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REPORT ON SOCIAL IMPACT ASSESSMENT WITH REGARDS TO CONSTRUCTION OF THE SOUTHERN GTT

Rev. 02

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1 INTRODUCTION

This report has been prepared subsequent to the results of the Social Impact Assessment with regards to construction of the Southern Gas Transfer Terminal (hereinafter referred to as the GTT) in the area of Dalnee.

The purpose of the Social Impact Assessment with regards to construction of the Southern GTT is to assess the initial information for determining a potential impact and to develop measures for impact management in connection with the construction of the Southern GTT.

2 CONSULTATIONS

Scope of Work and Purposes of Consultations

On 28 November 2008, public hearings were conducted with participation of communities and stakeholders regarding the planned construction work. The attendees included representatives of the Company, Sakhalin Department of Gasification and Prospective Development of Electric Power Industry, OAO Gazprom, SUAE Komsomolets, OOO Sakhalinugol, Department of Architecture and Urban Development of Yuzhno-Sakhalinsk Administration, Sakhalin Environment Watch, and Public Human Rights Organisation of Sakhalin Oblast. General issues of forthcoming GTT construction in Dalnee, schedule of work, use of local infrastructure (entering into road operation agreement with SUAE Komsomolets) and the possibility of gas connection to the local infrastructure facilities were discussed at the meeting.

In August-November 2010, field surveys had been conducted to collect information for updating a potential impact in the areas adjacent to the GTT construction site, including:

- holding a meeting with the Head of the Lugovoye Territory Management Department;
- holding a meeting with the Head of Novo-Alexandrovka (Novaya village);
- holding a meeting with the library director and representatives of the Lugovoye community; and
- on-site survey of the territory adjacent to the construction site (access roads, nearby buildings).

During consultations, all participants had been informed about the construction plans, potential impact management measures, the Grievance Procedure, policy on prohibition of fishing, gathering and hunting for the Project employees engaged in construction works, etc.

All respondents had been interviewed in the following categories of issues:

- using the territory and access roads in the GTT construction area;
- expectations and concerns regarding the GTT construction; and
- potential measures towards mitigation of concerns and potential impact.

See Section 4 for description of the results of work conducted to check the initial situation.

Concerns Expressed during Consultations

Heads of Lugovoye and Novo-Alexandrovka (Novaya village) had not expressed any concerns in connection with GTT construction. Similarly, no concerns had been expressed during the meeting with the library director and representatives of the nearest settlements.

3 PROJECT DESCRIPTION

The construction under this project will be carried out from September 2010 to June 2011. The peak construction activity in Dalnee is from October to December 2010.

Facilities will be constructed by the Contractor named ZAO Transstroy-Complekt.



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The number of workers engaged in construction works is 50-60 persons (60 persons during peak construction). The facilities will be operated by automated systems, while operation of these systems will be checked by field service teams. Provision is made for construction of the facility by the flow line method without erection of a rotational camp for staff accommodation. A temporary camp will be used for working time only.

It is planned to organise personnel transportation by buses and shift vehicles. Vehicles for personnel transportation are equipped and controlled in accordance with the procedures of Sakhalin Energy. In addition, all transportation vehicles are equipped with in-vehicle monitoring systems.

Medical services at the construction site will be provided by representatives of a contract organisation trained in first-aid treatment and provided with first aid kits; a contract is concluded with the nearest first-aid station for call of an ambulance car.

Gas Transfer Terminal

The Gas Transfer Terminal is comprised of the following main facilities and units:

- gas pipeline—a bend to GTT of 213 m in length, pipeline depth is 0.8 m from the upper generating tube;
- gas metering and filtering station;
- fuel gas disposition terminal;
- Two gas engine generator plants.

Southern GTT Construction Site

The site area during the construction period is 1.5 ha (the construction site of the Southern GTT) and 1 ha during the operation period.

The land plot owner is Sakhalin Government represented by the Ministry of Property of the Sakhalin Oblast.

A construction facility of OAO Gazprom is located in the immediate vicinity of the GTT construction site.

Prior to preliminary land allocation, the construction site was occupied by agricultural lands used by SUAE Komsomolets for farming (see photographs in Annex 2). After preliminary selection, they were transmitted into industrial lands and rented out to the Company.

Compensation for these lands has been paid to Komsomolets in accordance with RAP requirements.

SUAE Komsomolets is the user of adjacent lands (including the road) on the basis of indefinite and uncompensated right to land plot usage. This right is subject to re-registration to lease or ownership in compliance with the applicable RF Land Code.

At the present time, a contract is concluded with SUAE Komsomolets for the use of the access road to the GTT construction area.

No other users have been detected from the land allocation materials and immediate survey of this land plot.

To ensure servicing of site workers, provision is made for placement of temporary buildings at the construction site. People working at the construction site will be provided with temporary buildings and structures at the expense of inventory movable or container buildings and structures owned by the organisation.

Camp

The temporary camp is situated at the location of the old hydraulic pump station in Lugovoye. At the moment of choosing a land plot, the pump station was not in operation. The site accommodates half-ruined buildings of the station and water tower.

During construction phase of the object the local workforce will be used, therefore no overnight accommodation will be arranged at the site.



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The land plot owner is Sakhalin Government represented by the Ministry of Property of the Sakhalin Oblast. No other users have been detected from the land allocation materials and immediate survey of this land plot.

The area of the land plot for placement of the temporary camp is about 1 ha (see the map in Appendix 1).

It is planned to erect following temporary buildings and structures in the territory transferred to Sakhalin Energy for the camp placement:

- dining facility;
- amenity rooms;
- office;
- toilets;
- laboratory;
- guard post;
- tool house;
- diesel generator;
- outdoor and indoor storages;
- storage for technicians; and
- site clinic.

Access Roads

Land plots intended for GTT construction and camp placement are connected with open motor roads and the field agricultural road (see the map in Annex 1).

A 6 km leg of the existing field agricultural road from Novaya village to GTT is used for the needs of the project (see the map in Annex 1). Its section (2.6 km) has been upgraded from Category III-C to Category I-C. A crossing over the Magometka River has been reconstructed (concrete flume pipes have been installed and the river coast has been backfilled by rocky ground).

The part of the access road from the GTT construction site up to the turn to Novaya village is top-soil. The part from the turn to Novaya village up to the Yuzhno-Sakhalinsk—Dalnee route egress point is asphalted.

Provision is made for using two entries to the access road:

1. Through Lugovoye (the Mordovsky village area)—entry from the Yuzhno-Sakhalinsk – Novo-Alexandrovsk route (see the map in Annex 1). The entry is used by passenger cars of the Company and Contractor and runs through residential housings past SUAE Komsomolets commercial facilities (cow shed, silo towers, etc.). At the time of on-site survey conducted by the Company's Contractor, this road was backfilled by ground at the request of SUAE Komsomolets Administration. This road is also intensively used by heavy goods vehicles owned by OAO Gazprom, which is currently engaged in laying gas pipeline in the same area, and by SUAE Komsomolets.
2. Past Novaya village—entry from the Novo-Alexandrovsk—Dalnee route (see the map). The entry will be used by the Contractor and the Company during construction works. During the peak construction activity (delivery of sand and crushed stone) the planned maximum number of vehicles is 15 units per day. The road is also used by SUAE Komsomolets. This access road runs outside the residential housing zones; two roads leading to Novaya Village residential housings, which can be used by local residents, join it. The distance from the road to the housings is approximately 200 m.



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Laydown Yards

Provision is made for placement of building materials and construction machinery within the limits of construction site and temporary camp in the areas allocated for storage. Stocking and storage of materials in excess of the current stock is provided at the central warehouses of the construction organisation and suppliers.

4 INITIAL INFORMATION ON SETTLEMENTS

The nearest settlements are Lugovoye and Novo-Aleksandrovsk being parts of Yuzhno-Sakhalinsk. See description of Yuzhno-Sakhalinsk in Annex D, the Yuzhno-Sakhalinsk District—in Annex C “Social Impact Assessments” (2003) accessible on the official Company website http://www.sakhalinenergy.com/ru/documents/doc_38_sia_appd.pdf.

For GTT construction, a land plot has been selected between Lugovoye and Dalnee planning areas, in 2.6 km eastward of the cow shed of SUAE Komsomolets and in 3 km from the residential housing stock in Lugovoye planning area.

Residents of these settlements did not use the territory allocated for construction and operation of project facilities. There are no mineral deposits, objects of cultural heritage or specially protected areas territories within the land allocation borders.

See Section 3 Access Roads for use of access roads.

5 DESCRIPTION OF POTENTIAL IMPACT/PROBLEMATIC ISSUES

It is expected that during the construction work period the following inconveniences can be potentially caused to the users of adjacent land plots and people living in the vicinity of the planned construction site:

- noise and dust during execution of construction works, transportation of building materials and equipment;
- deterioration of roadway quality because of movement of construction machinery and loads;
- limitation of access for passenger cars owned by local residents at junctions of the roads leading to the residential housings because of roadway quality deterioration;
- safety issues related to the use of access roads;
- issues of labour relations; and
- insufficient awareness about the project;
- potential operations impacts described in the Report on Social Impact Assessment (2003),
Chapter 10, p10-11, table 10.5.2
(http://www.sakhalinenergy.com/en/documents/doc_38_sia_chp10.pdf)
- and Chapter 11, p.11-12, table
11.4.3 (http://www.sakhalinenergy.com/en/documents/doc_38_sia_chp11.pdf)
- and Chapter 12, p.12-24, table
12.9.2.1 (http://www.sakhalinenergy.com/en/documents/doc_38_sia_chp12.pdf)
- and Chapter 13, p.13-12, table
13.5.5 (http://www.sakhalinenergy.com/en/documents/doc_38_sia_chp13.pdf)
- and Chapter 14, p.14-8, table
14.2.3 (http://www.sakhalinenergy.com/en/documents/doc_38_sia_chp14.pdf).

Potentially affected communities:



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- residents of the nearest settlements on the whole;
- Komsomolets state-owned farm; and
- contractors' employees.

6 MEASURES PROPOSED FOR IMPACT MANAGEMENT

- In cooperation with the Contractor, preliminary and regular informing the stakeholders on the dates and types of construction works, use of the access road, road safety measures, etc. (Social Performance Standard Overview 0000-S-90-01-O-0021-00-E Appendix 01, para 12, http://www.sakhalinenergy.com/en/documents/61_Social_Performance_Standard_Overview_E.pdf).
- Compensating land users for the losses according to the principles of the Resettlement Action Plan (in the event of damage) (Resettlement Management 0000-S-90-01-O-0021-00-E Appendix, where applicable http://www.sakhalinenergy.com/en/documents/65_Resettlement_Management_E.pdf).
- Providing briefing on the Code of Conduct and rules of accommodation in the construction camp including fishing, hunting and gathering by non-local employees. (Social Performance Standard Overview 0000-S-90-01-O-0021-00-E Appendix 01, para 10, bullet 7, http://www.sakhalinenergy.com/en/documents/61_Social_Performance_Standard_Overview_E.pdf).
- Preventing heavy goods vehicles and passenger cars from using the road running through the residential housings in Lugovoye (Social Performance Standard Overview 0000-S-90-01-O-0021-00-E Appendix 01, para 7, http://www.sakhalinenergy.com/en/documents/61_Social_Performance_Standard_Overview_E.pdf).
- Solving issues of road safety (limitation of speed of construction and heavy goods machinery at the junction of roads leading to residential housings, time limitation of traffic use to day hours only; control by means of patrolling). (International Requirements for Road Transport 0000-S-90-04-0-0-0005-E, p.6-7, table Requirements of Lenders, ROW Driver and driving requirements http://www.sakhalinenergy.com/en/documents/14_International_Requirements_for_Road_Transport_E.pdf).
- Maintaining the access road being in use in a condition suitable for traffic of passenger cars.
- Ensuring free passage via access roads for the district residents during the construction work period (Social Performance Standard Overview 0000-S-90-01-O-0021-00-E Appendix 01, para 7, http://www.sakhalinenergy.com/en/documents/61_Social_Performance_Standard_Overview_E.pdf).
- Implementation of the Waste Management Plan developed in compliance with the requirements of Sakhalin Energy. (Waste Management Standard Overview, 0000-S-90-01-O-0258-00-E, para 6, http://www.sakhalinenergy.com/en/documents/28_Waste_Management_Standard_Overview_E.pdf).
- Implementation of the Construction Camp Management Plan developed in compliance with the requirements of Sakhalin Energy. (Social Performance Standard Overview 0000-S-90-01-O-0021-00-E Appendix 01, para 11, http://www.sakhalinenergy.com/en/documents/61_Social_Performance_Standard_Overview_E.pdf).



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- Implementation of the Security Plan developed in compliance with the requirements of Sakhalin Energy. ([Social Performance Standard Overview 0000-S-90-01-O-0021-00-E Appendix 01, para 11, \[http://www.sakhalinenergy.com/en/documents/61_Social_Performance_Standard_Overview_E.pdf\]\(http://www.sakhalinenergy.com/en/documents/61_Social_Performance_Standard_Overview_E.pdf\)](#)).
- Implementation of the Supplier's Plan¹.
- Implementation of the Recruitment and Labour Relations Management Plan² ([Russian Content and Employment, 0000-S-90-01-O-0021-00-E Appendix 10, para 1,2,3 \[http://www.sakhalinenergy.com/en/documents/69_Russian_Content_and_Employment_E.pdf\]\(http://www.sakhalinenergy.com/en/documents/69_Russian_Content_and_Employment_E.pdf\)](#)).
- In the event of concerns/complaints, implementation of the Grievance Procedure. ([Addressing Grievances 0000-S-90-01-O-0021-00-E Appendix 08, \[http://www.sakhalinenergy.com/en/documents/67_Addressing_Grievances_E.pdf\]\(http://www.sakhalinenergy.com/en/documents/67_Addressing_Grievances_E.pdf\)](#)).
- Monitoring and control over fulfilment of measures and provision of reports by the Contractor ([Social Performance Monitoring, 0000-S-90-01-O-0021-00-E Appendix 11 \[http://www.sakhalinenergy.com/en/documents/70_Social_Performance_Monitoring_E.pdf\]\(http://www.sakhalinenergy.com/en/documents/70_Social_Performance_Monitoring_E.pdf\)](#)).

7 INTERACTION WITH STAKEHOLDERS

Pursuant to the Public Consultation and Disclosure Plan, the Company shall conduct public, group and individual meetings with stakeholders. The procedure of interaction with stakeholders in connection with construction under this Project will be updated under this Plan for 2011.

Till April 2011 South CLO will liaise with communities, including those that around South GTT construction. Since April 2011 CLO coordinator and Sakhalin Energy grievance officer are the focal points responsible for liaison between the local community and Sakhalin Energy. The relevant contact details have been indicated in the Grievance leaflet and poster (available in communities and at construction office of GTT).

Social assessment group provides for awareness campaigns to ensure the contractor's awareness of Sakhalin Energy commitments.

GTT nominates a social focal point to be in charge of cascading across the relevant contractors all commitments and addressing any issues when such arise.

Whenever necessary, the Contractor will participate in consultations with communities and authorities in cooperation with the Company specialists (for example, when conducting public meetings).

8 MONITORING AND REPORTING

Conducting monitoring in accordance with the Monitoring Specification of the Social Performance Standard and Social Performance Plan ([Social Performance Monitoring 0000-S-90-01-O-0021-00-E Appendix 11 \[http://www.sakhalinenergy.com/en/documents/70_Social_Performance_Monitoring_E.pdf\]\(http://www.sakhalinenergy.com/en/documents/70_Social_Performance_Monitoring_E.pdf\)](#)).

The Social Impact Assessment Team is responsible for regular monitoring (twice per year).

¹ Supply plan is to describe the supply chain process for GTT construction project; it contains the reference to Sakhalin Energy Russian content commitments.

² Recruitment and labour relation management regulations are included in mobilization plan and address the recruitment process in accordance with company's local and Russian content commitments and Russian labour law.



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In addition, the Contractor must regularly provide reports on the agreed-upon parameters of social impact and its monitoring, including the issues of labour relations, compliance with the Code of Conduct, placement of staff, complaints, etc.

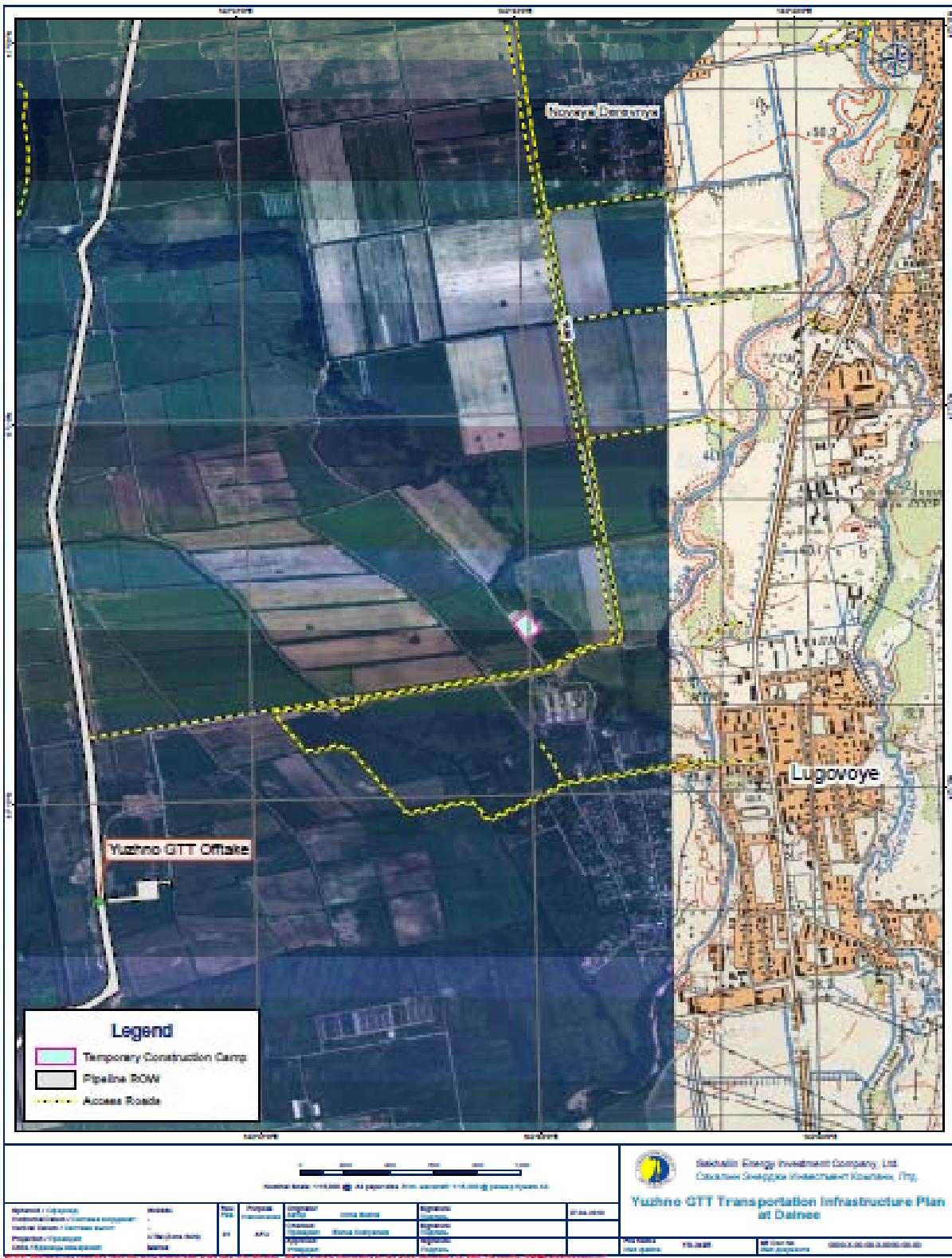
Social indicators for this Project should include applicable indicators specified in the Social Performance Monitoring 0000-S-90-01-O-0021-00-E Appendix 11, Appendix: Social Performance indicators (http://www.sakhalinenergy.com/en/documents/70_Social_Performance_Monitoring_E.pdf).



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ANNEX 1. SOUTHERN GAS TRANSFER TERMINAL

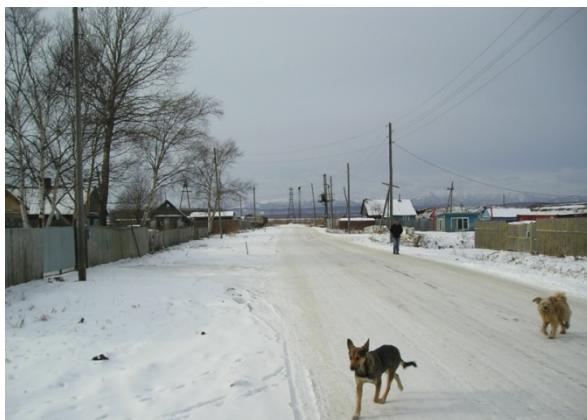




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ANNEX 2. PHOTO



Road through the Lugovoye village (movement of passenger cars only)

View of the temporary camp



Road from the camp to the construction site

View of Novaya village from the road (to the site)



Building in Novaya village at a distance of 200 m from the road (empty at the time of on-site survey)



Road to the site (contract for use with SUAE Komsomolets)