Incident Reporting and Follow-Up

Purpose

This Standard sets out minimum requirements for reporting, classifying, investigating, and follow-up for all incidents, including near misses.

All incidents relating to Sakhalin Energy’s activities shall be reported to measure the effectiveness of management controls. Incidents shall be analyzed and reviewed, learning disseminated, actions taken and followed up to prevent recurrence.

Incident reporting and follow-up includes:
   a. Notification;
   b. Investigation;
   c. Analysis;
   d. Recommendations;
   e. Implementation of actions arising from the investigation;
   f. Dissemination of learning;

Who is this for?

- Directors, Assert Managers and Supervisors;
- HSE-SP Professionals;
- Contractors;
- Employees;

What situations are covered?

This document applies to all Sakhalin Energy Assets, Facilities, Operations, Projects and Activities, including activities undertaken by any Contractor (Subcontractor) on behalf of the Company.

Definitions:

- Incident - an unplanned event or chain of events that has resulted in an injury, illness, or damage to assets, the environment or company reputation and/or social/community impacts (including violation of human rights);

- Near Miss - an incident without actual consequences that under circumstances (or by chance) could have caused an injury, illness, or damage to assets, the environment or company reputation and/or social/community impacts (i.e. hazard was released but did not cause harm);

- Potential Incident / Unsafe acts - An unsafe practice/act or hazardous situation that could result in an incident if the situation escalated (i.e. a hazard was not released because of management system controls).

- High Potential Incident - is an Incident for which the combination of potential Consequences and Likelihood is assessed to be in the red area of the RAM.

- Significant Incident - is an Incident that has actual Consequences to people, environment, Assets or reputation and/or social/community impacts with a Severity rating of 4 or 5 as per “Risk Assessment Matrix” (RAM).

General Requirements – All Incidents and Near Misses

1. All incidents and near misses occurring in activities executed for SE shall be reported and recorded within 24 hours in the Fountain IMPACT Incident Database.

2. The following shall be immediately reported to the HSE General Manager: All Significant and High Risk Incidents, Spills to Sea, and Injuries incidents (i.e. Medical Treatment Cases or more serious injuries).

3. All staff and contractors are required to adopt and encourage in others, a culture of openness in reporting all incidents, including near misses.
4. Classification of incidents is aligned with international industry practice and shall use the Shell Performance Monitoring and Reporting (PMR) Specification unless otherwise specified in this document. Classification of social/community incidents is aligned with HSESAP RAM (as specified in Methodology for Classifying and Remediating Incidents And Breaches Specification).

5. All incidents occurring during working time or on company and (sub) contractor property shall be investigated and treated as work related unless determined otherwise.

6. All third party motor vehicle fatalities are counted as work related regardless of classification (i.e. irrespective of whether a failure of a company or contractor management control directly contributed to the incident causation)

7. The following exceptions shall be treated as non-work related:
   7.1. Activity of Mode 3 contractors, buyers or similar, where exposure hours are not reportable. (This includes as non-work related: incidents involving marine transport contractors working on time or voyage chartered marine cargo vessels and contractors performing maritime related work for a standard fee that is widely available, such as a towage service provided by a Port Authority. However marine contracted platform support vessels are Reporting Contractors and incidents are work related unless any of 7.2 to 7.10 apply)
   7.2 An incident during a contractor’s travel to point of mobilization.
   7.3. Incidents occurring during a person’s commute to and from work in their private vehicle
   7.4. The employee is present in the work environment as a member of the general public.
   7.5. The symptoms that surface at work are solely due to non-work-related event or exposure.
   7.6. The injury or illness results solely from voluntary participation in a wellness program, medical, fitness or recreational activity.
   7.7. The injury or illness results from eating, drinking or preparing food or drink for personal consumption (unless caused by contamination by the working environment).
   7.8. The injury or illness results from participation in a personal task outside assigned working hours (unless the injury was caused by a hazard or event on company or (sub) contractor premises).
   7.9. The injury or illness results from personal hygiene related activities, self medication for non-work related condition or are intentionally self-inflicted.
   7.10. The illness is a common cold or flu.

8. Final classification of injurious incidents shall be determined by the HSE General Manager based on HSE professional advice. Classification of injury types shall be based on a Sakhalin Energy medical review of the injury and any potential impact on the injured party’s normal working activities. If an injured party is signed off work by a “sick leave” document, provided by a non-company medical professional, this shall not determine Company’s injury classification. The actual medical treatment provided does not determine the classification if the treatment was disproportionate to injury or illness as determined by the Corporate Health Manager.

9. Based on both the actual and potential consequences of an incident the “Risk Assessment Matrix” (RAM) shall be used to differentiate the level of investigation and follow-up for High, Medium and Low Risk Incidents. For Asset damage incidents, consequential business loss shall be excluded when assigning the RAM rating.

10. After registration in Fountain, all incidents shall be investigated in compliance with the established Incident Reporting and Follow-Up Procedure (Appendix 2).

11. All Process Safety Events (PSE) shall be reported in compliance with the “Risk Assessment Matrix’’ (RAM).

12. For specific reporting requirements to the Russian Authorities see Appendix 3. For Lenders specific requirements see Appendix 2.

14. Detailed investigation reports shall be submitted in English and Russian for all incidents with actual consequences rating severity 3, 4 or 5 and all Medium and High Risk Incidents. Low risk incident investigations shall be submitted via 5WHY incident investigation form (5WHY) or similar method.

15. Every investigation shall include identification of immediate and root causes of incident and address SMART actions to root causes for prevention of similar incidents in future.

16. Corrective or preventative action shall be taken to eliminate the direct and underlying causes of incidents, including near-misses and reduce risks to ALARP.
**Significant Incidents and High Potential Incidents – Specific Requirements**

18. All Significant and High Risk Incidents Investigations shall be led by a direct report of the CEO.

19. The investigation team shall be formed according to the Terms of Reference for High Risk Incident Investigation (Appendix 4) and include a qualified analyst to establish the underlying causes, using Tripod BETA tool.

20. The investigation team shall also contain senior management from the contractor company (where applicable) and the report written following the Template for a Significant Incident report.

21. Significant and High Risk Incident investigation teams shall use, where available, the relevant HSE Case(s) bow-tie(s) as the key reference document(s) in the investigation process to identify failed controls.

22. Final results of all Significant and High Risk Incident Investigations shall be prepared within 28 days and reviewed at the HSE Management Committee, using the Significant Incident Review Presentation template.

23. The final incident classification should be made by the CED based on the basis of the recommendation of the HSE General Manager and/or EA Manager (in case of social consequences).

24. For all High Risk Incidents CEO approval is required for extension to a remedial action’s due date.

25. Details of Significant Incidents and High Risk Incidents, lessons learned, shall be shared through alerts and for Action alerts the actions to be taken tracked in Fountain.

**Medium Risk Incidents – Specific Requirements**

26. All suspected Lost Workday Case investigations shall have a CED sponsor with assistance of a trained TRIPOD facilitator to analyze the underlying causes of the incident.

27. All Medium Risk Incidents Investigations shall be led by a Site / Activity Owner or Contract Holder.

28. The investigation team shall be formed according to the Terms of Reference for Medium Risk Incident Investigation (Appendix 5).

29. Final results of all Medium Risk Incident Investigations including report shall be prepared within 28 days and reviewed at an Asset / Functional Incident Review Panel. Lost time Injuries shall be reviewed with CEO.

30. The final incident classification should be made by the CED based on the basis of the recommendation of the HSE GM.

31. For Medium Risk Incidents CED member approval is required for extension of a remedial action’s due date.

**Potential incidents and unsafe acts – Specific Requirements**

32. Potential incidents and unsafe acts with High Risk (where the combination of potential Consequences and Likelihood is assessed to be in the red area of the Risk Assessment Matrix - RAM) or high learning value shall be entered into Fountain.

33. Potential incidents and unsafe acts with potential consequences of 3 or less on the RAM shall be recorded in appropriate local systems such as an Observation / Intervention Card or HAZID Cards. All potential incidents shall be reported to the responsible supervisor / HSE officer for learning. These incidents may also be reported in Fountain if there is high value learning.

**Releases and Spills – Specific Requirements**

34. All spills to water must be reported to the Russian Authorities as per Standard for Organization for Emergency Prevention and Response.

35. Spills in excess of 50L offshore and 200L onshore to be reported to other external stakeholders as per Standard for Organization for Emergency Prevention and Response.

36. All Process Safety Events (PSE) shall be reported in compliance with SEIC Process Safety Events Procedure.
INCIDENTS REPORTING AND FOLLOW-UP STANDARD

Standard Overview

RF Legal Requirements for Injurious Incidents with Sakhalin Energy Personnel

37. The following incidents occurring with Sakhalin Energy Employees shall be investigated in compliance with the Russian Federation requirements described in the Incident Reporting and Follow-Up Work Instruction "Statutory Reporting of Incidents in RF" (Appendix 3): Lost Workday Case (LWC), Restricted Work Cases (RWC), Fatalities (FAT), Multiple Casualty Accidents, Non-Accidental Deaths (NAD) occurred with SE employees.

38. The time frame for Injurious Incident Investigations is determinate by the Authorities based on the severity of the injuries sustained (according to classifications by a medical professional) according to the Order of the Ministry of Public Health and Social Development of the Russian Federation “On Determination of Severity of Injury to Health as a result of Industrial Accidents” - No.160 dated 24th February, 2005.

- 3 days (insignificant injuries)
- 15 days (significant injuries)

Assurance – Specific Requirements

39. Reported data shall be analyzed to derive and report trends, implement corrective actions and disseminate lateral learning.

40. Significant Incidents and High Risk Incident notifications and alerts shall be disseminated in accordance with Incident Reporting and Follow-Up Procedure (Appendix 2).

41. Investigation results of Lost Work Day Cases and Medium Risk incidents with significant learning shall be communicated throughout Sakhalin Energy via HSE bulletins.

42. Head of HSE Investigation Assurance is responsible to control compliance with timely submission of notifications/reports in Fountain, including relevant notification to Shareholders, Lenders and Authorities.

43. Registration of (Medium and High Risk) incident investigation reports in Fountain is to be executed by Asset/Department Fountain Impact Focal Points in consultation with the HSE Investigation Assurance team and Social assessment Team (in case of social consequences).

44. Incident owner is responsible for the follow-up and closure of actions approved in Incident Investigation report.

45. The amount of time allocated for closure of each incident action item shall be commensurate with the risk, and allow minimum time to pass before business controls are implemented that will prevent recurrence of similar incidents. For Significant and High Risk Incidents, the timeframe for actions, including extension, shall be approved by CEO, for Medium Risk Incidents - the relevant CED member, and for Low Risk incidents - by the relevant CED member representative – relevant Asset or Functional manager.

46. HSE General Manager shall provide information relating to compliance with requirements of incident investigation, action follow-up and closure as input to the Annual Business Assurance Letter.

Learning from Incidents Process (LFI)

47. Results of incident investigation shall be assessed by the incident owner and HSE and SP (in case of social consequences) representatives to determine company-wide learning for prevention of reoccurrences. Incident alerts (or relevant information to prepare an Alert) shall be sent to the HSE Communication Coordinator for review and distribution.

48. Lessons learnt shall be disseminated on a monthly basis through alerts (action or information) via the HSE Communication Coordinator.

49. Prior to distribution of alerts the HSE Communication Coordinator reviews the material with relevant disciplines and gains approval from External Affairs Department and Legal Directorate where required.

50. LFI alerts should contain descriptions of the Incident, including: (relevant equipment and process type, immediate and root causes, consequences of the incident, and key recommendations / actions to be taken to prevent reoccurrence).
There are two types of alert that may be issued: Action alert and Awareness alert. Action alerts include obligatory actions for specific staff to be implemented within a specified period and require close out via Fountain. Awareness alert provides general recommendations, topics for discussion, information about Incidents.

The information is shared within appropriate groups and individuals. Alerts are posted on corporate intranet site.

Actions identified in Action alert are tracked for closure by asset management guided by asset Sites LFI focal points. (If no formal LFI contact appoint responsibility lies on Site Owner).

The HSE General Manager in consultations with appropriate parties decide if the information should be disseminated externally e.g. Shareholders or industry associations e.g. IADC.

Key Performance Indicators

- Business Assurance Letter.
- Timeliness of effective follow-up actions closeout from incident investigations.
- Quality of the incident investigation and analysis.
- Registration in Fountain IMPACT Incident Database of incident investigation reports.