

APPROVED

by Resolution of the Board of Directors
of JSC INK-Capital
Minutes No. 117 dated December 9, 2021

**SUSTAINABLE DEVELOPMENT AND ESG
POLICY
OF JSC INK-CAPITAL
(Revision 1)**

Irkutsk

2021



Link of Mission with sustainable development

Responsible business conduct is an integral part of the Group's activities. The Group makes its contribution to the achievement of Sustainable Development Goals, 8 of which, based on the Group's nature of business, are identified as priority goals.

Mission Statement

We live in this region and work to ensure that the use of Eastern Siberia's mineral resources secures a decent present and a sustainable future for the region and its people. We cherish the life and health of our people, and we care about the unique nature of our land.



SAFETY TEAMWORK LEADERSHIP RESPONSIBILITY INDEPENDENCE

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I. GENERAL PROVISIONS

- 1.1 Joint Stock Company INK-Capital owns the legal entities (including through its subsidiary companies) (hereinafter collectively referred to as the Group) that perform geological study, exploration, and production of hydrocarbons in Eastern Siberia and neighboring regions, and which are also engaged in the implementation of promising projects, including in the field of gas chemical production.
- 1.2 The Group adheres to a comprehensive solution of the tasks facing it. Sustainable development is an integral part of the Group's goal setting. In its activities, the Group applies an integrated approach to solving the assigned tasks, striving for a long-term balance between economic benefits, business continuity, creation of favorable living conditions and work of its employees, effective interaction with stakeholders and yet, care for nature for the benefit of present and future generations.
- 1.3 The Group is committed to the principles of environmental protection, health, and safety. Since 2009, the Group has adopted the Health, Safety, and Environmental Policy. In order to achieve sustainable development goals, the Group is aimed at integrating ESG aspects (Environmental, Social and Governance - environmental impact, social responsibility, corporate government standards) into its strategy and development plans.
- 1.4 This Policy is the fundamental high-level document that defines the principles and directions of the Group's activities related to sustainable development and management of ESG aspects. Furthermore, the main approaches and principles to sustainable development are established in the following documents of the Group:
 - Corporate Governance Code of JSC INK-Capital;
 - Code of Ethics of JSC INK-Capital;
 - Risk Management Policy of JSC INK-Capital;
 - Anti-Fraud, Anti-Corruption and Anti-Legalization of Proceeds Received from Crime (Anti-Money Laundering) Policy of JSC INK-Capital;
 - Internal Control Policy of JSC INK-Capital;

- Golden Safety Rules;
- Documents developed by the main operating company of the Group - OOO Irkutsk Oil Company, which are mandatory for use by all of its subsidiaries:
 - Health, Safety, and Environmental Policy of OOO Irkutsk Oil Company; and
 - Guidelines for OOO Irkutsk Oil Company on the provision of charitable (sponsorship) assistance.

1.5 This Policy is binding upon:

- all management bodies of the companies that are affiliates of JSC INK-Capital;
- all employees of the companies that constitute the Group.

1.6 No administrative documents, local regulations and internal acts and regulations of the Group shall contradict this Policy.

II. THE GROUP'S PRINCIPLES ON SUSTAINABLE DEVELOPMENT

2.1. The Group's principles regarding reducing greenhouse gas emissions (decarbonization).

2.1.1. Recognizing the importance and significance of reducing greenhouse gas emissions into the atmosphere, the Group strives to contribute to the implementation of the goals and objectives of the Paris Agreement, adopted on December 12, 2015 at the 21st session of the UN Climate Change Conference (hereinafter referred to as the Paris Agreement) and at its further sessions to the extent that they are in line with the laws of the Russian Federation, goals and objectives determined by the government of the Russian Federation.

2.1.2. Confirming its commitment to the principles of sustainable development in the field of climate change and environmental protection, the Group began to develop a climate strategy (decarbonization strategy, sustainable development strategy), including analysis of climate scenarios, assessment of climate risks, scientific determination and setting goals for reducing greenhouse gas emissions, developing a voluntary monitoring system and conducting an independent audit of greenhouse gas emissions and hazardous substances that are directly and indirectly generated as a result of the Group's activities.

2.1.3. In order to implement measures to reduce greenhouse gas emissions (hereinafter referred to as the Measures), the Group brings its efforts in the following areas:

- increase in operational efficiency in order to reduce production costs;
- utilization and rational use of associated petroleum gas, including by development of the gas chemical business;
- increase in energy efficiency and use of renewable energy sources (including solar energy) at its production facilities;
- reuse, recycling and disposal of materials and resources;
- investment in land use based on regenerative technologies (including reforestation);
- implementation of projects and making investments that directly or indirectly contribute to decarbonization and transition of the economy to low-carbon operating principles;
- investigation of the possibilities of entering the international and Russian markets of carbon credits (as they develop) in order to compensate for greenhouse gas emissions and (or) increase the economic efficiency from the implementation of Measures.

2.2. Link between the Mission and Core Values of the Group and the principles of sustainable development.

As an integral part of the corporate culture, the Mission and Core Values of the Group lay the foundation for the commitment to the sustainable development and ESG practices.

The Group's principles on sustainable development and ESG are closely linked to the Core Values of the Group: Safety, Teamwork, Leadership, Responsibility, and Independence.

2.2.1. Responsible attitude to sustainable development.

The principles of responsible attitude to sustainable development and social responsibility are fundamental factors in the implementation of any projects of the Group.

Strategic planning of the Group's activities is based on striving for a balance between environmental protection, social policy, and business development.

Guided by the recommendations of the leading representatives of various types of social institutions in the field of sustainable development and the best international practices, the Group has been continuously improving the applied ESG-management mechanisms and introducing new ones in order to increase the efficiency of its activities.

In line with the idea of responsible production and consumption of resources, the Group has been gradually diversifying its activities, creating and developing new areas of production in gas processing, gas chemistry, inorganic chemistry, production of "blue" ammonia, etc., thereby striving to reduce the carbon intensity of the Group.

The Group has a responsible attitude to environmental protection and puts in its priority list solution of environmental problems by introducing circular economy approaches in production, protecting biodiversity and reducing emissions and discharges of pollutants, as well as minimizing the Group's impact on the environment.

As part of the climate agenda, the Group has been working out measures to adapt to climate change at its production facilities, ensuring safety and business continuity and protecting the health of its employees.

Understanding and sharing its responsibility to future generations, the Group has been taking measures to reduce the carbon footprint of its activities. To achieve this, the Group is anxious to manage its emissions of greenhouse gases and hazardous substances and to introduce respective tools and mechanisms.

2.2.2. Independence and human rights.

The Group respects a right of every person to dignity and freedom and means to ensure their protection.

The Group strives to create conditions for everyone to express their own opinion, as well as create conditions for training and continuity of generations. The Group does not tolerate any form of discrimination and stands for equality of rights regardless of gender, race, language, national or social origin, religion, political and other beliefs, sexual orientation, or other status.

2.2.3. Safety as a priority.

The main asset of the Group is its employees. The Group values human life and health above all.

By safety, the Group understands that Safety is applicable to and covers such areas as production, working conditions, life and health of employees and the population of the territories of its operation, as well as environmental protection, economics, information technologies, etc. The Group's activities are aimed at continuous improvement of working conditions of its employees and a decrease in the number of occupational injuries, occupational diseases, and number of incidents (accidents and fires).

The Group adheres to zero tolerance concept in such critical area of its activities as occupational injuries and makes its best efforts to achieve this goal.

The Group operates in strict compliance with the applicable laws and relies on the best world practices in order to ensure safety of its operations.

2.2.4. Teamwork and openness.

In cooperation with all stakeholders, the Group aims to build long-term mutually beneficial cooperation and expects partners to share its position in adherence to the principles of sustainable development.

The Group's planning of activities related to sustainable development and ESG is integrated into its relations with governmental and local authorities, residents of the territories of the Group's operation, partners, educational institutions, public organizations and associations.

The Group strives to build good relationships with authorities and people, contributes to the development of culture, sports, healthcare and participates in the development of programs of socio-economic cooperation and partnership that contribute to the development of the territories of its operation.

In interaction with governmental and state authorities, as well as any stakeholders, the Group strictly adheres to the anti-corruption principle.

Interaction with all stakeholders is based on the principle of openness and transparency.

2.2.5. Striving for leadership in the field of sustainable development.

The Group strives for continuous improvement in the implementation of the principles of sustainable development and the obligations the Group has undertaken thereby. The Group is open to cooperation with all stakeholders in achieving sustainable development goals. For the purpose of sharing experience and improving interaction, each year the Group holds the Baikal Risk Forum, where practical cases on various topics, including sustainable development, are discussed.

The Group applies innovation technologies in its activities, including research and development and patenting the results of such research and development. In addition, the Group updates operational processes, engaging in engineering, automation, and digitalization.

The Group contributes to the budget system of the Russian Federation, as well as contributes to the development of the territories in which it operates. The Group is a responsible and bona fide taxpayer.

Implementation of an effective corporate governance system is an important aspect in the sustainable development of the Group. In addition to strict compliance with the laws of the Russian Federation on corporate governance, JSC INK-Capital (as the holding company of the Group) seeks to build a corporate governance system within the Group in accordance with the basic principles established by the Corporate Governance Code recommended by the Central Bank of the Russian Federation (Letter No. 06-52/2463 issued by the Central Bank of Russia on April 10, 2014), the Corporate Governance Code of Great Britain, as well as with the world's best practices.

The Group abides by the laws of the Russian Federation, as well as by the best world practices on business ethics and prevention of corruption.

III. INFORMATION DISCLOSURE AND REPORTING ON SUSTAINABLE DEVELOPMENT

3.1 The Group strives to ensure openness and transparency of its activities in the field of sustainable development and ESG for all stakeholders.

3.2 The Group plans to disclose on its website (www.irkutskoil.ru – Russian version, www.irkutskoil.com – English version) an annual integrated report, including both a sustainability (ESG) report, as well as an annual report (in Russian and English).

3.3 In preparation of the annual integrated report, the best world practices, as well as international and Russian standards for the preparation of non-financial reporting, will be taken into account.

IV. FINANCING FOR SUSTAINABLE DEVELOPMENT

4.1. In order to finance measures and projects on sustainable development (including measures that contribute to the implementation of a long-term strategy aimed at the reduction of direct greenhouse gas emissions and (or) aimed at the implementation of energy efficient and low-carbon projects, or projects having a positive environmental impact), implemented by JSC INK- Capital and its affiliates, including transitional (adaptive) ones, it is planned to use various instruments for attracting debt financing (including bonds issue, lending, subsidies for respective projects, etc.), which, among other things, may comply with the requirements of the laws of the Russian Federation in this area, consistent with international principles, including the principles of the International Capital Market Association (ICMA) (hereinafter referred to as Financial instruments for sustainable development).

Among the Financial instruments for sustainable development, it is planned to issue, inter alia, bonds, which may correspond to the:

- principles of transition bonds; or
- principles of green bonds; or
- principles of social bonds; or
- sustainable bond standards or sustainable development principles.

4.2. Project assessment and selection process.

The analysis of projects announced for obtaining financing through the use of Financial instruments for sustainable development (already implemented, current and (or) future) will be carried out by a specially created working group. The proposed projects shall have a positive effect (impact) on the environment and (or) comply with the principles specified in Clause 4.1 of this Policy, or the criteria (requirements) established by the laws of the Russian Federation.

The results of such analysis, including assessment of the projects' compliance, will be reviewed by the Sustainable Development and ESG Committee under the Board of Directors of JSC INK-Capital, which will issue respective recommendations.

4.3. Management of funds raised through Financial instruments for sustainable development.

The funds raised through the use of Financial instruments for sustainable development will be used to finance and (or) refinance, in whole or in part, the Group's expenses for the relevant projects in accordance with the intended purpose of the financial instrument used in each specific case.

For transparency in the projects' implementation JSC INK-Capital plans to introduce a system for monitoring implementation of the projects and appropriate procedures to control the intended use of funds raised through the use of Financial instruments for sustainable development.

Control over the intended use of funds raised through the use of Financial instruments for sustainable development is carried out by the Sustainable Development and ESG Committee under the Board of Directors of JSC INK-Capital.

4.4. Reporting and verification.

In the event of a bond issue, JSC INK-Capital is planning to engage a specialized organization to obtain an independent conclusion on compliance with (verification):

- principles specified in Clause 4.1 of this Policy, and (or) having a positive environmental impact; and (or)
- requirements stipulated by the laws of the Russian Federation.

JSC INK-Capital plans to regularly prepare and disclose on the website of the Group (www.irkutskoil.ru – Russian version, www.irkutskoil.com – English version) reports on issued verified bonds (except for bonds issued to refinance already implemented sustainable development projects, including those aimed at preserving and protecting the environment) until their maturity date or until the date of the project implementation, which will include details on the entire amount of funds raised and spent and (or) on achievement of the target project indicators (hereinafter referred to as reporting on verified sustainable development bonds).

The reporting on verified sustainability bonds will be assessed annually by relevant independent appraisers (if required to do so).

V. FINAL PROVISIONS

5.1 This Policy is approved by the Board of Directors of JSC INK-Capital.

5.2 The Group undertakes to improve this Policy taking into account new sustainable development and ESG standards in the Russian and international practices, interests of the shareholders, the Group and other stakeholders, and amendments of the applicable laws of the Russian Federation.

JSC INK-Capital plans to update this Policy on a regular basis (at least once a year) in order to provide all necessary details and keep it up-to-date.

5.3 This Policy, its Russian and English versions, is disclosed on the website of the Group (www.irkutskoil.ru - Russian version and www.irkutskoil.com -English version).

5.4 Control over compliance with this Policy, as well as implementation of the Group's projects (portfolio of projects) on sustainable development, is entrusted to the Sustainable Development and ESG Committee under the Board of Directors of JSC INK-Capital (after its creation).