and describes the qualities and skills that students need to develop in order to join a team of professionals in the future. All children take an active part in the lesson, gaining insight into the specifics of the professions and choosing the field that interests them most. The children also learn about Sakhalin's natural environment and how Sakhalin Energy helps to preserve biodiversity.

The materials are freely available online at www.заповедныйурок.рф. Anyone (not only teachers) can download the module materials and run the lesson. The materials for the game lesson include a cartoon with the storyline of the lesson, step-by-step methodological recommendations for the teacher or game facilitator, and didactic materials.



### 6.4.9.3. Career Guidance as Part of Industrial Tourism Development

Industrial tourism is becoming a 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.

Sakhalin Energy joined the industrial tourism development programme in 2023 to provide interested groups, including potential employees, with an opportunity to familiarise themselves with its production processes, technologies, and corporate culture. The company developed the Energy Conquerors career guidance programme, which was highly rated by federal experts.

A key tool in the implementation of the project was a career guidance tour from Yuzhno-Sakhalinsk to the Prigorodnoye production complex, covering the history of the only island region of Russia, the development of the oil and gas industry in Sakhalin, and the unique Sakhalin-2 integrated oil and gas project. Representatives from the Production and HR Directorates, Corporate Affairs Division, HSE Department, and other relevant departments accompany visitors on such tours, tailoring the experience to their interests.

In 2024, about 600 people visited the Prigorodnoye production complex, including students from sector-specific universities, contractors, partners, and buyers.

**In 2024, Sakhalin Energy organised a number of additional industrial tourism programmes:**

- **business tours to the Prigorodnoye production complex (presentation on the Sakhalin-2 project and the Prigorodnoye production complex; familiarisation tour of the laboratory, central control room, and production area);**
- **mini-tour "Octaman's Adventure" from Yuzhno-Sakhalinsk to the Prigorodnoye production complex (presentation on the Sakhalin-2 Project and the Prigorodnoye production complex, held on the observation desk; presentation on oil and gas industry careers by representatives of the HR Directorate);**
- **geological tour: Starodubskoye — the mouth of the Naiba River; and Bykov — along the Naiba River (a field trip to introduce the basics of geological sciences and to teach and learn about the modern sedimentary settings and characteristics of the reservoirs).**

# 7

Sakhalin Energy
LLC'S Plans for 2025.
Growth Strategy

By adhering to our core corporate values and delivering on our targets, our people drive the company's strategy to achieve the company's mission and vision.

The objective of Sakhalin Energy's growth strategy is for it to become a unified coordination hub responsible for the integrated development of offshore fields and the implementation of oil and gas projects offshore Sakhalin Island. It includes the following lines of activity:

- develop and monetise the mineral resource base by implementing Sakhalin-2 growth opportunities;
- create conditions for the use of external sources of hydrocarbons;
- aggregate third-party hydrocarbon flows for sale on the market using the company's own infrastructure and well-established reputation in the region;
- ensure the reliable supply of natural gas to the Russian Far East to meet the company's obligations (entitlement gas) to satisfy the growing demand for gas from consumers.

The objective of the strategy for ensuring safe working conditions is to create a safe environment that ensures the protection and preservation of the vital interests of company employees and contractors, as well as members of their families, aimed at ensuring the efficient and rational use of the company's resources, at protecting property and the environment from accidents and their repercussions across the company's facilities. It focuses on the following areas:

- production safety: creating working conditions that minimise the risks of emergencies and accidents/incidents, the hazards and implications thereof, which may adversely affect the life and health of employees, while ensuring their quick and safe evacuation if necessary;
- effectiveness of occupational safety management systems: continuous improvement of occupational safety management systems to achieve effective interfacing among the elements of these systems, and to ensure the safe and uninterrupted operation of the company;



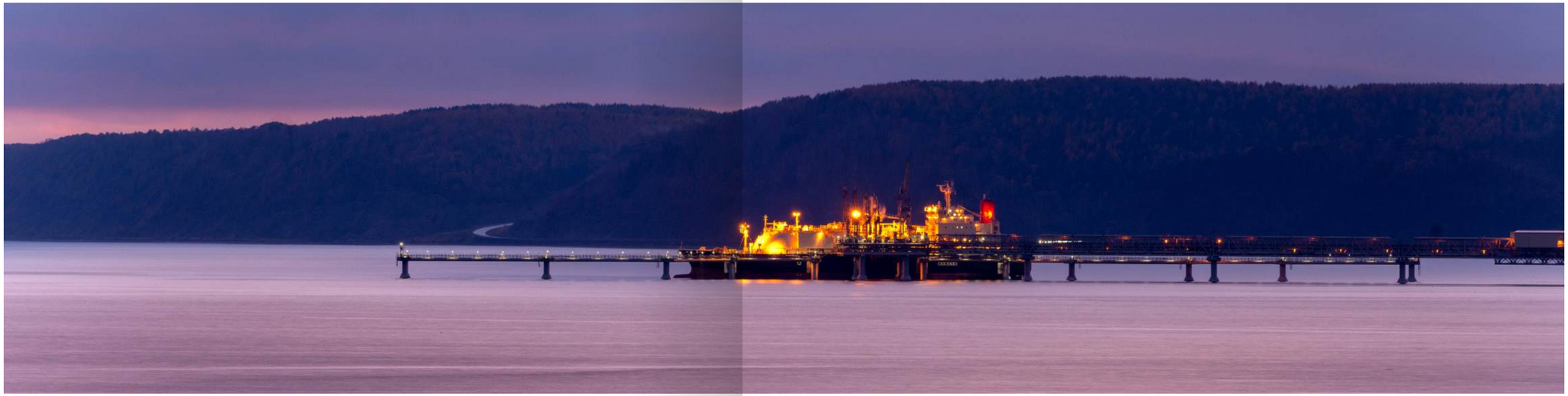
- organising medical check-ups and preventive measures, preventing the development of diseases, including occupational ones, and providing primary health care in the workplace;
- environmental sustainability: improving the efficiency of natural resource use, waste management, implementing the most effective mechanisms for reducing environmental impacts (including green investments), and improving environmental safety to minimise the impact of current and future economic activities on the environment;
- Unified Technical Policy: developing and harmonising the documents standardising the company's activities aimed at establishing a system of technical governance within the company, improving operational sustainability, including related processes in the design, construction, technical upgrades, major repairs, and operation of the company's facilities.

The strategy for production and technical activities in 2025 aims to ensure the uninterrupted and reliable operation of production assets as well as their preparedness for rapid technical response. It covers the following best practices:

- dynamic assessment of equipment integrity and reliability using analytical techniques to determine the scope of maintenance based on the current condition of the equipment, taking into account applicable laws and regulations;
- implementation of campaigns for the replacement of obsolescent equipment;
- proactive management of threats and opportunities using a systematic approach to maintenance programmes and turnarounds;
- timely identification and analysis of risks, and the planning and implementation of risk management activities;
- use of predictive analytics and proactive technical monitoring systems to facilitate timely maintenance planning;
- extending the production plateau of the existing fields;
- ensuring process stability as well as the proper regulation and standardisation of the production management system;
- reducing the level of emissions to the environment / implementing an energy conservation programme;
- performing comprehensive diagnostics, analysis, simulation, and design of production management processes while implementing a quality management system;
- implementing refurbishment projects aimed at extending the reliable, uninterrupted service life of assets.

The objective of the company's HR management strategy in 2024 and beyond is to strengthen the image of Sakhalin Energy as an employer of choice through staff retention, sustainable human resources development, and improved organisational effectiveness. In implementing the strategy, the company will continue to:

- meet the company's needs for key personnel with a focus on the internal talent pool, effective succession mechanisms, and the potential of company members;
- recruit highly qualified professionals and young talent, and create the right conditions for them to maximise their potential;
- prioritise opportunities to develop local talent, including through collaboration with higher and secondary vocational education institutions in Sakhalin Oblast to improve the quality of core and industry-specific education;
- invest in the vocational education and development of personnel to be appointed as technical authorities and heads of the company's organisational units;
- ensure the attractiveness, competitiveness, and flexibility of the Employee Value Proposition (EVP);
- implement digital HR technologies and maintain the efficiency of HR processes in a continuous improvement environment;



- maintain the company's image as an employer of choice and further develop its unique corporate culture, adapting it to the rapidly changing external environment.

In 2025 and beyond, implementation of the digital strategy will remain one of the development priorities of Sakhalin Energy LLC. The strategy includes:

- maintaining the stability of the company's digital platform by implementing existing IT projects under the Programme for Ensuring the Sustainability of the Digital Platform, and by introducing new digital IT projects in order to ensure the company's business continuity and to improve its economic efficiency;
- providing reliable protection of the elements of the company's critical IT infrastructure and other IT systems, with due regard for the applicable laws and regulations and the specific nature of the company's business;
- developing a digital culture to improve the knowledge and skills of the company's employees in the fields of digitalisation and new technologies.

Stakeholder engagement remains a critical component of Sakhalin Energy LLC'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 the Sakhalin-2 project;
- ensure effective implementation of internal communications and corporate events, including patriotic and volunteer activities, with an aim to promote a strong corporate culture as a factor in increasing employee motivation and business process efficiency;
- provide efficient management of reputational and social risks;
- implement effective information exchange across the company's organisational units in the context of structural change;
- promote the region's geo-brand; establish a company-based centre of excellence for industrial tourism in the oil and gas sector.

In its social investment and sustainable development programmes in 2025 and beyond, Sakhalin Energy LLC will continue to give priority to partnerships and socially significant initiatives that have a long-term strategic effect and contribute to the achievement of the National and Global Sustainable Development Goals, taking into account regional priorities. The company's social investment benchmarks are as follows:

- identify and support new partnership initiatives and develop existing partnerships;
- foster stakeholder dialogue aimed at laying a sustainable groundwork for the company's initiatives;
- improve the effectiveness of social programmes, primarily through the involvement of key stakeholders in the development, implementation, and evaluation thereof.

Sakhalin Energy will continue to develop a corporate management system based on ESG principles and criteria to ensure business robustness and the effective management of operational and strategic risks, including the following key tasks:

- ensure a comprehensive, systematic approach to sustainable development and ESG in the company;
- use ESG principles and criteria to achieve the strategic goals of the company and efficiently manage corporate risks, including reputational ones;
- develop and maintain a uniform understanding of the ESG agenda among employees and key stakeholders, drawing on the support of the expert community and best practices, including those of the company's members;
- apply state-of-the-art practices and solutions for system-wide ESG data management and process optimisation, including controls, verification, and reporting.

# Appendix

# APPENDIX 1.

## GRI STANDARDS COMPLIANCE TABLE

For an explanation of the material topics and their scope, see Section 1.3 Defining Material Topics.

### General Disclosures

| Disclosure number | Disclosure name | Report section and/or link, comments | Page in the Report | UN Sustainable Development Goals |
|---|---|---|---|---|
| GRI 1: FOUNDATION (2021) | | | | |
| GRI 2: GENERAL DISCLOSURES (2021) | | | | |
| **1. ORGANISATION AND REPORTING PRACTICES** | | | | |
| 2-1 | Organisational details | About Sakhalin Energy LLC | 32 | |
| 2-2 | Entities included in the organisation's sustainability reporting | General Information (About the Report) | 8 | |
| 2-3 | Reporting period, frequency, and contact point | Report for 2024<br>Annual report<br>Sakhalin Energy website | | |
| 2-5 | External assurance | Public endorsement<br>Appendices 7, 8 | | |
| **2. ACTIVITIES AND EMPLOYEES** | | | | |
| 2-6 | Activities, value chain, and other business relationships | About Sakhalin Energy LLC<br>Supply Chain Management | 32–40<br>76–82 | |
| 2-7 | Employees | General Information | 124–127 | 8<br>10 |
| **3. MANAGEMENT** | | | | |
| 2-9 | Governance structure and composition | General Information | 125–126 | 5 |
| 2-12 | Role of the highest governance body in overseeing impact management | Corporate Governance Model<br>Risk Management and Assurance | 54 | 16 |
| 2-13 | Delegation of responsibility for impact management | Corporate Governance Model<br>Risk Management and Assurance | 51<br>54 | |



| Disclosure number | Disclosure name | Report section and/or link, comments | Page in the Report | UN Sustainable Development Goals |
|---|---|---|---|---|
| 2-14 | Role of the highest governance body in sustainability reporting | General Information | 9 | |
| 2-15 | Conflicts of interest | Corporate Culture, Business Ethics, and Compliance | 62 | 16 |
| 2-16 | Communication of critical concerns | Defining Material Topics<br>Risk Management and Assurance | 12–13<br>55–57 | |
| 2-18 | Evaluation of the performance of the highest governance body | Individual Performance Review (including management) | 135 | |
| 2-19 | Remuneration policies | Remuneration and Bonus System | 131–132 | |
| 2-20 | Process to determine remuneration | Remuneration and Bonus System | 131–132 | |
| **4. STRATEGY, PRINCIPLES AND PROCEDURE** | | | | |
| 2-22 | Statement on the sustainable development strategy | Corporate Social Responsibility and Sustainable Development Management System, and Integration of ESG Factors<br>Sustainable Development Policy and Contribution to National and Global Sustainable Development Goals | 16–22 | 16 |
| 2-23 | Policy commitments | Sustainable Development Policy and Contribution to National and Global Sustainable Development Goals | 20 | 16 |
| 2-24 | Embedding policy commitments | Corporate Social Responsibility and Sustainable Development Management System, and Integration of ESG Factors<br>Sustainable Development Policy and Contribution to National and Global Sustainable Development Goals | 16–22 | |
| 2-25 | Processes to remediate negative impacts | Impact Assessment<br>Risk Management and Assurance | 27<br>53–54 | |
| 2-26 | Mechanisms for seeking advice and raising concerns | Corporate Governance System and Structure<br>Corporate Culture, Business Ethics, and Compliance<br>Grievance Mechanisms | 50<br>61<br>175 | 16 |
| 2-27 | Compliance with laws and regulations | Corporate Social Responsibility and Sustainable Development Management System, and Integration of ESG Factors<br>Risk Management and Assurance<br>Environmental Management System<br>Climate Agenda and Carbon Regulation<br>Personnel: Management and Development<br>Occupational Health and Safety<br>Human Rights | 19<br>53<br>92<br>100<br>122<br>158<br>174 | 16 |
| 2-28 | Membership associations | Engagement with Non-Governmental and Non-Profit Organisations<br>International and Regional Cooperation | 72<br>74–75 | |

| Disclosure number | Disclosure name | Report section and/or link, comments | Page in the Report | UN Sustainable Development Goals |
|---|---|---|---|---|
| **5. STAKEHOLDER ENGAGEMENT** | | | | |
| 2-29 | Approach to stakeholder engagement | Defining Material Topics<br>Strategy, Principles, Mechanisms, and Engagement Tools | 11–12<br>64–65 | |
| GRI 3: MATERIAL TOPICS (2021) | | | | |
| **DISCLOSURE ON MATERIAL TOPICS** | | | | |
| 3-1 | Process to determine material topics | Defining Material Topics | 11–12 | 12<br>16 |
| 3-2 | List of material topics | Defining Material Topics | 12–13 | 12<br>16 |
| **ECONOMIC PERFORMANCE** | | | | |
| GRI 3: MATERIAL TOPICS (2021) | | | | |
| 3-3 | Management of material topics | Defining Material Topics | 11–13 | |
| 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<br>Strategy to Ensure Sustainable Operations<br>Remuneration and Bonus System<br>Sakhalin Energy's Principles and Approaches with Regard to Social Investment and Sustainable Development Based on ESG Factors | 32<br>78–80<br>132<br>176 | 8<br>9 |
| 201-3 | Defined benefit plan obligations and other retirement plans | Social Benefits and Compensations | 134 | |
| 201-4 | Financial assistance received from government | The company received no financial assistance from the government in 2024 | | |
| **MARKET PRESENCE** | | | | |
| GRI 3: MATERIAL TOPICS (2021) | | | | |
| 3-3 | Management of material topics | Remuneration and Bonus System | 131–132 | |



| Disclosure number | Disclosure name | Report section and/or link, comments | Page in the Report | UN Sustainable Development Goals |
|---|---|---|---|---|
| GRI 202: MARKET PRESENCE (2016) | | | | |
| 202-1 | Ratio of standard entry level salaries and established minimum salaries | Remuneration and Bonus System | 132 | 1<br>5<br>8 |
| 202-2 | Proportion of senior management hired from the local community | General Information | 126 | 8 |
| **INDIRECT ECONOMIC IMPACTS** | | | | |
| GRI 3: MATERIAL TOPICS (2021) | | | | |
| 3-3 | Management of material topics | Importance of the Sakhalin-2 Project for Sakhalin Oblast and the Russian Federation as a Whole<br>Natural Gas<br>Social Investment and Contribution to the Sustainable Development of the Host Region | 32<br>44–45<br>176–189 | |
| 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<br>Natural Gas<br>Social Investment and Contribution to the Sustainable Development of the Host Region | 32<br>44–45<br>176–189 | 1<br>5<br>9<br>11 |
| 203-2 | Significant indirect economic impacts | Importance of the Sakhalin-2 Project for Sakhalin Oblast and the Russian Federation as a Whole<br>Natural Gas<br>Social Investment and Contribution to the Sustainable Development of the Host Region | 32<br>44–45<br>176–189 | 1<br>5<br>9<br>11 |
| **PROCUREMENT PRACTICES** | | | | |
| GRI 3: MATERIAL TOPICS (2021) | | | | |
| 3-3 | Management of material topics | Contracting and Procurement Policy<br>Strategy to Ensure Sustainable Operations | 76–77<br>78–79 | |
| GRI 204: PROCUREMENT PRACTICES (2016) | | | | |
| 204-1 | Proportion of spending on local suppliers | Strategy to Ensure Sustainable Operations | 80 | 8 |

| Disclosure number | Disclosure name | Report section and/or link, comments | Page in the Report | UN Sustainable Development Goals |
|---|---|---|---|---|
| **ANTI-CORRUPTION** | | | | |
| GRI 3: MATERIAL TOPICS (2021) | | | | |
| 3-3 | Management of material topics | Anti-Bribery and Corruption | 61–63 | |
| GRI 205: ANTI-CORRUPTION (2016) | | | | |
| 205-2 | Communication and training about anti-corruption policies and procedures | Anti-Bribery and Corruption | 62–63 | 16 |
| 205-3 | Confirmed incidents of corruption and actions taken | Anti-Bribery and Corruption | 63 | 16 |
| **ENERGY** | | | | |
| GRI 3: MATERIAL TOPICS (2021) | | | | |
| 3-3 | Management of material topics | General Information<br>Energy Production and Consumption | 92<br>101–102 | |
| GRI 302: ENERGY (2016) | | | | |
| 302-1 | Energy consumption within the organisation | Energy Production and Consumption | 101 | 7<br>8<br>12<br>13 |
| 302-3 | Energy intensity | Energy Production and Consumption | 102 | 7<br>8<br>12<br>13 |
| **WATER AND EFFLUENTS** | | | | |
| GRI 3: MATERIAL TOPICS (2021) | | | | |
| 3-3 | Management of material topics | Impact on Water Bodies<br>Environmental Protection Costs and Payments for Negative Impact | 94–95<br>98–99 | |
| GRI 303: WATER AND EFFLUENTS (2018) | | | | |
| 303-2 | Management of water discharge-related impacts | General Information<br>Impact on Water Bodies | 92<br>94–95 | 6 |
| 303-3 | Water withdrawal | Impact on Water Bodies | 94–95 | 6 |
| 303-4 | Water discharge | Impact on Water Bodies | 94–95 | 6 |
| 303-5 | Water consumption | Impact on Water Bodies | 94–95 | 6 |



| Disclosure number | Disclosure name | Report section and/or link, comments | Page in the Report | UN Sustainable Development Goals |
|---|---|---|---|---|
| **BIODIVERSITY** | | | | |
| GRI 3: MATERIAL TOPICS (2021) | | | | |
| 3-3 | Management of material topics | Environmental Monitoring and Biodiversity Conservation<br>Environmental Protection Costs and Payments for Negative Impact | 105–116<br>98–99 | |
| 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 | 94–95 | 6<br>14<br>15 |
| 304-2 | Significant impacts of activities, products, and services on biodiversity | Environmental Monitoring and Biodiversity Conservation | 94–95 | 6<br>14<br>15 |
| 304-4 | IUCN Red List species and national conservation list species with habitats in areas affected by operations | Environmental Monitoring and Biodiversity Conservation | 94–95 | 6<br>14<br>15 |
| **EMISSIONS** | | | | |
| GRI 3: MATERIAL TOPICS (2021) | | | | |
| 3-3 | Management of material topics | General Information<br>Impact on Atmospheric Air<br>Environmental Protection Costs and Payments for Negative Impact<br>Greenhouse Gas and Ozone-Depleting Substance Emissions | 92<br>93<br>98–99<br>102–103 | |
| GRI 305: EMISSIONS (2016) | | | | |
| 305-1 | Direct (Scope 1) GHG emissions | Greenhouse Gas and Ozone-Depleting Substance Emissions | 102–103 | 3<br>12<br>13<br>14<br>15 |
| 305-2 | Indirect (Scope 2) GHG emissions | Greenhouse Gas and Ozone-Depleting Substance Emissions | 102–103 | 3<br>12<br>13<br>14<br>15 |
| 305-6 | Emissions of ozone-depleting substances (ODS) | Greenhouse Gas and Ozone-Depleting Substance Emissions | 102–103 | 3<br>12 |

| Disclosure number | Disclosure name | Report section and/or link, comments | Page in the Report | UN Sustainable Development Goals |
|---|---|---|---|---|
| 305-7 | Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions | Impact on Atmospheric Air | 93 | 3<br>12<br>14<br>15 |
| **WASTE** | | | | |
| GRI 3: MATERIAL TOPICS (2021) | | | | |
| 3-3 | Management of material topics | General Information<br>Impact on Water Bodies<br>Waste Management<br>Environmental Protection Costs and Payments for Negative Impact | 92<br>94–95<br>95–96<br>98–99 | |
| GRI 306: WASTE (2020) | | | | |
| 306-3 | Waste generated | Waste Management | 96–97 | 3<br>6<br>11<br>12 |
| 306-4 | Waste diverted from disposal | Waste Management | 96–97 | 3<br>11<br>12 |
| 306-5 | Waste directed to disposal | Waste Management | 96–97 | 3<br>6<br>11<br>12<br>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<br>Supply Chain Management and Contracting<br>Environmental Management System | 16<br>28<br>76–77<br>90–92 | |
| GRI 308 SUPPLIER ENVIRONMENTAL ASSESSMENT (2016) | | | | |
| 308-1 | New suppliers screened using environmental criteria | 100% | | |
| **EMPLOYMENT** | | | | |
| GRI 3: MATERIAL TOPICS (2021) | | | | |
| 3-3 | Management of material topics | Approaches to HR Management and HR Policy<br>Grievance Mechanisms | 122–124<br>175 | |



| Disclosure number | Disclosure name | Report section and/or link, comments | Page in the Report | UN Sustainable Development Goals |
|---|---|---|---|---|
| GRI 401: EMPLOYMENT (2016) | | | | |
| 401-1 | New employee hires and employee turnover by age group, gender, and region | General Information<br>Recruitment and Hiring, Onboarding of New Employees | 127<br>131 | 5<br>8<br>10 |
| 401-3 | Return to work and retention rates after parental leave, by gender | General Information | 126 | 5<br>8 |
| **LABOUR/MANAGEMENT RELATIONS** | | | | |
| GRI 3: MATERIAL TOPICS (2021) | | | | |
| 3-3 | Management of material topics | Engagement with Personnel<br>Approaches to HR Management and HR Policy<br>Grievance Mechanisms | 67–69<br>122–124 | |
| GRI 402: LABOUR/MANAGEMENT RELATIONS (2016) | | | | |
| 402-1 | Minimum notice periods regarding operational changes | In accordance with the current Labour Code of the Russian Federation, federal laws, and other regulatory legal acts containing norms of labour law, agreements, and employment contracts | | 8 |
| **OCCUPATIONAL HEALTH AND SAFETY** | | | | |
| GRI 3: MATERIAL TOPICS (2021) | | | | |
| 3-3 | Management of material topics | Occupational Health and Safety<br>Grievance Mechanisms | 156–169<br>175 | |
| GRI 403: OCCUPATIONAL HEALTH AND SAFETY (2018) | | | | |
| 403-1 | Occupational health and safety management system | Occupational Health and Safety | 156–169 | 3<br>8 |
| 403-2 | Hazard identification, risk assessment, and incident investigation | Occupational Health and Safety | 156–169 | 8 |
| 403-3 | Occupational health services | Occupational Health | 165 | 8 |
| 403-5 | Worker training on occupational health and safety | Personnel Training<br>Occupational Health and Safety | 141<br>156–169 | 8 |
| 403-6 | Promotion of worker health | Occupational Health | 165 | 3 |
| 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | Occupational Health and Safety Management System | 165 | 8 |

| Disclosure number | Disclosure name | Report section and/or link, comments | Page in the Report | UN Sustainable Development Goals |
|---|---|---|---|---|
| 403-9 | Work-related injuries | Occupational Health and Safety Management System | 159 | 3<br>8<br>16 |
| 403-10 | Work-related ill health, total number of work-related fatalities | Occupational Health and Safety Management System<br>Occupational Health | 159<br>165 | 3<br>8<br>16 |
| **TRAINING AND EDUCATION** | | | | |
| GRI 3: MATERIAL TOPICS (2021) | | | | |
| 3-3 | Management of material topics | Personnel Training and Development<br>Grievance Mechanisms | 136–155<br>175 | |
| GRI 404: TRAINING AND EDUCATION (2016) | | | | |
| 404-1 | Average hours of training per year per employee by gender, and by employee category | Personnel Learning and Development | 140 | 4<br>5<br>8<br>10 |
| 404-2 | Programmes for upgrading employee skills and transition assistance programs | Personnel Learning and Development | 136–145 | 8 |
| 404-3 | Percentage of employees receiving regular performance and career development reviews, by gender and by employee category | Individual Performance Review | 135 | 5<br>8<br>10 |
| **DIVERSITY AND EQUAL OPPORTUNITY** | | | | |
| GRI 3: MATERIAL TOPICS (2021) | | | | |
| 3-3 | Management of material topics | Personnel: Management and Development<br>Grievance Mechanisms | 122<br>175 | |
| GRI 405: DIVERSITY AND EQUAL OPPORTUNITY (2016) | | | | |
| 405-1 | Diversity of governance bodies and employees | General Information | 124–127 | 5<br>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<br>8<br>10 |



| Disclosure number | Disclosure name | Report section and/or link, comments | Page in the Report | UN Sustainable Development Goals |
|---|---|---|---|---|
| **NON-DISCRIMINATION** | | | | |
| GRI 3: MATERIAL TOPICS (2021) | | | | |
| 3-3 | Management of material topics | Personnel: Management and Development<br>Grievance Mechanisms | 122<br>175 | |
| GRI 406: NON-DISCRIMINATION (2016) | | | | |
| 406-1 | Incidents of discrimination and corrective actions taken | No cases of discrimination on any grounds were registered in 2024 | | 5<br>8 |
| **FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING** | | | | |
| 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 |
| **CHILD LABOUR** | | | | |
| GRI 408: CHILD LABOUR (2016) | | | | |
| 408-1 | Operations and suppliers at significant risk for incidents of child labour | No operations risk of involving child labour | | 5<br>8<br>16 |
| **FORCED OR COMPULSORY LABOUR** | | | | |
| GRI 409: FORCED OR COMPULSORY LABOUR (2016) | | | | |
| 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labour | No operations risk of involving forced or compulsory labour | | 5<br>8 |

| Disclosure number | Disclosure name | Report section and/or link, comments | Page in the Report | UN Sustainable Development Goals |
|---|---|---|---|---|
| **SECURITY PRACTICES** | | | | |
| GRI 3: MATERIAL TOPICS (2021) | | | | |
| 3-3 | Management of material topics | Human Rights: Principles and Management System<br>Grievance Mechanisms | 173–174<br>175 | |
| GRI 410: SECURITY PRACTICES (2016) | | | | |
| 410-1 | Percentage of security personnel trained in the organisation's human rights policies or procedures relevant to operations | 100% | | 16 |
| **RIGHTS OF INDIGENOUS PEOPLES** | | | | |
| GRI 3: MATERIAL TOPICS (2021) | | | | |
| 3-3 | Management of material topics | Engagement with Sakhalin Indigenous Minorities<br>Human Rights: Principles and Management System<br>Grievance Mechanisms<br>Sakhalin Indigenous Minorities Development Plan<br>Projects for Preservation of Indigenous Culture and Languages | 71–72<br>173–174<br>175<br>183<br>184–185 | |
| 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 2024 | | 2 |
| **LOCAL COMMUNITIES** | | | | |
| GRI 3: MATERIAL TOPICS (2021) | | | | |
| 3-3 | Management of material topics | Corporate Social Responsibility and Sustainable Development<br>Strategy, Principles, Mechanisms, and Engagement Tools<br>Sakhalin Energy's Principles and Approaches with regard to Social Investment and Sustainable Development based on ESG Factors<br>Grievance Mechanisms | 16–26<br>64<br>176–188<br>175 | |



| Disclosure number | Disclosure name | Report section and/or link, comments | Page in the Report | UN Sustainable Development Goals |
|---|---|---|---|---|
| GRI 413: LOCAL COMMUNITIES (2016) | | | | |
| 413-1 | Percentage of operations with local community engagement, impact assessments, and development programmes | Impact Assessment<br>Strategy, Principles, Mechanisms, and Engagement Tools<br>Social Investment and Contribution to the Sustainable Development of the Host Region<br>100% | 27<br>176–188 | |
| 413-2 | Operations with significant actual and potential negative impacts on local communities | Impact Assessment<br>In 2024, the company did not carry out operations with significant actual or potential negative impacts on local communities | 27 | 1<br>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<br>Supply Chain Management and Contracting | 16–19<br>76–77 | |
| GRI 414: SUPPLIER SOCIAL ASSESSMENT (2016) | | | | |
| 414-1 | New suppliers screened using social criteria | 100% | | 5<br>8<br>16 |
| 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 financially support any political parties, organisations, or their representatives 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 types of outcomes | No incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services in 2024 | | 16 |

| Disclosure number | Disclosure name | Report section and/or link, comments | Page in the Report | UN Sustainable Development Goals |
|---|---|---|---|---|
| GRI 417: MARKETING AND LABELLING (2016) | | | | |
| 417-2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by types of outcomes | No incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling in 2024 | | 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 |
|---|---|
| The company has incorporated the national development goals, UN Sustainable Development Goals, and national projects into the Report, which is great news. The company's outstanding contributions into the social and economic development of the region, including infrastructure, industrial tourism, talents, social investments, as well as the enormous contribution of corporate volunteering are obvious.<br>The company continuously implements international performance standards across all areas, including basic environmental practices and strategic management. | |
| What steps can students take to undergo a traineeship with the company? What requirements should be considered? What types of specialists does the company need, and is it interested in employees with humanities backgrounds? What professional and personal qualities should candidates possess? | The information is provided in the Report, see Section 6.1.7.4 Traineeship Programme, 6.1.7.7 Organising Work with Young Company Employees, 6.1.7.10 Internship Programme, 6.1.7.11 Scholarship Programme, and the Jobs and Career section on the Sakhalin Energy website |
| Cooperation with the indigenous community | The information is provided in the Report, see Section 4.8.5 Engagement with Sakhalin Indigenous Minorities |
| Can Sakhalin Energy provide an example or model of a perfect service provider or contractor? | The contractor that Sakhalin Energy needs is technically acceptable, meets the company's requirements and standards, is open to dialogue, to partnership, and is willing to improve. Interaction between the customer and contractor is always a two-way process. The information is provided in the Report, see Section 4.9.1 Contracting and Procurement Policy |
| Local employment | The information is provided in the Report, see Section 6.1.2 General Information |
| Support and development of corporate volunteering | The information is provided in the Report, see Section 6.4.3 Hurry Up for Good Deeds: Corporate Volunteering Development |
| How do you understand the concept of "environmental agenda"? | The information is provided in the Report, see Section 5 Environmental Impact Management |
| What effect has the implementation of the carbon quota policy had on product quality and quantity? | The company has shifted to a production optimisation strategy and sustainable field development, which has influenced product quantity, independent of the greenhouse gas quota policy. Sakhalin Energy continues to maintain low specific greenhouse gas emissions; see Section 5.3.3 Greenhouse Gas and Ozone-Depleting Substance Emissions |
| Emerging role of projects for indigenous peoples aimed at developing entrepreneurship and social capital | The information is provided in the Report, see Section 6.4.5. Sakhalin Indigenous Minorities Development Plan |

| Comment, question, critical remark, or suggestion | Company's response and/or commitment |
|---|---|
| How are employees involved in social investment projects on Sakhalin? | The information is provided in the Report, see Section 6.4.3. Hurry Up for Good Deeds: Corporate Volunteering Development |
| I sincerely admire how systematically, effectively, and consistently the company implements its social programmes in accordance with the modern demands. The company not only continues but also enhances initiatives that were started many years ago, taking into account the unique aspects of the social landscape, including national development and sustainable development goals. It is important that the company constantly evaluates the outcomes of social programmes and uses the evaluation results to improve them. I wish the company continued success and improvements to social programmes aimed at advancing Sakhalin Oblast and enhancing the overall social landscape of the country. I have seen many instances where the programmes initiated on Sakhalin Island have served as models for implementation in other regions | |
| In view of the demographic situation and your future projections, do you anticipate any challenges related to human resources? Do you plan to translate your experience across the country? | In view of long-term goals, Sakhalin Energy primarily focuses on training the younger generation by implementing internal and external talent development programmes; see Section 6.1.3 Recruiting, Hiring and Onboarding New Employees, 6.1.7 Personnel Training and Development, 6.4.9.2 Early Career Guidance Project, 6.4.9.3 Career Guidance as Part of Industrial Tourism Development |
| For many years, Sakhalin Energy has been a dependable partner of the Sakhalin Botanical Garden in carrying out environmental education projects. One notable initiative, The Energy of Childhood, is currently underway. These projects are like small building blocks in a larger effort to foster an ecocentric mindset, helping both children and adults to participate in the project, enjoy the benefits later, and understand the true workings of nature. I would like to congratulate Sakhalin Energy and its employees, and I hope that our further productive cooperation on such projects will contribute to sustainable development in general and to attitude towards nature. This, in turn, can enhance the quality of life in Sakhalin Oblast and the Far East by promoting rational use of natural resources from an early age. | |
| What is the current status of the Gray Whale Programme? | The information is provided in the Report, see Section 5.4.8 Gray Whale Monitoring and Marine Mammal Protection |



# APPENDIX 3.

## LIST OF ACRONYMS AND ABBREVIATIONS

| | |
|---|---|
| AP | Asia-Pacific |
| BS 2 | Booster station 2 |
| CSR | Corporate social responsibility |
| GDP | Gas delivery point |
| ESG | Environmental, social, and corporate governance |
| GRI | Global reporting initiative |
| HPF | Hazardous production facilities |
| 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 |
| MPC | Maximum permissible concentrations |
| 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 | Pipeline maintenance depot |
| Prigorodnoye PC | Prigorodnoye production complex |
| C&P | Contracting and procurement |
| PSA | Production Sharing Agreement |
| RAIPON | Russian Association of Indigenous Peoples of the North |
| RS | Road safety |

| | |
|---|---|
| RTA | Road traffic accident |
| SAW | Special assessment of workplace |
| SDG | Sustainable Development Goals |
| SIM | Sakhalin indigenous minorities |
| SSU | Sakhalin State University |
| TLU | Tanker loading unit |
| UN | United Nations |



# APPENDIX 4.

## SOCIAL INVESTMENT PROGRAMMES AND CORRESPONDING ESG COMPONENTS

| Social investment programmes | Components | | |
|---|---|---|---|
| | E | S | G |
| Safety is Important Programme<br>Section 6.4.2 | Environmental safety | Local communities<br>Health safety<br>Safety<br>Human rights<br>Inclusiveness | Management system<br>Stakeholder engagement<br>Business ethics<br>Openness and transparency<br>Internal and external assessment |
| Corporate volunteering development (Hurry Up for Good Deeds Programme)<br>Section 6.4.3 | Biodiversity | Local communities<br>Health safety<br>Human rights<br>Inclusiveness | Management system<br>Stakeholder engagement<br>Business ethics<br>Openness and transparency<br>Internal and external assessment |
| Energy Social Initiatives Fund<br>Section 6.4.4 | Biodiversity | Local communities<br>Health safety<br>Human rights<br>Inclusiveness | Management system<br>Stakeholder engagement<br>Business ethics<br>Openness and transparency<br>Internal and external assessment |
| Sakhalin Indigenous Minorities Development Plan Programme<br>Section 6.4.5 | Biodiversity | Local communities<br>Health safety<br>Human rights<br>Inclusiveness | Management system<br>Stakeholder engagement<br>Business ethics<br>Openness and transparency<br>Internal and external assessment |
| Preservation of indigenous culture and languages<br>Section 6.4.6 | | Local communities<br>Human rights<br>Inclusiveness | Management system<br>Stakeholder engagement<br>Business ethics<br>Openness and transparency<br>Internal and external assessment |
| Educational Projects<br>Section 6.4.8 | Biodiversity | Local communities<br>Staff attraction and retention Human rights<br>Inclusiveness | Management system<br>Stakeholder engagement<br>Business ethics<br>Openness and transparency<br>Internal and external assessment |

# APPENDIX 5.

## LIST OF SAKHALIN ENERGY'S INFORMATION CENTRES

| Municipality | Residential place | Organisation | Address |
|---|---|---|---|
| Poronaysk district | Poronaysk | Poronaysk Central Library of the Poronaysk Centralised Library System Municipal Cultural Institution | 45 Gagarina Street |
| Nogliki district | Nogliki | Nogliki Central Library of the Nogliki Centralised Library System Municipal Cultural Institution | 5a Pogranichnaya Street |
| Korsakov 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 2024 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 non-financial reporting by answering the following questions.

**1. DO YOU HAVE A BETTER IDEA AND UNDERSTANDING OF SAKHALIN ENERGY'S ACTIVITIES IN ESG 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 COMPLETENESS 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 ESG?

_____

_____

_____

### 7. WHAT OTHER INFORMATION WOULD YOU LIKE TO SEE IN SAKHALIN ENERGY'S FUTURE NON-FINANCIAL ESG REPORTS?

_____

_____

_____

### 8. PLEASE PROVIDE GENERAL COMMENTS ON THE REPORT:

_____

_____

_____

### 9. ARE YOU OR YOUR ORGANISATION INTERESTED IN ATTENDING DIALOGUES ABOUT THE PREPARATION OF THE 2025 REPORT?

- ☐ Yes (please include 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?**

- ☐ Mail
- ☐ E-mail

Please include your contact information below:

_____

_____

_____

Please return the completed feedback form on the 2024 Non-Financial ESG Report to:

**35 DZERZHINSKOGO STREET, YUZHNO-SAKHALINSK, SAKHALIN OBLAST, 693020 RUSSIAN FEDERATION**

You may also send this form by e-mail to : ask@sakhalinenergy.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!**



# APPENDIX 7.

## CERTIFICATE OF PUBLIC ENDORSEMENT OF THE 2024 SAKHALIN ENERGY ESG REPORT

# APPENDIX 8.

## CONCLUSION OF THE RUIE COUNCIL FOR NON-FINANCIAL REPORTING, SUSTAINABLE DEVELOPMENT INDICES AND RATINGS FOLLOWING THE REVIEW OF SAKHALIN ENERGY'S 2024 NON-FINANCIAL ESG REPORT, FOR THE PURPOSE OF PUBLIC ENDORSEMENT

The RUIE Council for Non-Financial Reporting, Sustainable Development Indices and Ratings (hereinafter, the Council), at the initiative of Sakhalin Energy LLC (hereinafter, the Company, Sakhalin Energy, SELLC), reviewed Sakhalin Energy's 2024 Non-Financial ESG Report (hereinafter, the Report).

The Company requested that the RUIE arrange for public endorsement to be carried out by the RUIE Council. The Council forms an opinion on the materiality and completeness of the information on the Company's performance disclosed in the Report in line with the principles of responsible business conduct, which are contained in the Social Charter of Russian Business, meet the provisions of the UN Global Compact, Russian and international standards, and guidelines on social responsibility and sustainable development.

The public endorsement (confirmation) procedure was undertaken between 21 March and 17 April 2025 in accordance with the Council-approved Regulations on the Public Endorsement of Corporate Non-Financial Reports. This Conclusion is based on the expert review and assessment conducted by the RUIE Expert Council on Sustainable Development Reporting, analysis of the Report and consideration of the assessment's findings by the members of the Council for Non-Financial Reporting, Sustainable Development Indices and Ratings.

The Council members have the necessary competence in the field of corporate responsibility, sustainable development, and non-financial reporting; they abide by the ethical requirements for making independent and objective assessments; and they express their personal opinions as experts rather than the opinions of the entities they represent.

The information provided was assessed based on the following criteria for the completeness and materiality of the information contained in the Report:

Information is considered material as it reflects the Company's activities in implementing the principles of responsible business conduct, as disclosed in the Social Charter of Russian Business (www.rspp.ru).

Completeness of the information implies that the Company reflects its performance in the Report in a comprehensive manner – the underlying values and strategic priorities, governance systems and structures, stakeholder engagement, achievements and key performance results, as well as performance metrics.

The fact that the Company applies international reporting systems is taken into account in the public endorsement process. However, confirming the level of its compliance with international reporting systems is beyond the scope of this Conclusion.



Sakhalin Energy LLC is responsible for the information and representations contained in the Report. The accuracy of the factual data contained in the Report is beyond the scope of this public endorsement.

This Conclusion has been prepared for Sakhalin Energy LLC. The Company may use this Conclusion both for internal corporate purposes and for the purposes of communications with stakeholders by publishing it without any changes.

### CONCLUSIONS

Based on analysis of the information presented in the Report and the publicly available information posted on the Company's official corporate website, as well as the collective discussion of the findings of the independent assessment of the Report conducted by members of the RUIE Expert Council for Sustainable Development Reporting, the RUIE Council for Non-Financial Reporting, Sustainable Development Indices and Ratings reaffirms the following:

Sakhalin Energy's 2024 Non-Financial ESG Report contains material information, covers key areas of responsible business practice in accordance with the principles of responsible business conduct, and discloses information on the Company's activities in these areas in sufficient detail.

The recommendations of the RUIE Council on the results of public endorsement of Sakhalin Energy's 2023 Non-Financial ESG Review have partially been taken into account in Sakhalin Energy's 2024 Non-Financial ESG Report. Specifically, the information on digital transformation, the climate agenda, and carbon regulation was expanded, and the structure of the interviewed representatives of the main stakeholder groups was covered during identification of material topics of the Report.

In accordance with the criteria applied within the public endorsement procedure to assess the materiality and comprehensiveness of the information on the Company's performance in accordance with the principles of responsible business conduct, there is an increase in the integral (overall) indicator describing the level of disclosure as compared to the previous reporting period.

The company's 2024 Report contains material information regarding the following aspects of responsible business practices:

#### Economic Freedom and Responsibility

The Report covers the performance of Sakhalin Energy, the operator of the Sakhalin-2 project, in 2024, which is the year of the project's 30th anniversary. The significance of the Sakhalin-2 project for Sakhalin Oblast and the Russian Federation as a whole is noted, and the share of Sakhalin LNG and Sakhalin Blend in the global market and in the Asia-Pacific region is indicated. Information about the activities of the Company, its organisational units, and its production facilities in the areas of hydrocarbon extraction, production, transportation, and sales is presented in the context of sustainable development. The Report contains the main production figures and outlines growth plans for 2025. It includes information on measures aimed at ensuring the sustainability of production by addressing import substitution, switching to Russian service providers and equipment suppliers, and localisation of key services in Sakhalin Oblast. Digital transformation objectives are outlined, including measures to replace IT services with Russian-made systems under the Programme for Ensuring Stability of the Digital Platform. Measures to ensure information security and to prevent data privacy breaches and cyber threats are outlined. The Company's organisational structure and corporate management system are presented, including a continuous improvement programme taking into account the requirements of the national standards GOST R ISO 22301:2021 and GOST R 53647.1-2009, as well as the international standard ISO 22301:2019. It is noted that the Company applies a systematic approach to the management of occupational health and safety issues in accordance with the requirements of GOST R ISO 45001-2020. The corporate

governance model built with due regard to the specific features of the Sakhalin-2 project, which is implemented under the terms and conditions of the Production Sharing Agreement, is shown, and the functions of the management bodies are outlined. Information about the risk management and assurance system, which is aligned with GOST R ISO 31000-2019, is provided. Significant environmental and social risks are identified, as well as corporate governance risks and measures to mitigate them. The Company's corporate social responsibility and sustainable development management system is presented, as well as information about the interrelation of the Company's goals and objectives with the 2030 SDGs. Key corporate metrics across all ESG areas are specified. The Report states that, in 2024, the Company was granted the 'Partner of National Projects' status for its contribution to the achievement of the goals and objectives of six national projects. It describes the core elements of ethics and compliance, as well as anti-bribery and anti-corruption measures. Information about training staff on this topic and the functioning of the grievance mechanism is included.

### Business Partnership

The corporate documents that define the strategy, principles, mechanisms, and tools of stakeholder engagement are listed, and the main stakeholder groups and areas of stakeholder engagement in 2024 are specified. Shareholders. According to the Report, the supreme management body of Sakhalin Energy LLC is the General Meeting of the Company's Members, who, as stated, are provided with information on a wide range of issues, making it possible for them to monitor production and economic activities, adjust growth targets, and evaluate performance. Employees. Approaches to Sakhalin Energy's personnel management and its HR policy are outlined. The main focus is on investing in vocational training and personnel development, including support for young talent, as well as building an internal succession pool and an external talent pool for vocational jobs. Programmes for the development of leadership, business, and personal effectiveness skills are covered. A description of the labour remuneration, compensation, and benefits system is provided. Information on conducting employee performance appraisals is provided. Information about the activities aiming to promote a culture of safety and health among employees is provided. Regular employee opinion surveys on a variety of topics are reported. Government Authorities. Information is included on engagement with government authorities regarding the Company's operations, including in relation to the 30th anniversary of the Sakhalin-2 project, joint participation in major initiatives of the Sakhalin Oblast Government and its advisory bodies, as well as in the implementation of joint partnership programmes and projects with the Oblast. Vendors and Contractors. Information is provided on the development of responsible procurement practices, building on improved tender procedures, pre-qualification of potential vendors, awareness sessions and workshops under the Vendor Development Programme. It is mentioned that additional requirements for ensuring safe working conditions and combating bribery and corruption are included in contracts, and that compliance with these requirements is assessed and monitored. The document notes that forums on safe working conditions are held twice annually to share best practices with contractors. Customers and Consumers. Regular communication through working meetings with LNG and Sakhalin Blend buyers and an annual LNG buyer satisfaction survey are reported. Other Partners. The Report contains information about cooperation with regional, federal, and international public organisations on sustainable development and responsible business conduct, including participation in the UN Global Compact's activities, forums, exhibitions, and industry-specific events. The Report notes the development of relations between Sakhalin Energy and Russia's leading universities under partnership agreements. The Report outlines the operation of the Company's information centres set up at local libraries to ensure efficient communication with the public, as well as the ongoing cooperation with the region's indigenous peoples.



### Environmental Conservation and Climate Agenda

The Report contains information on the Company's Environmental Policy. The commitments that Sakhalin Energy undertakes to minimise its negative impact on the environment are listed. Information on the environmental management system is given. Regular external and internal audits for compliance with the requirements of GOST R ISO 14001-2016 are noted. The Report provides information on the implementation of industrial environmental control programmes, environmental monitoring, a set of organisational and technical measures, including the application of the best available techniques, and on the efforts to enhance environmental competencies among the Company's and contractors' personnel. The Report highlights environmental impact mitigation and control measures, including waste management, energy efficiency, associated gas utilisation, emissions and discharges of pollutants, greenhouse gases, and ozone-depleting substances. The Report presents four-year trends for each of the aforementioned environmental impact indicators. Environmental expenditures are also shown. The Report highlights the decarbonisation activities the Company carried out in the reporting year as part of an Oblast-wide climate experiment. These included the preparation of mandatory carbon reporting for 2023 and monitoring compliance with the greenhouse gas emissions quota. The reported energy generation and consumption trends demonstrate the Company's strong energy efficiency performance. Monitoring of greenhouse gas emissions is included, based on the estimation of Scope 1 and Scope 2 emissions. It provides climate change adaptation data and describes the management of climate risks, primarily transition risks associated with the development of a low-carbon economic model. The Report outlines the priorities for implementing the environmental monitoring and biodiversity conservation programme in 2024 in areas potentially affected by production facilities in order to minimise impacts on flora and fauna. The Report covers the implementation of a programme to train personnel in carrying out oiled bird rescue activities, and the training of the Company's and contractors' employees in 2024. The Report mentions a number of internal and external environmental awareness initiatives conducted by the Company's specialists.

### Contributing to Community and Local Development Initiatives

The Report highlights Sakhalin Energy's principles, approaches, and priorities in the area of social investment and sustainable development, taking into account ESG factors, which are stipulated by the Sustainable Development Policy. It is noted that the Company implements social programmes and projects that contribute to the achievement of national and global sustainable development goals, taking into account regional priorities, including priorities in the areas of security, education, culture, environment, engagement with indigenous peoples (IP) of the North, and women's leadership. The Report contains information on social investment management, technologies for implementing social programmes, and mechanisms for collegial decision-making on key programmes involving representatives of the Company, the authorities, partner organisations, and members of public associations. It discloses information about the volume of the Company's investment in the implementation of external social programmes between 2021 and 2024. It covers the activities of the long-standing Safety is Important programme, implemented in the reporting year with the involvement of public organisations and government agencies. The Report highlights the activities of the Energy Social Initiatives Foundation and competitions for representatives of the regional non-profit sector. Information is provided on the implementation of the latest SIMDP in Sakhalin Oblast, including details of the grant competition, under which 26 projects were supported in the following areas of the Plan: traditional knowledge, national culture and languages, environmental protection and biodiversity conservation, traditional economic activities, capability building for indigenous peo-

ples, education, and national sports. The participation of employees in corporate social programmes and the development of the volunteer movement in the region are covered. Information is provided on volunteer activities under the Hurry Up for Good Deeds programme.

### Final Provisions

Overall, the information contained in the Report offers a comprehensive description of the Company's business practices, which are built on the principles of corporate social responsibility and sustainable development. The Report contains a significant amount of information on the Company's managerial, economic, environmental, and social impacts. The Company's goals and objectives are presented in alignment with the UN-2030 SDGs and national projects. Stakeholder engagement, ESG, and risk management are covered in the context of the sustainable development agenda.

The Report has been prepared using the standards used in Russian and international reporting practices (GRI Standards), which ensures comparability of information with the data of other companies. During the preparation process, the Guidelines of the Russian Ministry for Economic Development on sustainable development reporting were taken into account, as well as other documents relating to this area. The Report states that the material topics disclosed were determined with the opinions of stakeholders in mind.

The 2024 Report continues the Company's practice of disclosing sustainable development information, thus demonstrating its commitment to openness and transparency.

The Report states that the information included has been verified internally; the Company also relies on an independent external assessment of the reported information in a public endorsement format.

## RECOMMENDATIONS

Recognising the merits of Sakhalin Energy's 2024 Non-Financial ESG Report, the Council would like to draw the Company's attention to a number of aspects of disclosure materiality and completeness that are significant to stakeholders, and recommends that they be taken into account in the next reporting rounds.

The Council wishes to point out that the recommendations made following the analysis of previous reports are still relevant and can be used in future reporting.

The Report provides comprehensive information on the alignment of Sakhalin Energy's goals and objectives, individual activities, projects, and programmes with the relevant 2030 SDGs and their targets, and specifies key corporate indicators. It is recommended that, in the next reporting rounds, while retaining the idea of linking the Company's strategic goals and objectives to the SDGs, it should be supplemented with a link to the national development goals and aligned with the actual benchmarks in the system of corporate indicators. It would also be worthwhile to come up with a more compact and visual way of presenting this information, which is important for stakeholders.

The Report summarises the Company's plans for 2025 and its growth strategies in a number of areas, which is an important aspect of reporting. Notably, however, most plans are qualitative in nature, framed as declarations of intent. It is recommended that, going forward, this information be supplemented with short- and medium-term benchmarks using quantifiable indicators.

The Report contains information on the standards used in its preparation, including the application of the Sustainable Development Reporting Guidelines, and some of the indicators are included in the Report. It is recommended that the Company expands the range of disclosed indicators from the list of the Russian Ministry for Economic Development in the future and to specify the reasons why some of them are not being used. It would also be appropriate to compile and include in the next Report, as an appendix, a table showing compliance with the indicators specified in the Sustainable Development Reporting Guidelines.

The Report contains some HR performance metrics; however, material information is missing for a number of areas. During the next reporting rounds, it is recommended that staff attrition data be broken down by various staff groups, that unit costs be provided for training and OHS activities, along with information on the Company's salary levels vs. those region-wide.

The Report provides detailed coverage of the areas of social support for employees. For a more complete picture of the scale of social programmes implemented in the Company for employees, it is recommended that, going forward, the breakdown of the Company's expenditures on these programmes be presented. It would also be advisable to disclose in greater detail information on the activities and expenses allocated by the Company to support its employees with family responsibilities, taking into account national goals in the context of demographic development priorities.

It is recommended that future Reports give more weight to corporate governance issues, especially taking into account the particular governance model implemented by the Company in accordance with the provisions of the PSA. It would also be appropriate to include information on implemented ESG decisions of the Supervisory Board, the General Meeting of Members as the supreme management body of Sakhalin Energy LLC, and the Chief Executive Officer (collectively, Governance in ESG).

The Report contains information about the scope of social investment and the priority areas of the Company's social activities, including the implementation of long-term programmes in the regions where the Company operates. This information will become more complete and compelling if future reporting includes details on the approaches to assessing the performance of key long-term projects and their impact on improving the quality of life of the local communities in the host regions. It would also be worthwhile if future reports also presented the breakdown of social investments by main focus areas.

The Report contains information about enquiries to the Company and proposals from stakeholders. In this context, it would be worthwhile to include information about the use of the recommendations made by the RUIE Council for Non-Financial Reporting, Sustainable Development Indices and Ratings, and to draw up a table that would incorporate the recommendations received following the public endorsement procedure.

The RUIE Council for Non-Financial Reporting, Indices and Sustainable Development Ratings expresses a favourable opinion of the Report and, supporting the Company in its commitment to the principles of responsible business conduct and noting the consistency in the development of the reporting process, confirms that Sakhalin Energy's 2024 Non-Financial ESG Review has received public endorsement.

**RUIE Council for Non-Financial Reporting, Sustainable Development Indices and Ratings**