

## **Appendix 1: Site Visit Terms of Reference and Schedule**

## Terms of Reference

### Lenders' Monitoring Visit

#### Background

Under the Common Terms Agreement between Sakhalin Energy and the Phase 2 Senior Lenders (CTA), the Company commits to comply in all material respect with HSESAP which has been developed for the Sakhalin-2 Phase 2 Project.

The HSESAP consolidates the commitments from the Environmental, Health and Social Impact Assessments. It details the measures agreed between the Company and the Phase 2 Senior Lenders to eliminate, mitigate or manage identified adverse HSE and social impacts to acceptable level.

ENVIRON, is the Independent Environmental Consultant (IEC) acting on behalf of the Lenders to the Sakhalin-2 Phase 2 project (the 'Project'). Under the CTA, the IEC and Lender representatives should undertake Annual Project Monitoring visits (see CTA clause 4.5):

*"...one site visit during each 12 (twelve) month period after the Completion Date by the Nominated Representatives to monitor the progress of the Project or any Project Expansion and the Project Facilities or any Project Expansion Facilities insofar as Environmental Matters or Social Matters are concerned and the Company's compliance with material Environmental Law, Environmental Consents, Project Expansion Environmental Consents and/or Interim Permissions, the Pre-Signing Remedial Action Plan, any Remedial Action Plan and the HSESAP. The focus and timing of each visit shall be determined by the Phase 2 Senior Lenders (following consultation with and, with respect to timing, having due regard to any reasonable views expressed by the Company) and they shall give the Company reasonable prior notice of the planned dates of such visits which visits shall, whilst on or at any Project Facilities or any Project Expansion Facilities only, be accompanied at all material times by representatives of the Company."*

The Company sees several benefits from annual monitoring visits, including demonstrating environmental, social and occupational health and safety commitments to staff and external stakeholders, regular focus through management review to help us maintain controls and improve performance, regular external review and evaluation, assurance of conformance to requirements, improved staff awareness and commitment, and improved reputation of the Company.

In October 2014, the IEC will conduct a Project Monitoring visit to the RoW, a range of project assets and other relevant locations, and also to undertake office-based discussions with Sakhalin Energy personnel.

- **Objectives**

The overall purpose of the Project Monitoring visit is to determine conformance with the HSESAP requirements in managing the HSE and Social Performance (SP) risks and issues, compliance with legal and other requirements and continual improvement.

- **Scope**

This site visit will be focused on the following selected project facilities, areas and topics:

- **Monitoring Visit:**

Areas/facilities:

- Pipeline RoW, to include rivers and wetland locations, as detailed in Appendix 1 (Leonidovka, Nitui, Gornaya and Lesnaya + additional locations specified by IEC)
- Nogliki landfill

- Korsakov landfill
- LNG plant
- Prigorodnoye dachas
- LNG permanent accommodation
- Company's information centres

## Focus Topics:

- RoW vegetation cover (including steep and sandy slopes re-vegetation), tree growth control, maintenance, river bank erosion, silt fences and temporary bridges, technical reinstatement, wetland recovery and known high risk locations,
- Social Performance compliance, including: grievance management; indigenous peoples; public consultations (including community liaison organization); social investments; internal and contractor roll-out of compliance/performance requirements.
- Review of open findings from previous visits
- Local Monitoring Programmes
- Waste management (landfills capacity issues, status of Nogliki landfill, waste minimisation, update on forward waste strategy)
- Oil spill response (C-OSRP, OSR Summaries, equipment updates)
- Projects update discussion, including:
  - OPF Compression Facilities
  - Train 3
  - Tymovsk gas delivery
- WGWAP status

- **Parties involved in this visit**

- The site visit team will be provided by ENVIRON and the parties involved will be as described below:

<b>Project Monitoring Visit</b>	
<b>ENVIRON personnel</b>	<b>Sakhalin Energy Personnel</b>
Jon Hancox (Environmental issues and team leader) Paul Bochenski (environmental issues) Adam Fitchet (biodiversity issues) Katya Sladkova (social issues)	Rob van Velden (Finance Director). Natalia Matveenko (Treasurer). Zhanna Lyubaeva (Senior Loan Compliance Officer, Focal Point Finance) Elena Solonenko (Treasury Specialist, Visit Logistics Coordinator) Stephanie Lock (HSE Assurance Manager, Focal Point HSE). Marina Ee (Head of Social Assessment Group, Focal Point SP) Elena Klishina (HSE SAP Engineer, Visit Assurance Coordinator)

The monitoring report will be subject to peer review by Andy Garland (ENVIRON).

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- **Standards and special conditions**

The Project Monitoring Visit shall determine conformance with the requirements of the HSESAP and applicable environmental laws and consents.

- **Timing/Schedule**

A detailed visit programme is attached (Appendix 1 to this TOR).

- **Methodology, Communication of Results, Report and Report Distribution**

- **Close out meetings:**
    - A final close-out meeting for the overall site visit will be undertaken on the final day where the summary findings of the Project Monitoring visit will be presented.
  
  - **Reporting.** Following the site visit a single report will be provided. This report will provide:
    - A summary of the findings of the Project Monitoring visit
    - A combined tabulated summary of all recommendations and actions.
- In line with the requirements of the IEC Schedule Contract Scope of Work the timetable for preparation, comment on and final delivery of the site visit report will as follows:
- Within 10 working days of the conclusion of the site visit the IEC will provide an initial draft of the report to the Role Bank (Mizuho) and JBIC, copied to Sakhalin Energy.
  - The Role Bank, JBIC and Sakhalin Energy shall provide any comments on the report to the IEC within 10 days of their receipt of the draft report.
  - The IEC shall amend any factual errors in the report brought to their attention and shall consider any reasonable comments made by the reviewers.
  - The IEC will produce a final version of the site visit report within 5 working days of receiving comments and shall issue this to the Role Bank and JBIC, copied to Sakhalin Energy.

**END OF TOR**

**Site visit schedule**

		<b>Team 1</b>	<b>Team 2</b>	<b>Team 3</b>	<b>Team 4</b>
Thursday 2nd October	WGWAP Day 4 / Travel	Travel Moscow Yuzhno-Sakhalinsk (Aeroflot) Arrive 13:00 HSE induction (PPE pick up) *RoW update briefing <i>Overnight Yuzhno</i>	Travel Moscow Yuzhno-Sakhalinsk (Aeroflot) Arrive 13:00 HSE induction (PPE pick up) OPF Compression Project meeting (with SL and MD) depending on timing <i>Overnight Yuzhno</i>	WGWAP Closed session meetings HSE induction (PPE pic-up) * OPF Compression project meeting (with SL and MD) <i>Overnight Yuzhno</i>	Travel Moscow Yuzhno-Sakhalinsk (Aeroflot) HSE induction Arrive 13:00 <i>Overnight Yuzhno</i>
Friday 3rd October	Day 1	<b>Charter Fly to Nogliki 09:00</b> arrive 10:30 RoW visits Spread 1A (KPs 32, 36, 37 (these are wetland transect 3, 2 and 11))  <i>Overnight at Nogliki</i>		Office meetings HSE induction HSE update and HSE staffing Flaring compliance STP emission compliance *Open Findings since previous visit RoW update * Yuzhno landfill discussion <b>Overnight train to Nogliki at 20:00</b>	Office meetings - OPF Compression project Grievances - Findings log - Social updates  <i>Overnight Yuzhno</i>

		Team 1	Team 2	Team 3	Team 4
Saturday 4th October	Day 2	RoW 1A/B (selected KPs incl KP 63 (Dagi/wetlands transect 12)) <i>Overnight at OPF</i>		arrive 08:00 * Nogliki landfill site visit Drive to OPF  <i>Overnight at OPF</i>	* Visit to LNG accommodation camp * Meeting with dacha owners at Prigorodnoye <b>Overnight train to Nogliki at 20:00</b>
Sunday 5th October	Day 3	RoW Sec 1b/c (incl KPs 152 and 4.5 (wetland transect 13) and Sak-3 tie-in) <i>Overnight at OPF</i>	* OPF Compression Project site and discussions with ecological team * Beach access road and landfall  <i>Overnight at OPF</i>	* OPF Compression Project site and discussions with ecological team * Beach access road and landfall  <i>Overnight train to Yuzhno</i>	* Meetings with CLO and IP CLO in Nogliki InfoCentre (TBC due to Sunday) * Drive to OPF * OPF construction compression project camp plans (depending on status)  <i>Overnight at OPF</i>
Monday 6th October	Day 4	RoW Sec 1c/2 (selected KPs including KPs 146, 153 and 231 (wetland transect 20, 9 and 22)) <i>Overnight in Tymovsk</i>		Arrive Yuzhno new Yuzhno landfill site visit Korsakov landfill pm	* Travel to Nysh settlement to meet with head of community (being the nearest to OPF construction) Drive to Poronaisk via Onor (visit info centre) <i>Overnight Poronaisk Hotel</i>

		Team 1	Team 2	Team 3	Team 4
Tuesday 7th October	Day 5	RoW northern Section 3 (Selected KPs in the Makarovs plus KP421 (Pugachevo wetland)) <i>Overnight Poronaisk</i>		* LNG visit * RoW near LNG	* Visit to Poronaisk info centre * Drive to Gastello (for info center visit) * Drive to Vzmor'ye info centre * Drive to Yuzhno  <i>Overnight Yuzhno</i>
Wednesday 8th October	Day 6	RoW Section 4 (including manui (KP460) and Dolinsk (KP530) wetlands) Drive to Yuzhno <i>Overnight Yuzhno</i>		Office meetings (together with Lenders) Opening meeting by Finance and Production Director *Waste Management *WGWAP developments Local monitoring programmes *Train 3 update Sakhalin 3 update (if any to update)	Meeting with the Head of the IP Group - Engagement with Sakhalin Indigenous People * Meeting with the Head of the SI Group * Any other outstanding updates as required  <i>Overnight Yuzhno</i>

		<b>Team 1</b>	<b>Team 2</b>	<b>Team 3</b>	<b>Team 4</b>
Thursday 9th October	Day 7	<ul style="list-style-type: none"> <li>* Prepare for close out meeting</li> <li>* Pre close-out meeting</li> </ul> <i>Overnight Yuzhno</i>	<ul style="list-style-type: none"> <li>* Prepare for close out meeting</li> <li>* Pre close-out meeting</li> </ul> <i>Overnight Yuzhno</i>	<ul style="list-style-type: none"> <li>* Prepare for close out meeting</li> <li>* Pre close-out meeting</li> </ul> <i>Overnight Yuzhno</i>	<ul style="list-style-type: none"> <li>* Any other outstanding updates as required</li> <li>* Prepare for close out meeting</li> <li>* Pre close-out meeting</li> </ul> <i>Overnight Yuzhno</i>
Friday 10 October	Day 8	Close out meeting - morning. Travel Yuzhno-Sakhalinsk - Moscow - 12:10			



## Office Meetings

Date	Time	Title	Audience
02-Oct	15:30-16:00	HSE induction (PPE pic-up)	all Teams
	16:00-17:30	OPF Compression project meeting (with SL and MD)	Team 2,3
03-Oct	09:00-10:00	HSE update and HSE staffing	Team 3
	10:00-10:40	Flaring data and compliance	
	10:40-11:20	STP emission compliance + open findings	
	11:20-11:30	break	
	11:30-12:30	Oil spill response (C-OSRP, OSR Summaries, equipment updates and reports from 2014 exercises)	
	12:30-13:30	lunch	
	13:30-14:40	RoW update (approaches to RoW tree management, maintenance updates (dig-ups, geotechnical slopes/riverbank repairs etc.)	
	14:40-16:00	Yuzhno landfill discussion	
08-Oct	09:00-10:00	Production Update	Team 3 and Lenders

Date	Time	Title	Audience
08-Oct	12:00-12:40	Train 3 update (teleconf is an option)	
	12:40-13:30	Lunch	
	13:30-14:10	WGWAP developments	
	14:10-16:10	Local monitoring programmes	
	16:10-16:20	Break	
	16:20-17:20	Sakhalin-3 tie-in completion/operation/reinstatement and Tymovsk Gas Delivery	
09-Oct	13:14:00	OPF Compression - discussion on ENVIRON's comments to be addressed in the updated ESHIA	Jon
	09:00-09:40	HSE update	Lenders
	09:40-10:30	OPF Compression Project update	
10-Oct-14	08:30-10:00	Close out meeting	