

**Classification:** Unclassified  
**Issue Purpose** AFU

**BM Code:** EP.02.02.03  
**December, 2007**



# **Sakhalin Energy Investment Company LTD.**

## **Summary of Social Impact Monitoring Programme**

**Основные положения программы мониторинга социального воздействия**

**Document Number: 0000-S-90-01-P-0362-00-E**  
**Revision 01**

The copyright of this document is vested in Sakhalin Energy Investment Company LTD. All rights reserved. Neither the whole nor any part of this document may be reproduced, stored in any retrieval system or transmitted in any form or by any means (electronic, mechanical, reprographic, recording or otherwise) without the prior written consent of the copyright owner. The contents of this controlled document shall not be altered without formal approval of the document Custodian.



## Document History

Filename 0000-S-90-01-P-0362-00-E.doc

Date	Issue	Custodian	Process Owner	Authoriser	Consulted	Distributed
December 2007	01	Social Performance Advisor, Oksana Romanovskaya	Head of Social Performance, Oleg Bazaleev	Sakhalin EA Manager, Jim Niven		
		<i>Romanovskaya</i>	<i>Oleg Bazaleev</i>	<i>Jim Niven</i>		

## Revision Details

Rev	Location of Change	Brief Description of Change
01		First formal issue



**Content:**

**1 INTRODUCTION ..... 4**

1.1 PURPOSE..... 4

1.2 SCOPE..... 4

1.3 TERMINOLOGY ..... 4

1.4 USER NOTES..... 4

**2 RISKS AND CONTROLS ..... 5**

**3 RESPONSIBILITIES..... 6**

**4 REFERENCES ..... 7**

**5 WORKFLOW..... 8**

**6 SOCIAL IMPACT PARAMETERS AND INDICATORS TO BE MONITORED..... 9**

6.1 SOCIAL PARAMETERS AND INDICATORS TO BE MONITORED ..... 9

6.2 DEFINITION OF LOCATIONS FOR SOCIAL IMPACT MANAGEMENT ..... 9



## 1 Introduction

### 1.1 Purpose

Social impact monitoring is vital for the successful implementation of the Sakhalin-II Project. It enables the effective review and continuous improvement of the Project's social performance activities, and allows the Project leadership team to pro-actively anticipate and prevent social issues that could become significant business risks.

Sakhalin Energy has been carrying out social impact assessments and monitoring since 2003, including: community liaison, social impact assessments, community monitoring surveys, etc. Sakhalin Energy has developed a Social Impact Monitoring Programme that places these monitoring activities in the overall social performance management framework and integrates the performance and process indicators from the Health, Safety, Environmental and Social Action Plan (HSESAP). The HSESAP is publicly available on the Company website ([http://www.sakhalinenergy.com/en/library.asp?p=lib\\_sel\\_hsesap2007&l=hsesap07\\_part1](http://www.sakhalinenergy.com/en/library.asp?p=lib_sel_hsesap2007&l=hsesap07_part1)).

The primary purpose of social impact monitoring is to identify and evaluate Project-related primary and secondary social impacts, assess these impacts, to develop culturally appropriate and sustainable mitigation-of-impact measures and to monitor compliance against Company social commitments that outlined in the HSESAP. Much of the work is focused on communities in the Sakhalin Oblast most likely to be subjected to impact as a result of the Project (see section 4.2: "Definition of locations for social impact management").

Monitoring of social parameters and the effectiveness of mitigation measures are required to achieve the Company's social performance objectives.

### 1.2 Scope

There are three elements of the Project social monitoring process:

- Ongoing community liaison and oversight activities;
- Social compliance monitoring and reporting; and
- Social impact monitoring.

Apart from these, third party monitoring will be conducted for the Resettlement Action Plan (RAP), Community Grievance Procedure, Sakhalin Indigenous Minorities Development Plan (SIMDP), and Social Investment, which is in line with the world best practices and provides an all-round insight into Project's social performance.

In addition the Company developed special tool the Social Compliance Monitoring Handbook that forms the basis for the Sakhalin II Project social commitments monitoring process<sup>1</sup>.

### 1.3 Terminology

Key terminology in this document is defined at its first appearance.

### 1.4 User Notes

The requirements of this document apply to all Project entities (Sakhalin Energy and its contractors and sub-contractors). Non-compliance must be authorized using the deviation procedure described in Chapter 10 of the Corporate Document Control Procedure (0000-S-90-01-P-0078-00-E).

A controlled copy of the current version of this document is located in LiveLink and is available via the Sakhalin Energy website. Before using this document it is the User's responsibility to ensure that any hard or electronic copy is current. The Document Custodian should be contacted for assistance and any feedback.

---

<sup>1</sup> This Social Compliance Monitoring Handbook presents a systematic approach to ensuring the effectiveness of all Project entities (The Company but also including contractors, sub-contractors) in their management of social issues during the construction activities for the Sakhalin II Project. It identifies the purpose for implementing social protection measures, Project entities' basic responsibilities, monitoring responsibilities, and includes checklists and questionnaires as helpful tools in the process of compliance monitoring.



## 2 Risks and Controls

The risks associated with the failure to implement Sakhalin Energy Social Impact Monitoring Programme are associated with Sakhalin Energy inability to:

- Obtain continuous feedback about the implementation of certain Project activities and their impact on communities;
- Determine potential and real successes and problems as early as possible;
- Evaluate the effectiveness of impact mitigation measures;
- Ensure Project implementation is following the commitments and guiding principles of the Company;
- Evaluate community issues and needs;
- Reveal local expectations and concerns about Project implementation;
- Reveal changes in local attitudes towards the Sakhalin II Project and Sakhalin Energy;
- Reveal the level of local population awareness about the Project and Sakhalin Energy activities; and
- Determine locally preferred forms of obtaining information about the Sakhalin II Project.

The failure to implement one or more of the above might bring about the following risks:

- Sakhalin Energy will fail to identify and evaluate Project-related primary and secondary social impacts, assess the impacts, and develop culturally appropriate mitigation-of-impact measures.
- Sakhalin Energy will demonstrate to Sakhalin II project lenders and shareholders, Sakhalin community and other stakeholders its failure to deliver on promises.
- This breaching will contribute to creating negative attitude of the Sakhalin community and other stakeholders to Sakhalin Energy and Sakhalin II project.

The following controls are in place to mitigate these risks and assess the Social Impact Monitoring Programme is effectiveness:

- The main responsibility for implementing Sakhalin Energy Social Impact Monitoring Programme is with Sakhalin Energy Social Assessment Group.
- Key performance indicators (KPIs) have been defined for each of the core social aspect for Sakhalin Energy to monitor social performance against these KPIs.
- Specific social impact monitoring activities are planned for Project construction period, including:
  - Ongoing community liaison and oversight activities;
  - Social compliance monitoring and reporting; and
  - Social impact monitoring.



### 3 Responsibilities

The overall responsibility for social impact monitoring is with the Head of Social Performance, who sits within the Sakhalin Energy External Affairs and leads all the social performance-related processes. Implementation will require a combination of teams and functions, particularly Sakhalin Energy Corporate Affairs, Community Liaison Officers and the Social Focal Points within projects or assets.



#### 4 References

- 2007 Social Performance Plan (0000-S-90-01-P-0316-00-E).
- HSESAP Part 2: Table 2.10A Public Consultation and Disclosure (PCDP) (0000-S-90-04-P-7070-31-E).
- HSESAP Part 2: Table 2.10B Grievance Procedure (0000-S-90-04-P-7070-32-E).
- HSESAP Part 2: Table 2.10C Russian Content, Employment And Business Opportunities/Impact On Communities (SIAA) (0000-S-90-04-P-7070-33-E).
- HSESAP Part 2: Table 2.10D Impact On Indigenous Peoples (0000-S-90-04-P-7070-34-E).
- HSESAP Part 2: Table 2.10E Commitments Relating To Land Clearance (Treatment Plan) (0000-S-90-04-P-7070-35-E).
- HSESAP Part 2: TABLE 2.10F Commitments Relating To Land Acquisition, Resettlement And Compensation (RAP) (0000-S-90-04-P-7070-36-E).
- HSESAP Part 2: Table 2.3 Onshore Biodiversity Commitments (0000-S-90-04-P-7070-23-E).
- HSESAP Part 2: Table 2.10G Social Investment Program and Contractor Set Aside Funds (0000-S-90-04-P-7070-37-E).
- Corporate Documentation Standard (0000-S-90-01-O-0002-00-E).
- Corporate Document Control Procedure (0000-S-90-01-P-0078-00-E).



## 5 Workflow

N/A to this document.





## 6 Social Impact Parameters and Indicators to be Monitored

### 6.1 Social parameters and indicators

The social parameters to be monitored correspond to the major social performance areas identified during the social impact assessment process. These are:

- Public Consultation and Disclosure;
- Community Grievances;
- Russian Content, Employment and Business Opportunities;
- Impact on Communities;
- Code of Conduct;
- Impacts on Natural Resources use;
- Impact on Indigenous Peoples (IP);
- Archaeology/Cultural Heritage;
- Land Acquisition, Resettlement and Compensation; and
- Social Investment Programme.

Social commitments for each above listed area are considered in the HSESAP, Part 2 ([http://www.sakhalinenergy.com/en/library.asp?p=lib\\_sel\\_hsesap2007&l=hsesap07\\_part2](http://www.sakhalinenergy.com/en/library.asp?p=lib_sel_hsesap2007&l=hsesap07_part2)).

Two types of social impact indicators have been defined for each of the core social issues:

- Key performance indicators related to the success of the Project around this social issue, for example the stakeholder approval rating; and
- Process indicators related to the implementation of social performance processes and activities, for example the number of public meetings that have been held.

### 6.2 Definition of locations for social impact management

Much of the social monitoring work will focus on Sakhalin communities, which potentially could be subjected to impact as a result of the Project.

The main criteria for the selection of communities for the social monitoring program are:

- Communities close to existing/proposed Project sites (e.g., laydown yards, temporary construction camps and permanent fixed facilities),
- Communities close to a pipeline construction site that might potentially affect local interests, and
- District centres.

Specific community lists have been developed for the IP monitoring programme and Compensation/Resettlement/Supplemental Assistance Monitoring Programme. The first one is part of the Sakhalin Indigenous Minorities Development Plan ([http://www.sakhalinenergy.com/en/library.asp?p=lib\\_sel\\_sia20032005&l=sia\\_imdp](http://www.sakhalinenergy.com/en/library.asp?p=lib_sel_sia20032005&l=sia_imdp)) and the second one – of Resettlement Action Plan ([http://www.sakhalinenergy.com/en/library.asp?p=lib\\_sel\\_sia20032005&l=sia\\_rap](http://www.sakhalinenergy.com/en/library.asp?p=lib_sel_sia20032005&l=sia_rap)).