



# Lenders' Independent Environmental Consultant Social Monitoring Report: March 2010

## Sakhalin II (Phase 2) Project

**Report to Sakhalin II (Phase 2) Project Finance Parties**

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## List of Abbreviations

AEA	AEA Technology – Independent Environmental and Social Consultant
BIC	Business Integrity Committee
CAP	Community Awareness Programme
CLO	Community Liaison Officer
GP	Grievance Procedure
GTGT	Gazprom Trans Gas Tomsk
HSE	Health, Safety and Environment
HSESAP	Health, Safety, Environment and Social Action Plan
IEC	Independent Environmental Consultant
IP	Indigenous Peoples
LNG	Liquefied Natural Gas
PCDP	Public Consultation and Disclosure Plan
PCDR	Public Consultation and Disclosure Report
RAP	Resettlement Action Plan
RF	Russian Federation
SD	Sustainable Development
SI	Social Investment
SIA	Social Impact Assessment
SIMDP	Sakhalin Indigenous Minorities Development Plan
SP	Social Performance
SPT	Social Performance Team
PMD	Pipeline Maintenance Depot

## Executive Summary

AEA Technology (AEA) conducted a social monitoring visit to the Sakhalin II Phase 2 Project on behalf of the lenders from 23<sup>rd</sup> – 31<sup>st</sup> March 2010. The monitoring activities aimed to capture the Project's performance on implementing its social commitments as outlined in its Health, Safety, Environment and Social Action Plan (HSESAP), with a particular focus on the following key areas:

- Stakeholder engagement
- Grievance management
- Contractor compliance on social commitments
- Company management and application of social commitments

The move from construction to operations has led to a large reduction in Company impacts on local communities, and the ongoing Company investment in sustainable development projects is now well established and well publicised. In addition, the Company has an extensive stakeholder engagement programme which allows members of the public to easily access the Company with grievances or inquiries. Overall, the Company is delivering a very good level of stakeholder engagement activities during operations, which has resulted in a constructive relationship with local people.

The management of grievance-related data continues to work well. The number of grievances over the last year has been much reduced, and AEA considers this to be a result of the reduction of grievances related to construction impacts rather than a lack of public awareness or hesitation to use the grievance process. The majority of grievances are now being resolved or otherwise closed out within 45 working days, as committed to in the HSESAP. Just two grievances in 2009 exceeded the 45 working day deadline, although these were as a result of protracted and complex investigations and negotiation; AEA considered that the explanation given by the Company for this delay was satisfactory. Of the four claimants interviewed during this monitoring visit, all expressed satisfaction with the grievance management process and in particular commented favourably on the support and assistance given by the Community Liaison Officers (CLOs) in helping them to lodge their grievances.

No issues were found with regard to the Company's contractor performance, although AEA does stress the importance of undertaking measures to ensure that its current contractors are familiar with construction-related social performance commitments (should project variations lead to any construction activities during the operational phase) and that the Company monitors its contractors' compliance with these commitments.

The only area of social compliance that AEA considers as not fully satisfactory at this point relates to the Social Impact Assessment (SIA) undertaken for the LNG permanent accommodation and subsequent monitoring of potentially impacted households neighbouring this accommodation. AEA has previously noted that the SIA for this infrastructure was not sufficient, and has recommended that summaries of the SIAs and scoping studies should be posted on Sakhalin Energy's website for transparency. While a summary of the scoping exercise has been uploaded, AEA finds that it is not sufficiently detailed as it does not include a map/physical description of the infrastructure in relation to its neighbouring area, or a full description of the management measures for addressing real and potential impacts the neighbouring households.

Furthermore, Sakhalin Energy did not undertake subsequent monitoring of the households neighbouring the site on the basis that the construction of the LNG accommodation led to benefits rather than problems for neighbours (e.g. road paving/clearing/street lighting). Even where negative impacts are not anticipated, AEA considers that monitoring is still required. Grievances have been lodged by some of the households neighbouring the LNG accommodation subsequent to the completion of construction works. These grievances could have been avoided had routine monitoring been undertaken. AEA now makes some further recommendations, which are shown below.

In general, the findings of the monitoring visit are that there are no material non-compliances, and that social performance has generally been positive. The scale of social management activities is now

reducing as a result of the movement from construction to the operational phase, with fewer social issues and improved awareness of and attitude towards the Company.

AEA has, however, identified a number of areas in which Sakhalin Energy could work to maintain the current good level of social performance, and/or improve its performance; these recommendations are summarised below:

1. Monitoring of CLO workload to ensure CLOs are not overstretched during busy periods.
2. Ensuring all operational contractors are familiar with construction-related social performance commitments, and monitor their compliance with these should project variations lead to any construction activities during the operational phase.
3. Align social performance management with wider HSE management systems, for example regular internal audits.
4. Publication of a map/overview of the LNG accommodation infrastructure in relation to neighbouring areas, and description of measures taken to manage and monitor social impacts.
5. Monitoring of households neighbouring the LNG permanent accommodation, and investigation of existing grievances and additional concerns.
6. Undertake SIAs for all future project variations with potential social impacts (commensurate with their potential impacts) and social monitoring of people potentially affected by these project variations.

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# 1 Introduction

AEA Technology (AEA) conducted a social monitoring visit to the Sakhalin II Phase 2 Project on behalf of the lenders from 23<sup>rd</sup> – 31<sup>st</sup> March 2010. The monitoring activities aimed to capture the Project's performance on implementing its social commitments as outlined in its HSESAP, with a particular focus on the following key areas:

- Stakeholder engagement
- Grievance management
- Contractor compliance on social commitments
- Company management and application of social commitments

The Company's social performance has recently been recognised through a number of awards (for example the Russian 'Silver Archer' External Affairs professional awards, the Company Benefactor of the Year award for Sakhalin Oblast, and title of Best Industrial Company From the Fourth Russian Congress on Indigenous People). The Company is also engaging in a number of initiatives related to the social performance of private sector companies, including membership of the United Nations Global Compact, implementation of the AA 1000 Standard as part of the Global Reporting Initiative (GRI) Reporting Framework (designed to increase the transparency of private companies), and acting as a case study to test the human rights compatibility of its grievance mechanism as part of development of the Ruggie Principles, which relate to the promotion of human rights accountability by multi-national businesses.

The scale of Sakhalin Energy's social management activities is now reducing as a result of the movement from construction to the operational phase, with fewer social issues identified and an improved awareness of and attitude towards the Company.

## 2 Social Monitoring Methodology

The social monitoring was carried out using the following methods:

- **Review of Company documentation**, including internal Company documents (such as the annual Social Performance (SP) Plan, annual SP Report and Grievance resolution reports), public documents (such as the annual Public Consultation and Disclosure Plan and Report), and the Sakhalin Energy public website.
- **Review of Sakhalin Energy's Fountain grievance database** and detailed documentation on a selection of specific grievances (with personal details of complainants such as names and contact details removed to protect privacy), including *all* the grievances which had been closed out by the Business Integrity Committee (BIC) with the exception of those grievances the BIC closed out that had already been reviewed by the independent RAP monitor.
- **Meetings with key personnel** – with both staff based at Sakhalin Energy's headquarters in Yuzhno-Sakhalinsk involved in managing social issues and the Community Liaison Officers (CLOs) in a number of localities across the island.
- **Site visits** to a selection of project facilities and camps, including sites operated by Contractors.
- **Field visits** to affected communities across the island.
- **Meetings with complainants** who have lodged grievances using the Company's Public Grievance Procedure.
- **Testing of company mechanisms** intended for use by residents and management of staff and contractor staff (e.g. contacting the free hotline operated by Sakhalin Energy to receive queries and complaints from the communities within Sakhalin Island, undergoing alcohol testing when visiting camps, and undertaking HSE induction).

The site and field visit techniques included visual observations (e.g. of the posting of relevant information such as public grievance leaflets, Workers' Code of Conduct, the Policy on Hunting, Gathering, Fishing, the Drugs and Alcohol Policy etc at contractor sites and in affected communities, and the quality of residential facilities and catering), as well as interviews with a range of stakeholders so that findings could be triangulated.

The main stakeholders targeted included:

- Sakhalin Energy staff at headquarters
- CLOs
- Local administration staff
- Other local community officials (e.g. librarians)
- Contractor site supervisors
- Contractor camp managers
- 'Catch interviews' with local residents (informal discussions based on a semi-structured questionnaire).

A full list of stakeholders interviewed during the office meetings and site visits is provided in Appendix 2.



## **3 Stakeholder Engagement**

### **3.1 Stakeholder Engagement Structure and Activities**

Sakhalin Energy has a well established process of stakeholder engagement whereby the Company informs and consults individuals and organisations with an interest in their activities, within the Oblast, as well as nationally and internationally. The Company's stakeholder engagement activities are described in their (annually updated) Public Consultation and Disclosure Plan and Report (PCDP and PCDR), which are publicly available. Engagement with the public and dissemination of project-related information are implemented by a variety of means including regular community meetings, CLO daily activities in communities, regular open hours in CLO offices, focus-group and individual discussions with the affected public, round tables and workshops, and the use of local and national media. Surveys of public and/or expert opinion are conducted annually in order to ascertain a prevailing attitude of the affected communities towards the Project.

Relevant information is made publicly available in both Russian and English on the Sakhalin Energy website, in information centres based in the local libraries, printed media, and via e-mail notifications to NGOs. In addition posters and bulletin boards displaying key company information (e.g. the company grievance procedure, policies that are relevant to community members such as the Policy on Fishing and Hunting, information on sustainable development programme opportunities, and project updates) are maintained in public places in project affected communities. Overall, the Company is delivering a very good level of stakeholder engagement activities during operations, which has resulted in a constructive relationship with local people.

#### **3.1.1 CLO Network**

The CLO Network remains the principal organisational resource for Sakhalin Energy's stakeholder engagement. In 2010, in response to the reduced engagement requirements resulting from the move from construction to operations, the CLO team has been reduced from 15 members of staff to a team of five. Discussions with these remaining five CLOs during the monitoring trip indicated that the reduced team is still able to manage their responsibilities despite the fact that each CLO is now covering a larger area of communities. However, some of the CLOs (e.g. the CLO for the Centre Spread, who covers interactions with communities in the area stretching from Pobedino in the North to Pugachevo in the South) are covering large geographical areas. It will therefore be important for the Company to monitor the extent to which CLOs are able to execute their full range of responsibilities during busy periods, for example during the months in which public meetings are held, or during any special campaigns or activities, and provide additional assistance as necessary.

CLOs continue to meet in Yuzhno-Sakhalinsk every two months to share feedback on their community engagement activities. They also continue to receive training during these meetings. In addition, CLOs have the opportunity to undertake additional, optional training courses which are relevant to their work, and all of the CLOs have done so during the last year.

#### **3.1.2 Stakeholder Engagement during Operations**

The nature of the Company's stakeholder engagement has changed over the last year as a result of the transition from construction to operations. This change has meant that there has been a significant decrease in many of the local construction-related impacts which were previously the source of community concerns (e.g. use of local roads by construction vehicles, impacts relating to the presence of a large migrant labour force, damage to local infrastructure and land). In addition, community members are now becoming familiar with project facilities and camps and so have fewer questions about their environmental impacts. For example, with the exception of residents at the Stroitel dachas neighbouring the LNG site, we were informed (by CLOs and local government representatives) that local concerns and questions regarding the impact of flaring at the LNG site have now declined, as residents are more familiar with the flaring and have been previously informed (through public meetings and other media) about the flaring process, its potential environmental impacts and the measures that the Company is taking to manage and monitor the impacts of flaring.

As a result of these changes, the emphasis of stakeholder engagement has moved from addressing construction related concerns and grievances to managing ongoing interaction with the community during operations. An example of this new approach is the Community Awareness Programme (CAP), which the company has been rolling out extensively during the last year. This campaign focuses on safety issues relating to project assets in public places (e.g. the pipeline Right of Way, which residents hiking through wild areas for recreation or gathering wild foods may pass over) and is disseminated through teacher meetings, schools, special meetings and letters to key public figures, media information, print materials, and cartoon campaigns for school children, etc. The CAP includes briefings to members of the public on how to behave and who to contact if they observe a problem or emergency at a project asset.

In a similar vein, Sakhalin Energy has also been raising community awareness on safety issues and the Company's protection measures in relation to the LNG facility. This has included a media tour on emergency response at the LNG facility (and resulting media coverage, including newspaper articles and TV broadcasts), bus tours of the facility for local community members, and presentations during public meetings. A special meeting on safety and emergency response with the Stroitel Dacha community (which neighbours the LNG site) was planned for September 2009, but has been postponed until 2010 on the request of Dacha community representatives (on the basis that the Dacha season was finished by September so members would not be assembled).

### **3.1.3 Public Meetings**

As noted earlier, Sakhalin Energy uses a number of different stakeholder engagement tools, as set out in the PCDP. Public meetings are held in key affected communities. As agreed on recommendation of the last IEC report, the frequency of public meetings has now been reduced from twice yearly to annually in most communities, in response to reduced public interest in the project with the move from construction to operations. Feedback from CLOs and data collected on meeting attendance confirms the reduced interest in public meetings in some communities due to both the reduction of community concerns in relation to the project, and to the wide availability of project information in the media and through the company's Information Centres. As an example, the last public meeting in Korsakov was cancelled as no community members attended. However in other communities (e.g. Ozerskoye, where 68 people attended the last meeting) there is still interest in project meetings, with good attendance, in particular from teachers and students. Sakhalin Energy and the CLO team are responding to this change in demand by changing the format of these meetings, ensuring that they have a function that corresponds to public interests in Company activities. This year, for example, public meetings will focus on accessing schoolteachers to target them with CAP information, for which there appears to be demand.

In addition to public meetings, the CLO team continues to hold open hours in project-affected communities, with dates and times published on the Company website. CLOs also hold meetings with special interest groups such as teachers, as relevant.

### **3.1.4 Information Centres**

Since AEA's last monitoring visit, Sakhalin Energy has completed the process of setting up Information Centres in public libraries in affected communities. These centres are used to display Company information. Computers have been provided to give internet access to members of the public wishing to access Company information posted on the website. The centres are also being used to publicise the Company Grievance Mechanism (and to date one grievance has been lodged via an information centre). The information centres also act as a referral point through which members of the public can contact their CLO referral point. Librarians running information centres have been to the Company headquarters in Yuzhno-Sakhalinsk to engage in training so they can help to address questions from the public about Company activities, and refer questions that they are not able to answer to the relevant CLO. In addition librarians have been taken on a tour of the LNG site.

AEA previously had some concerns regarding the reliance of these information centres on the available time of existing library staff (meaning library staff could be diverted from their normal duties to undertake work for the Company). However librarians met with during the monitoring visit indicated that they consider their work in information centres to include disseminating information on local developments relating to the project, i.e. part of their existing work remit, and that the resources

provided by the Company in the information centres has supported the educational function of libraries (for example, many students use Company information to research environmental studies). In addition librarians have been remunerated for the additional work entailed in running the information centres.

### **3.1.5 Company Website**

During the March 2009 monitoring visit, AEA noted that some aspects the website were organised in a way that might be confusing for public users seeking Company information. The website has now been restructured to ensure this information is easily accessible to the public.

## **3.2 Public Attitude towards the Company**

As noted above, the move from construction to operations has led to a large reduction in Company impacts on local communities, and the ongoing Company investment in sustainable development projects is now well established and well publicised. In addition, as discussed above, the Company has an extensive stakeholder engagement programme which allows members of the public to easily access the Company with grievances or inquiries, and members of the public and local officials compared this level of stakeholder engagement favourably with other oil and gas companies working on the island.

As a result, public attitude towards the Company is generally positive. Although concerns about the environmental impacts of the project remain, they appear to be reduced, and members of the public made favourable comments on the Project's impact on employment opportunities, social projects and the Company's contribution to infrastructure development (such as road upgrading). A number of community members and public officials interviewed noted that the reduction in jobs offered by Sakhalin Energy and its contractors as a result of the end of construction is feeding into the island's existing problem of unemployment, although they recognise that this issue is beyond the Company's control. In addition, Sakhalin Energy, and in particular the CLO team and information centre staff, have helped to address this issue by doing as much as they can to support job seekers (for example, helping them to fill out application forms, develop their Curriculum Vitae, referring them to Company job vacancies, as well as referring them to job agencies and jobs with other companies operating on the island). In addition, contractors visited such as GTGT are employing local staff as far as possible, for example most security guards and catering staff in camps come from local communities.

Public attitudes towards the Company in Korsakov (where many residents and public officials previously expressed significant dissatisfaction with Company activities), as noted during the 2009 monitoring visit, remain cordial, with (as noted earlier) a reduced concern about the impact of flaring, and satisfaction with the completion of the park infrastructure<sup>1</sup>. Some concern was expressed by administration staff about the need to expedite the launch of the new SD Council – the organisation set up in Korsakov to administer Sakhalin Energy's sustainable development funds. At the time of the monitoring visit, a new structure for the SD Council had been developed on the basis of an assessment by an independent expert, but was awaiting final approval from the mayor's office. It is anticipated that the new SD Council will be operational soon.

One other issue of concern that was raised by some administration staff was that the majority of the rent paid by the company for the use of the LNG site will now no longer go directly to the local government, which they anticipated will have a significant impact on local government revenues. However, it was recognised that this is the result of changes in central government policy and therefore beyond the control of the Company.

The one portion of the community who has continued concerns and issues in relations to the project are those members of the Stroitel Dacha community (neighbouring the LNG site) who chose not to take the waiver package offered by the Company and relocate to an alternative dacha site. This group of dacha residents continue to express concerns about the adequacy of the waiver package and other compensation offered by the Company, and has expressed continued concern with the environmental impact of flaring at the LNG site. However, as stated in the 2009 monitoring report, AEA has examined the compensation packages and environmental monitoring methodology used to monitor

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<sup>1</sup> Provided by the Company as compensation for the impact on the recreational uses of the public beach at Prigorodnoye

the impact of the flaring, and is satisfied that Company monitoring and compensation measures are adequate and in compliance with its regulatory commitments (e.g. World Bank OD 4.30 on Involuntary Resettlement). Sakhalin Energy is continuing to engage with these dacha members and monitor the impact of the LNG plant on their quality of life. AEA therefore considers that Sakhalin Energy is managing this relationship as effectively as it can.

## 4 Grievance Management

Sakhalin Energy's application of its grievance mechanism is continuing to work well. Processes are in place to ensure that information regarding the grievance mechanism is available to the public as well as to Company and contractor staff. Information is publicly posted on the website and in key public venues – brochures were available in information centres, local administration offices and public noticed boards (**Photo 1**) as well as in contractor camps. Furthermore, briefings on the grievance process are routinely given during public meetings and as a part of all Company and contractor staff inductions. In addition, librarians managing the Company's information centres have been trained in how to manage referral of grievances. During catch interviews, while some community members said that they were not aware of the Company grievance process, they stated that if they had a grievance they would approach either the Company or the local administration. Since both the Company and local administration members (who, in affected communities, have copies of the grievance leaflet in their offices and contact details of CLOs) would be in the position to help community members log grievances and/or provide them with the leaflet, it therefore appears that community members either know how to access the grievance process or would quickly be referred to it if necessary.

The management of grievance-related data continues to work well. Information and files are sorted and can be tracked through the Fountain Database, which also includes mechanisms to ensure that relevant staff are notified and prompted in order to meet grievance-related deadlines. In addition, the database is used to make relevant linkages to the incident reporting system.

The number of grievances over the last year has been much reduced, from 56 in 2008 to 25 in 2009. Judging by feedback from local administrations and community members, AEA considers that this is a result of the reduction of grievances related to construction impacts (e.g. employment issues and impacts on local road infrastructure, which were significant sources of grievance during peak construction periods) and not, as at some points in the past, as a result of a lack of public awareness or hesitation to use the grievance process.

All of the 25 grievances lodged in 2009 were classified as 'green' when applied to the Risk Assessment Matrix (which is detailed in the HSESAP Part 1), meaning that their social materiality was classified as low. AEA assessed the RAM classification of a sample of grievances and agreed with the classifications that had been assigned.

In general, the Company is now able to meet its deadlines in relation to the grievance process. Acknowledgement letters are being sent to people who have lodged grievances within 10 working days, as specified in the procedure. The majority of grievances are being resolved or otherwise closed out within 45 working days, as committed to in the HSESAP. 20 of the 25 grievances lodged in 2009 were closed out within 45 working days, and of these 11 were closed out within 20 working days. Of the remaining four grievances, two had not yet reached the 45 working day deadline at the point of the monitoring visit. The remaining two grievances had exceeded the 45 working day deadline, although had done so as a result of protracted and complex investigations and negotiation; AEA considered that the explanation given by the Company for this delay was satisfactory.

Ten of the 21 grievances closed out over the last year have been resolved to the satisfaction of complainants. Eleven grievances were closed out without a statement of satisfaction being signed by the complainant. These grievances were referred to the Business Integrity Committee (BIC), who decided that they could be closed out for a number of reasons, for example because they had been lodged anonymously (so no one could be contacted to sign a statement of satisfaction), because they had been referred to the Russian Court systems, or because investigations had proved that they were not valid grievances, but complainants were nonetheless unwilling to sign letters of satisfaction. For the nine of the BIC grievances that had not already been reviewed by the external RAP monitor, AEA reviewed the documents relating to all these cases, and is satisfied that proper investigations have been carried out and that the BIC decision to close these grievances was appropriate. In terms of the management of individual grievances, and treatment of complainants, AEA had discussions with four people who have lodged grievances with the Company over the last year, and all of these expressed satisfaction with the grievance management process and in particular commented favourably on the support and assistance given by the CLOs in helping them to lodge their grievances.

## 5 Contractor Performance

The compliance requirements for contractors are much reduced during the operations phase. Nonetheless site visits confirmed that contractors are familiar with and adhering to relevant requirements, such as promoting and reporting on local procurement of goods and services and hiring of staff (Russian content), engagement with local administration staff and community members in the case of works which could affect them, and camp management.

In relation to contractor /community relations, members of local administrations in communities near permanent camps (e.g. Sovetskoye and Gastello) commented favourably on the assistance and support that is provided by contractors, such as snow clearing and financial donations. No complaints were made about contractor staff conduct in the communities visited, and in fact (as a result of the long working hours and shift system) community members commented that they rarely, if ever, saw staff from camps in their communities.

In case there are project variations which mean that contractors need to undertake construction activities during the operational period, it will be important that Sakhalin Energy undertakes measures to ensure that contractors are familiar with construction-related social performance commitments and that it monitors contractor compliance with these commitments.

## 6 Other Areas of Social Compliance

In general the management systems for social performance appear to be working effectively, and are integrated into critical components of the Company's general management systems (for example the incident reporting system). However in some aspects, social management systems could be more fully integrated into wider Company/HSE management systems. For example, while there was an internal audit of the grievance system in 2007, there is no regular internal audit of social management functions, unlike other HSE issues. AEA would therefore recommend that (in addition to the third party audit that is regularly undertaken for social issues) there is also regular internal audit in line with other HSE issues.

Sakhalin Energy is in the process of revising the HSESAP to change its structure from an 'action plan' format that suited the construction phase, to a set of performance standards and management systems more suited to the operational phase. One of the significant changes resulting from this revision has been a change from the tabular format of the HSESAP Part 2 to a set of Performance Standards, which are a more useful tool for communicating the Company's specific social management commitment for operations. AEA has reviewed the new Performance Standards and consider that the final agreed format maintains, materially, the Company's existing commitments to social management for operations, but presents them in a more accessible and clear format.

The only area of social compliance that AEA considers as not fully satisfactory at this point relates to the completion of the Social Impact Assessment (SIA) undertaken for the LNG permanent accommodation, and subsequent monitoring of potentially impacted households neighbouring the LNG accommodation. In the 2009 monitoring report, AEA noted that the SIA for this infrastructure (which provides accommodation for one hundred company workers in a built up area in Korsakov) was not sufficient, and recommended that in the interest of transparency, summaries of the implemented targeted SIAs and scoping studies should be publicly posted on the Sakhalin Energy website, and further that future targeted SIAs needed to be much more detailed and in line with previous SIAs for camps and project facilities.

In response, Sakhalin Energy posted the summary of their scoping exercise on their public website. However, on review, AEA finds that this scoping exercise is not sufficiently detailed, as it does not include a map/physical description of the infrastructure in relation to its neighbouring area, or a full description of the management measures for addressing real and potential impacts the neighbouring households (e.g. road paving and the provision of electricity cable for neighbouring houses).

Furthermore, Sakhalin Energy did not undertake subsequent monitoring of the households neighbouring the site on the basis that the construction of the LNG accommodation led to benefits rather than problems for neighbours (e.g. road paving/clearing/street lighting). Even where negative impacts are not anticipated, AEA considers that monitoring is still required (as recognised by the Sakhalin Energy Social Performance Monitoring Standard, which specifies that one of the objectives of social monitoring is to "track whether actual social impacts triggered by the project deviate from those predicted during SIA...").

In practice, despite the fact that residents recognise that the accommodation construction has led to many local improvements, grievances have been lodged by some of the households neighbouring the LNG accommodation subsequent to the completion of works (in relation to problems with the drainage ditch by a road which was reconstructed during the works, as well as noise issues). Had routine monitoring been undertaken during and after completion of works, these grievances could have been avoided. And further, while monitoring has been carried out subsequent to Company efforts to resolve these grievances and a letter of satisfaction signed in relation to grievances lodged, residents contacted during AEA's monitoring visit were still concerned about the adequacy of the measures taken, and two residents expressed an additional concern which had not been expressed as a grievance or picked up during grievance monitoring.

AEA therefore recommends that:

- The summary of the SIA/scoping exercise for the LNG accommodation on the website is updated, to include a map/overview of the physical infrastructure in relation to neighbouring areas, as well as a description of measures taken to manage and monitor social impacts.
- Sakhalin Energy undertakes monitoring of neighbouring households, and investigates the resolution of the existing grievances, as well as the additional concerns expressed by neighbours.

AEA also reiterates the recommendation that all future project variations that have potential social impacts should have SIAs undertaken that are commensurate with their potential impacts, and that, as per social monitor commitments, people potentially affected by all new infrastructure or project variations should be subject to social monitoring.



## 7 Conclusions and Recommendations

In general, AEA finds that the Company's social performance during operations is proceeding well, and that the Company is in material compliance with its social commitments.

However AEA has identified a number of areas in which Sakhalin Energy could work to maintain the current good level of performance, and/or improve its social performance, as listed below:

1. In view of the reduced team size, CLO capacity needs to be monitored check if it gets overstretched during peak periods, through feedback and evaluation of the work schedule during regular CLOs meetings in Yuzhno-Sakhalinsk. Additional support from Sakhalin Energy's Social Performance Team should be provided to the CLOs as required for intensive periods of engagement, should include feedback on support needed by and provided to the CLOs in the annual PCD report.
2. As many key operational contractors (such as GTGT) did not work extensively with the Company during the construction period, Sakhalin Energy should undertake measures to ensure that contractors are familiar with construction-related social performance commitments and also monitor contractors' compliance with these commitments should project variations lead to any construction activities during the operational phase.
3. Some aspects of the social performance management systems should be more in line with wider HSE management systems – e.g. in addition to the third party audit that is regularly undertaken for social issues, there should also be regular *internal* audit or key systems (e.g. grievance systems) in line with other HSE issues.
4. The summary of the SIA/scoping exercise for the LNG accommodation on the website needs to be updated to include a map/overview of the physical infrastructure in relation to neighbouring areas, as well as a description of measures taken to manage and monitor social impacts.
5. Sakhalin Energy needs to undertake ongoing monitoring of the households neighbouring the LNG permanent accommodation, and investigate the resolution of the existing grievances, as well as the additional concerns expressed by neighbours.
6. AEA also reiterates the recommendation that all future project variations with potential social impacts should have SIAs undertaken which are commensurate with their potential impacts, and that, as per social monitor commitments, people potentially affected by all new infrastructure or project variations should be subject to social monitoring.



# Appendices

Appendix 1: Photographs

Appendix 2: Meetings/Interviews with Stakeholders

# Appendix 1

## Photographs

Photo 1: Company Information, Including Grievance Brochure, in Information Centre, Gastello



# Appendix 2

## Meetings/interviews with Stakeholders

### **Communities Visited (in order of visits)**

Pobedino (Smirnykh District)  
Smirnykh (Smirnykh District)  
Gastello (Poronaysk District)  
Sovetskoye (Dolinsk District)  
Troitskoye (Aniva District)  
Korsakov (Aniva District)

### **CLOs**

Olga Shpagina, CLO Centre Area  
Olga Deryabina, CLO South Area  
Vitaly Zagorodny, CLO Korsakov

### **People who have lodged grievances in the following communities**

Pobedino  
Smirnykh  
Sovetskoye  
Korsakov

### **Local Officials**

Head of Culture Centre, Smirnykh  
Librarian, Smirnykh  
District Assembly Member/ Head Librarian, Smirnykh  
Mayor, Smirnykh District  
Deputy Mayor, Smirnykh  
Librarian, Gastello  
Head of Community Administration, Sovetskoye  
Librarian, Sovetskoye  
Head of Community Administration, Troitskoye  
Librarian, Troitskoye  
Head of Social Development Department of Korsakov Administration, Korsakov  
Deputy Head of Social Development Department of Korsakov Administration, Korsakov

### **Community Members, Catch Interviews/ Interviews**

Smirnykh (3 women, 2 men)  
Sovetskoye (4 women)  
Korsakov (3 women, 4 men)  
Stroitel Dacha members (2 women, 1 man)  
Residents neighbouring LNG permanent accommodation, Korsakov (2 women, 2 men)

### **Contactors**

Head of Booster station and PMD, GTT, Gastello  
HSE Officer, GTT, Gastello  
Camp manager, RPSG Global, Gastello  
Head of PMD, GTT, Sovetskoye  
HSE Officer, GTT, Sovetskoye  
Camp manager, RPSG Global, Sovetskoye  
Camp Manager, Sodexo Support Services, LNG Accommodation, Korsakov



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