



Seventh Independent RAP Monitoring

**Sakhalin Energy Investment Company
Limited**

Final Report

February 2012

www.erm.com

Delivering sustainable solutions in a more competitive world



Sakhalin Energy Investment Company Limited

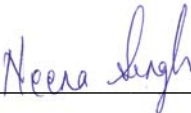
Seventh Independent RAP

01 February 2012

Reference I7260

For and on behalf of ERM

Approved by: *Neena Singh*

Signed:  _____

Position: *Partner*

Date: *01 February 2012*

This report has been prepared by ERM India Private Limited, with all reasonable skill, care and diligence within the terms of the Contract with the client, incorporating our General Terms and Conditions of Business and taking account of the resources devoted to it by agreement with the client.

We disclaim any responsibility to the client and others in respect of any matters outside the scope of the above.

This report is confidential to the client and we accept no responsibility of whatsoever nature to third parties to whom this report, or any part thereof, is made known. Any such party relies on the report at their own risk.

CONTENTS

1	INTRODUCTION	1
1.1	A BRIEF PROJECT DESCRIPTION	1
1.2	OBJECTIVE OF THE EXTERNAL MONITORING	2
1.3	APPROACH AND METHODOLOGY	3
1.4	LIMITATIONS	4
1.5	LAYOUT OF THE REPORT	4
2	STATUS OF THE IMPLEMENTATION OF RAP	5
2.1	PROGRESS IN LAND ACQUISITION	5
2.2	NUMBER OF HOUSEHOLDS AND ENTERPRISES IMPACTED BY THE PROJECT ACTIVITIES	5
2.3	RESETTLEMENT	7
2.4	PAYMENT OF COMPENSATION AND SUPPLEMENTAL ASSISTANCE	8
2.5	OTHER COMMITMENTS	14
2.6	PROCESS COMMITMENTS	16
3	FINDINGS OF THE EXTERNAL MONITORING AND STATUS OF COMPLIANCE AGAINST RAP COMMITMENTS	20
3.1	CONCLUSIONS	33

The Sakhalin Energy Investment Company Ltd. (Sakhalin Energy) was established in 1994 to develop the Piltun-Astokhskoye and Lunskeye oil and gas fields in the sea of Okhotsk, off the north-eastern shores of Sakhalin Island, in the Russian Far East. As a result of the project, there were social impacts as well as resettlement of families, which led to the preparation of a Resettlement Action Plan. The RAP had been prepared in accordance with the World Bank Group's Operational Directive 4.30 on Involuntary Resettlement (OD 4.30), agreed with Project lenders and became part of HSESAP (Health, Safety, Environment and Social Action Plan).

A part of the commitment of the RAP was to engage an independent external resettlement specialist to undertake a semi-annual audits of the project related resettlement activities. ERM has been engaged as that independent consultant, and has since completed six independent semi-annual audits of the project. This is the seventh and final audit report for the period between July '10 and July '11. This audit report concludes the final external evaluation of the RAP performance of the Sakhalin -2 project.

1.1

A BRIEF PROJECT DESCRIPTION

Sakhalin has a total area of 76,400 km². A long narrow island, it stretches 948 km from north to south, with a maximum width of approximately 160 km and a minimum width of about 30 km. Layout of the Sakhalin 2 project has been largely driven by:

- The location of Sakhalin Energy's oil and gas fields off the northeast coast;
- The need to transport oil and gas from these fields to a year-round, ice-free export port in the south.

Oil and gas fields on the island are located primarily in the two northern-most districts of Okha and Nogliki. Onshore development and commercial production of these fields has a long history dating back to the early 1900s and has involved both Russia and Japan.

Oil from Sakhalin has historically been transported to the Russian mainland via a sub-sea line extending from Okha District to De Kastri. Gas is also transported to the mainland where it is used for industrial and domestic purposes in the Russian Far East. The Sakhalin I Project oil pipeline follows this established route.

With the exceptions of the offshore platforms and pipelines, the Sakhalin 2 project is sited entirely on Sakhalin Island. The project's oil and gas pipelines generally follow the island's existing north-south transportation corridor. The pipelines terminate at an LNG plant /oil export terminal site on the southern

end of the island, Korsakov district. The length of the on-shore route followed by the Sakhalin-2 pipelines is approximately 816 km.

1.1.1 Project Components

Sakhalin-2 Phase 2 has offshore and onshore components. The principal offshore components include the following:

- A new oil and gas production and drilling platform (PA-B) in the Piltun-Astokhskoye field with separate sub-sea oil and gas export pipelines to a landfall at Piltun,
- A new gas and condensate/oil rim production and drilling platform at Lunskeye (LUN-A), and
- Export pipelines from the LUN-A platform to the onshore processing facility together with a mono-ethylene-glycol (MEG) flow line and combined power and fibre optic cables.

The main onshore facilities for Phase 2 include:

- An onshore processing facility close to Lunskeye Bay in eastern Nogliki District;
- Gastello booster station in Poronaysk District, Central Sakhalin;
- A liquefied natural gas plant, Korsakov District, in the south of Sakhalin;
- An Oil Export Terminal, also at Prigorodnoye;
- Pig trap stations at Piltun landfall and within facility sites at the onshore processing facility, Gastello booster station and LNG/OET;
- Gas pipelines and compressor stations to convey gas from PA-A, PA-B and the onshore processing facility to the LNG plant, and onwards to the offshore export terminal;
- Oil pipelines and booster stations to transport oil from the platforms and the onshore processing facility to the oil export terminal, and from there to an offshore tanker loading unit to be located in Aniva Bay; and
- Supporting power, fibre-optic and telecommunications infrastructure.

In addition to these elements of the project, a substantial infrastructure upgrade project (IUP) has taken place, which has upgraded roads, bridges, railways, ports and an airport hospitals and landfills to support logistical activities for Project construction and operations. Much of this work has been carried out in partnership with local authorities.

As of July 2010 Phase 2 of the project has been completed. All assets are under operation, including the booster station which was completed in 2010.

1.2 OBJECTIVE OF THE EXTERNAL MONITORING

The specific objective of the RAP, as outlined in the RAP includes:

- To assess overall compliance with the RAP and World Bank OD 4.30;

- To verify that measures to restore or enhance project affected people's standard of living and livelihood are being implemented and to assess their effectiveness;
- To assess the extent to which livelihood restoration has been achieved and to advise when livelihood restoration is effectively complete; and
- To recommend any corrective actions necessary to achieve compliance with the RAP and OD 4.30, or to improve RAP implementation.

As this is the final audit report, the report comments on the overall RAP process of the project and determines if an external monitoring of the RAP needs to continue or not.

1.3

APPROACH AND METHODOLOGY

This seventh external RAP Monitoring was conducted between the 25th and 30th of July 2011. The following tasks were undertaken:

- Review of project related documents that were relevant for the monitoring, including various progress and monitoring reports;
- Review of the new grievances that were registered since the last monitoring visit and of action taken against those complaints;
- Detailed discussions with the Sakhalin Energy teams, including External Affairs team (Social Assessment Group, the Issues and Media team the SIMDP team), Production Directorate (the land reclamation specialist) and people responsible for engagement with specific groups like dachas owners;
- Consultations with complainants who had registered grievances in the reference year (July 2010- June 2011);
- Consultations with Head of communities of Novoye and Vostok; and
- Discussions with representatives of dacha community located near LNG/OET ('Stroitel').

Issues discussed in the earlier monitoring report have been reviewed wherever necessary, but not repeated in detail in this report. In case those issues need to be referred to, please look up the first six monitoring report in the Sakhalin Energy website <http://www.sakhalinenergy.com/>.

In sync with the current status of progress of the RAP, the External Monitor focused on following during the final monitoring:

- Progress and closure on land restoration/reclamation and handing over to land owners;
- Status of grievance; and
- Any livelihood related issues that still remain.

1.4 *LIMITATIONS*

This report is based on review of documents requested by the consultant, limited field assessment and select consultations with key stakeholders by the External Monitor. The focus of this monitoring report was to assess the completeness of the land restoration process. Media reports and information available in public domain (to the extent possible) have also been studied and analysed for the purpose of this reporting. Professional judgements expressed herein are based on facts and information provided.

1.5 *LAYOUT OF THE REPORT*

Section 1 (This section): Introduction, project description and objectives of the RAP monitoring.

Section 2: Status of RAP Implementation and comments on the progress.

Annex A: Schedule of the External Monitoring

The project has been undertaking compensation and resettlement/rehabilitation activities since 2002. These activities were carried out within the framework of an international standard Social Impact Assessment and Supplemental Assistance Programme developed in 2002. The Resettlement Action Plan as a document was formally adopted in November 2005. This section highlights the progress in the process of compensation, resettlement and rehabilitation in the project as of July 2011, as committed in the RAP.

Key findings and compliance against the RAP commitments and discussion on specific issues have been provided in Section 3.

2.1 *PROGRESS IN LAND ACQUISITION*

2.1.1 *Land requirement*

At the onset the Sakhalin-2 project Phase 2 was expected to acquire rights of 4,340 ha of land for a 3-year period to construct the natural gas and crude oil production infrastructure. In addition about 275 ha of land were required for a period of six-months to five years for temporary construction facilities. This project also required 273 ha of land for permanent facilities.

All land required for the project, both on temporary and permanent basis, has been taken on lease by Sakhalin Energy.

2.1.2 *Current status*

Additional land has been taken on short term and long term lease from the Municipal entities (being at the disposal of municipal entities) or the Forest Department (land in federal ownership) respectively. These are required for components like access roads and for laying down cables etc. 1721 ha lands at the disposal of municipal entities have been delineated into federal property in 2010. It is understood that lease and transfer process is now complete. Sakhalin Energy has ensured access to the oil and gas pipelines and each of the block valve stations and the final approvals of all such roads have since been received.

Final Comment: Process Completed

2.2 *NUMBER OF HOUSEHOLDS AND ENTERPRISES IMPACTED BY THE PROJECT ACTIVITIES*

The RAP states that 125 households (432 individuals) were impacted by the project, of which 117 households will face only short-term or temporary

impacts during the pipelines construction phase. In addition to households, there were 66 enterprises that were impacted.

10 households (including 2 farms) and 13 enterprises have been permanently impacted and resettled to make way for permanent above ground facilities or sanitary Protection Zones and Safety Exclusion Zone.

2.2.1

Current status

The total number of project affected households and persons have reportedly not changed from the numbers provided in the RAP. The additional land being taken for access roads are not private land, hence no families are expected to be impacted. It is also reported by the Approvals Team that none of the Federal lands or lands at the disposal of Municipal entities that are being taken on lease, have any issue of private use for any purpose, hence there would be no social impacts on the lease of such lands.

Social Impact Assessments were conducted for the Northern and Southern gas transfer terminals (GTT). The Southern GTT is located in the area of Dalnee while the northern one is located in the area of Boatasino.

Southern GTT

The GTT involved 1.5 ha of land during construction period and 1 ha of land during operations. The land plot owner is the Sakhalin Government, represented by the Ministry of Property of Sakhalin Oblast. The SIA survey for this GTT was conducted in August – November 2010 and included on site visits, consultation with the head of relevant communities in Lugovoye and Novo-Alexandrovka, Director of the local library and representatives of the Lugovoye community. The SIA identified a number of minor issues and impacts that were of concern to the community (the SIA report is publicly available). None of these however were resettlement related impacts – no private land was impacted, and no livelihood impacts resulted from the land take. The SIA recommended a number of mitigations measures for the impacts assessed, and these are being implemented through the South CLO. A consultation and awareness building programme is also underway.

Northern GTT

The GTT is being constructed in the area of Boatasino within the pipeline right of way and an existing blocking valve limit (NGB-6). The total area of the plot to house the valve and the GTT is 2.94 ha during operations and 3.94 ha during construction. Another 0.8 ha has been provided for permanent access road to the GTT. For the SIA, in addition to site observation/reconnaissance, consultations were held with representatives of Val reindeer herders, reindeer herders in the Nutovo river which is one of their temporary camps during migration to the eastern coast and residents of Val village. A public consultation was also held in November 2010.

The land required is already within the right of use of Sakhalin Energy. A small part of the site is located on forest land and is covered by dwarf pine, rare trees, mosses etc. The SIA assessed that the entire land plot was not being used for any specific purpose by the community like collecting berries and mushrooms. This is because the area is very close to intense construction activity within 150 m to 1.5 km. There were concerns expressed by Val residents on use of village roads by contractors creating safety risks, as well as risk of poaching etc. There was however no land, resettlement and compensation related impacts identified during the SIA.

Final Comment : All Project affected groups as identified in the RAP and eligible for compensation were compensated according to Russian legislation and international requirements as stipulated in the RAP. See details in Fifth and sixth Independent RAP monitoring report.

2.3 RESETTLEMENT

Of the 10 households that were resettled:

- 3 permanent households were moved from the LNG site;
- 2 farms were moved, 1 from the LNG/OET site and 1 from the Sanitary Protection Zone of LNG/OET;
- 1 household moved from the pipeline safety zone;
- 4 summer dachas users, 2 from LNG/OET site and 2 from pipeline construction site.

2.3.1 Current status

Resettlement of all families had been successfully completed, with a majority of them being resettled between 2003 and 2005. The resettled households were provided with conditions that they report as better than what they had before resettlement. The families got compensation in monetary and non-monetary (house, household outbuildings, assistance for relocation, transportation, registrations, etc.) forms. **The households consulted by the External Monitor reported that they had been consulted in advance and during resettlement** After resettlement post monitoring was conducted to track restorations, obtain any concerns, grievances, etc.

The last resettlement was also successfully completed in December 2007, and the legal formalities of land transfer and house titles to the family were fully completed in August 2008. This was the family displaced from the safety zone of the pipeline.

Final Comment: With the completion of resettlement of this last family, all the physical resettlements as a result of the project, as identified in the RAP, have been completed.

If any family has any RAP related complaint, they have been advised to approach the Grievance procedure with their complaints. All of them have been given the details of the grievance procedure and how to apply.

2.4 *PAYMENT OF COMPENSATION AND SUPPLEMENTAL ASSISTANCE*

2.4.1 *Affected Land Users*

The company reports that all affected households have been paid full compensation due to them along with the additional RAP Supplemental Assistance (SA) Programme wherever required. This had been confirmed from the household level discussions the consultant had (see previous Independent RAP monitoring reports).

Company internal monitoring covered all compensated households to assess restoration and obtain any concerns, grievances, etc. Wherever additional supplemental assistance was provided, an agreement was signed with details on the amount of land required, the purpose for which it was being taken, and the method to calculate the SA. Compensation has been paid for:

- Land plot withdrawal for project needs, for temporary and/or permanent purposes;
- Renewal of land user agreements for the project;
- Socio-economic impacts from project activities; and
- Grievances and complaints on specific damages.

Current Status

During 2011, Sakhalin Energy paid additional compensation to 19 affected land owners in the pipeline route. These land owners had been handed back land after reinstatement in 2010. However there were some gaps in the reinstatement that were internally identified during internal monitoring. Also 4 land owners put in grievances regarding this issue. In addressing those findings and grievances, Sakhalin Energy decided to pay a fixed rate of compensation to all the affected land owners who had been handed back land. Each of the 19 land owners were given the option of either taking compensation, or have Sakhalin Energy conduct further restoration activities. All the landowners preferred the cash compensation and signed a satisfaction certificate after being compensated. All these lands are subject continues company's soil monitoring programme.

2.4.2 *Fishing enterprises*

3 Fishing enterprises were impacted by Project activity. Full compensation has been paid to all enterprises based on several rounds of negotiations.

Compensation was paid for:

- Loss of income, justified and based on the value of the catch averaged over a period of time;
- Cost of removal and relocation of fishing equipment;

- Assistance and compensation for applying for new fishing licence issued by the relevant state agencies; and
- Tax

Current status

All the three companies continue with their fishing activity, though at a smaller scale than before. Channels of communication have been established between Sakhalin Energy and the companies on shipping routes and location of nets. No complaint or grievance was received from these 3 companies.

2.4.3 Other enterprises

There were 16 agricultural enterprises, 9 forestries and 11 other enterprises. All the enterprises have reportedly been fully compensated under Russian Laws. 1 agriculture enterprise has been additionally compensated in 2010 because of the delay in restoration of land and handing them back to the enterprises and 1 enterprise was compensated for waiver of rights (in October). The lease agreements in such cases have been extended.

2.4.4 Prigorodnoye Beach

The construction of the LNG/OET facility required the withdrawal and closure of a part of the Prigorodnoye beach, which has been a popular unofficial recreational spot for the local residents of Korsakov and nearby areas. The people continue to use the remaining part of the beach for recreation. Sakhalin Energy had agreed to pay a compensation of \$800,000 to the Korsakov administration to support the development of a local park in lieu of the impacts on Prigorodnoye beach. This alternate was chosen after a series of consultations with the community and negotiations with the Korsakov administration (for detail see section 2.6.1). An initiative group (including community representatives elected by Korsakov community via special polling) was formed to discuss and reach a decision on the alternatives.

Current status

In December 2007 the total sum of compensation for the partial loss of the beach was increased up to \$930,000 by mutual agreement with Korsakov Administration. Sakhalin Energy has fulfilled its agreed obligations. Totally the company financed the following works:

- Asphalting of internal park pedestrian roads, parking area and access roads to Park;
- Reconstruction of the stairs to Park;
- The internal illumination of Park.
- Garbage cans and benches.

In addition the status of park upgrade was reported during each public meeting held by the company in Korsakov. The facility is now a municipal property and all works were controlled by Korsakov administration. Any outstanding queries from citizens as well as NGOs are now required to be

directed to Korsakov administration instead of Sakhalin Energy, and it is they who need to provide responses.

Additionally to the compensation Sakhalin Energy implemented the following measures:

- Sakhalin Energy has reduced the fence line of the LNG/OET site.
- LNG/OET project installed garbage cans on the beach and provided regular cleaning services during construction stage.
- New road alignment at the Prigorodnoye beach has been agreed with the Administration.
- Car parking areas have been constructed at the area adjacent to the beach.
- Asphalted road has been upgraded.

In 2009 the park upgrade process has been completed as committed in the RAP.

Final Comment: All the company's commitments have been met.

2.4.5 Prigorodnoye Dacha community

In addition to the landowners/users directly impacted by the LNG and pipeline who have already been compensated and/or resettled, there were 73 Prigorodnoye area dachas, with approximately 230 members, that had concerns about being impacted by the project activities. The dacha residents belong to the Stroitel community.

In 2005, there was an agreement with the dacha community to do the following:

- Evaluate the loss of quality and quantity of crops and compensate losses;
- Evaluate the loss of the market value of dacha plots and compensate losses;
- Give an option of voluntary “waiver of rights” which would allow the dacha owners to give up claims over the property in turn for getting compensated by Sakhalin Energy for market value of their property. The understanding was that after waiver, the dacha owner would not be able to lay claims on any other compensation, even if the SPZ is increased in future for any reason; land plots were “waived” in favour of Korsakov Administration;
- Provide a targeted social investment programme; and
- Develop a mitigation package.

Compensation package

As a result of the above a targeted compensation programme was developed and implemented for the dacha owners/users of Stroitel cooperative even though they have no legal right for compensation under the RF Law. Relevant consultations and information sessions were held (including with contractors to explain methodology of evaluations). Evaluations were conducted with attendance of dacha owner/users (as confirmed by them during consultation with the external monitor), relevant papers were signed to ensure adequacy of assessments. All dacha owner/users signed compensation agreements.

Dacha owners have made their choices on the basis of the 2005 agreement, and have been duly compensated by May 2008. Of the total 73 dacha owners, 71 received the compensation for only loss of market value compensation, while 28 from them received compensation for loss of value as well as waiver of rights. Of the remaining 2 dacha owners, one showed no interest in progressing compensation, and 1 dacha owner died prior Sakhalin Energy engagement with the community. No nominee has been identified till date. Within the above context and limitations, the Company's compensation measures are assessed to be adequate and in compliance with HSESAP and regulatory commitments (e.g. World Bank OD 4.30 on Involuntary Resettlement).

Quality of Life Monitoring

The issues of air pollution by dust and later by flare emissions and noise have been issues of concern to the dacha owners. Sakhalin Energy, in consultation with the dacha owners, agreed to develop Quality of Life indicators, which included air and noise monitoring.

Licensed contractors undertake air and noise monitoring in the presence of the dacha cooperative representatives, during the dacha season (May-October). This year monitoring was done between May and June 2011 (before the visit of the external monitor in July 2011). The monitoring results for air and noise in 2011 do not show any of the monitoring parameters exceeding permissible limits. The results have been shared with the dacha owners.

Crop quality assessment

The dacha owners had raised concerns about impacts on soil and thereafter crops due for construction activities. In 2005 it was agreed to undertake a survey by specialised contractor to evaluate impact. The survey demonstrated no impacts. Then dacha owners continued to raise concerns regarding impacts on soil and thereafter crops, specifically presence of arsenic in soil (referring to their survey of 2006 even it was notably less than maximum permitted norms) and attributed it to the LNG construction. In response to

that, Sakhalin Energy had agreed to undertake an additional soil survey in 2007 to check the arsenic level and reason for their presence. The independent study concluded that the arsenium concentration in the land parcels posed are within permissible limits and no risk of possible accumulation in the area, and could not be attributed to the LNG activity. The dacha owners however continue to express concerns about the impacts on their fruit trees and crops. They also allege that their fruit and vegetable sale has gone down significantly because of health concerns.

Further such evaluations have been not undertaken as it has already been agreed with dacha owners that such an assessment will be done if air monitoring shows violation of norms.

Safety and health

The dacha community are concerned about the fact that a number of dacha plots are now empty as the owners have moved away, and report that incidence of theft and vandalism is on the increase. This time round the dacha representative complained about the increased presence of bear in their dachas, and alleged the habitat loss for by the project was largely responsible for this phenomenon.

Access to Public Transport

Sakhalin Energy had committed to providing a transport service to the dacha owners from Korsakov to Stroitel cooperative during the construction phase as a part of mitigation measures identified during the QLI monitoring. The bus service was made available for two years (2006-2007) three times a week during dacha season, after which it was discontinued for various reasons discussed in the previous monitoring reports. The bus service was started again between September and October 2008, and has been since stopped after the completion of the construction phase, as committed in the RAP. A bus stop pavilion was installed in 2009 on the Prigorodnoye road on the request from the dacha, which was agreed by the Korsakov authorities.

Ex-Prigorodnoyee dacha owners

On the recommendation of the sixth external monitoring report, Sakhalin Energy conducted a survey of dacha owners who preferred to avail of the waiver package. 9 such dacha owners were interviewed to assess their current status. Overall, most of these families had either spent the compensation on family needs, or had purchased either a house or a replacement dacha in different locations that demonstrated that compensation provided was enough to purchase replacement dacha. More details are provided in Table 3.1.

Upgrade road to the pipeline block valve stations near Prigorodnoye.

For the pipeline operation, Sakhalin Energy planned to improve the access road passing near the dacha community. According to the company practice and principles of the RAP, a relevant and targeted social assessment was carried out for this road prior to construction in April 2009. The aim was to describe the current situation and use of the road, potential impacts to the dacha community, develop mitigations and address the concerns of the dacha owners. .

Sakhalin Energy upgraded the road to the pipeline valves running adjacent to Stroitel cooperative. Under request of dacha owners and in order to minimize impact on the cooperative during construction the original road route was changed and the section of the road was re-routed further from the dacha plots. The existing road used by dacha owners only was also upgraded (backfilled, levelled, drainage arranged) per their request. The Social Impact Assessment identified 3 dacha owners, whose unregistered potato plots were impacted by the road update due to re-routing. A compensation package was agreed in consultation with the impacted dacha owners, and it has been since paid.

No grievances or complaints have been registered by the dacha owners over the road upgradation and presence of contractors.

Final Comment: The company has met its agreed obligations. Continual engagement mechanism is in place and recommended to be continued along with the air and noise monitoring programme as agreed with the Dacha owners.

2.4.6

Reindeer Herders and Indigenous Communities

According to the RAP, the project would impact 5 reindeer herder families or 18 individuals, belonging to the Uilta and Evenk communities residing in Val (Nogliki district). The impacts would be temporary and have been primarily due to the pipeline passing over their grazing areas. According to Russian legislation Sakhalin Energy transferred compensation to Nogliki administration with an understanding that it would, in consultation with the herder families, use that money for addressing herders' needs and improvement of infrastructure in Val where herders families live. In addition the company provided additional support that discussed in First external monitoring report. The relevant engagement and monitoring was/is in place.

In such a manner all reindeer herders and indigenous communities RAP related commitments were completed. Sakhalin Energy has also committed to a separate Sakhalin Indigenous Minorities Development Plan (SIMDP) to address specific issues facing all Sakhalin Indigenous people (including the herder community) and implements required measures (see SIMDP web-site - www.simdp.ru).

Current status

In the current year there was no compensation paid to the reindeer herders as there was none required. There were no complaints or claims received from the community in this period. No land used by IP for traditional activities was affected by the project this year. The SIMDP continues to address issues related to indigenous peoples and their development. The company continues to provide support to reindeer herders as required and agreed (assistance with their staff transportation, fuel granting, etc.). Regular consultations are conducted with them to update on project activities and SIMPD progress, etc.

Sakhalin Energy had regular consultations with herders through herder workshops during construction period. During the first 6 months in 2011 the company engaged with the herder community on the development of the Sakhalin Indigenous Minorities Development Plan (SIMDP)-2 programme. Individual as well as group consultations were held and as many as more than 500 indigenous people including reindeer herders participated in the process.

Some of the initiatives taken Sakhalin Energy under SIMDP are directly aimed at the 5 impacted herders and their families, while others are for the community as a whole (Val settlement where herders' families live). Information about these projects is available in SIMDP reports on SIMD web-site.

Final Comment: The company has therefore met its obligations. Continual engagement mechanism is in place.

2.5 OTHER COMMITMENTS

2.5.1 Fishing and ancillary industries

In addition to the 3 commercial fishing enterprises directly impacted by the project and duly compensated, the RAP indicated that there due to restriction on movement of fishing vehicles around the project off-shore facilities, the fishing activity, potentially impacting the fishing business in general, and the ancillary industries associated with these industries, including its employees.

Sakhalin Energy had committed opening a regular communication channel at least twice a year. Sakhalin Energy also proposed to monitor impacts on this sector. In case there were losses that would need to be compensated, Sakhalin Energy would follow the principles outlined in the entitlement framework to compensate. Currently, the active construction phase of the Sakhalin-2 project is finished, so the need in ongoing communication channel has reduced. The company has not recently received any requests from the Fishermen's Association or representatives of the fishing community. Sakhalin Energy is now considering replacing ongoing communication channel with retroactive responses to fishermen's requests.

As the first monitoring report brought out, there are no big, independent, ancillary industry in Sakhalin island which are critically dependent on the fishing enterprises. Most enterprises have their own ancillary support either within the enterprise or different enterprise specialise in particular services and provide those services to each other. Repair / maintenance / processing facilities are generally located in the mainland. This opinion has been confirmed by the social impact assessment study on fishing enterprises and ancillary industry.

Current status

There is reportedly regular communication with this stakeholder group. There have been no demands for more compensation by this group till date as reported by the internal monitoring process. This monitoring round did not cover the fishing enterprise specifically, though an update was sought from the Social Performance Team.

In such a manner all fishing and ancillary industries RAP related commitments were met.

2.5.2 *Additional measures emerging from recommendations of the previous independent monitoring reports*

The fifth and sixth monitoring report had recommended a number of measures to strengthen the implementation of the RAP as well as address specific issues emerging out of the monitoring review. These included analysing the land registration issue, and identifying families that may need support in land registration. The other measure was to focus on vulnerable families and assess if they needed additional support. Sakhalin Energy undertook activities to understand and address these issues. An assessment of these initiatives was provided in the earlier monitoring reports.

Land re-instatement process

A key activity that has been taking place since 2008, and was planned to be completed by September 2009, is the restoration or reinstatement of land taken from land owners on a temporary lease for laying down the pipeline. The land was planned to be restored both technically and biologically and the owner has to accept the restoration before being officially handed back his/her land. The Russian laws have laid down a clear process of land restoration that was described in some details in the sixth monitoring report <http://www.sakhalinenergy.com/>.

In June 2010 during internal RAP monitoring one grievance related to reinstatement process dissatisfaction was registered (at the end of 2010 two grievances were registered with the same subject and one in early of 2011). In October 2010 a special land reinstatement and RAP monitoring round was carried out. The objective was to proactively identify lands that needed some more reinstatement time and intervention. These works included measuring

land plots and assessing potential loss, consultations with the land owners and the local authorities.

In January 2011 based on the results of monitoring and consultations with land owners the company decided to provide them with additional compensation to address reinstatement issues and concerns. Totally 19 affected land owners agreed to take additional compensation and signed agreements, 4 of them received compensations under grievance process and signed statements of satisfaction.

According to the Sakhalin Energy, more than 90% of the land has been restored and handed back to the owners. The remaining 10% land of land that has not yet been handed back is Municipal land and located in Aniva and Dolinsk districts. Negotiations are ongoing.

The Sakhalin Energy has set up a five year plan to monitor the reinstated land. This plan has already been agreed with the Lenders. It has a segment-wise prioritisation of the pipeline identifying lands that will need more and immediate interventions, based on an aerial survey, a soil and grass quality assessment and a walk through over the entire land stretch. The 5-year plan is divided into yearly plans and Year 1 plan is currently underway.

2.6 *PROCESS COMMITMENTS*

2.6.1 *Consultation and Disclosure*

The commitment to continue consultations with different stakeholders and affected families is demonstrated by the fact that meetings are being held with individual groups on a regular basis.

Consultation with land users and resettled households

Sakhalin Energy has been consulting with land impacted households and the resettled households at least twice in a year during the semi-annual socio-economic internal monitoring process since 2003. Since then sixteen monitoring rounds have been completed and virtually all the affected groups have been met with at least one since the monitoring began. In 2011, 1 monitoring round was undertaken till July during which 15 meetings were held covering dacha owners and ex-dacha owners. Additional consultations were held with the 19 land plot owners whose lands had been returned after reinstatement, to understand their concerns and grievances.

The family, which was resettled by the pipeline SPZ in December 2007, has been met several times till July 2011. These meetings enabled the Social Assessment Groups to track the progress of the family settling down in their new house/homestead, and to be able to address any grievances they may have. During internal and external monitoring consultations no issues were

identified. In such a manner all RAP related commitments were fully performed.

Consultation with the fishing enterprises and organisations

Sakhalin Energy has been consulting with the commercial fishing industry, especially the enterprises that were directly affected or those who could be potentially impacted. The company communicates with fishing enterprises and authorities on a case by case basis and not through Sakhalin Fishermen Association) In 2011, Sakhalin Energy has continued communicating with representatives of the fishing industry and authorities to inform them about the project activities.

Consultation with Korsakov community and the Korsakov administration about the Prigorodnoye beach compensation

In 2003 the development of a local park in lieu of the impacts on Prigorodnoye beach as the alternate was chosen after a series of consultations with the community that expressed through questionnaires and a “hot line” their opinions about possible ways to compensate for the beach loss and negotiations with the Korsakov administration. An Initiative Group (including community representatives elected by Korsakov community via special polling) was formed to discuss and reach a decision on the alternatives. All this process is a good example of community involvement into decision making.

Based on the RAP, Sakhalin Energy has fulfilled commitments in 2009 on Park Upgrade under the agreement with Korsakov Administration. There were no specific consultations held for this issue in 2011. However the company ready to provide information sought by stakeholders at any point of time.

Consultation with Prigorodnoye Dacha community

Regular meetings have been held with the Executive Committee of dacha cooperatives in 2011. The results of the monitoring have been communicated to the dacha owners/users. Dacha community members often drop into the CLO office during the open hours that the office runs. The head of the dacha cooperative participated with stakeholders in the framework of preparation of the company’s non-financial report for 2010 (2010 Sustainable Development report). The issues raised by the head on behalf of the Stroitel community, and the responses from Sakhalin Energy have been described in the report in Appendix 2, available in the public domain in the Sakhalin Energy website. Sakhalin Energy continues to fulfil its commitments related to regular consultations with dacha community and it is recommended that continuing engagement with the dacha community on a regular basis as is already being done.

Consultation with Indigenous People

Sakhalin Energy had regular consultations with herders through herder workshops during construction period. All consultations with IP are currently

being held through the SIMDP programme. Meetings with the entire community are held once every 6 months and dedicated IP CLO is permanently based in Val settlement, major community of reindeer herders. As there were no grievances and compensation claims from this community, no separate meetings were held with individuals for such purposes by the Social Assessment team. During the first 6 months in 2011 the company engaged with the herder community on the development of the Sakhalin Indigenous Minorities Development Plan (SIMDP)-2 programme. Individual as well as group consultations were held and as many as 500 indigenous people including herders participated in the process.

Consultation and information disclosure on the GTT

In 2010 the company undertook a social impact assessment of the two proposed GTT terminals the reports are available in the public domain on the Sakhalin Energy website. In April 2011, during the socio-economic monitoring, 4 meetings were held with representatives of the VAL community. No specific resettlement related concerns were expressed. Concerns expressed were primarily related to social impacts and these are getting addressed through mitigation measures outlined in the SIA.

2.6.2

Grievance Resolution

Sakhalin Energy developed Community Grievance Procedure that lays down clear guidelines on the grievance resolution process in place. This process has been disclosed extensively through public campaigns (including different media ways), groups and individual meetings as well as disclosure in prominent places. Pamphlets on the grievance process were displayed in prominent places like the Korsakov Mayor's office, in the office of the Heads of Communities along the pipelines as well as in the CLO office.

In 2006, 2007 and 2008 (during monitoring visits) the GP process was reviewed and strengthened to reflect the lessons learned and experience gained in implementing the grievance management process in previous years, along with extensive communication about the process and improved tracking of progress. Sakhalin Energy now reports that since then the average resolution time has decreased significantly.

Current status

3 RAP related grievance was recorded in the second half of 2010 and 1 in 2011. All the grievances were related to the land reinstatement process which has been described at length in section 2.5.2. All these grievances were resolved in first six months of 2011. The company has compensated all such landowners on agreed parameters, and the complainants have signed a statement of satisfaction.

The RAP commits Sakhalin Energy to both internal and external/third party monitoring. Internal monitoring was proposed on a bi-annual basis, and to be conducted by the Social Assessment team, with support from the CLOs, for a period of 36 months. The monitoring focussed on the restoration of livelihood process of all project impacted land owners/users, potential and actual issues and concerns related to RAP, as also of the effectiveness of the consultation/disclosure as well as grievance resolution.

External monitoring (this assignment) was also slated to be conducted on a semi-annual basis for a period of 36 months. The focus was to ensure that the RAP commitments were being made, and recommend measures to close gaps, if any, and to strengthen the process of implementation.

Current status

Till date the internal monitoring process has completed 16 rounds since November 2003 of which the 16th one was conducted in April 2011. The monitoring process has interacted with project affected land users, fishing and other enterprises and farmers. It has highlighted issues regarding use of compensation money, continuation or severance of livelihood activities, overall satisfaction with the compensation and the payment process etc. The monitoring process has often been able to identify grievances and/or potential issues that were not registered with the Sakhalin Energy, and helped in the resolution of the same. On specific recommendations of the external monitoring, this round of internal monitoring also included consultation with ex-Stroitel dacha residents who have availed of the waiver package offered by Sakhalin Energy and moved away from Prigorodnoye.

This is the seventh and final round of external monitoring.

The Company internally monitored RAP progress and performance since 2003 threw internal monitoring programme, and reported about scope, outcomes and findings to External Monitor. The internal monitoring programme included recommendations of External Monitor. Findings of external monitoring were aligned with the internal monitoring which shows the appropriateness and effectiveness of internal monitoring".

FINDINGS OF THE EXTERNAL MONITORING AND STATUS OF COMPLIANCE AGAINST RAP COMMITMENTS

The HSEAP Part 2 Table clearly outlines the specific commitments made by Sakhalin Energy regarding the Resettlement Action Plan. This section comments on the status of compliance against select, most important commitments and discusses the reasons behind non-compliances or partial compliances, if any. For the full commitment table, please see the HSESAP table provided in the Sakhalin Energy website

<http://www.sakhalinenergy.com/>

.

Table 3.1 Compliance Table

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments	Remarks/Recommendations
.	Sakhalin Energy shall compensate in accordance with the provisions of OD 4.30 or Russian Federation legislation, whichever is more extensive. The Supplemental Assistance Programme shall be drawn on as necessary to meet this commitment.	Y	All compensation payment under Russian Federation laws has been completed. Wherever the project affected family was not eligible under the Russian laws, they were provided SA. Most of the compensation process was completed by 2009. In 2009, Sakhalin Energy has paid compensation to 3 dacha owners whose unregistered potato plots were affected by the road upgradation to pipeline valve nearby Prigorodnoye. The compensation package was decided in consultation with the dacha owners, and there have not been any complaints or grievance on the issue. This compensation was paid as a part of Supplemental Assistance, as the land plots were unregistered and not eligible for compensation under the Russian laws.	
3.	<p>Wherever possible, and consistent with the preferences of the PAP, Sakhalin Energy shall endeavour to provide replacement land and structures equivalent to or better than those lost to the project.</p> <p>A third party specialist appraisal firm to determine the compensation for land, crops and assets.</p> <p>Compensation payment prior to the land being occupied by the project in accordance with OD 4.30.</p>	Y	<p>Sakhalin Energy has provided replacement structure to all the families who were relocated from the LNG site. In all cases, the quality of the structures provided is better than before. Cash compensation and supplemental assistance was provided in lieu of land loss (temporary and permanent).</p> <p>Sakhalin Energy has been using an independent estate valuation agency for determining value of land and assets. Even in the case of verifying dacha owner's claims on loss of value, Sakhalin Energy has used an independent agency to evaluate the loss in value or develop the waiver package.</p> <p>During the first monitoring visit, there were cases when the land owners complained that their land was used during construction activities by the contractor sometimes without prior permission and sometime without the payment of compensation upfront. These cases have been discussed in Monitoring Report 2 and 3. Since then all construction activity has been completed, and land is in the process of being rehabilitated and handed back. Even that process is 80% completed.</p>	

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments	Remarks/Recommendations
4	Project Affected Persons shall be assisted with livelihood restoration measures through the Supplemental Assistance Programme. This includes monetary support as well as non-monetary support	Y and ongoing (limited to the issue of land reinstatement)	<p>The Social team had been conducting household surveys to track the change in occupational patterns and livelihood/income levels to identify families that may have problems in restoring their income and livelihoods. The Sakhalin Energy team has conducted household surveys (including 35 representatives of the affected households and 22 representatives of the control group) to track the change in occupational patterns and livelihood/income levels to identify families that may have problems in restoring their income and livelihoods. This survey showed that affected families continue their agriculture activity and report that their current square of land plots and scope of agriculture produce are enough to satisfy the agriculture needs of their families. During the survey no families were identified who could have problems in restoring their income and livelihoods. Hence the livelihood restoration commitments can be considered met.</p> <p>On recommendations from the sixth monitoring report, the socio-economic monitoring has focussed on the land reinstatement and handing over process. Specific questions asked included:</p> <ul style="list-style-type: none"> • Satisfaction levels with the reinstatement process. • Suggestions on how it could be done better. • Use of the reinstated land this year and in the future. Future plans to use the land in the future. • If the land was used this year, what were the productivity levels as compared to that before the construction activity? <p>Based on the monitoring held in August 2010, 19 land owners with concerns about the reinstatement were identified in the district of Tymovsk. The company assessed the potential problem and offered the land owners two options:</p> <ul style="list-style-type: none"> • Hand back land for further reinstatement measures 	<p>It is understood that Sakhalin Energy has prepared a 5-year land reinstatement monitoring programme, with a yearly priority schedule as described in section 2.5.2. The process will continue to identify any quality issues that would need more scientific interventions if required. Till such the time all land restoration process is completed, it's recommended to continue income restoration monitoring and address any issues as they come</p> <p>The internal socio-economic monitoring should continue to track grievances or concerns along the pipeline during that 5-year period.</p>

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments	Remarks/Recommendations
			<p>and interventions, or</p> <ul style="list-style-type: none"> Take cash compensation and undertake the reinstatement process themselves. <p>All the land owners have opted for the cash compensation. The external monitor met 3 such land owners in Tymovsk. All of them confirmed that they had received the compensation and were satisfied with the process and the amount. None of them have spent that amount for further reinstatement and have no immediate plans to use those plots this year. All three are elderly couples and said they had no capacity to undertake large area cultivation. All of them were concentrating their effort on their kitchen gardens.</p> <p>However till such the time all land restoration process is completed, it's recommended to continue income restoration monitoring and address any issues as they come.</p> <p>The External Monitor also visited the information centre in Vostok and reviewed the role the centre was playing in providing information about the project as well as being one of the channels for registering grievances from the affected community. The Librarian reported that Sakhalin Energy organises a workshop for librarians every year to apprise them of the updates on the grievance procedure.</p> <p>The Head of Community in Novoye, when met during the monitoring visit, reported that all land in the district had been handed back and there were no issues with the process in his knowledge. Non registered land owners were continuing to use their land for hay, though not in the pipeline.</p> <p>10% of land reinstatement in districts of Aniva and Dolinsk remain. All these lands are Municipal lands. The issue has</p>	

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments	Remarks/Recommendations
			been discussed in section 2.5.2.	
5	<p>Lack of legal titles should not be a bar to compensation, un-registered land users to be compensated as any other PAP.</p> <p>In case where land has fallen out of compliance due to non-payment of taxes, primarily due to economic circumstances, the project shall also, where feasible, assist in getting alternative land of equivalent quality and shall undertake to pay all fees for registration of that land.</p>	Y	Non-registered land users have been compensated through the Supplemental Assistance programme. They have been treated at par as registered land users as far as the compensation amount and procedure goes. No family has approached the company for assistance on registration of land as yet.	
6	<p>Sakhalin Energy has identified that 89% of the project affected households are potentially vulnerable. The RAP lays down specific provisions for such households:</p> <ul style="list-style-type: none"> • Supplemental Assistance specially designed to address the needs of such households; • Non-monetary assistance in the form of training; • access to loan or credit; • provision of employment opportunities within the project, where feasible; • assistance to become formally registered landowners of the land they have been using; and • Sakhalin Energy will maintain procedures to deal with claims from vulnerable people promptly. 	Y	As discussed in the livelihood restoration process (row 4). No specific vulnerabilities resulting from project's activities have been identified so far, from both the internal monitoring process, as well as from the external monitoring process. The elderly remain the most vulnerable, group, and the internal monitoring process aims to cover their concerns.	As in row 4.

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments	Remarks/Recommendations
7	Mitigation measures related to reindeer herders	Y	<p>The RAP addresses damage and resultant compensation, as well as additional mitigation measures as agreed before the SIMDP. All these commitments have been met. The community mitigation measures are being addressed through the broader Sakhalin Indigenous Minorities Development Programme (SIMDP).</p> <p>Sakhalin Energy had regular consultations with herders through herder workshops. A number of support activities have been undertaken, as agreed during such quarterly workshops. These have been reported in the 6th monitoring report.</p> <p>Some of the initiatives taken by Sakhalin Energy are directly aimed at the 5 impacted herder families, while others are for the community as a whole.</p>	The IP consultation should continue through the SIMDP 2 programme.
8	<p>Commitment related to natural resource users include:</p> <ul style="list-style-type: none"> Careful attention to facility siting to avoid impacts on natural resources Provide transport to enable them to reach alternative areas Social monitoring of communities adjacent to the project construction to identify project related impacts. Careful restoration programme on the pipeline corridor. Rigorous enforcement of no hunting, no fishing, no gathering policy among project people; and Clear channels for local 	Y	An SIA was undertaken to assess impacts of the GTT being developed in the area of Boatasino, which the herders previously used as a temporary camp during their migration to the east coast. No resettlement issues were identified during the SIA, though a number of mitigation measures are being undertaken to address other construction related impacts. Livelihood of herders is not expected to be impacted.	The socio-economic internal monitoring will be continued to monitor any impacts in the construction and operation of the GTT, including the access roads, as well as village roads that may be used for construction.

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments	Remarks/Recommendations
	communities to lodge complaints.			
10	The Supplemental Assistance Programme shall be used to meet OD 4.30 requirements. Sakhalin Energy shall ensure transparency and consistency by documenting compensation communications, approaches and actions between users, communities and Sakhalin Energy.	Y	Sakhalin Energy has provided the affected households and enterprises the basis for the derivation of compensation and has documented every compensation related communications and provided the same to land owners with whom agreements were reached. The additional compensation has been used in case of delay in handing back land to the owners. The SA has also been used to compensation unregistered land owners.	See row 4.
13	Where there is a need to relocate commercial fisheries, Sakhalin Energy shall ensure appropriate compensation and assistance is provided. Sakhalin Energy shall provide compensation for lost income based value of catch; assist in the removal and relocation of equipment; and assist in and compensate for enterprises applying for new fishing licences.	Y	Compensation to all the three impacted fishing enterprises were completed in 2007 based on negotiated assessment of loss of fishing areas and reduction in the number of nets in the long run. The project has not significantly impacted the number of people employed by the fishing enterprises.	Sakhalin Energy should continue its communication with the enterprises, informing them of ship movements and working with them to ensure that there is no damage to nets and assets, and that safety standards are maintained.
14	Ancillary fishing industries: Sakhalin Energy aims to avoid or minimize any socio-economic impacts on ancillary fishing industries with economic ties to the commercial fishing industry through implementation of environmental mitigation measures set out in HSESAP, EIA and EIA addendum. Sakhalin Energy conducted informal surveys through the CLO network and	Y	As the first monitoring report brought out, there is not a big, independent, ancillary industry in Sakhalin island that is critically dependent on the fishing enterprises. Most enterprises have their own ancillary support either within the enterprise or different enterprise specialise in particular services and provide those services to each other. Repair /maintenance/processing facilities are generally located in the mainland. This opinion has been confirmed by the social impact assessment study on fishing enterprises and ancillary industry.	

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments	Remarks/Recommendations
	SPT on ancillary enterprises and individuals engaged in activities linked to commercial fishing.		There were no grievances recorded from this sector. There is ongoing engagement with the fishing enterprises and organisations.	
15	Resettlement: Affected owners and users shall be compensated for loss of land, assets and livelihood in accordance with the Russian Federation regulations, or given the option of receiving equivalent replacement land and structures at a nearby location approved by them, along with assistance during moving and access to basic amenities and infrastructure. Additional allowances shall be paid from the supplemental assistance Fund where required to meet OD 4.30 principles. Resettled families will be provided income restoration support.	Y	<p>All the 8 families displaced by the project have been duly resettled. The final resettlement of the family displaced by the pipeline SPZ was formally completed last year with some additional commitments completed this year. One commitment was to provide the family with fertilizer for their kitchen garden which was done in the autumn of 2009. With this the family confirms that all resettlement commitments have been satisfactorily completed.</p> <p>The other displaced families from the LNG site have been living in their new locations for the past 5 years now. They were not covered during this monitoring round, but in the previous rounds, none of them reported any significant changes in their incomes and occupations as most of them (at least those with whom Sakhalin Energy has managed to maintain contacts) continue to have the same income sources, though some did complain that living in Korsakov was more expensive.</p>	<p>It is more than 5 years since the families from the LNG site were resettled. The monitoring process focussed on these families in the first two rounds of monitoring and found the process satisfactory and the families settled in their new houses. The monitoring process did not identify any serious livelihood concerns among those nine families as many of them were already pensioners, and some of them continued with their old livelihood activities (livestock rearing and dachas).</p> <p>Regular monitoring of these families displaced by the LNG plant therefore may not be necessary any longer. In case any of these families do face an issue that needs Sakhalin Energy intervention they are aware that they can approach the grievance process.</p> <p>The Polykov family, the last family resettled, has also expressed satisfaction with the process, and is well settled in their new home, which they report is a better house with better amenities than before.</p>
17a	The dacha community is to be compensated on principles set out in the RAP. The company is committed to regular dialogue with the dacha	Y	As far as Sakhalin Energy is concerned, the compensation and resettlement issues with respect to the dachas are closed now, with the acceptance of either the waiver package or the loss of value amount by the dacha owners. Of the total 73	Continue engagement with the dacha community on a regular basis as is already being done. Despite the frequent difference of opinions on issues, it is apparent that

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments	Remarks/Recommendations
	<p>owners/users to seek to understand their concerns regarding the proximity of the project to their communities and to discuss appropriate mitigation measures.</p> <p>Sakhalin Energy employed an expert assessor to provide an independent evaluation of property value. The expert assessor was acceptable to both dacha community and Sakhalin Energy.</p>		<p>dacha owners, 71 received the compensation for only loss of value compensation, while 28 from them received compensation for loss of value as well as waiver of rights. Of the remaining two, one did not show interest in choosing either of the options and one owner died during this period. A summary of the current status of issues concerning the dacha owners has been discussed in section 2.4.5.</p> <p>The engagement with the dacha owners, however, continues with the EA team being available for the dacha owners to approach and discuss any issues of concern. The dacha owners however continue to complain about the following:</p> <ul style="list-style-type: none"> • The emissions are not being captured accurately • The soil quality has deteriorated, impacting their quality of crops; • There is increased incidence of theft and burglary in the area, as a number of dachas are empty and fewer people live there. This time round they reported more safety risks due to increased movement of bear near their dachas; • Continuous disturbance from noise from the LNG plant as well as movement of vehicles; and • Increase in costs of the electricity for the remaining few residents. <p>They continue to demand their resettlement by the company or for them to get additional “resettlement value” of the dachas to enable them to buy a new dacha. They maintain that the waiver package was not enough to buy a replacement dacha.</p> <p>At the behest of the external monitor, the socio-economic monitoring consulted with 9 dachas owners who had accepted of their waiver package to assess how they had utilised that amount of money, and if they had been able to replace their dachas if they so wanted. Of these 9 ex-</p>	<p>there are channels of communication and formal and informal interaction with the dacha community . Though the CLO office was closed in November 2011, dachas owners can visit company Information center in central library which was opened in Korsakov in early of 2011.)</p>

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments	Remarks/Recommendations
			<p>Prigorodnoye dacha residents:</p> <ul style="list-style-type: none"> • 8 said they were satisfied with the compensation amount; • 9 reported that they were satisfied with the entire compensation process; • 6 of them spent the compensation for family needs including repair of their apartments (3), investment into business (1) and for purchase of construction material (2); • 3 purchased either dachas or houses with that amount. One of them purchased a bigger dacha plot in 2 Pad, and hence needed additional money, while another reported that the waiver amount of adequate to buy another dacha in Nechaevka-2. <p>None of the interviewed ex dachas owners had any claims on the Company</p>	
17b	Quality of life indicators such as health, livelihood and access to basic services will be monitored using indicators and a methodology will be agreed by, and to the satisfaction of the affected community and Senior Lenders by end of 2006. Significant impacts will be evaluated through monitoring the performance of QoL indicators over a period of time. Where significant impacts are established an appropriate compensation package will be worked out through a participatory process.	Y	As above	Consider conducting the soil quality monitoring once again (to demonstrate the post flaring impacts) after some time to reassure the community against concerns related to soil contamination. It has already been agreed with dacha owners that such an assessment will be done if air monitoring shows violation of norms.
17c	In addition to compensation, the dacha community will be entitled to a targeted social investment programme to ensure that the quality of life is restored to pre-	Y	A Social Investment fund of \$50,000 was allocated for addressing the dacha community needs. The fund was not utilised primarily because there have been no proposals from the community to avail of the fund. A number of	

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments	Remarks/Recommendations
	project levels, and in some cases improved.		<p>attempts by Sakhalin Energy to encourage the dacha owners to discuss possible areas where the investment fund can be used for the improvement of the community had failed.</p> <p>Dacha owners have officially stated that they do not want to use this fund.</p> <p>It is understood now that the fund allocated for the investment has lapsed as no proposals were received from the owners for over two years.</p>	
21	Gatherers: Traditional users of common resources like berry and mushroom collectors will have alternative sites where they can access these resources. Families facing problems in access to similar resources will be provided with transport to alternative sites by the project. Such families can approach their CLOs and register their grievances and concerns.	Y	Most of these issues emerged during the construction stage. Sakhalin Energy reports that no demand or request for transportation to alternate sites was received from any of the communities. No claim for compensation has been made or paid on this issue.	
22	Traditional Land Users (Hunting, Fishing, reindeer herding): Supplemental Assistance will be available in accordance with the principles set out in the RAP, where there is verifiable adverse impact. Sakhalin Energy to develop or support some sustainable development initiatives through consultations with such stakeholders as discussed in the SIMDP.	Y	An SIMDP has been designed and is being implemented in parallel to the RAP, specifically addressing IP related issues.	
23	Compensation for Prigorodnoye Beach	Y	The park upgrade process is completed as committed in the RAP. Though there are still queries on the upgrade works, those queries are directed to the Administration instead of Sakhalin Energy, and it is they who need to provide responses.	While Sakhalin Energy has met the commitment it had about the park with the Korsakov administration, citizens/applicants can initiate some further improvements, especially in maintenance

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments	Remarks/Recommendations
			<p>Korsakov District Assembly (Council consisting of elected deputies) requested the Company for the information regarding park upgrade. Sakhalin Energy has submitted a detailed letter to the Assembly explaining the works done and the detailed expenditure breakup.</p> <p>A visit to the park and some discussions with the park users indicated that they have observed some improvements like lighting and benches to sit. They however felt that the park did not look well maintained and should have some more amenities. They hope that Sakhalin Energy will continue to support the park and improve it further.</p>	and upkeep, and improvement of some facilities for children, through the Korsakov Sustainable Development Partnership Council in the framework of approved policies and procedures of the Council. The applications will be considered by the members of the Council on similar conditions as any other applications/projects.
24 and 25	Temporary land use: Landowners and users shall be compensated for the use of land during the lease period for loss of fixed assets and for any loss of income experienced during the construction period. Land shall be returned to the original owners and users upon construction completion, with the land duly restored.	Y	All private land has been returned after reinstatement. The 10 % remaining land is Municipal lands. Grievances registered about the reinstatement till date have been addressed to the satisfaction of the land owners. Sakhalin Energy will monitor land reinstatement quality over 5 years and will address any emerging issues as a part of that monitoring and consultation.	As provided in row 4.
26 and 27	Road usage: Wherever possible, the project shall make use of existing roads to minimize the requirement for additional land acquisition. The project shall upgrade these where necessary to accommodate project traffic.	Y	<p>Since the construction activity has stopped, concerns regarding use of roads by contractors have been eliminated. No grievances were recorded in 2009 on use/damage to local roads.</p> <p>The road in Prigorodnoye has been upgraded. Based on the social impact assessment, mitigation measures were taken to minimize impacts and 3 dacha owners were compensated for damage to their land plots.</p>	
31	Independent mediation: Where RAP related claims have not been satisfactorily resolved, the company has made	Y	Till date the project related grievances have not required independent mediation. There have been cases where people have gone to court and these are being handled by the	

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments	Remarks/Recommendations
	provisions for independent mediation.		Sakhalin Energy Legal Department.	

Y: The commitment has been fully met;

P: The commitment is either still in progress, or has been partially met. Partial Compliance has in turn been rated High (H), Medium (M) and Low (L) depending upon the relative significance of the issue and ease of managing that issue; and

N: This commitment has not been met. This is a non-compliance.

The RAP related commitments related to resettlement, compensation, supplemental assistance, livelihood restoration and land reinstatement have been met or are in the process of being met (the reinstatement soil monitoring programme is in the process). The external monitoring process was a mechanism to assess the adequacy of RAP related measures being undertaken, the robustness of the internal systems in identifying and addressing issues as they arise, and the commitment of the company to communicate and consult through transparent and regular mechanisms. Over a period of 2007-2011 this monitoring process has independently reviewed the process, identified gaps and recommended measures to either close the gaps, or conduct further assessment and consultations to focus on some issues. Sakhalin Energy has responded positively to these suggestions and recommendations, and ensured that the agreed actions are undertaken before the next round of monitoring.

Overall the company is in compliance with the RAP and World Bank OD 4.30. The measures to restore or enhance project affected people's standard of living were implemented and livelihood restoration was effectively completed.

It can be concluded that the external monitoring process is no longer required as there are adequate internal systems to monitor and respond to emerging issues during operations.

Additional observation of the External Monitor and a Personal Note

In undertaking the assignment, the External Monitor has taken note of, and is appreciative of the following:

- The commitment and skills of the Social Assessment Group in Sakhalin Energy, and its individual team members. They have developed and demonstrated a deep understanding of resettlement issues, are skilled in engaging with the community and have meticulously documented their activities;
- The personal rapport and communication of the team members with the affected families. The generally positive feedback the community has given about the team, is a great example of the open and collaborative way the RAP was implemented and the trust the affected families have developed on the team over the years. Even when there were grievances, the complainants were appreciative of the efforts the team members had made to resolve the issue;
- The standard of the grievance redressal procedure. The External Monitor is of the opinion that the grievance redressal procedure developed in the project has set a very high international benchmark, and should be seen as a guidance to undertake the same in future projects. Some such an aspects is a) the commitment to close grievances in a time-bound manner to the satisfaction of the complainant, b) to have a dedicated team to handle grievances in a

systematic manner and c) the proactive manner in which the procedure was communicated and disclosed through the project area;

- The level of coordination between the SAG/EA department, the approvals team, the land reinstatement team and the CLOs through the resettlement process to ensure that the resettlement aspects were given as much priority as the project development; and
- The strong focus on sustainable development in the various social and local area development programmes including SIMDP process, which again sets a very high benchmark, and provides guidance on how a community-lead, participatory process should be undertaken.

A personal note of thanks to the Social Assessment Group, and especially to Olga Beck and Marina Ee for dedicating time to the external monitoring process and the personal engagement they had in ensuring that the objectives were being met.

Annex A

Schedule of the External Monitoring

Schedule of External RAP Monitoring Visit (25.07 – 29.07)

Date	Activity
25.07	Meeting with acting EA manager, Social Performance Team and PrD team: Company update on RAP progress – Olga Beck Purpose of final evaluation monitoring, its methodology – Neena Singh
	Review of Company's documents (RAP reports)
26.07	Move to Korsakov
	Meeting with Prigorodnoye dachas representatives – update on Prigorodnoye dacha issues
	Move to Yuzhno
	Meeting with IP coordinator – SIMDP&RAP cross-cutting issues
	Grievance meeting – RAP grievance redressal
27.07	Flight to Nogliki
	Meeting with CLOs in Nogliki
	Move to Tymovskoye
	Meetings with land users and complainants (reinstatement issue)
28.07	Move to Poronaisk
	Meeting with Heads of Vostok (14:00 -14:15) and Novoye (15:00 -15:15) administrations + visits to information's centres (Vostok 14:15; Novoye 15:15)
	Preparation for close out meeting (Neena Singh's presentation on findings and conclusions)
29.07	Move to Yuzhno
	Meeting with Polyakov's in Firsovo (monitoring of last relocation case)
	Close out meeting

**ERM has over 140 offices
Across the following
countries worldwide**

Argentina	Netherlands
Australia	Peru
Belgium	Poland
Brazil	Portugal
China	Puerto Rico
France	Singapore
Germany	Spain
Hong Kong	Sweden
Hungary	Taiwan
India	Thailand
Indonesia	UK
Ireland	USA
Italy	Venezuela
Japan	Vietnam
Korea	
Malaysia	
Mexico	

ERM India Private Limited

Block 3A,
DLF Corporate Park,
DLF City, Phase-III,
Gurgaon NCR – 122 002
India
Tel : 91-124-4170300
Fax: 91-124-4170301
Email: india@erm.com

www.erm.com