

SOCIAL IMPACT ASSESSMENT ADDENDUM
OCTOBER 2005

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ACRONYMS AND ABBREVIATIONS

CEO	Chief Executive Officer
(C)GBS	(Concrete) Gravity Base Structure
CLO	Community Liaison Officer
EA	External Affairs
EOD	Explosive ordnance disposal
ESAP	Environmental and Social Action Plan
ESHIA	Environmental, Social and Health Impact Assessment
GP	Grievance Procedure
Handbook	Project Social Compliance Monitoring Handbook
HR	Human Resources
HSE	Health, Safety and Environment
HSESAP	Health, Safety, Environmental and Social Action Plan
IMAS	International Mine Action Standards
IP	Indigenous peoples
IPDP	Indigenous Peoples' Development Plan (see SIMDP)
ISO	International Standard Organization
IUP	Infrastructure Upgrade Project
KPI	Key performance indicators
LNG (Plant)	Liquefied Natural Gas (Plant)
NGO	Non-governmental organization
OET	Oil Export Terminal
O&M (Apprenticeship Programme)	Operations and Maintenance (Apprenticeship Programme)
OPF	Onshore Processing Facility
OSRP	Oil Spill Response Plan
PCDP	Public Consultation and Disclosure Plan
PDP	Pipeline Development Project
PL	Pipeline
PLA	Preliminary Land Allocation
PLT	Project Leadership Team
PM	Project Manager
PSA	Production Sharing Agreement
RAP	Resettlement Action Plan
ROW	Right-of-way
RR	Russian Regulations
SD	Sustainable Development

SEIC	Sakhalin Energy Investment Company, Ltd.
SELT	Sakhalin Energy Leadership Team
SFP	Social Focal Point
SIA	Social Impact Assessment
SIAA	Social Impact Assessment Addendum
SIG	Social Integration Group (now Social Performance Team)
SIMDP	Sakhalin Indigenous Minorities' Development Plan (see IPDP)
SIMP	Social Impact Monitoring Programme
SPT	Social Performance Team
STD	Sexually transmitted diseases
Treatment Plan	Treatment Plan for Objects of Cultural Heritage
UXO	Unexploded ordnance

1 INTRODUCTION

SEIC's Sustainable Development (SD) Policy states that:

Sakhalin Energy will contribute to present and future needs of the society on Sakhalin Island while keeping a balance between economic development, environmental protection and social responsibility.

The framework for implementation of SEIC's SD Policy is provided by the Environmental, Social and Health Impact Assessment (ESHIA), the Health, Safety, Environmental and Social Action Plan (HSESAP) and related documentation (see Appendix B: Policies and Procedures).

SEIC strives to achieve excellence in social performance, both in the way that the Company, Contractors and Subcontractors work and engage with local communities, and in the broader sense of having a positive impact on society, through Project benefits and social investment initiatives.

SEIC has worked hard to ensure that its social management process meets international good practice and seeks to be a leader in this area. SEIC is committed to a broad range of ongoing public consultations and social assessment during construction and has already devoted substantial resources to support this effort. This is described in the Phase 2 Social Impact Assessment (SIA), which was released in early 2003 as part of the overall Phase 2 ESHIA.

This SIA Addendum (SIAA) supplements and updates the Phase 2 SIA. The SIAA describes issues that have arisen since early 2003, and the management and mitigation commitments made by SEIC to address these issues, including new management procedures introduced since 2003. It also details issues that were not fully addressed in the original SIA. In addition, the SIAA details the consultations and social impact mitigation measures implemented in 2003-4 to meet SEIC commitments. A case-study approach is used to illustrate how established and new processes, procedures, and mitigation measures have been used to manage issues.

Where issues are not addressed in this document, references are made to other documents. Two key documents are the Resettlement Action Plan (RAP), which addresses all aspects of resettlement, land take and compensation, and the Sakhalin Indigenous Minorities' Development Plan (SIMDP¹), which addresses all matters related to the local indigenous population.

From May 2005, all social management commitments will be incorporated into the Health, Safety, Environmental and Social Action Plan (HSESAP) (SIAA Section 7.2.3). From that time this document will form the basis upon which the SEIC and Contractor performance in meeting these commitments will be monitored by the Corporate Social Performance Team. Upon completion of the Phase 2 Loan Agreement, the commitments set out in the HSESAP will also be monitored by the Senior Lenders.

¹ The SIMDP is equivalent to an Indigenous Peoples' Development Plan, as defined under World Bank Operational Directive 4.20 (recently revised to OD4.10 in 2005). The term SIMDP was agreed in consultation with IP on Sakhalin Island and was considered to be the more culturally appropriate terminology in this instance.

1.1 Organisation of the Document

Table 1-A: Organisation of the SIAA

Chapter	Title	Summary of Contents
1	Introduction	Explains the purpose of the document and how it relates to other SEIC documentation. Summarises relevant policies and procedures and where to find information not contained in this SIAA.
2	Social Impact Assessment, Monitoring and Consultation	Summarises the social impact assessment, monitoring and consultation activities carried out in 2003-4 and community concerns identified during consultation. More detail is provided in Appendices B and C. Community concerns are addressed in chapters 3-6.
3	Impacts relating to Local Employment, Training and Business	Summarises issues related to local employment and business opportunities that have arisen since the release of the Phase 2 SIA and demonstrates how these issues have been managed by SEIC in 2003-4. Case studies are used to demonstrate how issues have been resolved.
4	Community Impacts	Summarises community-related issues that have arisen since 2003 and describes how these issues have been managed. For resettlement matters, the reader is referred to the Resettlement Action Plan (RAP).
5	Impacts on Heritage Resources	Update on Cultural Heritage, War Dead and Unexploded Ordnance (UXO) programmes.
6	Impacts on Indigenous Peoples	Summarises impacts on indigenous peoples and mitigation measures currently in place. Reference is made to the Sakhalin Indigenous Peoples' Development Plan (SIMDP) for further information.
7	Management of Social Issues	Outlines the procedures in place to monitor, assess and resolve matters relating to Project impacts, including procedures introduced or developed since the release of the Phase 2 SIA. Reference is made to corporate documents that describe these procedures in full.
8	Social Investment	Update of the Social Investment Programmes. (Lists of projects supported in 2003-4 can be found in the appendices.)
Appendices		
A	Potentially Affected Groups	Table of potentially affected groups, impacts and mitigation measures
B	Policies and Procedures	Lists SEIC policies, procedures and information documents that are referred to in this SIAA

Chapter	Title	Summary of Contents
C	Targeted Social Impact Assessments	Summarises the findings, impacts and mitigation measures identified as a result of the Targeted SIAs carried out in Molodezhnoye, Slava, Vzmorye and Sokol (Sakhalin Region) and for the Concrete Gravity Base Structure (CGBS) construction project in Vostochniy Port, Primorye Region.
D	Consultation and Monitoring Activities in 2003-4	Details consultation and monitoring efforts carried out since the release of the Phase 2 ESHIA in 2003. This includes ESHIA disclosure consultation and Indigenous Peoples' consultation.
E	ESHIA Disclosure Consultation Tables	Provide information on where the ESHIA was placed, and ESHIA disclosure communication and meetings.
F	Camp Residents and Camp Capacity	Provides information on the number of residents in construction camps and the proposed provision of worker accommodation.
G	Social Investment Programme	Provides a summary of social investment projects supported in 2003/2004 together with a summary of social investment spending to date.
H	Contractor Set-aside Funds	Lists projects and initiatives supported so far via the Contractor Set-aside Programme (OPF, Pipelines and LNG/OET Project Teams).
I	Health Impact Assessment, Chapter 13	This section of the HIA relates to mitigation measures

2 SOCIAL IMPACT ASSESSMENT, MONITORING AND CONSULTATION

2.1 Introduction

SEIC has committed to a range of management procedures – including impact assessment – in order to avoid negative social impacts wherever possible. These are detailed in the Phase 2 Social Impact Assessment (SIA) and Chapter 7 of this Social Impact Assessment Addendum (SIAA). Where negative impacts are unavoidable, these management procedures are employed to keep them to a minimum.

SEIC social commitments are implemented and monitored by the External Affairs (EA) Department, in particular the Social Performance Team (SPT, formerly the Social Integration Group or SIG) and Community Liaison Officers (CLOs).

SEIC and Contractors have consulted and continue to consult with stakeholder groups, potentially affected communities and other communities as described in the Phase 2 SIA (Chapter 3) and the Public Consultation and Disclosure Plan (PCDP) (<http://www.sakhalinenergy.com/>). A summary of the potentially project-affected groups is set out in Appendix A.

The Company has made a commitment to:

- Carry out public consultation (public meetings and interviews with key experts) twice a year during construction, with additional meetings as required by communities, to assess Sakhalin II Project impacts and develop recommendations to Corporate and Project Managers (PCDP Section 7);
- Collect and evaluate social monitoring and reporting data from projects (OPF, Onshore Pipelines, LNG/OET) on a daily, weekly or monthly basis during construction, depending on the information (Section 6.4.1; HSESAP);
- Address public grievances about the Sakhalin II Project effectively and in a timely manner, and in accordance with the Company's Grievance Procedure (PCDP Chapter 9);
- Continue with ongoing day-to-day CLO activities, including 'open hours', distribution of monthly Community Project Updates, posting information on community bulletin boards and addressing issues posted in community comment boxes (SIA Chapter 17; PCDP Chapters 7 and 8); and
- Routinely monitor compliance with SEIC policies, standards and HSESAP obligations.

Appendix D summarises the consultation and monitoring activities carried out by SPT experts and CLOs in 2003 and from January to September 2004, and the activities planned from 2004 onwards. Since the Phase 2 SIA (2003) three targeted SIAs have been undertaken and these are also summarised in Section 2.2 and Appendix C.

Written minutes have been taken at all public meetings. Section 2.3 summarises the concerns expressed by community members during public consultation to date. Project-related issues are addressed via SEIC's established management procedures, primarily the Grievance Procedure and Issues Management Process (see Chapter 7).

2.2 Targeted Social Impact Assessments

In 2003 and 2004 targeted SIAs were completed for five communities that would be impacted by Phase 2 activities but were not included in the Phase 2 SIA. This was because decisions

regarding activities in these communities were made after completion of the SIA in early 2003.

In April/May 2003, a targeted SIA was completed for construction of two concrete gravity base structures (CGBSs) for the offshore platforms. The CGBSs are being constructed in Vostochniy Port, Vrangel, on the mainland in neighbouring Primorskiy Province. The targeted SIA focused on potential impacts on Vrangel (pop. 15,800) and Nakhodka (pop. 183,300, the administrative centre of the municipal formation that includes Vrangel).

Between August and December 2003, SPT experts completed two targeted SIAs for three Sakhalin communities: (1) Slava (pop. about 300) and Molodezhnoye (pop. about 1100); and (2) Sokol (pop. about 3300). Slava and Molodezhnoye are geographically very close and the SIA for both communities relates to the same construction work. In addition in 2004 a targeted SIA was made for Vzmorye (pop. about 800). The reports were requested after the Contractor made the final decision to construct camps (Slava/ Molodezhnoye, Vzmorye and Sokol) and laydown yards (Slava/Molodezhnoye and Sokol) in these communities.

For more information about the findings of these targeted SIAs, see Appendix C.

SEIC will carry out additional targeted SIAs, identified as necessary by the change management process.

2.3 Project-Related Community Feedback

Comments gathered at public meetings and during other forms of public consultation reflect positive and negative attitudes towards the Project. For example, local residents have noted positive socio-economic impacts, such as increased employment and income, and the development of local trading, services and other businesses. The regional (oblast) and district budgets have also benefited.

Young people feel they have better prospects and there is an increased interest in further education specialisations in the oil and gas industry and related industries. Local residents have given positive feedback about the training opportunities (Section 3.3).

Workers and community experts report better working and living conditions, while better standards at Project sites have encouraged other local enterprises to raise their own standards.

Infrastructure upgrading has improved life in some settlements. Also, local residents appreciate the clearance of unexploded ordnance from the pipeline right-of-way and adjacent territories.

Local experts note the importance of social investment by SEIC and Contractors in communities, in particular in the education, health and social spheres. In addition, contractors provide social assistance to communities, for example, by clearing snow from roads and lending machinery to the housing and utilities services.

In addition to the positive feedback from communities, SPT experts and CLOs have also identified a number of community concerns as a result of regular consultation and day-to-day CLO activities. Issues raised in specific communities during the ESHIA disclosure consultations are also summarised in the PCDP and are detailed in the meeting minutes, which can be found on the Project website at:

http://www.sakhalinenergy.com/news/nws_releases_20031215.asp

The following figure illustrates the distribution of the main issues that were raised during the ESHIA public consultation period in 2003. More information can be found in Section 6 of the PCDP.

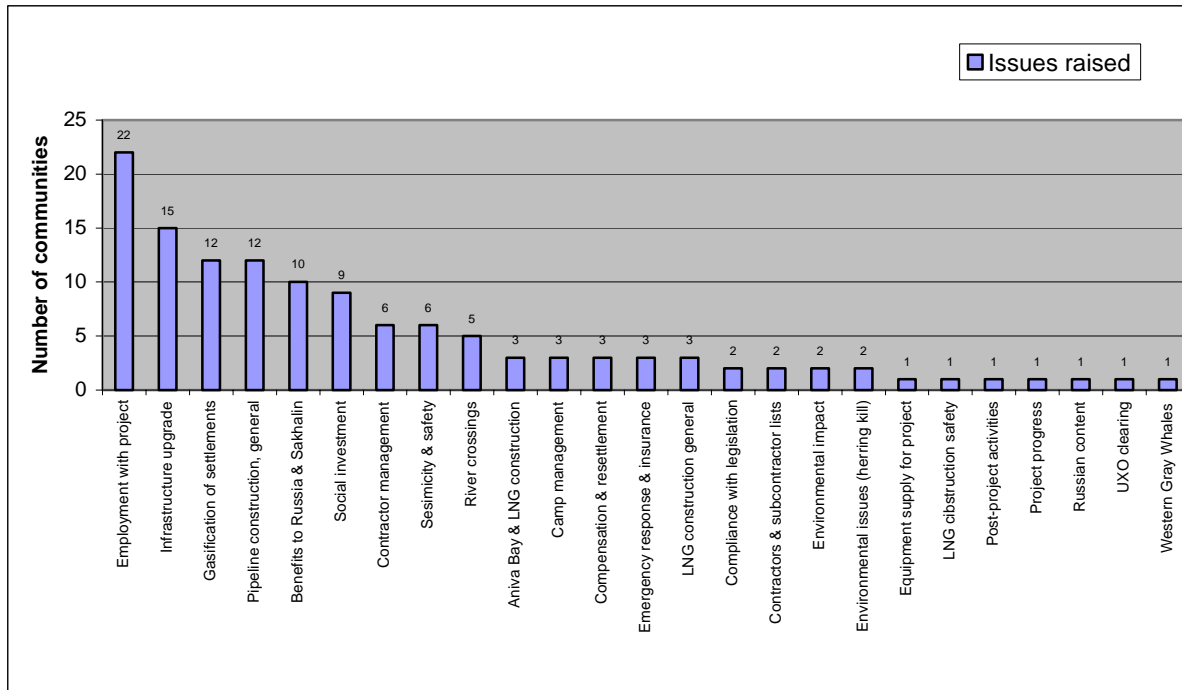


Figure 2-A: Distribution of Issues raised during the ESHIA Public Consultation Period in 2003

Community concerns have been raised in the following areas during public consultations to date.

- Equality of employment and business opportunities (local vs mainland Russian); transparency of the hiring process; need for local training opportunities;
- Access to information about job vacancies, training opportunities and Project activities;
- Delays and non-payment of workers' wages and non-payment for services by Contractors; non-observance of other labour regulations by Contractors;
- Outflow of skilled workers from local enterprises;
- Need for English language training in order to get a job;
- Approval system for Contractor/Subcontractor use of local infrastructure and other facilities;
- Non-payment of taxes to local (district) budgets;
- Concern about increase in cost of goods and services due to Project implementation;
- Conflict between local residents and camp workers;
- Project impacts on community infrastructure;

- Road damage; increased dust, noise and exhaust fumes; heavy vehicles and speeding in communities; concern about road accidents; drink driving;
- IP job opportunities, potential discrimination and lack of skills for Project work;
- Some limitation of access to fishing, hunting and gathering grounds;
- Local concern about Project impacts on fish populations and health;
- Potential increase in poaching and alcohol trade;
- Socio-economic development of the IP community in Val;
- Temporary and permanent construction-related disturbance to reindeer pastures; and
- Possible support for herders considering migrating to avoid construction disturbance.

Project commitments relating to these community concerns are summarised in Tables 3-A, 4-A and 6-A, and are further discussed in Chapters 3-6. These chapters also illustrate the ways that these issues and concerns have been addressed since the release of the Phase 2 SIA in 2003.

Some residents have complained about a lack of accessible information about the Project and Company activity. Public information provision is described in Appendix D and Appendix E of this SIAA and in the PCDP.

Compensation and resettlement matters are addressed in the RAP. Community concerns relating to compensation and resettlement that were expressed during consultation include the following:

- How payments are made, eligibility, how to claim compensation if you have no legal rights to lands;
- Impacts on commercial fishing enterprises and subsistence fishing (see also EIAA Section 8 on commercial fisheries);
- Impacts on subsistence hunting fishing and gathering (see also SEIC Hunting Fishing and Gathering Policy, SIA Section 12.4); and
- Impacts on reindeer pastures (see also SIA Chapter 14).

A number of environmental issues were also raised. These are addressed in the appropriate EIA and EIAA documentation:

- Management of waste;
- River crossings;
- Oil spill response planning;
- Earthquake and other seismic threats;
- Potential negative impacts on marine and riparian water resources;

- Potential increase in threat of fires (e.g. due to inadequate utilization of logging debris and other waste left by construction workers in the forest);
- Potential ecological damage to forests and rivers caused by pipeline construction activities;
- Potential increased access to wild natural areas resulting in potential damage to environment and increased fire hazard; and
- Restoration after a contractor used a quarry (this will be addressed in due course according to measures and timelines set out in the EIA).

The public have asked questions about SEIC social investment programmes and requested training and assistance in applying for grants and sponsorship. For more information on the social investment programme see SIAA Chapter 8.

Community concerns and issues are addressed using the following processes:

- SPT experts and CLOs carry out ongoing cross-project monitoring of community issues and public concerns, through fieldwork and consultation, as described in the Social Impact Monitoring Programme;
- SPT experts maintain a community database for monitoring and reporting purposes;
- Public grievances are addressed using the Grievance Procedure and IMPACT Action Tracking System, as described in Chapter 7; and
- The Issues Management Process is used to address persistent issues and grievances (see Section 7.3.5.).

3 IMPACTS RELATING TO LOCAL EMPLOYMENT, TRAINING AND BUSINESS

3.1 Introduction

SEIC (and therefore also project Contractors and Subcontractors) are committed to working according to labour standards set by the Russian Labour Code and other Russian Federation legislation. This is in line with ILO conventions covering occupational health and safety, harmful child labour, forced labour and discriminatory practices, which have been ratified by Russia. Company and Contractor compliance with Russian Labour Code and Legislation will be monitored via the Monitoring Handbook and Grievance Procedure. The requirement to work according to Russian Labour Code and other RF legislation is part of SEIC and Contractors' contracts. It is the responsibility of the Contractor to become familiar with this legislation.

As stated in Section 11.2.1 of the Phase 2 SIA, SEIC is committed under the Production Sharing Agreement (PSA) to ensuring 70% Russian content over the life of the Sakhalin II project. SEIC also works to create local employment and business opportunities (SIA Chapter 11 and Section 3.3 below). Already, some local enterprises have benefited from procurement and construction contracts (see for example Section 3.3.1).

However, local employment, training and business issues have arisen frequently as concerns during public consultations, as highlighted in Table 3-A below. This chapter describes SEIC's efforts to address these issues. It also provides an update of the Company's efforts to assist local people and businesses to find work with the Sakhalin II project, especially outside of Yuzhno-Sakhalinsk.

3.2 Community Feedback

As stated in Section 2.4, local residents have noted positive project impacts in the sphere of employment, training and business opportunities. These include the job opportunities presented by SEIC and Project Contractors and Subcontractors. Increased employment has led to an overall increase in household income and the appearance of local shops and services to satisfy increased demand.

In addition there have been opportunities for local businesses to take part in project activities, by providing goods and services. The regional (Sakhalin Oblast) and district budgets have also benefited through increased tax payments from Project-related businesses and employees.

Young people feel they have better prospects and there is an increased interest in oil and gas specialisations for further education. Local residents have given positive feedback about the training opportunities (Section 3.3).

Workers report better working and living conditions at project sites (e.g. health and safety standards, accommodation and facilities). Better conditions at project sites have also encouraged other local enterprises to raise their own standards.

In addition to positive feedback relating to local employment, training and business opportunities, CLOs and SPT experts have also identified a number of public concerns. Table 3-A describes the ways in which CLOs and SPT experts have addressed these concerns.

CLO and SPT activities are aimed at ensuring transparency of the hiring process and building the capacity of local people to take advantage of employment opportunities. The

Grievance Procedure has been used on several occasions to resolve matters relating to labour contracts and payment for work and services (see Section 3.4).

In particular, SPT experts have been working closely with Employment Centres to assist information flow between Contractors/SEIC and local communities regarding employment opportunities (with a monthly information exchange). SPT experts have also been working to ensure SEIC training programmes include local Sakhalin residents in outlying communities.

CLOs have been focusing on information dissemination and local capacity building (e.g., writing job applications and CVs) to maximise local employment and training opportunities. Over 300 local residents have been provided with assistance or advice relating to job opportunities with the Sakhalin II project.

CLOs and SPT experts regularly monitor local concerns relating to employment, training and business through regular consultation, interviews with experts, media monitoring, the Grievance Procedure, and the incident tracking and issues management processes. The results of monitoring are fed back to Project Teams, Contractors/Subcontractors and SEIC Corporate managers on a regular basis.

Table 3-A: SEIC Response to Community Concerns Regarding Employment, Training and Business

Community Concern	SEIC Response	Reference	Project commitments
<p>Local concern that jobs requiring low and medium qualifications are mostly given to workers from other Russian regions and abroad, while local Sakhalin residents with the same skill levels are ignored</p> <p>Insufficient use of local resources (i.e. local enterprises and workforce)</p>	<ul style="list-style-type: none"> - CLOs assist local residents to maximise employment, training and business opportunities through information dissemination and assistance with preparing CVs and job applications. - UXO Programme is a good example of local procurement and capacity building of local contractor 	<p>PCDP</p> <p>SIAA Section 3.3</p> <p>SIAA Section 3.3.1</p>	<p>CLOs will continue to inform local communities about employment, training and business opportunities (see below for details) and will assist with preparing CVs and job applications</p>
<p>Need for local training opportunities</p>	<ul style="list-style-type: none"> - SPT experts encourage SEIC training programmes to recruit from across Sakhalin; CLOs assist with advertising the Apprenticeship Programme. - CLOs assisted the LNG group in finding suitable individuals from across Sakhalin to participate in their Skills Enhancement Programme and Training Programme for Young Russian Engineers. - The SEIC Oil Spill Response Programme has been training local residence in OSR techniques. 	<p>SIAA Sections 3.3.1, 3.3.2</p> <p>SIAA Section 3.3.3</p> <p>SIAA Section 3.3.4</p>	<p>CLOs will continue to inform local communities about training opportunities, including the Apprenticeship Programme</p>

Community Concern	SEIC Response	Reference	Project commitments
<p>Concern about transparency of the hiring process</p> <p>Local workers complain of insufficient information about job vacancies and training opportunities</p>	<ul style="list-style-type: none"> - SPT experts facilitate dialogue and information flow between Contractors/Subcontractors, Employment Centres, local authorities and local workers. - SPT experts identify pools of potential workers outside Yuzhno-Sakhalinsk for Project employers - SPT experts and CLOs direct local workers to Employment Centres - CLOs post notices about job opportunities and interviews on Project information boards; collect local CVs for Contractors/Subcontractors, Employment Centres and SEIC; provide space for holding job interviews - In outlying areas with no Employment Centre, information is distributed via local administrations or community information boards 	<p>SIAA Section 3.4.1</p> <p>PCDP</p>	<p>CLOs will continue to direct local workers to Employment Centres, which will be notified about job opportunities</p> <p>CLOs/Contractors will continue to post notices about job opportunities on information boards; collect local CVs for Contractors/Subcontractors, Employment Centres</p> <p>In outlying areas with no Employment Centre, information will be distributed via local administrations or community information boards</p>
<p>Delays and non-payment of workers' wages and non-payment for services by Contractors</p>	<p>– These issues addressed using the Grievance Procedure; intervention is sometimes needed by SPT and CLOs to encourage workers to use the GP (In Russia people are not accustomed to making official complaints at work about their rights. The Project gives people a chance to do this.)</p>	<p>SIAA Section 3.4.2</p>	<p>These issues will be addressed using the Grievance Procedure (GP) and, intervention, and monitored via Handbook</p> <p>Awareness will be raised about the GP via the public leaflet and the work of CLOs and SPT (see PCDP for CLO responsibilities)</p>
<p>Non-observance of other labour regulations by Contractors</p>	<p>- Addressed via the Grievance Procedure</p>	<p>SIAA Section 3.4.3</p>	<p>Non-observance of labour regulations by Contractors will be addressed via the Grievance Procedure and monitored via the Handbook.</p>

Community Concern	SEIC Response	Reference	Project commitments
Outflow of skilled workers from local enterprises	<ul style="list-style-type: none"> - This matter is being monitored by the SPT and CLOs 	SIAA Section 3.4.4	This matter will continue to be monitored by the SPT and CLOs under Social Impact Monitoring Programme. If this matter is repeatedly raised as a grievance or during public meetings, or is identified as an issue by external experts, it will be addressed, where relevant, via the Issues Management Process.
Need for English language training in order to get a job	<ul style="list-style-type: none"> - Note: English is not required for the majority of construction-related positions - Company has been providing opportunities for its staff to learn English - Company train people in English language under the Apprenticeship Programme - The External Affairs department has allocated social investment funds to a large project to train English teachers. 	SIAA 3.3, Chapter 8, Appendix G	SEIC commitment to support English language training project, Apprenticeship Programme and staff English language training
Contractor/ Subcontractor use of local quarries, infrastructure and other facilities without necessary approvals from local administration	<ul style="list-style-type: none"> - This is being addressed through dialogue with the Contractors/Subcontractors and administrations in question 	SIAA Section 3.5	Contractor behaviour will be monitored and managed as described in the HSESAP Section 4, using incentives and penalties as appropriate, culminating in SEIC’s right to terminate contract.
Non-payment of taxes to local (district) budgets	<ul style="list-style-type: none"> - This is being addressed through dialogue with the Contractors/Subcontractors and administrations in question 	SIAA Section 3.5	

All the commitments listed in the above table are considered in the HSESAP, part 2.

3.3 Local Business and Training Opportunities

The following sections highlight some Sakhalin II project initiatives that provide local training, employment and business opportunities.

In addition to the specific training programmes described below, CLOs will continue to inform local communities about employment, training and business opportunities and assist local workers in preparing their CVs and job applications.

3.3.1 UXO Programme

The UXO Programme is currently managed by SEIC and the prime contractor is a Russian company. Due to the island-wide requirements, it was desirable for the contractor to recruit personnel from a number of communities.

The programme has now provided medium- to long-term employment for a total of approximately 570 Russian citizens. This includes residents from the following Sakhalin communities (figures are approximate and relate to field staff and office staff hired): Yuzhno-Sakhalinsk (200); Korsakov (20); Smirnykh (60); Roschino (20); Pobedino (20); Pervomaisk (15); Buyukly (15); Poronaisk (150); Makarov (35). In addition, the programme has hired about 15 Russian citizens from the mainland.

Many of the local employees were previously either long-term unemployed or could only ever find part-time, sporadic or seasonal work in their local areas. The programme focuses on training, personal development and promotion of local personnel.

As a result of their partnership with the western contractor, the Russian Subcontractor is now bidding on other work internationally with the intention of providing jobs to many of the most skilled and trained local people. The Subcontractor's experience with the UXO Programme has made them more competitive internationally. In addition, other Contractors have since employed a number of former employees of the western UXO Contractor.

The UXO Programme's focus on local recruitment has assisted depressed local economies through:

- Direct employment;
- Employees spending their wages in their respective villages;
- Local taxes paid to the local administrations;
- Use of local suppliers and services (e.g., hotels and food suppliers); and
- Social infrastructure development: a school and a scout camp were renovated to accommodate personnel for a summer season. These can now be used by the community.

The programme maintains good relations with authorities through regular visits and communication. Sub/contractors have visited most local Employment Centres to discuss employment opportunities.

3.3.2 Operations and Maintenance Apprenticeship Programme

The Operations and Maintenance (O&M) Apprenticeship Programme began in October 2003 in order to provide residents of Sakhalin Island (under 33 years of age) with a good grounding in operations plus one maintenance discipline (mechanical, electrical or instrumental) and employ them within the Company during the Sakhalin II operations phase. The Apprenticeship Programme provides training for work on all Project Assets. In addition to this the LNG Project has an additional training programme outlined in Section 3.3.3.

A total of 250 individuals are planned to be recruited from all over Sakhalin. This will bring 250 long-term well-paid job opportunities to Sakhalin residents. The first 11 apprentices successfully completed their English language training in early 2004 and are engaged in the technical phase of their apprenticeship.

Initial recruitment to the O&M Apprenticeship Programme was limited to Yuzhno-Sakhalinsk. CLOs have been working with the programme to encourage recruitment from across Sakhalin. The CLO representing the interests of IP made sure that information was distributed within the IP communities and explained the programme during meetings with IP in Nogliki, Val and Chir Unvd. The IP specialist in the Nogliki District Administration gave the CLO a list of potential IP candidates which was passed to the SEIC Human Resources department.

For the second batch of apprentices, CLOs distributed information on the programme locally. During consultation hours they explained the objectives and contents of the programme to all interested people, including representatives of local employment authorities, local government and public. Thanks to CLO efforts, over 100 applications were received from potential candidates across the island.

The application period for the second round of training was going to be closed earlier than expected. However at the urging of CLOs, the application date was extended. CLOs helped to make sure applications were submitted as needed. The second group began training in the 3rd quarter of 2004. A third group has now been selected and is at the stage of signing contracts.

Table 3-B: Breakdown of Participants in Apprenticeship Programme by Community

Group 1 (started training as of 11.04)		Group 2 (started training as of 11.04)		Group 3 (contract offer stage, 11.04)	
Community	No. hired	Community	No. hired	Community	No. hired
Nevelsk	1	Aniva	1	Dolinsk	1
Kholmsk	2	Dolinsk	1	Kholmsk	2
Korsakov	1	Korsakov	2	Korsakov	2
Yuzhno	7	Nogliki	1	Makarov	1
		Shakhtyorsk	1	Nevelsk	1
		Yuzhno	7	Okha	2
				Yuzhno	18
Total	11	Total	13	Total	27
Overall total – 51					

3.3.3 LNG Skills Enhancement Programme and Training of Young Russian Engineers

The LNG project is offering a major Skills Enhancement Programme for Sakhalin local people. This includes training for trainers and therefore will be able to provide a long-term and sustainable skills upgrade for the local work force. CLOs assisted the LNG team in finding suitable individuals from communities across Sakhalin to participate in the Skills Enhancement Programme.

In 2004 a craft workers training programme was launched and was broadly advertised in local newspapers (regional and Korsakov). A total of 110 CVs were received, ten of which were from Korsakov residents. The first group (10 people including two from Korsakov) has already started training in Primorskiy Province (at the 'Zvezda' factory in Bol'shoy Kamen').

In addition to this training, the LNG Contractor has a Training Programme for Young Russian Engineers who will be engaged in engineering and construction under Contractor supervision and ultimately may be able to work on the operation of the LNG complex or in similar industrial construction projects. CLOs assisted the LNG team in finding local applicants for this programme.

Training is being provided to nine young university/technical institute graduates from different Sakhalin districts and the Russian Far East, including one from Korsakov. Training is in the following disciplines: Process, Mechanical, Piping, Instrumentation, Electrical, QA, HSE and project control. All of the trainees are already engaged in work on the LNG/OET construction project.

3.3.4 Oil Spill Response Training Programme

Over the last 6 years a total of about 200 people have been trained in oil spill response techniques. (This total includes repeat training of some individuals). Indigenous people make up about 10-30% of this total, with a year-on-year increase. In 2004, eleven indigenous people from Val were trained out of a total of 37 trainees. The training programme was expanded in 2004 and will be maintained at the current level at least until 2007, when the current contract expires. HSE will then take over the running of the programme. This training is part of an overall HSE oil spill response training programme that is open to government and industry and is due to run for the life of the Project. This programme is detailed in the EIA Addendum (Chapter 2: Oil Spill Response).

3.4 RESOLUTION OF EMPLOYMENT-RELATED ISSUES

The following case studies illustrate actions taken to resolve specific issues relating to local employment conditions and opportunities.

3.4.1 Transparency of the Hiring Process

Contractors and Subcontractors are accustomed to registering with local Employment Centres, but until recently only advertised for employees in Yuzhno-Sakhalinsk and in a few district newspapers. SPT experts discovered that information on job opportunities was not reaching many of the district centres, rural communities or other 'pools' of potential workers on the island.

SPT experts and CLOs now assist and will continue to assist local Contractors and Subcontractors to increase transparency and maximise local employment and business opportunities, by:

- Identifying pools of potential workers outside Yuzhno-Sakhalinsk;
- Directing potential workers to Employment Centres, and notifying Employment Centres about job opportunities;
- Facilitating dialogue between Contractors/Subcontractors and the relevant authorities and Employment Centres;
- Distributing information about employment and training opportunities via Employment Centres, (or local administrations if there is no Employment Centre), and community information boards;
- Collecting local CVs; and
- Advising Contractors/Subcontractors about peoples' concerns regarding recruitment practices.

In the first quarter of 2004, five local Employment Centres were assisted in obtaining information on Contractor/Subcontractor labour requirements and establishing regular communication with Contractors/Subcontractors to facilitate local employment.

In four communities in regular meetings with the Employment Centres, CLOs received a number of complaints that Employment Centres lack information about vacancies available with Contractors. CLOs initiated special meetings with Contractors to discuss information exchange issues where they justified the need for Contractors to provide employment-related information on a regular basis. As a result, this is now happening.

3.4.2 Non-Payment Issues

In summer 2003, CLOs passed on information that they had heard in the communities about overdue payments from a contractor to local residents, enterprises and administrations. (These were CLO observations, not officially received public grievances)

The issue was raised at high-level meetings between SEIC and the Contractor in Moscow. Deadlines for resolution of this issue were established. However, the Contractor failed to meet the deadlines, so meetings were scheduled with the local administration and residents, together with SEIC representatives, officials, affected local companies and residents. A representative of the Federal Labour Committee was also invited.

All concerned parties filled out grievance forms, including residents, who at first did not want to be involved because they were afraid of losing their jobs.²

As a result, 109 local residents submitted complaints about the following:

- Non-payment of wages (94 cases): Most of these workers did not have contracts or their contracts were not for the full period of work;

² No one has lost his or her job because of lodging a grievance. The problem stems from a wariness of the official forms that have needed to be filled in and management responses to this type of complaint in the past.

- Non-payment for production of food products (5 cases): In all cases there were no contracts; and
- Non-payment for services (11 cases of rented accommodation and two of transport hire): In all cases no contracts had been signed.

Local complaints were collected and recorded by the relevant project team, assisted by CLOs and SPT experts. The documentation was submitted to relevant management levels (Project managers and Project Leadership Team), in accordance with the Company's Grievance Procedure.

Further meetings with the Contractor followed, and the Contractor undertook to make all overdue payments. It was agreed that the Contractor would provide all the documents with regards to payments made. By April 2005 the payments had been made.

SEIC will monitor the sub/contractor and supplier contracts against parameters set out in the Social Compliance Monitoring Handbook. Further issues and concerns about this topic will be addressed via the IMPACT Action Tracking System, the Company's Grievance Procedure and Issues Management Process. Through the CLO network, the SPT and via other appropriate channels, the Company will ensure that its contractors are made aware of the Public Grievance Information Leaflet, which sets out the procedures to follow should they wish to make a grievance associated with the actions of the Company or its contractors.

3.4.3 Non-Observance of Other Russian Legislation Labour Norms and SEIC Requirements

The State Labour Department carries out inspections that tend to be focused in areas where they are aware of non-conformance with labour legislation.

SEIC is implementing relevant core labour standards of ILO conventions via its comprehensive HSE Management System. All SEIC contracts with contractors include clear provisions to comply with applicable Russian laws, including labour laws. SEIC monitors Contractor performance and implementation and compliance with relevant ILO standards is audited as part of the internal audit system, as described in the Social Compliance Monitoring Handbook. Suspected violations of the contractual terms or Russian legislation are investigated.

Infringements can be reported through lodging grievances and will be monitored in accordance with the Company's Grievance Procedure. CLOs log grievance cases in their regular CLO report. CLOs will use the Social Compliance Monitoring Handbook to monitor compliance with ILO standards.

The following is an example of how non-observance of Russian labour legislation has been addressed via the Company's Grievance Procedure and CLO network. In August 2004, CLOs received a letter from several workers who had been working night shifts. They requested help in resolving a matter of non-payment of salary for night-time work completed over periods from 2000/2003 up to August 2004. The complaint was passed to the SEIC Contract Holder.

CLOs held a series of meetings with the workers who had submitted the complaint and with their managers. As a result of these meetings and a study of the relevant documentation relating to wages, the Contractor took on the responsibility of paying wages to cover the night hours.

The SEIC Audit Committee carries out monitoring and auditing of compliance with all Russian legislation, including labour laws (see HSESAP Part 1 for more information on the Audit Committee).

3.4.4 Workers Leaving Local Enterprises

Migration of workers from local enterprises to enterprises related to the Sakhalin offshore oil and gas projects has been observed. Workers are mostly migrating from the forest products and housing maintenance sectors and from other organisations where the wages are lower or where payment of wages is often delayed. The problem is particularly acute in Nogliki and Korsakov districts.

Local residents and experts consider this to be an unfortunate but expected and normal situation, given the current poor conditions in many local enterprises (especially with regards to non-payment). This is a common phenomenon for oil-producing areas, and is best responded to through strategic government planning in order to diversify and strengthen the local non-oil related economy.

SPT experts are monitoring the situation and have sent a report on the matter to SEIC Project Managers. The situation will continue to be monitored by the SPT and CLOs under Social Impact Monitoring Programme.

In addition, CLOs and SPT experts have had consultations with local businesses to discuss business opportunities. These consultations will continue. SPT experts also recommended organising seminars on the theme of sustainable development involving local and regional government and entrepreneurs, which are planned in August/September 2005.

If this matter is repeatedly raised as a grievance or during public meetings, or is identified as an issue by external experts, it will be addressed, where relevant, via the Issues Management Process.

3.5 MONITORING OF LOCAL EMPLOYMENT, TRAINING AND BUSINESS ISSUES

Monitoring of these issues is ongoing via regular consultation, interviews with experts, media monitoring, the Grievance Procedure, and the incident tracking and issues management processes. Specifically, SPT experts and CLOs carry out the following monitoring activities:

- SPT experts meet regularly with Contractors/Subcontractors and Employment Centres on project sites and in Yuzhno-Sakhalinsk;
- SPT experts carried out a survey of residents and experts in seven communities about project-related employment and hiring;
- Employment issues are regularly discussed during public consultations with SPT experts and CLOs;
- CLOs and SPT experts collect information about hiring and employment issues and issues related to Contractors' payment of local taxes and use of local facilities and infrastructure (payments and approvals); and
- Local employment and business opportunities are included in CLO media monitoring.

The SEIC approach to Contractor management is based on dialogue with Contractors to avoid issues if possible and address them as they arise. In the case of non-compliance, if

Contractors fail to respond to SEIC pressure (e.g. incentives or penalties as appropriate), then progressively more severe measures can be invoked, culminating in SEIC's right to terminate the contract. Specific measures to manage and control Contractor behaviour are detailed in Section 4 of the HSESAP (Contractor Management).

Since the start of 2005 SEIC and contractors/subcontractors are required to report on their performance in relation to local employment and business opportunities. In particular on a monthly/quarterly basis, contractors/subcontractors and the Company will be required to report on:

- Number of local residents employed on project-related jobs, including according to qualification level; and
- Number of vacancy announcements put out, where these announcements were placed and who responded to them.

These forms are collected by SPT experts, who produce quarterly and annual reports on the results. These reports include qualitative and quantitative information, including analysis of the level of local concern and grievances relating to questions of employment, training and local business opportunities. The reports will be circulated to Contractor Social Focal Points (SFPs), Project Teams/Managers, Project Leadership Team (PLT) and Sakhalin Energy Leadership Team (SELT).

There is a 70% Russian Content target. Local content targets will be established in the SEIC Social Performance Plan, to be completed in Q4 2005 and updated annually or as required. Measures for addressing poor Contractor performance in this area are outlined in the HSESAP Part 1 Section 4.

The following table provides the breakdown of employment figures into local, other Russian and non-Russian, according to Project Asset and including the concrete gravity base structure (CGBS) project at Vostochniy Port, mainland Primorsky Region.

Table 3-C: Local Employment by Project (as of January 2005)

Contractor and Sub-contractors	Local*		Other Russian Federation		Non-Russian		Total	
	People	(%)	People	(%)	People	(%)	People	(%)
BETS	1082	63.2	146	8.5	484	28.3	1712	100
CTSD	1754	47.2	1283	34.5	679	18.3	3716	100
SS	1145	32.6	2978	67.3	8	0.2	4431	100
CGBS	1472	66.04	551	24.72	206	9.24	2229	100

*Local refers to Sakhalin Island residents for BETS, CTSD and SS, but for CGBS it refers to local residents of the Vostochniy Port area

BETS – Main Contractor on the OPF project

CTSD – Main Contractor on the LNG project

SS – Starstroi, the main Contractor on the onshore pipelines project

CGBS – Aker Kvaerner, the main Contractor on the concrete gravity base structure (CGBS) project, Vostochniy Port, mainland Primorsky Region.

The Social Impact Monitoring Programme will provide more information on monitoring of these issues. The SIMP will be completed in 2005.

4 COMMUNITY IMPACTS

4.1 Introduction

Aside from local employment, training, procurement and construction contracts, the Sakhalin II Project has also had a positive impact in local communities through the following:

- Improvement of infrastructure through the Infrastructure Upgrade Project (IUP);
- Contractor services to local communities, such as road cleaning; and
- Sponsorship via the Social Investment and Contractor Set-Aside programmes.

Positive cumulative impacts have included larger scale infrastructure upgrade projects, such as the upgrade of Nogliki airport and the Nogliki to Okha highway, which were completed in collaboration with the Sakhalin I project operator, Exxon Neftegaz Ltd.

SEIC has established several procedures to manage potentially negative community impacts. Where not possible to prevent negative impacts and impacts on livelihoods, compensation is applied. All compensation matters are addressed in the Resettlement Action Plan (RAP). The RAP was prepared in accordance with the World Bank Group's Operational Directive 4.30 on Involuntary Resettlement (OD 4.30). This is part of SEIC's commitment to ensuring that Project-related resettlement follows good international practice and meets the requirements of the international financing institutions.

Negative cumulative impacts are possible in areas of reindeer pastures (see SIA Chapter 14 and the RAP) and other areas where IPs work and live, and these are also dealt with in the SIMDP, which follows the standards set out in OD 4.20. Communication between the companies working on the Sakhalin I and II projects is important, and SEIC has been making efforts to this end. Local residents often do not distinguish between the companies working on the Sakhalin I and II projects, therefore it important that companies assist one another to minimise impacts.

This chapter provides an update of the main community impacts and how they have been addressed, excluding those that have already been covered in the Phase 2 SIA and in Chapter 3 above.

4.2 COMMUNITY FEEDBACK

Table 4-A below describes the ways in which CLOs and SPT experts have addressed the public concerns regarding community impacts other than those related to employment, training and business opportunities. These are described in more detail in the subsequent sections, with the help of case studies.

Table 4-A: SEIC Response to Community Concerns Regarding Community Impacts

Community Concern	SEIC Response	Reference	Project Commitments
Concern about increase in cost of certain goods and services due to Project implementation, especially housing and rented accommodation	Monitored via the Price Monitoring Programme. The opinions of external experts and recurring grievances/public comments may lead to e.g. housing being identified as a Corporate-level issue to be addressed at managerial level through the Issues	SIAA Sections 4.3, 7.3.5	Prices of goods and services will continue to be monitored by SPT via the Price Monitoring Programme. If a matter is repeatedly raised as a grievance or during public meetings, or is identified as an issue by external experts, it will be

Community Concern	SEIC Response	Reference	Project Commitments
	Management System.		addressed, where relevant, via the Issues Management Process.
Cases of conflicts between local residents and camp workers	<p>Regular consultations (including public meetings and CLO open hours) and CLO observations and reporting aimed at timely identification of issues</p> <p>Conflict resolution measures as illustrated in Section 4.4, including mediation by CLOs. Addressed via Camp Management Policy, consultation, mediation and the Grievance Procedure, IMPACT Action Tracking System and Issues Management processes.</p>	SIAA Section 4.4	SEIC will provide a timely and targeted response where appropriate to community concerns and actual Project-related issues relating to conflict between communities and Project workers. This will be done via enforcement of the Camp Management Policy, consultation with affected workers and communities, mediation by CLOs, and via the Grievance Procedure, IMPACT Action Tracking System and Issues Management processes.
Insufficient attention given to people's concerns about Project impacts on community infrastructure	<p>Regular consultations (including public meetings and CLO open hours) and CLO observations and reporting aimed at timely identification of issues.</p> <p>Issues addressed as illustrated in the Sections 4.5.1 and 4.5.2, including mediation by CLOs.</p> <p>Monitoring, consultation, negotiation and Grievance Procedure; resolution of issues as they arise.</p>	SIAA Sections 4.5.1, 4.5.2	<p>Concerns about Project impacts on infrastructure will continue to be monitored via public meetings and CLOs.</p> <p>Project impacts will continue to be addressed via consultation, the Grievance Procedure, negotiation, and resolution of issues as they arise.</p>
Deterioration in the condition of roads used by Contractors	<p>Resolution of issues as described in Section 4.5.2, including negotiation and mediation by CLOs</p> <p>Monitoring, consultation, negotiation and Grievance Procedure</p>	SIAA Section 4.5.2	The Company has made a commitment to avoid the use roads within small settlements where possible. If this is not possible, then the Company, or its contractors (whichever is appropriate), shall make good any material damages to ensure that the road is in no worse a state than before the damage. The repairs shall be expedited as soon as reasonably practicable to do so. In the event of proven
Increased levels of dust, noise and car exhaust fumes	SEIC commitment not to use roads within small communities. Resolution of issues as they arise including with help of CLOs. Monitoring, consultation and Grievance Procedure	Section 4.5.2	to ensure that the road is in no worse a state than before the damage. The repairs shall be expedited as soon as reasonably practicable to do so. In the event of proven

Community Concern	SEIC Response	Reference	Project Commitments
The roads in communities are not designed for large and heavy vehicles: they have no pavements and are too narrow for Contractor drivers to drive at such high speed	The Company has made a commitment to avoid the use roads within small settlements where possible. If this is not possible, then the Company, or its contractors (whichever is appropriate), shall make good any material damages to ensure that the road is in no worse a state than before the damage. The repairs shall be expedited as soon as reasonably practicable to do so. Monitoring, consultation and Grievance Procedure.	Section 4.5.2	economic loss, compensation shall be provided in accordance with the Resettlement Action Plan. SEIC will continue to develop and implement the Road Safety Campaign. Concerns about Project impacts on the state of roads, traffic levels and road safety will continue to be monitored via public meetings and CLOs.
Concern about high probability of road accidents due to violation of traffic rules by Contractor drivers	SEIC commitment not to use roads within small communities; Road Safety Campaign. Resolution of issues as they arise through monitoring, consultation, and the Grievance Procedure.	Section 4.5.2	Project impacts will continue to be addressed via consultation, and through following the Company's Grievance Procedure.
Cases of Contractor drivers drunk while driving heavy vehicles	Road Safety Campaign including awareness-raising about drink driving. Management of issues through Camp Management Policy, monitoring (via consultation), Grievance Procedure and resolution of issues as they arise.	Section 4.5.2	

As of writing this document, there have been no formal public grievances related to increases in crime and prostitution in Sakhalin settlements. Crime was raised as a concern during consultations with the dacha communities, where local dacha users were concerned about LNG/OET workers temporarily living in local dachas (see Appendix I). See also section 4.4 (Social Nuisances, Conflicts, Crime and Prostitution).

4.3 COST OF LIVING

During public consultation, local residents expressed concern at increases in the cost of certain goods and services, in particular housing and rented accommodation and utilities payments. These issues are being monitored and will continue to be monitored by the Social Performance Team through the Price Monitoring Programme. If a matter is repeatedly raised as a grievance or during public meetings, or is identified as an issue by external experts, it will be addressed, where relevant, via the Issues Management Process.

As the following two sections demonstrate, SPT experts have concluded that the Sakhalin II project has had a direct and indirect impact on the cost of housing and rented accommodation, but has had no significant impact on the cost of food products.

With regard to housing and rented accommodation, SEIC is one of a number of drivers influencing the situation. Others include a shortage of housing construction activity, growth of rent prices (indirect impact of offshore projects, not only Sakhalin II), general economic growth (another indirect impact) and implementation of state-sponsored programmes of housing certificates (see Table 4-B).

4.3.1 Food Prices

The Price Monitoring Plan details the methodology employed for monitoring of food prices. Monitoring is carried out in communities that are directly impacted by the Project (e.g., where pipeline and camp construction is taking place) and, for comparison, in those that are not directly impacted by the Project.

The results of food price monitoring show that trends of price indices in the communities directly affected by the Project are similar to trends of price indices in the communities not directly affected/not affected by the Project (see Figure 4-A) and Region statistical data. So, operation of SEIC construction Contractors under Sakhalin-2 Project has no impact on prices of goods included in SEIC product list.

The key factor of food price dynamics is inflation. It is noted that it is not appropriate for the project to compensate for the impacts of general inflation. If future monitoring identifies direct project impacts, then the Project will carry out further investigation to determine how purchasing strategies can be altered to alleviate specific inflationary impacts on food prices.

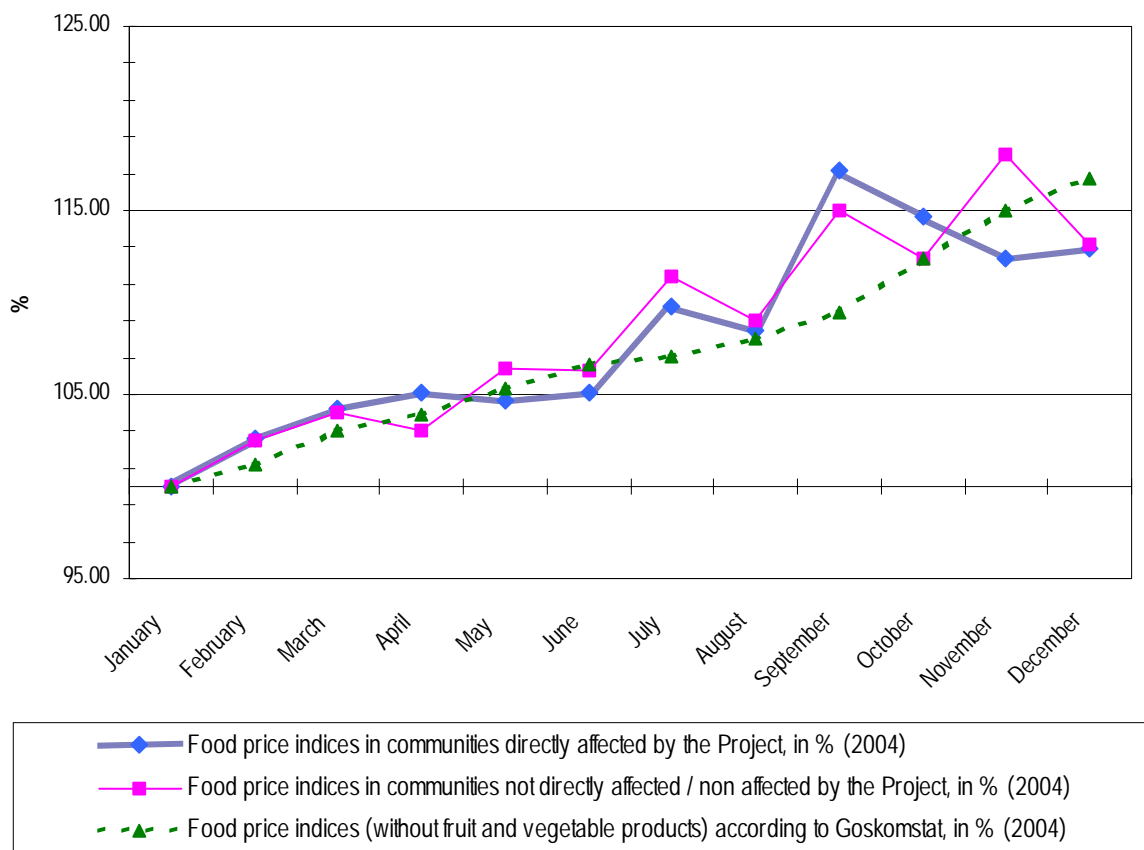


Figure 4-A: Food price dynamics

4.3.2 Housing and Worker Accommodation

The Price Monitoring Plan details the methodology employed for monitoring housing sale and rental prices. The application of this monitoring plan has led to analysis and conclusions summarised in the following sections.

House Prices

Housing prices in Yuzhno-Sakhalinsk remain the highest in the Oblast, while the city also has the most significant absolute increase in prices. Yuzhno-Sakhalinsk housing prices are comparable to Moscow, or more expensive if quality indicators are considered, such as the year of construction and the state of the housing.

The dynamics of sale prices of houses in Yuzhno-Sakhalinsk are shown in Figure 4-B.

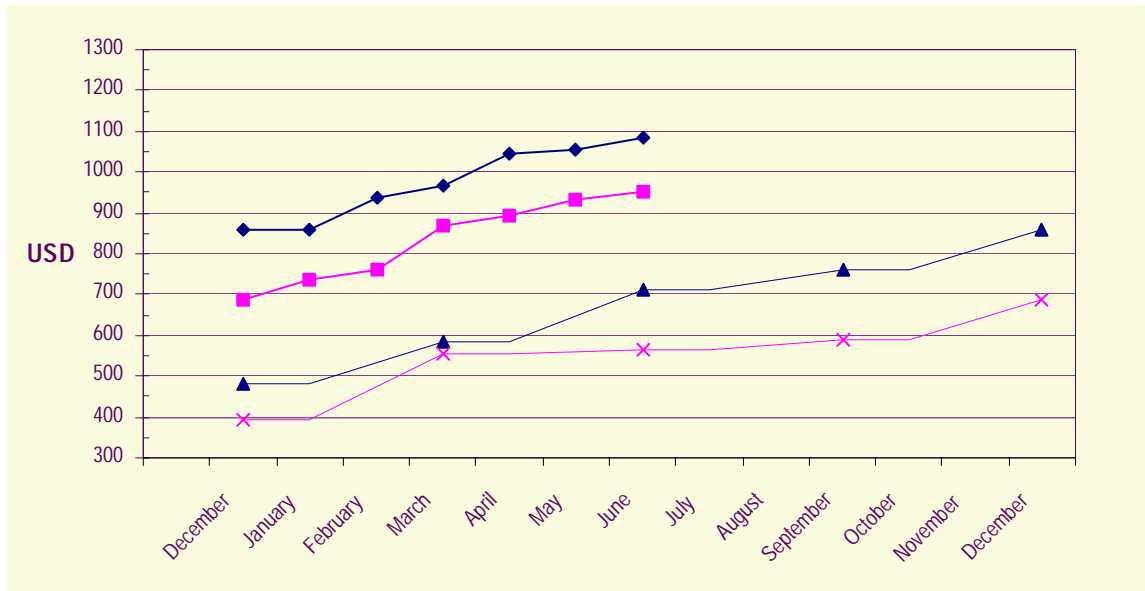


Figure 4-B: Dynamics of Housing Sale Prices in Yuzhno-Sakhalinsk

Since 1998, Yuzhno-Sakhalinsk housing sale prices have been rising annually by about 20-30%. Since 2002, prices have been increasing even more rapidly. However, according to SPT observations, by June 2004 general price growth rates were remaining high but tending to stabilise.

Key factors affecting housing sale prices, according to the SPT analysis, are summarised in Table 4-B below:

Table 4-B: Key Factors Affecting Housing Sale Prices in Yuzhno-Sakhalinsk as of 2004 (listed in descending order of significance)

Factor	Description
Increase of consumer demand in the absence of housing construction	<ul style="list-style-type: none"> - Seasonal nature of earnings in fishing sector which employs most part of Sakhalin community north of Yuzhno-Sakhalinsk; - General growth of wages and people's income due to increasing salaries in the petrochemicals industry, administrative bodies, and in a number of other sectors, as well as through growing retirement allowance and number of employed population; - Continuing intensive population inflow to Yuzhno-Sakhalinsk from other Sakhalin districts; and - Development of mortgage system, general development of banking services (contributes to the growing number of real estate market participants).
Growth of rent prices (indirect impact of offshore Projects)	<ul style="list-style-type: none"> - Highly growing city property lease market resulted in buying up flats for further renting to expatriates and foreign Companies. The money invested in purchase and renovation of such housing is included in the rent price causing multiplicative price growth effect on both markets.

Factor	Description
General impact of offshore projects on economic situation in the region	<ul style="list-style-type: none"> - According to experts, the development of the offshore projects is a catalyst for the development of the regional economy, stimulating development of related industries and services; - As a result there is an increasing number of employees directly engaged in the oil and gas sector and supporting industries (construction, communication, transport, etc.) and indirectly engaged (trade, finance, etc.); - Guaranteed earnings in oil and gas sector and related spheres; and - Slowed population outflow.
Implementation of state-supported programmes of housing certificates	<ul style="list-style-type: none"> - A considerable number of persons with housing certificates affect the demand on real estate market of Yuzhno-Sakhalinsk; and - The programme for resettlement of people from the North of Sakhalin.

Rental Prices

Due to the continuous increase in demand for rented accommodation, the rental prices in Yuzhno-Sakhalinsk are increasing 30-50% faster than sale prices. While some stabilisation was observed in the housing sale and purchase market by June 2004, the growth of rental prices has continued at the same pace.

It is difficult to gather and analyse data by housing group, because of the absence of a ceiling to rental rates for various types of flat. An 'average' flat can be rented for USD 500-700 to USD 2000-5000 a month. This depends less on the type of flat and more on the distance to work-place (offices), safety, and level of comfort.

Based on the results of the SPT analysis, key factors for rental price increases in Yuzhno-Sakhalinsk are as summarised in Table 4-C below.

Table 4-C: Key Factors Affecting Housing Rental Prices in Yuzhno-Sakhalinsk (in descending order of significance)

Factor	Description
Development of offshore Projects and the multiplier effect	<ul style="list-style-type: none"> - Growth in the demand for rented accommodation on the part of companies directly or indirectly involved in implementation of the offshore projects; - Absence of upper limits for rent on the part of foreign companies directly or indirectly involved in implementation of the offshore projects; and - Shortage of hotel accommodation due to the ever-growing demand and long-term hotel room tenancy (as of April 2005, due to the increased numbers of hotels, this is now a less significant factor).
Increase in sale and purchase prices	<ul style="list-style-type: none"> - Those engaged in leasing real estate have to make back their investments in additional properties by increasing rental prices. Therefore leasing is affected by the current state of the real estate sale and purchase market.
General growth of solvent demand	<ul style="list-style-type: none"> - The population in-flow to Yuzhno-Sakhalinsk is still strong from other Sakhalin districts and the Russian mainland, while outflow is slowing down.
Growth of tariffs for utility services	<ul style="list-style-type: none"> - Presently the rental fee often includes utility charges.

Housing rental is more common in Yuzhno-Sakhalinsk than in other districts. However, rental is also growing in areas where Project-related construction work is being carried out, and in district centres in northern Sakhalin (Nogliki) and in the south (Korsakov). This situation will change when construction camps are completed (see Appendix F for details on construction camps).

Preliminary Conclusions

The preliminary conclusions of the SPT housing sale and rental price monitoring can be summarised as follows:

- A lack of housing construction activity;
- The cumulative effect of the development of the Sakhalin offshore oil and gas projects has had an indirect influence on housing sale prices on the island;
- The demand of foreign companies and their contractors/subcontractors has had a far greater impact on rental than on sale prices. According to experts, this is the main factor influencing the increase in the cost of rented accommodation;
- An indirect impact of the projects has been the decreased availability of affordable rented accommodation for those on lower incomes, such as health workers and teachers;
- Housing quality has improved with increased investment in renovations;
- New businesses have developed, including housing renovation, real estate agencies and companies, independent housing rental businesses, building materials businesses. The quality and range of real estate services has increased and markets have become more competitive; and
- Property itself has increased in value, which has been a positive impact for property owners.

In summary, the Sakhalin II project, along with other developmental drivers, has had an impact on housing price and availability in Yuzhno-Sakhalinsk and in other Sakhalin communities. In some cases this has been due to cases of workers living in local communities pending completion of camps.

Project Mitigation Measures

The following table (Table 4-D) summarises the key measures that the Sakhalin II project has put in place to limit its negative impact on the prices of accommodation.

Table 4-D: Project measures to minimise the burden on housing infrastructure

Measure	Brief Description	Commitments
Provision of accommodation in apartments constructed by SEIC	The SEIC residential compound, 'Zima', houses permanent, mostly ex-pat employees, with 84 apartments and houses (soon to have 100 more houses). In addition, SEIC has just opened a specially built 104 single-room apartment housing compound near Zima.	In line with the Russian Labour Code, SEIC will continue to provide housing for any employee recruited from more than a 50km radius of their place of

Measure	Brief Description	Commitments
Accommodation in hotels	Employees and Contractors have been housed in hotels and in hotel apartments leased by SEIC in Yuzhno-Sakhalinsk, including 18 units newly constructed in 2002 and another 41 renovated units.	employment. SEIC will minimise the number of employees renting apartments on the open market, through construction of its own housing.
Camp accommodation	<p>Outside Yuzhno-Sakhalinsk, local accommodation has frequently been rented during the initial construction of worker camps. However, it is anticipated that eventually all of the construction workforce will be housed in the construction camps. Table F-01, Appendix F illustrates the number of beds per construction camp that SEIC is committed to providing in order to satisfy the needs of current construction plans. As of January 2005 more than 70% of construction workers were living in the camps.</p> <p>The majority of local project construction workers live in their houses (besides those working on the OPF project, which is being implemented far from any communities).</p>	SEIC will continue to provide accommodation in camps for all construction workers from outside the local communities.

Some SEIC and Contractor employees have also been housed in apartments leased by the companies (mostly in Yuzhno-Sakhalinsk). As of January 2005 less than 4% of construction workers were accommodated in communities.

It is also important to note that for some communities (mainly the small rural communities) renting has a positive impact as it generates an additional household income (in some cases it is the main household income) where there is no other demand for rented accommodation.

In addition to the above-mentioned mitigation measures, SEIC is committed to ongoing monitoring of the situation, via:

- Quarterly monitoring of price dynamics;
- Monthly and quarterly analysis of data on project worker accommodation;
- Consultations;
- Meetings with real estate agents and potential buyers; and
- Monitoring of the grievance resolution process.

SPT experts and CLOs consult regularly with local (external) experts on this house and rental prices. Local experts include real estate agents, local administration experts and representatives of social organisations. Both monitoring and consultation will continue to establish whether further mitigation measures by the Sakhalin II project are required. Two scenarios are envisaged:

- Should specific problem areas be identified through monitoring and consultation, the Project will work with Contractors to ensure that as many workers as possible were accommodated in camps; and

- Should external experts identify that housing was a significant social problem and this corresponded to the results of SPT monitoring and analysis, (e.g. repeated grievances or public comments) then housing would be raised as a corporate 'issue' for further examination which would include development and implementation of a targeted Action Plan (see Section 7.3.5).

4.4 SOCIAL NUISANCES, CONFLICTS, CRIME AND PROSTITUTION

The SEIC Camp Management Policy states that workers will be provided with recreational amenities, the opportunity to communicate with their families at home, and other basic rights that aim to reduce social tension both inside and outside the camps. Although the prospect of social conflict or nuisance has been raised as a local concern, as yet most community experts (e.g. local administration experts, public officials, NGO leaders) and local residents have not reported any visible social conflicts or nuisances. Some local residents remembered scuffles between local residents and project workers, but commented that this is not unusual for young people. The most serious case has been that of workers residing in a dacha community and causing some noise disturbance. This situation disturbed very few people and was resolved quickly (see Section 4.4.1 below). Although no formal public grievances related to increases in crime and prostitution in Sakhalin settlements have been raised to date, SEIC recognises that prostitution is on the increase amongst young individuals in the area and that the construction workforce may encourage this. Whilst prostitution is illegal within the Russian Federation and contractors are required to comply with applicable Russian law, the Company has taken extra measures to prevent prostitution occurring within its camps, which include security fencing, camp guards, security patrols, and a strict camp admission policy, whereby all visitors have to be authorised by the appropriate camp manager. Workers are informed of the consequences of breaching the Camp Management Policy and about Russian Federation laws relating to prostitution. These measures appear to be working effectively to date and are closely monitored by those project managers with responsibilities for camp management. The Company involves the local law enforcement officers where there has been a breach in Russian law in this regard.

The Company is also assisting and supporting relevant health leadership in local communities and providing education for both workers and the community. For example, SEIC has supported the Information Resource Centre on HIV prevention and a project on 'HIV prevention among Sakhalin young people'. Condoms have been provided free of charge to the camps as well as to the HIV-AIDS centre which distributes them to prostitutes. SEIC has provided 10,000 USD of sponsorship to the centre to cover training of health workers and publication and distribution of educational pamphlets in local communities. Additionally, in Korsakov District, SEIC has been supporting the project 'Female Health Centre', which includes an information campaign on 'HIA/AIDS&STD - Protect Youngest'. This campaign includes schools within this district. Young people fall within the age group of 16-29.

Awareness raising of sexual health issues has been carried out in camps and communities. See also the Community Health Table in HSESAP Part 2. If prostitution were to be identified as an issue by external experts or due to repeated grievances or public comments, then it would be raised to the level of Company issue and addressed via the Issues Management process.

As of writing this document, there have been no formal public grievances related to increases in crime. However, increased crime was raised as an issue during dacha community consultations (see Appendix I). If a general increase in crime or an increase in a specific type of crime were to be identified as issues by external experts or due to repeated grievances or public comments, then they would be raised to the level of Company issue and addressed via the Issues Management process.

The case of project workers intruding on local hayfields was resolved without any tension or conflict in the community. Cases of non-payment for local services have been resolved as illustrated in Section 3.4.2 above and 4.4.1 below.

In general, social tensions and nuisances will be mitigated by the following actions, which will be routinely undertaken:

- Enforcing camp management regulations as laid out in the Camp Management Policy;
- Ensuring Contractors and Subcontractors operate according to Russian Federation law and international conventions;
- Developing and maintaining good relations with communities; and
- Providing a timely and targeted response where appropriate to community concerns and actual Project-related issues (e.g. through local partnerships and social investment).

The Grievance Procedure, IMPACT Action Tracking System and Issues Management processes can be invoked when required to resolve incidents and issues as they arise. SPT experts and CLOs provide ongoing monitoring of the situation in local communities.

Table 4-E illustrates the ways that local concerns about social conflict and nuisance are addressed:

Table 4-E: SEIC Responses to Local Concerns about Social Conflict and Tension

Type of Issue	Approach	References
All public concerns	Grievance Procedure	SIAA Section 7.3.3
Low to medium level concerns	Grievance Procedure; Consultation, background research, mediation and negotiation	SIAA Sections 4.4.1, 4.4.2; 7.3.3
Medium to high-level concerns	Grievance Procedure; Involvement of Project teams and SEIC upper management	SIAA Section 7.3.3
Persistent and high level concerns	Issues Management Process; involvement of Project teams and SEIC upper management	SIAA Section 7.3.4
Concerns requiring change in policy or practice	Change Management Procedure	SIA Section 17.6 HSESAP Part 1

The following two sections illustrate ways in which low-medium level social tensions have been resolved by CLOs, SPT experts and other SEIC personnel.

4.4.1 Accommodation of Construction Workers in Dacha Community

In June 15th 2004 SEIC (SPT and Approvals) met with dacha society leaders and Korsakov Administration to arrange meetings with dacha communities on the LNG/OET SPZ, to discuss resettlement issues and other dacha community concerns (see Section 4.7 and the RAP).

One of the concerns was that LNG Subcontractor workers were living in one of the dacha communities. Members of the community were concerned about:

- Payment delays to dacha society for services (electricity);
- Worker behaviour (noise); and
- Heavy vehicles being driven through the dacha community (noise).

SPT experts made a preliminary investigation, including direct observation of the houses where the workers were living, meetings with workers and their neighbours, and taking photographs. It was confirmed that several LNG workers were living in two dachas. These dachas were being legitimately rented out to the workers. One dacha owner belonged to the dacha society (therefore was bound to follow society regulations); the other did not belong to the society.

Some of their neighbours said that the workers posed no problem; others said that there was a problem with noise. SPT experts passed on this concern to the LNG Management and Project Group. SPT experts, the LNG CLO and the Contractor SFP carried out several meetings with dacha leaders to identify issues and potential ways to solve them.

As a result of these consultations, the workers agreed to observe the rules and recommendations of the dacha society. They agreed to use the road around the dacha community, and not to drive through it in large heavy trucks; not to make a noise; and to pay for services on time. The leaders of the dacha society agreed to help the workers with some renovations.

Project and Contractor have moved the workers in question into the construction camp. The LNG Project CLO is monitoring the situation by meeting with dacha leaders and members.

4.4.2 Subcontractor's Vehicles Damage Hayfields

CLOs received several complaints (via the Grievance Procedure) from hayfield users about trucks being driven across their hayfields. After a preliminary assessment, it was clarified that the trucks were operated by an SEIC Subcontractor in contravention of existing mitigation measures. Wide tracks appeared on the field, making it unusable for growing grass.

Meetings were held between CLOs and local people to clarify details and ascertain the level of local concern. CLOs assessed the level of concern as extreme discontent. People were prepared to take the matter to court.

Meetings were held between CLOs and the Subcontractor to convey the level of land users' discontent and their intentions. As a result, the Subcontractor agreed to compensate damage to two hayfield users. Subsequently all other affected hayfield users were compensated. Written acknowledgements have been collected from the hayfield users that the case has been resolved and they do not have any further grievances.

4.5 COMMUNITY INFRASTRUCTURE

In consultations, residents mentioned that insufficient attention had been paid to local concerns about project impacts on community infrastructure. CLOs and SPT experts regularly monitor project impacts on community infrastructure and use of local infrastructure by contractors (issues of permitting and approval by local administrations).

Ongoing monitoring is via regular consultations and fieldwork. Local residents are encouraged to use the Grievance Procedure to resolve specific issues where necessary. Issues are resolved and will continue to be resolved as they arise, via measures including consultation, mediation and negotiation, and through changes in practice and provision of assistance where appropriate. Persistent issues may be addressed via the Issues Management process.

4.5.1 Damage to Water Pipeline

During a community public meeting conducted by SPT experts, local people raised the issue of damage to a local water pipeline near the community road, where SEIC Contractors had been conducting surveys. Residents believed that the Contractors' vehicles had damaged the community's water pipeline and as a result some houses were suffering water shortages.

Information on this community concern was passed to the management of External Affairs and IUP (the Infrastructure Upgrade Project). The community sent an official letter to the Company requesting compensation. The letter was passed to IUP as the stated responsible party.

SPT experts met with IUP experts to find out more about the background to the issue and assess their usage of the community road (period, schedule, route, type of vehicles, etc.). SPT and IUP representatives also met with several local residents and local authorities to assess general local usage of this road, road characteristics, and background to the water pipeline. SPT and IUP representatives studied the site with some local residents and took photographs.

According to this study, the damage was unlikely to have been caused solely by IUP vehicles, given the existing condition of the pipeline and the overall deterioration of the water supply system. However, SEIC management agreed to help the village by providing money to repair the water pipeline (paid for out of SEIC and IUP budgets).

In summer 2003, a meeting was held with local residents to present the results of the study and the Company's decision. A Contractor was hired to complete the work and a schedule was established. The repairs have now been completed.

4.5.2 Road Safety and Maintenance

The Infrastructure Upgrade Project (IUP) upgraded several roads and bridges used by Project-related transport. However, many other roads have been damaged by intensive usage by heavy vehicles. This is an issue that is frequently raised during public consultations and in the local media.

In addition, local residents complain about increased noise, dust and exhaust fumes generated by project traffic. Residents object to heavy vehicles driving through small settlements, particularly as the roads are narrow and there are no pavements. Local residents are very concerned about the heightened danger of road accidents.

Drivers have been observed drunk in charge of heavy vehicles. Drink-driving is a clear violation of the SEIC Code of Conduct and Camp Management Policy is punished accordingly. Cases of alcohol abuse are reported via the Incident Tracking System and are addressed by HSE experts.

Other matters can be addressed through consultation, negotiation and mediation, the Grievance Procedure, and the incident tracking and issues management processes. If necessary the Change Management Procedure can be invoked.

The Sakhalin II Project has made a commitment not to use roads within these small settlements. However, Sakhalin I project vehicles do use these roads. In one case, the same Subcontractor works for both projects, and follows a dual set of rules. Local residents often do not differentiate between the two projects and are equally resentful towards both. In order to address issues such as this one, the Sakhalin II Project CLOs regularly communicate with those of the Sakhalin I project.

In March 2004 the Company received a grievance from citizens of one community in Korsakov District, relating to the condition of the Korsakov-Prigorodnoye-Ozersk road. The Company and relevant contractor met with the local administration to discuss potential measures.

In response, relevant equipment was furnished to grade the road and later the Contractor signed a contract with local transport and road repairing companies to maintain and repair the Korsakov-Prigorodnoye road. In summer 2004, SEIC made a decision to asphalt this road once the construction of the LNG plant has been completed (scheduled for late 2007 / early 2008).

In summer 2004 dacha owners/users complained about increasing dust and gravel on the Korsakov-Prigorodnoye road because of LNG project related traffic and high speed. The company and Contractor put in place the following actions/measures:

- Speed control;
- Instruction for drivers;
- Antidust actions (watering and gravel meal spreading);
- Commitment by the Contractor not to carry gravel in open-backed trucks;
- Repair of Korsakov-Prigorodnoye road (under contract with the road repair company);
- Development of an additional bus-stop for dacha owner/users; and
- Graveling of the community road and some areas around houses in Ozersk.

4.5.2.1 Road Safety Campaign

In December 2004, SEIC launched a campaign to improve road safety awareness within the Company and its Contractors and Subcontractors. It will cover all areas of SEIC's current operations, including the Vostochniy Port site. The initiative will involve a three-year comprehensive programme of training, education, road safety awareness campaigns and enforcement.

The SEIC Road Safety Campaign will be developed and directed to address a number of hazards and behaviours, including speeding, winter driving, wearing seat belts, inattention/distraction, fatigue, drink driving and more, over the coming years.

SEIC also aims to work with local authorities to roll out initiatives to communities across Sakhalin Island. A strategy is currently being developed for external engagement. External audiences will include schools, the mass media and government.

4.5.2.2 Sakhalin Road Safety Partnership

In June 2005, SEIC, the Sakhalin Oblast, the Inter-Regional Fund for Road Safety and the Rehabilitation of Victims of Road Accidents, and others, established the Sakhalin Road Safety Partnership (SRSP). The SRSP resulted from a seminar on road transport safety held in March 2005, at which over 50 representatives from the public and private sectors attended. It was organised with the support of the Sakhalin Administration and the help of the Global Road Safety Partnership. The Global Road Safety Partnership (GRSP) is a global partnership involving business, civil society and governments dedicated to the sustainable reduction of road crashes. Initiated by the World Bank in 1999, the GRSP Secretariat is hosted by the International Federation of Red Cross and Red Crescent Societies in Geneva.

The participants in SRSP have agreed to work together to develop and implement projects that support the Sakhalin Oblast Road Safety Plan 2005-2007, which aims to reduce deaths and injuries from road crashes on Sakhalin Island. At its first meeting, the steering committee approved plans for 3 projects that will be implemented during 2005, the aims of which are to:

- Improve safety at a number of the most dangerous locations for pedestrians;
- Increase the wearing of seat belts; and
- Enhance systems for reporting and analysing statistical data on causes of crashes.

4.6 MANAGEMENT OF DOMESTIC AND INDUSTRIAL WASTE

SEIC has established a Waste Management Strategy, which covers management of both domestic and industrial waste generated by Project activities and construction camps. A summary of this Strategy can be found in the EIA Addendum.

4.7 PRIGORODNOYE DACHA COMMUNITIES

Impacts to the Prigorodnoye dacha communities are considered in the RAP, together with measures to mitigate these impacts and compensate the communities. The situation as of October 2005 is summarised below.

4.7.1 Current Situation

In 2002, the Ministry of Health formally approved the Sanitary Protection Zone (SPZ) for Prigorodnoye facilities at a radius of 1 km, based on dispersion calculations for air pollution (mainly the nitrogen oxide emissions of tugboats and LNG plant gas turbines). During TEOC approval in 2003, and in response to feedback from the Ministry of Natural Resources (MNR), the possible option for a 3.5km zone was left in the TEOC. The Ministry of Health did not approve this larger zone and questioned the need for it.

Following a recent confirmation from the Sakhalin Sanitary Committee on the validity of the 1km SPZ, and a desire to minimise resettlement, SEIC has accepted the 1km zone SPZ, and will develop an air quality monitoring plan to demonstrate that air quality standards will not be affected at the dacha communities.

A key benefit of having a 1km zone SPZ means that the full closure of Prigorodnoye Beach to the public is avoided, as will be the relocation of approximately 100 dachas that lie outside

the SPZ. These dachas are in the majority of cases seasonally occupied (summer) residences and are part of the dacha communities 'Stroitel' and 'Teplovik' (see Table 4-F below).

Table 4-F: Dacha communities Located near to the LNG Plant/OET SPZ

Dacha Community	Estimated No. Dachas [Note: not all dacha plots are in use.]	Location
Stroitel	80	On the hillside just over 1 km west of the LNG/OET site.
Teplovik	20	In the Mereya river valley, 3.5 km west of the LNG/OET site.

SEIC managers, the SPT, the SEIC Issues Manager and the Korsakov CLO have met with these communities on a number of occasions since 2004. The Company has initiated and is committed to continuing a regular dialogue with the dacha owners and users to seek to understand any issues and concerns they may have regarding the proximity of the Project activity to their communities, and to discuss appropriate mitigation measures.

Meetings were held between the Company and dacha owners in September 2005 at which compensation proposals were put forward. Further discussions will take place in November 2005.

Possible impacts on the dacha communities

There will be no direct impacts or physical resettlement (other than already carried out) due to land take/income loss due to project activities. Regular environmental monitoring in on parameters such as noise and air pollution confirm that these are within Russian Federation norms (which meet international standards) and would not have serious health impacts. However, the dachas community feels that there could be potential short and long-term impacts in the construction and operation phases of the Project that may include³:

- Loss of value of land and assets due to proximity to the SPZ of the LNG plant;
- Impacts on access to amenities;
- Depreciation in quality of life;
- Impacts on resources such as vegetable gardens, crops and trees (for example due to dust, see below).

4.7.2 Other Concerns Raised by Dacha Communities

The main concerns of dacha community residents relate to:

- Dust from the main Korsakov-Prigorodnoye Road that passes by both dacha communities (particularly impacts on vegetable crops and open water supply pits);
- Road safety due to increased traffic on the same road;

³ These concerns were raised during consultations with dacha users and owners in the Stroitel community.

- Potential deterioration of road conditions around Prigorodnoye due to intense usage by Project traffic;
- Individual issues such as Contractor waste dumping (see below) and Contractor workers renting dachas in Stroitel dacha community (see SIAA Section 4.4);
- Potential theft and disruption due to influx of construction workers;
- General environmental, health and safety concerns related to construction work and future operations of the plant;
- Communication and information dissemination (including lack of information about health and safety issues, and insecurity about the decision whether or not resettlement will take place).

Most dacha community grievances have come from the Stroitel dacha community, whose Executive Committee is in favour of relocation. Informal feedback via the Korsakov CLO indicates that there are also dacha owners from this community who do not wish to move. In contrast, the Executive Committee of the Teplovik dacha community does not favour relocation, nor do the majority of Teplovik dacha owners. There has to date only been one source of public grievance on the part of the Teplovik community. This was related to dumping of cement waste in the local area. This matter was resolved in communication with the Contractor and the local community.

A large proportion of dacha community concerns have related to the inconsistency of information provided in relation to the SPZ for the LNG/OET terminal. Since June 2005, both official bodies and dacha communities have been informed of the Company's decision on a 1km SPZ.

4.7.3 Consultation process

SEIC has been engaging with the dacha communities since 2004. The meetings have been conducted in the dacha communities themselves. The main aims of the meetings have been to:

- Present the current situation regarding the establishment of the SPZ;
- Inform the communities of the Company's approach to compensation, schedule of work, proposals to establish a Joint Dachas Working Group and disclosure plans;
- Identify the concerns of community members.

Dacha residents have also been informed about the ways in which they can lodge a grievance and how their grievances will be addressed (including via their local CLO). The Company has responded to all grievance letters that have been received from members of dacha communities and these have been discussed in face-to-face meetings as well as on the telephone. Local authorities and dacha communities are regularly informed about proposed project activities.

Key meetings and activities from the consultation process since 2004 are summarised in Table 4-F below.

Table 4-G: Key Meetings and Activities relating to Prigorodnoye Dacha Communities, 2004-5

Date	Activity
2004	
From January to present	Regular meetings with Korsakov District Administration and regular updates on SEIC activities.
June 15	Joint meeting with Administration and dacha community representatives to identify a meeting time and potential questions.
June 26-27	Meetings with Dacha communities (98 participants), announced in advance on information boards in dacha communities and via leaflets handed out to dacha owners/users.
2005	
May	Sakhalin Energy Leadership Team (SELT) decision on 1km SPZ.
May-June	SELT decision reported to Korsakov Mayor, Mr. Zlivko, Sakhalin Sanitary Committee, the Sakhalin Oil & Gas department, dacha communities, NGOs and the local media. Relevant documentation provided on request to stakeholders.
Week commencing May 30	SEIC had a meeting with Sakhalin Oil & Gas Department, whereby SEIC, among other issues, provided clarification regarding the basis for the adoption of the 1 km SPZ.
June 6	SEIC meeting with dacha communities, NGOs and media.
June 14 and 25	Onsite visits to dacha communities.
July	Ongoing visits and phone calls with the Stroitel Dacha Community Executive Committee.
September	Proposed mitigation, compensation and social investment activities presented to Stroitel Executive Committee.
October	Ongoing consultation with dacha community regarding SEIC proposed compensation packages and dacha property evaluation works.

The Company has developed a plan of engagement with these dacha communities, which is already underway. The process is managed by the External Affairs Dept, including the Issues Manager. Engagement with the communities is also addressed through the Company's Social Impact Monitoring Programme.

The key targets of engagement and monitoring include:

- To identify in a timely manner potential impacts and issues with regards to Project activities;
- To monitor socio-economic issues;
- To identify in a timely manner appropriate mitigation measures for impacts;
- To obtain feedback on mitigation measures and the consultation process.

Further engagement will include:

Type of engagement	Frequency
Dacha community meetings	Twice in a year (mostly in dacha season)
Consultations with Dacha Executive Committees	At least quarterly
Consultations with stakeholders on dacha issues, including	As requested or needed
Individual meetings	As requested
CLO open house conducted in Dacha communities	Monthly during Dacha season

4.7.4 Compensation for dacha owners

In accordance with OD 4.30, SEIC has proposed that dacha owners will be compensated for any loss or damage to crops and vegetable gardens due to construction activities, based on replacement value. Other impacts on quality of life indicators as a result of economic displacement will be monitored jointly by SEIC and the impacted households through mechanisms worked out through consultation. SEIC, together with dacha representatives, will agree the classification of quality of life indicators and “significant” impacts. This process is planned for the next meeting between the dacha representatives and the Company in November 2005. Significance will be evaluated through monitoring the performance of local quality of life indicators over a period of time. Through this joint monitoring process (which is an ongoing process), the group will be able to identify significant impacts and suggest mitigation measures and/or compensation accordingly. Where significant impacts are observed, an appropriate compensation package will be worked out for such households through a participatory process.

SEIC has already been made aware of the majority of impacts, both significant and insignificant, through continuous consultations with dacha owners this dacha season and formal grievances received from them. Some of the impacts have been considered as subject to compensation and are planned to be evaluated by independent agencies to allow for calculation of potential compensation packages. Such impacts include a possible reduction in the value of dacha plots due to LNG construction and impact to crops. For other impacts such as road safety, impacts as a result of increased construction workers in the area, SEIC remains committed to mitigation measures as described in section 6.6.4.

Where a financial loss to assets or property of the dacha community is proven as a result of the existence of the LNG plant or any project related activities, the Company will compensate for this loss. Sakhalin Energy will employ an expert assessor to provide an independent valuation of the property value of the dacha community compared to the value of other dacha communities in Korsakov. Any expert assessor that is appointed will have to be acceptable to both the Dacha community and SEIC. Loss in value will include loss in value due to proximity to project activities. This will be assessed through comparing the standard of properties with properties in other dacha communities in Korsakov.

In addition to compensation, the dacha community will be entitled to a targeted social investment programme. The objective will be to ensure that quality of life is restored to pre-project levels and in some cases improved. These programmes will be developed in consultation with the dacha community, and with their participation in its implementation.

Examples of these programmes could include construction of water wells and upgrading of roads inside the co-operative.

SEIC proposals have been considered by the dacha owners. During consultations with dacha owners in September, SEIC was requested to provide market value assessments of typical dacha properties. SEIC has agreed to this proposal as it will provide dacha owners with a more precise breakdown of the proposed compensation package to ensure all dacha owners understand its implications and are able to raise concerns. In addition, SEIC will provide increased consultation in the Korsakov area as requested by dacha owners. Further meetings with dacha owners are planned in November in order to finalise the evaluation of impacts and the compensation package proposed by SEIC.

4.7.5 SEIC mitigation measures

SEIC has committed to mitigating adverse impacts relating to Sakhalin II project activities, and to addressing the concerns of the dacha owners.

As communication was previously hampered by the lack of access to the wider group of dacha owners, SEIC aims to continue building credibility and a relationship with this wider group via the following activities:

- Regular communication with all dacha owners, including via telephone and individual mailing;
- Regular site visits to dacha communities;
- Completion of mitigation measures as swiftly as possible (see below for list of mitigation measures);
- Provision of factual information on LNG activities, particularly in relation to health and environmental concerns, in order to assuage public anxiety about real and potential impacts.

The following table describes the current status of mitigation measures that SEIC has committed to carrying out in order to address impacts from the LNG Project activities.

Table 4-H: Prigorodnoye Dacha Community Mitigation Measures: Status as of August 2005

Mitigation measure	Progress/status to date	Timeline	Done
Road conditions (dust)			
Improvement of dust suppression on the stretch of main road that passes the dacha communities and is used by Project traffic	CTSD is watering the road up to twice a day, five days a week.	Ongoing	
Placing of bus stops in both dacha communities	Bus stop project for dacha communities developed, agreed with LNG Contractor and currently being approved with relevant authorities.	October	
Application for a low speed limit to be set for the main road	Agreement made in late June with LNG Contractor to have appropriate		

Mitigation measure	Progress/status to date	Timeline	Done
Installation of traffic signs on main road to increase safety on the road	road safety measures in place Letter with official request sent to road authorities for speed change. Briefing to drivers on road safety Road signs purchased and some erected.	July, August, September	✓
Health/environment-related impacts			
Air quality monitoring	Informational packages on air quality monitoring including official reports for 2003-2005 sent out to dacha community members. Air quality data to be provided regularly to dacha owners.	July	✓
Testing of water quality, construction of new wells and regeneration of old wells in both dacha communities	Visual checks held by EA and HSE showed that all the water wells had been improperly drilled and likely to be used for watering only. Additional consultation is to be held with dacha owners.	August	
Additional noise level measurements	Noise level measurements carried out and noise levels found to be fully compliant with Russian standards.	June 11	✓
Preparation of information leaflets to raise awareness about safety aspects of flaring	Leaflet currently being prepared. Integrated flaring communications plan.	October Qtr 4, 2005	
Preparation of packages of information about safety and mitigation measures	Information packages sent to dacha owners.	August	✓
Others			
Grievance Procedure	Most of cement waste removed from environs of Teplovik community; the waste at the entrance to the community will be removed in August	August	✓
	See SIAA Section 4.4 for further examples	-	✓

5 IMPACTS ON HERITAGE RESOURCES

5.1 Cultural Heritage

The Treatment Plan for Objects of Cultural Heritage was approved by the Sakhalin Oblast Administration and is being implemented.

Plans are currently being implemented to initiate an expanded programme of archaeological excavation and monitoring during construction on the Onshore Pipelines project, and to initiate monitoring of religious objects and locations, including cemeteries and IP sacred sites, and places with unique natural environmental features. Activities will be carried out in accordance with the World Bank Operational Policy note no 11.03 on Management of Cultural Property in Bank-Financed Projects (OP 11.03).

Archaeological monitoring on the LNG/OET site has not resulted in the identification of any additional archaeological sites to date. No heritage resources are located on the CGBS construction site at Vostochniy Port. Monitoring of religious objects and locations is in progress. Two protected areas with unique natural environmental features have been identified along the pipeline route, and related mitigation and monitoring processes are set out in the EIA Addendum.

In 2004 the Social Performance Team completed a handbook for non-archaeological specialists on issues associated with identifying archaeological sites and the proper procedures to be followed. This handbook was distributed to SEIC and Onshore Pipelines Contractor personnel and training was also provided on the relevant procedures. In future SEIC will take responsibility and do this as appropriate for new Contractors.

SEIC will report to the Lenders Group on the implementation of the Treatment Plan for Objects of Cultural Heritage, which includes archaeological and palaeontological objects, religious objects and locations and places with unique environmental natural features, as part of the formal reporting process.

5.2 WAR DEAD DISCOVERIES AND UXO PROGRAMME

The search for war dead was carried out in 2002-2003 by NGO Pioneer under the project management of the Sakhalin Oblast Military Commissariat. The aim was to locate and bury Russian war dead with full military honours and cremate Japanese war dead in a Shinto ceremony. The search operations were carried out where the Sakhalin II project pipeline right-of-way (PL ROW) crosses WWII battlefields.

The total war dead found and buried/cremated so far is 61, of which 36 are Russian and 25 Japanese. These operations have had a positive influence on public opinion, especially among residents aged 40 years and above in rural communities.

In addition to searches along the PL ROW, in 2003 NGO Pioneer carried out operations north of the 50th parallel near Ado-Tymovo, as there was archival evidence of prisoners from the 1905 conflict and the Stalin era. Mass prisoner graves were found approximately 250 m from the ROW, the locations marked and the authorities informed. In addition, the LNG site was searched for war dead and while some civilian graves were unearthed no war dead were found.

The results of the 2002-2003 NGO Pioneer operations confirm the number of unburied war dead in Smyrnikh District to be approximately 500 Russian and 900-1000 Japanese, according to archival evidence.

A by-product of NGO Pioneer's operations has been the discovery of UXO, which in accordance with SEIC procedures have been reported to the Military Sappers for demolition. In 2004, NGO Pioneer formed part of a combined reaction team with the Military to respond to any war dead and UXO finds in the SEIC footprint during construction activities.

SEIC's conduct of a high quality and well-controlled UXO (unexploded ordnance) Programme has helped to promote awareness and understanding (at the local community level up to the highest levels of the Russian administration) of significant UXO and landmine contamination in the country. There is also a high degree of interest within the global landmine/UXO industry – this is the first such programme designed to be fully compliant with “*International Mine Action Standards*” (IMAS) and ISO.

The socio-economic aspect of the UXO programme can be summarised as follows:

- Being a ‘good global citizen’ by helping to eradicate a major threat to life;
- Injecting \$800,000-\$1 million per month into economically depressed local communities across Sakhalin;
- Providing medium/long-term employment to approximately 570 Russian citizens (97% from Sakhalin); and
- Considerable investment in capacity building, enabling Russian Contractors to become substantially more competitive on the international market in terms of both their technical competence and project management skills.

Pre-emptive finding of UXO to date has potentially avoided losing 350-650 construction days due to delays if construction crews had unexpectedly encountered UXO. Of the approximately 800 UXO found to date:

- 20% were found to be harmless and posed no risk to life (determined after examination by experts);
- 80% posed a significant risk to personnel;
- 15% posed a significant risk to operators using construction machinery; and
- 100% could have caused major delays to construction work.

Many of the UXO finds were in areas regularly used by local residents for wood cutting, hunting and foraging – thus SEIC has directly contributed to making Sakhalin Island a safer place for local residents, visitors and workers. The programme also leads by example with environmental practice (e.g., leaving work-sites in a decent state, observing strict no smoking/open flame policies in the forest, and minimum removal of vegetation).

The UXO programme proposes to continue its activities in and onwards, moving from IUP to the Onshore Pipelines project. Monitoring and mitigation commitments are listed in the HSESAP Part 2.

6 IMPACTS ON INDIGENOUS PEOPLES

The following table illustrates the impacts and mitigation measures for indigenous communities as identified during completion of the SIA and SIAA. Further analysis and identification of Project impacts and mitigation measures will be carried out in the course of developing the Sakhalin Indigenous Minorities' Developing Plan (SIMDP), which is being developed according to the World Bank Operational Directive (OD) 4.20 on Indigenous Peoples. The SIMDP will also provide a programme of Project benefit sharing for local indigenous communities.

Detail about consultation with IP communities can be found in the SIA, SIAA Appendix D and in the SIMDP. Regular updates about the IP consultation programme will be available in the PCDP.

Table 6-A: Summary of IP Impact Mitigation Efforts

(Please note: mitigation measures listed for a specific IP group apply equally to the group below it in the table.)

Issues	Mitigation Measures and Monitoring	Reference
All indigenous peoples of Sakhalin Island		
Concern about lack of opportunities for IP to benefit from Project implementation, including possible discrimination and lack of skills to compete in the job market.	Efforts to ensure appropriate representation of Indigenous Peoples in training and education programmes. Numbers of IP included in these programmes is being monitored by CLOs and SPT experts.	SIAA Section 3.3; SIMDP
	Consultations to identify IP community needs and potential programmes and projects for support as part of SIMDP and SEIC's Phase II Social Investment and Contractor Set-aside Programmes [see above]	SIA Chapter 6; PCDP; SIMDP
Indirectly affected IP along PL route and near Project camps		
Construction camps in Nogliki and Val and a permanent Project base on the outskirts of Nogliki have provided job opportunities to local residents, but have also resulted in negative impacts such as increased road traffic, some social disturbance, etc. (see Section 4.4) (N.B. this is relevant to IP and non-IP communities) Possible discrimination against IP in the job market	Contractors required to adopt SEIC's Code of Conduct and prepare Socio-Economic Management (SE) Plan (applicable to IP and non-IP communities).	SIA Chapter 16
	Ongoing monitoring of Contractor/Subcontractor social performance via: <ul style="list-style-type: none"> ▪ Project monitoring using the Monitoring Handbook, bi-weekly reports, incident reporting and day-to-day reporting; and ▪ SPT monitoring via social reporting system and fieldwork reports. 	Social Impact Monitoring Plan
	CLO from the Evenk/Uilta community in Val has responsibilities that include liaison with Indigenous and non-Indigenous community in Val, and the Indigenous communities throughout the island. (CLO activities and responsibilities are detailed in the CLO Organisation Overview)	CLO Organisation Overview

Issues	Mitigation Measures and Monitoring	Reference
	<p>Resolution of grievances/concerns/incidents, including those related to employment, social disturbance, poaching, prostitution, etc., through the CLO network, Grievance Procedure, Incident Tracking and Issues Management.</p> <p>The SIMDP will assess the effectiveness of mitigation measures and recommend additional measures if required and also provide opportunities for sharing in Project benefits.</p>	<p>SIAA Chapter 7</p> <p>SIMDP Section IV</p>
	<p>Ongoing consultation with CLO/IP teams in Val, Nogliki Chir-Unvd, and Poronaik related to construction of pipelines, temporary camps and related construction projects (e.g., bridges, roads).</p>	<p>SIA, SIAA</p>
	<p>Ongoing socio-economic monitoring of general indicators in IP communities by SPT.</p>	<p>Social Impact Monitoring Programme</p>
Directly affected IP other than herders (see below for herders)		
<p>Local concern about potential direct Project impacts</p>	<p>Ongoing consultation/socio-economic monitoring by the SPT and CLOs to:</p> <ul style="list-style-type: none"> - identify direct Project impacts in a timely way in order to ensure timely and effective mitigation; - assess and address community concerns. <p>Impacts addressed via the Grievance Procedure, Incident Tracking and Issues Management processes.</p> <p>IP Socio-Economic Survey.</p>	<p>PCDP; SIAA Chapter 7</p> <p>SIMDP</p>
<p>Some limitation of access to fishing, hunting and gathering grounds as described in the RAP</p>	<p>Assessment and provision of compensation and/or supplemental assistance for Project land take or loss of access to fishing, hunting and berry-picking grounds as described in the RAP.</p>	<p>RAP</p>
	<p>Consultation related to limitation of access to fishing, hunting and gathering grounds and potential further provision of compensation and/or supplemental assistance.</p>	<p>RAP</p>
	<p>Monitoring of the effectiveness of the Compensation and Supplemental Assistance Programme.</p>	<p>RAP; Social Impact Monitoring Programme</p>
<p>Local concern about the impact of Sakhalin I and II projects on the fish populations and health</p>	<p>Ongoing consultation between communities, SPT and other relevant Project parties to clarify matters related to real and perceived Project impacts.</p>	<p>SIA Chapter 6; SIMDP</p>

Issues	Mitigation Measures and Monitoring	Reference
<p>Potential increase in poaching (of fish and reindeer)</p> <p>Potential increase in opportunities to trade alcohol; in some cases alcohol is exchanged directly for meat, fish and caviar.</p>	<p>SEIC is committed to minimising induced access via the PL ROW and to removing access roads, where appropriate⁴, after use (see HSESAP Table on Land Management for commitments regarding access along the ROW).</p>	<p>SIA Section 14</p>
	<p>SPT is monitoring the effectiveness of the SEIC Policy on 'No Hunting, Fishing and Gathering'. The Policy is set out in HSESAP Annex B1 for reference. Cases of violation of this policy are reported via the Grievance Procedure and incident reporting process.</p>	<p>SIAA Section 7.2.2</p>
	<p>The situation regarding alcohol trading is being monitored by SPT; specific incidents are managed via the Grievance Procedure, Incident Tracking and Issues Management systems.</p>	<p>SIAA Section 7</p>
<p>Local concern about lack of information about construction plans and schedules.</p>	<p>Ongoing consultation between communities and SPT to inform local residents about Project activities, including construction schedules and site locations.</p>	<p>SIA Section 6; PCDP; RAP; SIMDP</p>
Reindeer Herding Families and Local Residents in Val		
<p>Lack of skills/education that make young people unable to compete equally for Project-related jobs</p>	<p>SEIC to support IP students in Val to with educational bursaries and support of travel costs, as part of overall support for IP education (see first row of this table).</p> <p>SIMDP will investigate and seek to address issues of unequitable access to Project-related opportunities.</p>	<p>SIMDP</p>
<p>Socio-economic development of the IP community in Val</p>	<p>SEIC to assist Val community to develop project proposals for support within SIMDP (directly via CLO and indirectly via seminars/training).</p> <p>During the second workshop with herders in August 2004 SEIC agreed to consider support for the Nogliki Administration proposal: Socio-economic Development of the Indigenous Community in Val, 2004-7, for example via the Contractor Set-aside funds. Financial support would be allocated from the Contractor Set-aside funds.</p> <p>SEIC to agree with Contractor what projects to support with Contractor's Set-aside funds.</p>	<p>SIAA Chapter 8</p>

⁴ In some areas of wetlands, roads will remain in order to enable access to the RoW and to enable a quick response in the event of an emergency, such as an oil spill.

Issues	Mitigation Measures and Monitoring	Reference
Uilta/Evenk Reindeer Herders		
Temporary construction-related disturbance to spring/summer reindeer pastures and one calving ground (less than 1% to be taken for Project use).	Impact mitigation measures described in the Phase 2 SIA are currently being implemented.	SIA Chapter 14
Permanent impacts from Chaivo Offshore Processing Facility (OPF), two onshore drilling pads and pipeline construction, which are located in the same area as Sakhalin I Project construction.	Further mitigation measures are described in the RAP.	RAP
Herders considering migrating to the west coast of Okha District in summer 2005 to avoid construction disturbance, but would need material support to do this.	Onshore pipelines Contractor has completed Socio-Economic Management Plan including impact mitigation measures and required consultation plan for herders. Offshore pipelines Contractor due to complete Socio-Economic Management Plan imminently.	SIA Chapter 14
Cumulative impacts as described in Phase 2 SIA.	Monitoring of implementation of Socio-Economic Management Plans.	Social Impact Monitoring Plan
	Mitigation measures for cumulative impacts as described in the Phase 2 SIA.	SIA Chapters 14, 15
	After consultation with the herders, SEIC and Contractor(s) agreed to make best efforts to limit construction to the December-March period. The only exception to this will be pulling the pipeline onto the beach, which has to be carried out in the summer season. The Targeted SIA will assess the effectiveness of these mitigation measures and identify impacts of pipeline re-routing.	Targeted SIA for re-routing SIMDP
	As stated in the Phase 2 SIA, SEIC is committed to restoring the pre-construction environment. Portions of the PL ROW are to be replanted using species preferred by reindeer for spring grazing.	SIA Chapter 14

Issues	Mitigation Measures and Monitoring	Reference
	<p>SEIC has committed to providing supplemental assistance directly to the reindeer herders of Val (based on impacts). The supplemental assistance will be provided <i>in kind rather than as a lump sum</i>.</p> <p>As a result of the herder workshops in May and August 2004, the following commitments were made:</p> <ul style="list-style-type: none"> - SEIC agreed to provide fuels during the course of construction as well as mixed-food and assistance in transportation; - SEIC will purchase 4 radio stations for herders; - SEIC agreed to consider delivery of products to the west coast of Okha District during calving to enable herders to avoid construction impacts and benefit from good pastures (Feasibility report and delivery plan to be prepared by herding enterprise 'Valetta'). <p>The SIMDP will assess the effectiveness of these mitigation measures.</p>	SIMDP
<p>Transparency of official compensation process (payments to be made to Okha and Nogliki District Administrations).</p>	<p>SEIC invited Nogliki District Administration to participate in meetings with the herders in May and August 2005, where the administration made commitments on transparency and type of disbursement of compensation monies paid into their budget.</p> <p>The Administration reported in January 2005 how the money was spent, which is mentioned in SIMDP</p>	SIMDP
<p>Herders initially concerned about the lack of communication between them and SEIC/Contractors, in particular regarding construction schedules.</p>	<p>Contractor has prepared a special Notification Procedure with herders to provide information on Project-related construction and other activities that may impact herding.</p> <p>As agreed at the second herders' workshop in August 2004, quarterly meetings will be held with two herder representatives, one Val resident and CLOs from SEIC, the Contractor and the Subcontractor. This is one part of the Contractor Communication Plan, which was a commitment of the Phase 2 SIA (2003).</p> <p>SEIC has drawn up and discussed with the herders a Statement of Intent with the reindeer herders of Val.</p> <p>The SIMDP will assess the effectiveness of these mitigation measures.</p>	SIMDP
<p>There are proposals to re-route the Sakhalin 2 Project pipeline at Piltun to reduce the impacts on Western Pacific gray whales.</p>	<p>Three options for pipeline re-routing were discussed in the August workshop; herders noted their favourite route, one route that was acceptable, and one that was unacceptable. The herders' preferences have been captured in the Comparative Environmental Analysis of</p>	Targeted SIA SIMDP

Issues	Mitigation Measures and Monitoring	Reference
	<p>the three alternative pipeline routes (available on the Company's website).</p> <p>The Targeted SIA will assess the impacts of the pipeline re-routing, and devise appropriate mitigation measures.</p>	
<p>Cumulative impacts include:</p> <ul style="list-style-type: none"> - Permanent impacts from Sakhalin I activities in area of temporary disturbance by Sakhalin II project; - Risk of duplication with social programmes; could maximise impacts through collaboration. 	<p>Exxon representative participated in all facilitated workshops.</p> <p>Regular communication between Sakhalin I and II project.</p> <p>The SIMDP will further assess and where appropriate address cumulative impacts.</p>	<p>SIMDP</p>

7 MANAGEMENT OF SOCIAL IMPACTS

This chapter summarises modifications to the institutional arrangements and procedures for social issues management that have been, or will be, made to further strengthen SEIC's social performance. These changes reflect the Company's commitment for ongoing learning and improvement of social issues management through a process of monitoring and evaluation as illustrated in this document.

Further information on the framework for social impacts management is provided in the HSESAP and further detail on the roles and responsibilities of CLOs are provided in the Public Consultation and Disclosure Plan (PCDP).

7.1 System Overview

The system for social issues management can be broadly divided into three layers:

- **Policies and Planning.** In line with the Company's commitment to sustainable development, a rigorous process of environmental, social and health impact assessment has been undertaken resulting in detailed performance expectations, policies and commitments;
- **Implementation Mechanisms.** Responsibility for the implementation of social commitments is largely devolved to Project teams and their Contractors although some commitments such as resettlement compensation and supplemental assistance are retained by corporate functions (in this case the Approvals Team);
- **Assurance.** The assurance framework for the Project is under development and will consist of both monitoring and auditing activities including, day-to-day project oversight of compliance by CLOs and the Social Focal Points, consultation and socio-economic monitoring by the Social Performance Team and auditing.

These three layers and modifications to them are discussed further below.

7.2 POLICIES AND PLANNING

7.2.1 Social Objectives and Indicators

The SEIC Sustainable Development Policy and Business Principles provide overall strategic direction to the Company and the management of HSE and social issues. However, whilst an HSE policy has been developed, there is currently no equivalent social performance policy to guide overall social impact management and the delivery of social investment.

SEIC will develop a social performance policy during 2005 that provides strategic direction to the company in this area. SEIC will also develop social indicators that will assist in the tracking and communication of social performance.

7.2.2 Hunting, Fishing and Gathering Policy

Early monitoring of implementation of commitments by Project Teams has indicated that the Hunting, Fishing and Gathering policy requires further definition in order to be able to be implemented. In particular, it is unclear as to whether or not Sakhalin residents are exempt from this policy when working on Sakhalin II. The current position on the Hunting, Fishing and Gathering Policy is set out in HSESAP Annex B1.

The Social Performance Team will formally revise the policy in consultation with relevant project teams and with local communities in order to put in place a policy that will ensure effective management of this issue. This will be done by the end of 2005.

7.2.3 Health, Safety, Environmental and Social Action Plan

The Company has developed a Health, Safety, Environment and Social Action Plan (“HSESAP”) in accordance with IFC Safeguard Policy 4.01 Annex C on Environmental Action Plans (1998). The Plan consolidates the HSE and social commitments made in the ESHIA and the ESHIA-Addendum. As such, the HSESAP is a key tool used for monitoring environmental and social compliance with our stated commitments.

The HSESAP is set out in three parts:

- Part 1 provides an overview of the Company’s operating philosophy, and the structure and systems in place to manage HSE and social issues, including contractor management. It also references the Company’s obligations for public consultation and information disclosure, and sets out the reporting and auditing framework to the Senior Lenders to Phase 2;
- Part 2 of the HSESAP sets out in a tabular format the detailed commitments relating to specific HSE and social issues; the mitigation measures to achieve those commitments; timing for the implementation of commitments; responsible parties; and monitoring commitments;
- The third part of the HSESAP is set out in the Annexes. Annexes A and B of the HSESAP specify how the project will meet international guidelines and treaties, comprising, amongst others, relevant World Bank Group and European Union guidelines as well as the specified policies of the Senior Lenders. Annex C of the HSESAP provides detail on environmental monitoring commitments.

This document will be posted on the SEIC website. From a social impact management perspective it supersedes the document: Management of Social Issues – Social Impact Assessment Requirements (Corporate document No. 1000-S-90-04-P-7019-00-01).

7.2.4 Social Performance Plan

During 2005, SEIC will develop a Social Performance Plan. This plan will identify main activities that will be taken forward over the year to improve social performance. The Social Performance Plan will include: identification of areas where performance improvement is required; management actions required; responsibilities and timings for undertaking these actions; and targets for key performance indicators over that period. The Social Performance Plan will be updated on an annual basis during the construction phase and as required during operation.

The plan will include a commitment to ensure compliance with HSESAP requirements and communication of these requirements to contractors.

7.3 IMPLEMENTATION

7.3.1 Socio-Economic Management Plans

The main (EPC) Contractors for the major projects with socio-economic impacts (LNG/OET, Onshore Pipelines, OPF) have socio-economic management plans in place. Socio-economic

management plans are the key interface document that articulates how the Contractors will implement social impact management commitments.

Project Social Focal Points and the Social Performance Team have been active in reviewing and providing comments to the Contractors to ensure that these plans reflect the social impact management commitments made by the Company. In addition, SEIC has provided Onshore Pipelines Contractor personnel with training on SIA methods and monitoring.

7.3.2 CLO Organisation

The majority of the Community Liaison Officers now report directly to Project Teams. This enables them to interface more closely with the projects on a day to day basis. Cross-project communication is facilitated through periodic CLO meetings in Yuzno-Sakhalinsk that generally occur every five weeks.

Cross-project communication will be further reinforced as Phase II moves forward. The Social Performance Team will also strengthen its role of analysing CLO feedback across the projects to identify potential cross-project issues.

Further information is provided in the CLO Overview which is appended to the PCDP.

7.3.3 Communication with the Public

The Company remains committed to communication and engagement with the public throughout the Project's lifetime. The means by which the Company engages with the public, and the mechanisms through which the public can communicate with the Company is set out in PCDP.

7.3.4 Incident and Grievance Resolution

SEIC has developed separate systems to resolve incidents and address public grievances where:

- An incident is a case of non-compliance with SEIC HSE or social policies or procedures and is managed through the IMPACT Action Tracking System owned by the HSE Team; and
- A grievance is a public complaint about Corporate or contractor/subcontractor performance, which may refer to an incident (i.e., a case of non-compliance) or reflect a lack of public awareness and information. A public grievance may also highlight a gap in Company regulation and thus require a change in policy and procedure. The Grievance Procedure is owned by the Social Performance Team. A Public Grievance Information Leaflet is appended to the PCDP, which advises those with grievances on how to lodge a grievance, and the process through which they can expect that grievance to be resolved. The CLO network is also a key conduit through which grievances can be made and resolved.

Since the beginning of CLO activity about 25 written grievances and further verbal complaints have been registered in the various communities where CLOs are based. In addition, 109 written grievances specifically relating to Contractor employment issues were received. Other sections of this report detail how these grievances have been managed (see Table 7-A below).

Table 7-A: Case Studies Relating to Implementation of the Grievance Procedure

Case Study	Reference
Non-payment issues (salaries, goods, services)	Section 3.4.2
Non-observation of other Russian labour norms	Section 3.4.3
Accommodation of Construction Workers in Dacha Community	Section 4.4.1
Subcontractor's Vehicles Damage Hayfields	Section 4.4.2
Damage to Water Pipeline	Section 4.5.1

In order to address previous inefficiencies in the grievance management process, the Company is in the process of updating the Grievance Procedure that will pertain to public grievances, and the revised procedure will come into effect in Q4 2005. A Public Grievance Information Leaflet is provided in the PCDP to advise the public on how to lodge a grievance.

A separate procedure is under development for addressing Company staff and contractor grievances. The Company's commitments to managing grievances are set out in HSESAP Part 2.10b.

The Social Performance Team will continue to monitor the effectiveness of the grievance procedure using the performance indicators set out in HSESAP Table 2.10b. Recurring grievances and those that reflect a general broad public discontent will be considered for adoption as Issues under the Issues Management System (see below).

7.3.5 Issues Management

An issue is something that has the potential to impact upon the Company's licence to operate in the eyes of its stakeholders. Issues are driven by stakeholders concerns and perceptions and an Issues Management System has been developed to capture these concerns and develop an effective response from the Company in the form of mitigation facilitated by stakeholder engagement and reputation management. Recurring grievances and those that reflect a general broad public discontent are also channelled into the Issues Management System.

The principle goals of Issue Management are to ensure:

- Timely identification of issues which could impact the company's ability to achieve its business objectives;
- Identification of business and technical risks which may have a reputation component;
- Systematic management of issues to ensure that they do not escalate into a crisis or damage reputation;
- An early warning system on emerging and future public policy, social, environmental and corporate issues; and
- Identification of important stakeholders and the issues they may be interested in.

The Issue Management Process is a seven-step process that starts with stakeholder identification and monitoring to identify the issues and uses a 3x3 matrix that maps the potential impact on the Company's Reputation (licence to operate) against the likelihood of the issue having an impact. Issues reflect environmental, economic and social impacts and currently include, among others, the following issues with a social element: local employment; contractor management; Korsakov community issues; and Indigenous Peoples.

The management of this issue is reviewed by the PLT and SELT on a quarterly basis and each issue has an owner from the SELT. Each issue is also required to have an action plan, as described in the Issues Management Guidelines. Issues Management becomes a central tool to manage the stakeholder concerns and perceptions and helps to direct resources and priority in terms of stakeholder engagement, social investment and communication activities.

CLOs make use of their own 'community issues' matrices that identify the issues within the districts where they are working. Every 4-6 weeks, during their review week in Yuzhno, the CLOs analyse their matrixes together with issues management specialists from the External Affairs (EA) Department.

7.4 ASSURANCE

The monitoring/audit systems are being further developed to provide assurance to the Company and third parties that Project commitments are being systematically implemented and that areas for improvement are identified and responded to. Three levels of assurance are being put in place:

- **Project Social Compliance Monitoring:** day to day compliance monitoring by SEIC Project Teams and Contractors/Subcontractors;
- **Social Impact Monitoring:** periodic monitoring by the Social Performance Team of project-related impacts and the performance of projects in implementing social commitments and meeting social performance expectations; and
- **Auditing** by SEIC and third parties.

These areas, described further below, are key areas that are being strengthened at this time.

7.4.1 Social Compliance Monitoring and Reporting

The Project Social Compliance Monitoring and Reporting System will be finalised within Q4 2005. It consists of four elements:

- Monitoring compliance with HSESAP commitments, standards and legal requirements by those primarily responsible for implementation of different areas of commitments. For example, the Camp Manager will have primary responsibility for ensuring that the Camp Management commitments are implemented and will carry out periodic monitoring on a monthly basis during construction and as required during operation;
- CLO ongoing consultation activities which will be documented in the CLO daily reports and other meeting minutes;
- Grievances received which will be dealt with through the company grievance procedure; areas of persistent grievance will be discussed with the Company Issues Manager during monthly CLO meetings. According to the grievance procedure section 3b) the status of grievances should be reported on a monthly basis; and

- Project data sheets required on a monthly and quarterly basis during construction and six-monthly during operation on employment, procurement and housing statistics.

Project Teams collect the required social performance data and submit datasheets and reports to the Social Performance Team. Monitoring activities are reported to the Social Performance Team as follows:

- Daily in the event of issues or events of specific interest or concern to Project Teams/SFPs from the CLOs or grievances with a medium or high severity or risk (see the HSESAP for definitions of the rating of grievances);
- Weekly on key concerns or issues of interest to senior management from the Social Performance Team and CLOs; and
- Monthly on emerging issues and community concerns to senior Corporate and Project Managers and SFPs.

The Social Performance Team collates and analyses the data for internal and external reporting.

Further work is being undertaken to strengthen the compliance monitoring aspect of the Social Performance Team. The Social Compliance Monitoring Handbook will be used for monitoring compliance of Company and Contractors. This will be rolled out in Q4 2005.

7.4.2 SPT Social Impact Monitoring and Reporting

The Social Impact Monitoring Plan presently focuses on community monitoring and uses various data collection measures with a particular focus on community consultations and regular reporting system. Consultation meetings are held at least every six months with experts, focus groups, communities and specific groups such as indigenous peoples. In addition to consultations, the Social Impact Monitoring Plan includes six-monthly monitoring of:

- Community socio-economic indicators and project-related community impacts;
- Employment and business issues related to Phase 2;
- Food, medicine and housing prices;
- Families receiving supplemental assistance and compensation;
- Socio-economic status of indigenous peoples and project-related impacts;
- Implementation of the Grievance Procedure;
- Monitoring of the grievance resolution process on a quarterly basis during construction and a six monthly basis during operations (see Grievance Procedure Section 3c); and
- Monitoring of public awareness of and satisfaction with the grievance resolution process, through a programme of regular checks by the Social Performance Team and CLOs, to be further defined in the Handbook, which will be developed in the course of 2005 and included in the Social Performance Plan.

This approach assesses alignment with and progress towards SEIC principles and objectives as well as compliance with project commitments. Compliance with project commitments is also assessed through analysis of information provided by Project Teams.

A database of community information will be finalised to support the social impact monitoring process, with the following categories of information:

- Community liaison activity and issues,
- Supplemental Assistance Programme, and
- Community socio-economic indicators, including indigenous communities.

7.4.3 Auditing

Auditing of social issues is less developed than for HSE. SEIC has therefore committed to further developing the social audit system during 2005, and it is currently envisaged that social auditing will be incorporated within the existing HSE auditing system.

Social impact auditing will be undertaken using internal and 3rd party audits. The 3rd party audit system is also still to be fully developed but it will include the following:

- Social performance audits by Shell International Exploration and Production applying a Shell methodology;
- Six monthly audits by an international resettlement specialist to review the implementation of the resettlement and supplemental assistance programme;
- Regular third party HSE and social audits by the Phase 2 Senior Lenders.

Breaches of Social Commitments will be treated as incidents under the Company's incident procedures and investigated at Asset level or, where appropriate, with involvement from a member of the SPT. The actions specified in any remedial action plan will be fed into the IMPACT Action Tracking System.

7.5 CONTINUAL IMPROVEMENT

The Company's social impact management performance is routinely reported internally to SELT, PLT and externally to relevant authorities in response to official requests from regulators in accordance with Russian Federation requirements as well as to the Phase 2 Senior Lenders as outlined in Section 5.

SEIC's focus on monitoring, evaluation and performance improvement will continue as Phase 2 moves forward. Emphasis will increasingly be placed on ensuring cross-team working, integration into common systems and joint resolution of issues as they are identified.

Whilst the Social Performance Team has a key role in this process, social performance expectations will continue to be communicated throughout Project, Contractor and Subcontractor teams, and social impact management responsibilities assigned to those with direct control over performance. The monitoring of this performance will be strengthened and the data gathered used to identify areas for improvement.

Sakhalin Energy will also provide summary information in relation to social performance in the public annual report.

8 SOCIAL INVESTMENT

8.1 Overview

In addition to its core business activities, Sakhalin Energy is also contributing to the sustainable development of Sakhalin Island through a range of social and environmental investments. Sakhalin Energy has been investing in the community through a program of sponsorships and donations since 1994. The size of this fund, \$1.5 million of which has been spent to date and is provided by the Company's shareholders, has been steadily increasing since its inception. In 2005, \$500,000 is available for disbursement.

In addition, Sakhalin Energy requires its main construction phase EPC contractors to set aside funds totalling approximately \$24.5 million. The contractor set-aside fund was established on the basis of the budgets agreed at the outset in the EPC contracts. This is being disbursed under a four-year program, and as at August 2005 some \$7 million remained unspent. It is being taken forward by the different component projects (onshore pipelines, LNG, OPF, etc). Although the overall project budget has been revised upwards, the additional works will be addressed through contract variations and will not therefore affect any contractor's contribution to the set-aside fund.

In 2004 the Company established the Sustainable Development Council. As well as a broader role in overseeing the sustainable development activities of the Company and cataloguing these, the Council's current primary focus is to oversee the disbursement of funds during the construction phase of the Project. In the coming year this will shift to setting a broad strategic plan for sustainable development and social programs in Sakhalin Energy as the Company moves towards the operations phase of the Project.

Prior to 2005 the sustainable development and social investment programs were separate with different but similar objectives, criteria and focus areas. In 2005 a decision was made to unite the two programs under a common set of objectives, criteria and focus areas. These will be reviewed annually.

The current objectives of the combined program are as follows:

- To link programs to the issues impacting the Company's reputation;
- To support projects, undertaken in consultation with community representatives and reflecting their needs, in communities which are impacted by the Company's activities;
- To support projects which are not directly related to the Company's activities but which contribute to the environmental, economic or social development of Sakhalin Island;
- To demonstrate a commitment to stakeholders that the Company is contributing to the economic, social and environmental development of Sakhalin Island; and
- To contribute to the sustainable development of Sakhalin Island.

The Company will also endeavour to involve the public through meaningful consultation in the process of identifying the most appropriate social investment projects.

8.2 DEVELOPING SOCIAL INVESTMENT PROJECTS

Sakhalin Energy focuses on six key areas of social investment: environment, indigenous people, business and infrastructure development, health, education and road safety. Specific mitigation measures relating to Health, as set out in the Health Impact Assessment Chapter 13, are referenced in Appendix I of this document. These focus areas were chosen to reflect both issues facing the company in the community and consultation findings at the Authorities and community levels. Projects can be divided into the follow broad types:

- **Charitable** – One-off grants or donations, generally unrelated to business objectives or direct operational impacts;
- **Strategic** – Support for projects with direct relationship to the business/community interface and concerned with maximizing benefits and/or opportunities for local communities;
- **Sustainable** – Projects which bring long term benefits to communities and which continue to perpetuate the initial benefits of the investment.

The process for developing and evaluating projects is shown in Figure 8-A. As shown, the process varies depending on the funding level with projects categorized as: less than US\$2,500; between \$2,500-25,000; and over \$25,000. Funding is provided by Sakhalin Energy only or from a combination of Sakhalin Energy, the Administration at Oblast or District level and / or non-governmental organisations.

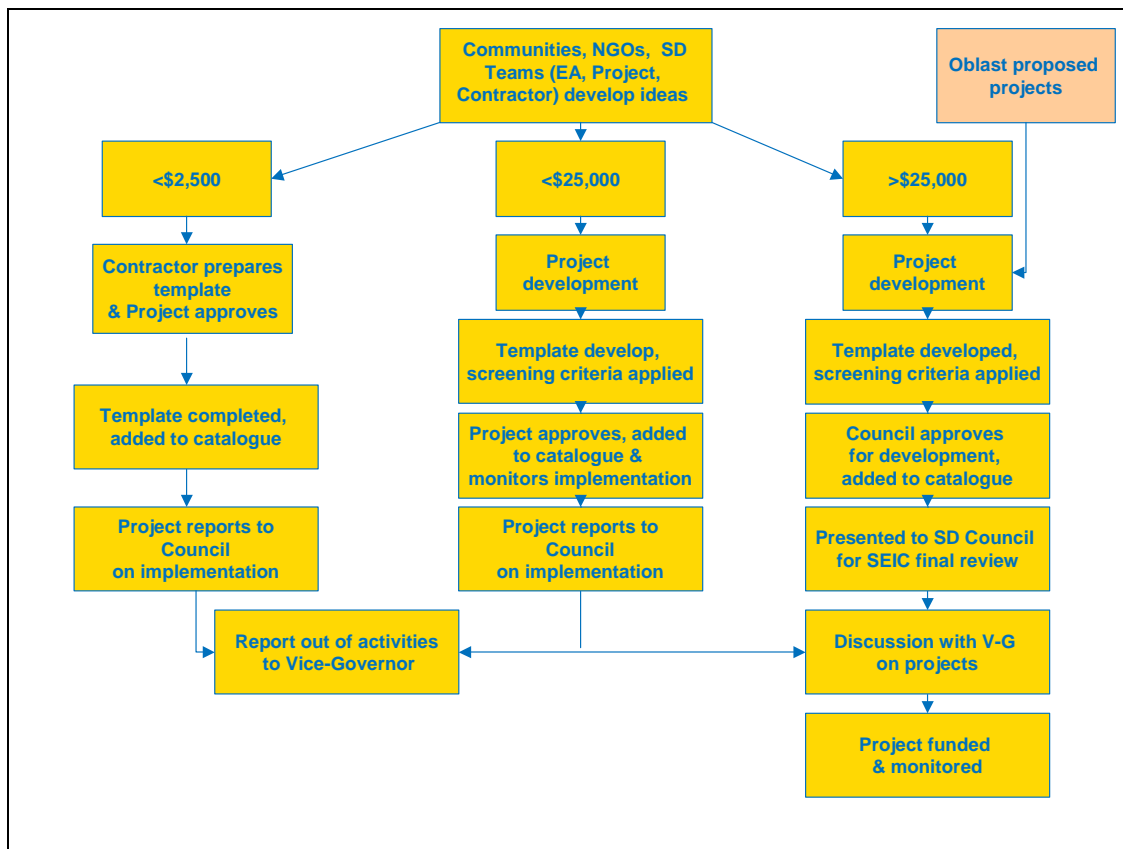


Figure 8-A: Process for developing social investment projects

8.3 SUSTAINABLE DEVELOPMENT COUNCIL

The Council comprises senior managers, including those representing SEIC Project Teams, the Finance Director, the General Assets Manager, the HSE Manager and the EA Manager. The Deputy Chief Executive Officer of the Company and/ or one member of the Committee of Executive Directors is responsible for overall direction of the Council and reports on a quarterly basis to SELT on Council activities and initiatives. The SD Council members are responsible for actual implementation of the sustainable development initiatives and serve on a voluntary basis for a period of one- calendar year, although membership may be renewed during subsequent years. The Council meets on a monthly basis where possible. For information on projects supported via the Contractor Set-aside Programme co-ordinated by the SD Council, see Appendix H.

8.4 EVALUATION CRITERIA

New applications for social investment or sponsorship presented to the Sustainable Development Council are judged against the following guiding principles:

- Sustainability of investment;
- Local capacity building and ownership by the community/government;
- Transparency and accountability;
- Management of expectations;
- Maximisation of existing resources; and
- Visibility in local communities.

The larger flagship projects are usually conducted under an agreement signed between the Company and the partner with stated objectives, expected outcomes and a system of review and evaluation.

Projects are collected and reviewed on a monthly basis as part of the Sustainable Development Council. Prior to review, the project is screened for exclusions and a member of the Council takes responsibility for its implementation. SEIC will establish a process for external monitoring of projects.

Exclusions from funding include:

- Projects outside the Sakhalin Oblast or direct Sakhalin Energy work locations;
- Religious or political organisations or parties; and
- Group or individual travel when that is the sole project outcome.
-

8.5 CONSULTATION AND PROJECT DEVELOPMENT

A list of social investment projects funded during 2004 is provided in Appendix G. Many of these projects were developed in response to specific community concerns raised during

Company consultations or by working directly with organisations and community groups. Some examples of these projects are listed below.

Table 8-A: Community Needs and Social Investment Projects

Community concern/need	Source of information	Projects
Low employment of local residents	<ul style="list-style-type: none"> ▪ Public consultation ▪ CLO reports ▪ Expert interviews 	<ul style="list-style-type: none"> ▪ Training program for welders ▪ Training program for carpenters/scaffolders in Nogliki ▪ Resume writing skills project
Road safety	<ul style="list-style-type: none"> ▪ Public consultation ▪ CLO reports ▪ Expert interviews 	<ul style="list-style-type: none"> ▪ Road safety campaign ▪ Road safety education program and road-show for school children ▪ Provision of road safety materials
Low quality of medical assistance	<ul style="list-style-type: none"> ▪ Public consultation ▪ Expert interviews 	<ul style="list-style-type: none"> ▪ Dentistry equipment, Starodubskoye ▪ Trainings for hospital staff, Nogliki ▪ Female Health Centre, Korsakov
Entertainment/sport premises (repair, shortages)	<ul style="list-style-type: none"> ▪ Public consultation ▪ CLO reports 	<ul style="list-style-type: none"> ▪ Repair of hockey court in Val ▪ Repair of entertainment centre in Mitsulyovka ▪ Purchase of ski equipment ▪ Provision of sports equipment to all Sakhalin schools
Support of IP activities	<ul style="list-style-type: none"> ▪ Public consultation ▪ CLO reports ▪ Expert interviews ▪ Regular meetings with stakeholders 	<ul style="list-style-type: none"> ▪ Support for IP holidays and events ▪ Scholarship program for IP students ▪ Mixed reindeer feed ▪ Non-timber forest products
Environmental impacts	<ul style="list-style-type: none"> ▪ Public consultation ▪ CLO reports ▪ Expert interviews 	<ul style="list-style-type: none"> ▪ Sakhalin Salmon Initiative ▪ Oil spill response mapping ▪ Hatchery on Igrivaya, Ozersky ▪ Green Island School ▪ Environmental labs
Libraries	<ul style="list-style-type: none"> ▪ Public consultation 	<ul style="list-style-type: none"> ▪ Provision of books to 110 libraries ▪ Internet cafes at district libraries (including librarian training)
Education	<ul style="list-style-type: none"> ▪ Public consultation 	<ul style="list-style-type: none"> ▪ Repair of school electricity system, Nysh

Community concern/need	Source of information	Projects
	<ul style="list-style-type: none"> ▪ CLO reports ▪ Expert interviews 	<ul style="list-style-type: none"> ▪ English Language Teacher training program ▪ Provision of maps to all Sakhalin schools

Sakhalin Energy plans to increase the level of consultation with and participation of communities in the development and implementation of its social investment program as the program moves forward.

Social Impact Assessment Addenda Appendices

October 2005

APPENDIX A: POTENTIALLY AFFECTED GROUPS

Table A-01 Summarises the groups that could potentially be affected by the Sakhalin II Project. More detail is in the documents referenced in Column 4.

Table A-01: Potentially Affected Groups

Project Affected Group	Potential and Actual Impacts	Mitigation Measures	Refs
Groups affected by land acquisition and included in Resettlement Action Plan (RAP)			
Users/owners of hayfields and potato fields along pipeline route	Owners and users of 97 potato fields or hayfields will be affected by temporary or permanent loss of land for pipeline construction purposes.	Mitigation measures are described in the RAP and include provision of alternative replacement land and/or monetary compensation equivalent to replacement value, depending on the type of loss.	RAP
Owners of houses/garden plots on LNG/OET site	Three households have been permanently relocated from the LNG site.	Mitigation measures are described in the RAP (Table 6-8) and include replacement land/buildings, monetary compensation, and/or supplemental assistance for income restoration.	RAP
Owners of houses/garden plots within pipeline safety protection zone	One household will potentially be permanently relocated from within the pipeline safety protection zone.	Mitigation measures are described in the RAP (Table 6-9) and include provision of replacement land/buildings, monetary compensation, and/or supplemental assistance for income restoration.	RAP
Owners of seasonal dachas on LNG/OET site	Two seasonal dacha households have been permanently relocated from the LNG site.	Mitigation measures are described in the RAP (Table 6-8) and include replacement property and monetary compensation and supplemental assistance, if required.	RAP
Owners of seasonal dachas along pipeline route	Two seasonal dacha owners will experience temporary loss of use of their land during the 3-year pipeline construction period	Mitigation measures are described in the RAP (Table 6-9) and include monetary compensation for net loss of income/subsistence from the affected land, for the construction period.	RAP
Owners of small farms on the LNG/OET site	Two small farms have been permanently relocated from the LNG/OET site	Mitigation measures are described in the RAP (Table 6-3) and include replacement property and monetary compensation and supplemental assistance, if	RAP

Project Affected Group	Potential and Actual Impacts	Mitigation Measures	Refs
		required.	
Owners of small farms along the pipeline route	The land of 14 farms (hayfields, pasture, unutilised land or woodland/scrubland) will be temporarily affected by construction of the pipeline (three years).	Mitigation measures are described in the RAP (Table 6-9) and include monetary compensation for net loss of income and replacement of crops/trees.	RAP
Agricultural enterprises	Pipeline construction will result in 16 agricultural enterprises (total 1026 employees) experiencing short-term (three year) loss of use of parts of their agricultural land.	Mitigation measures are described in the RAP (Table 6-9) and include monetary compensation for net loss of income and replacement of crops/trees.	RAP
Directly impacted commercial fishing enterprises in Aniva Bay	<p>a) One enterprise (180 workers) will lose land used for a fishermen's camp and all of its Aniva Bay fishing grounds, due to the LNG/OET construction and exclusion zones</p> <p>b) Two other enterprises will lose relatively small sections (4% and 28% respectively*) of their licensed fishing areas to exclusion zones around the OET pipeline and the LNG jetty. In the case of the 28% impact, this does not include areas where nets are cast.</p>	<p>a) Mitigation measures are described in the RAP and include financial compensation.</p> <p>b) SEIC is reviewing the relocation/compensation packages for these companies, together with the companies and Sakhryvod (Sakhalin State Fishing Inspectorate).</p>	RAP
IP and non-IP commercial and non-commercial hunters and hunting organisations	The Project will have a minor impact on the hunting areas of 6 hunting users (two indigenous family hunting enterprises, one organisation of sport hunters, and three professional hunters).	Mitigation measures are described in the RAP and include supplemental assistance where justified, and Grievance Procedure.	RAP
Gatherers of non-timber forest products (NTFPs) (These include berries, fern, wild garlic, pine nuts)	<p>Potential construction-related impact on gathering areas close to Val, Venskoe and Nogliki and along pipeline route. Project will only impact a minor percentage of extensive collecting areas. There are many alternative areas for people to use.</p> <p>Potential limitation of access to hunting, fishing and gathering grounds due to access roads.</p>	Mitigation measures are described in the RAP and include supplemental assistance where justified, transport to alternative gathering areas where required, and Grievance Procedure.	RAP

Project Affected Group	Potential and Actual Impacts	Mitigation Measures	Refs
Uil'ta/Evenk reindeer herders	<p>a) Eighteen men are permanently engaged in herding in northeastern Sakhalin (5 families including 39 other family members; 200 domestic reindeer).</p> <p>Impacts include permanent loss of land due to construction of Chaivo Onshore Processing Facility (OPF) and two onshore drilling pads and temporary loss of land due to pipeline construction. Impacts will be reassessed in the light of the pipeline rerouting.</p> <p>b) Construction work around Chaivo Bay to take place in same area as the Sakhalin I project</p>	<p>a) Mitigation measures as described in SIA Section 14.2 and the RAP. Current mitigation measures will be reassessed in the light of the pipeline rerouting.</p> <p>The IPDP will assess residual impacts on reindeer herders, assess the effectiveness of current mitigation measures, and determine appropriate additional mitigation measures and Project benefit sharing for herding communities.</p> <p>b) SEIC is coordinating with the Sakhalin I project regarding activities that could be jointly implemented to minimize cumulative impacts on the herders' spring and summer pastures.</p>	<p>SIA Chapters 6, 14, 15</p> <p>IPDP</p> <p>RAP</p>
Municipal formations	<p>A total of 2005 ha will be acquired by the project in 10 districts. Municipal land affected by the Project is generally remote from settlements and unutilised. There are no impacts on people.</p>	<p>Mitigation measures as described in the RAP, including rental payments for land.</p>	<p>RAP</p>
State forestry enterprises (local branch of Federal Forest Service or leskhoz)	<p>The Project affects a very small proportion of lands managed by 9 forestry enterprises, which need to be acquired for construction of the pipeline and Project facilities. There are no impacts on people.</p>	<p>Mitigation measures as described in the RAP, including lease agreements and conversion fees.</p>	<p>RAP</p>
Other State and non-State enterprises	<p>11 organisations, incl. Ministries of Defence and Justice; motor transport and rail enterprises. The Project will acquire small areas of land, most of which are unutilised. There are no impacts on people.</p>	<p>Mitigation measures depend on the type of impact, as described in Table 6-6</p>	<p>RAP</p>
Other Affected Groups (addressed in SIA/SIAA, EIA/EIAA and IPDP)			
Commercial fishing enterprises in Aniva Bay	<p>The impacts on commercial fisheries in Aniva Bay are expected to be minor. As these are environmental and ecological impacts, rather than social impacts, please refer to the relevant discussions in the EIA and EIAA.</p>	<p>a) Compensation paid in advance to Sakhrybvod and invested in two salmon hatcheries (likely to be located in southern Sakhalin to feed Aniva Bay) to replace estimated overall loss of fish biomass</p>	<p>EIA Vol.5 Ch.3, EIAA Sections 8 and 13</p>

Project Affected Group	Potential and Actual Impacts	Mitigation Measures	Refs
	<ul style="list-style-type: none"> a) General ecological impact on fish populations due to construction work. As explained in the EIA and the River Crossings Report, this impact is expected to be temporary and minor, i.e. loss of eggs and salmon fry due to river crossings. b) Impacts due to dredging (EIAA Section 13) c) Noise disturbance due to piling/dredging (EIAA Section 8) d) Increased transportation traffic associated with construction and operations of the LNG/OET (EIAA Section 8) e) Wastewater discharge during operations (EIAA Section 8) f) Potential oil spills. g) If an enterprise is closed due to Project land needs, its employees will lose their jobs. 	<p>Environmental mitigation measures as described in EIA Vol.5 Ch.3, EIAA Section 13, and HSESAP Part 2 tables 2.1 (Hydrocarbons), 2.3 (Onshore Biodiversity) and 2.5 (Land Management). Monitoring is described in HSESAP Annex C.</p> <p>The SEIC Social Investment (SI) Programme focuses on provision of benefits/support to affected communities.</p> <p>The SEIC Biodiversity Programme will focus on integrated ecosystem management and restoration projects that involve local communities</p> <ul style="list-style-type: none"> b) Mitigation measures as described in EIAA Section 13 c) d) and e) Mitigation measures as described in EIA Vol.5 Ch.3 and EIAA Section 8 f) Oil spill response strategy (see EIAA Ch.2), including compensation procedures and sensitivity mapping. Commercial fishing grounds have been identified. g) Supplemental assistance as described in the RAP, including payment of three months' wages to temporary staff and assistance with employment or six months' wages to permanent staff. 	

Project Affected Group	Potential and Actual Impacts	Mitigation Measures	Refs
<p>Commercial fishing enterprises off the northeastern Sakhalin coast</p>	<p>The impacts on commercial fisheries off the northeastern Sakhalin coast are expected to be minor. As these are environmental and ecological impacts, rather than social impacts, please refer to the relevant discussions in the EIA and EIAA.</p> <p>a) General ecological impact on fish populations due to construction work. As explained in the EIA, this impact is expected to be minor.</p> <p>b) Exclusion and safety zones around the PA-B platform, the LUN-A platform and platform-to-shore pipelines. These zones are yet to be determined by the Russian authorities.</p> <p>The RAP provides more detailed information about affected enterprises and associated services.</p>	<p>a) Compensation paid in advance and invested in two salmon hatcheries (likely to be located in southern Sakhalin) to replace estimated overall loss of fish biomass. The IPDP will consider ways to compensate for loss of fisheries in the north.</p> <p>The Biodiversity Programme will focus on integrated ecosystem management and restoration projects that involve local communities</p> <p>b) Any agreements necessary to cover loss of profits due to exclusion/safety zones will be negotiated with affected parties once the nature/extent of the restrictions are determined by the Russian authorities.</p>	<p>EIA Vol.2 Ch.3, EIAA Section 8</p>
<p>Commercial and artisinal fishing enterprises in the northeastern lagoons (mostly IP)</p>	<p>For environmental and ecological impacts, please refer to the relevant documentation for further discussion of these issues.</p> <p>a) General ecological impact on fish populations due to construction work. As explained in the EIA and the River Crossings Report, this impact is expected to be temporary and minor, i.e. loss of eggs and salmon fry due to river crossings.</p> <p>b) Local concern about incomer workers fishing in local rivers</p> <p>c) Potential oil spills (at sea and during pipeline operations) are considered in EIAA Chapter 2</p> <p>d) Induced access to rivers (via Project access roads) may lead to increased use of fish resources. Temporary limitation of access to fisheries may also occur.</p>	<p>a) Compensation paid in advance and invested in two salmon hatcheries (likely to be located in southern Sakhalin) to replace estimated overall loss of fish biomass. The IPDP will consider ways to compensate for loss of fisheries in the north.</p> <p>Environmental mitigation measures as described in EIA Vol.5 Ch.3, EIAA Section 13, and HSESAP Part 2 tables 2.1, 2.3 and 2.5. Monitoring is described in HSESAP Annex C and will assist in determining links between public concerns and actual Project impacts.</p> <p>The IPDP will assess residual impacts on IP fishing enterprises, and effectiveness of current mitigation measures; identify appropriate additional mitigation measures and Project benefit sharing for fishing communities; support traditional natural resource use and sustainable resource use projects.</p> <p>The Grievance Procedure will be used to manage and</p>	<p>EIA Section 3.14, Vol.5 Ch.3 EIAA Sections 2,13 HSESAP Ch. 4 Part 2, Annex C IPDP SIAA Chapters 7,8 SIA Section 12.4</p>

Project Affected Group	Potential and Actual Impacts	Mitigation Measures	Refs
	<p>e) Unforeseen additional impacts related to Contractor non-compliance with Project mitigation measures during construction of pipelines across rivers. Impacts may include, for example, increased turbidity of river water during pipeline crossings.</p> <p>f) Direct impacts on the fish resources may lead to a decline in fish catches by local individuals and enterprises and a subsequent drop in income, employment opportunities and standard of living. Impacts on fish health may lead to impacts on human health. These kinds of impacts may also be due to impacts on fish resources that are not Project-related.</p> <p>The RAP provides more detailed information about affected enterprises and associated services.</p>	<p>address community concerns about real and perceived Project impacts on local fish resources. If a matter becomes serious (judged by recurring grievances or expert opinion), then the Issues Management process will be activated.</p> <p>The Biodiversity Action Plan will focus on integrated ecosystem management and restoration projects that involve local communities</p> <p>The Social Investment (SI) Programme focuses on provision of benefits/support to affected communities.</p> <p>b) 'No Fishing, Hunting and Gathering' Policy.</p> <p>c) Oil spill response strategy (see EIAA Ch.2), including compensation procedures and sensitivity mapping with environmental and social receptors. Consultation with IP and other PAP (see PCDP).</p> <p>d) and e) Project-related concerns of local enterprises and IP subsistence fishers will be addressed via the Grievance Procedure. If a situation becomes serious (through recurring grievances or expert opinion), then the Issues Management process will be activated.</p> <p>e) Turbidity of river water will be monitored during river crossings and compensation reassessed as appropriate.</p> <p>Contractor social performance will be monitored via the Social Compliance Monitoring Handbook. HSE performance is monitored by the HSE department. See HSESAP Chapter 4 for more information.</p> <p>Local concerns relating to non-compliance of Contractors during pipeline construction are addressed via the Incident Tracking, Grievance Procedure and</p>	

Project Affected Group	Potential and Actual Impacts	Mitigation Measures	Refs
		<p>Issues Management processes.</p> <p>f) Where a full justification is provided, impacted resource users can seek redress via the Grievance Procedure and may be entitled to supplemental assistance. Where a situation is serious (according to recurring or collective grievances or expert opinion), then the Issues Management process will be invoked.</p>	
<p>Indigenous subsistence/ non-commercial salmon fishers (subsistence quotas = 100kg per person/yr)</p> <p>N.B. IP are permitted to fish for salmon in rivers</p>	As above	As above	As above
<p>Non-indigenous licensed salmon fishers (quotas limited to one or two fish per licence)</p>	As above	As above (apart from IPDP)	As above
<p>Illegal salmon fishers: (Including salmon fishing in rivers, esp. for caviar, over-fishing of quotas and trading without a licence)</p>	As above	<p>As above</p> <p>Illegal fishing activities do not qualify for compensation of any sort.</p>	As above

Project Affected Group	Potential and Actual Impacts	Mitigation Measures	Refs
IP and non-IP winter ice fishers for non-salmonid species with a rod (eastern coast & bays north of Dolinsk)	As above	As above	As above
Non-salmonid fishing in winter (South Sakhalin)	As above	As above (apart from IPDP)	As above
Non-salmonid fishing with a rod (spring, summer, autumn throughout the island including rivers)	As above	As above	As above

Project Affected Group	Potential and Actual Impacts	Mitigation Measures	Refs
<p>Uil'ta/Evenk reindeer herders</p>	<p>a) Construction impacts as described in SIA Chapter 14 and the RAP, including noise, increased traffic and impediments to movement. Impacts will be reassessed in the light of the pipeline re-routing</p> <p>b) Cumulative impacts due to Exxon activities in same area (around Chaivo Bay)</p> <p>c) Socio-economic impacts may result as an indirect consequence of construction impacts. These kinds of consequences may also be due to impacts that are not Project-related.</p>	<p>a) Mitigation measures as described in SIA Chapter 12 and the RAP. Current mitigation measures and new mitigation measures related to the pipeline re-routing will be assessed for the purposes of the IPDP</p> <p>The IPDP will assess residual social, cultural and ecological impacts on reindeer herders, assess the effectiveness of current mitigation measures, and determine appropriate additional mitigation measures and Project benefit sharing for herding communities.</p> <p>b) SEIC coordinating with Sakhalin I project regarding joint implementation of mitigation measures.</p>	<p>SIA Chapters 6, 14, 15</p> <p>IPDP</p>
<p>Residents of communities along the pipeline route</p>	<p>Temporary disruption to communities along pipeline route during pipeline construction, including issues related to:</p> <p>a) Increased road traffic: This impacts communities located close to the federal Nogliki-Yuzhno road. Degradation of the road surface in some areas due to excessive use.</p> <p>b) Impacts related to resource use: See above</p> <p>c) Induced access to forests and rivers resulting in depletion of fish resources, increase in threat of forest fires, etc.</p>	<p>Mitigation measures as described in the SIA and SIAA, including:</p> <p>a) Roads asphalted and bridges built/strengthened via the Infrastructure Upgrade Project. Increased transportation by rail. Road Safety Campaign rolled out. Community concerns addressed via Grievance Procedure. Contractor behaviour also monitored and addressed via internal Incident Tracking process.</p> <p>b) See above</p> <p>c) Issues arising from induced access to forests and rivers will be addressed via the Grievance Procedure</p>	<p>SIA Chapter 12</p> <p>SIAA Section 4.5, Chapter 7</p> <p>Road Safety Campaign</p>

Project Affected Group	Potential and Actual Impacts	Mitigation Measures	Refs
Residents of communities close to construction camps and the Gastello Booster station and residents of Korsakov	<p>Temporary disruption to communities along the pipeline route during pipeline construction, including issues related to:</p> <ul style="list-style-type: none"> a) General construction related impacts: (as above) b) Accommodation of construction workers: Increased demand for local accommodation could have positive and negative effects (by pushing up cost of accommodation and/or by creating an income-generating opportunity for local residents) c) Interactions between incomer workers and local community residents: Potential increase in crime, alcohol-related disorder, prostitution, STDs, drug use and social/ cultural conflict (in addition to positive impacts such as increased demand for local goods and services). d) Increased road traffic: Disturbance due to increased noise, dust and congestion on roads within communities. Increased threat of road accidents. Degradation of the road surface in some areas due to excessive use. e) Temporary loss of access to local resource areas 	<p>Mitigation measures as described in the SIA and SIAA, including:</p> <ul style="list-style-type: none"> a) (As above) b) Construction camps now accommodate the vast majority of construction workers. Grievance Procedure used to address community concerns as they arise. Monitoring is ongoing. If situation worsens, worker accommodation could be addressed through the Issues Management process. c) Potential negative impacts addressed via Camp Management Policy and Code of Conduct. Community concerns addressed via Grievance Procedure. Monitoring via ongoing consultation. If any of these potential impacts become a serious problem (e.g. through recurring public grievances or expert opinions), the Issues Management process will be activated. d) Road Safety Campaign rolled out. Community concerns addressed via Grievance Procedure. Contractor behaviour also monitored and addressed via internal Incident Tracking process. e) Commitment to provide transport to alternative berry-picking/fishing grounds for the duration of construction if required. 	<p>SIA Chapters 12, 16</p> <p>SIAA Chapters 4,7</p> <p>Road Safety Campaign</p>
Users of Prigorodnoye Beach	<p>Construction of the LNG Plant/ Oil Export Terminal requires the withdrawal of Prigorodnoye Beach from public use.</p>	<p>Mitigation measures as described in the RAP, including financing of the Korsakov Public Park as an alternative leisure area.</p>	<p>RAP</p>
Residents of Yuzhno-Sakhalinsk	<p>Indirect impact of housing price increases due to cumulative effects of several projects</p>	<p>Monitoring and potential use of Issues Management process as described in the SIAA</p>	<p>SIAA Section 4.3.2</p>

Project Affected Group	Potential and Actual Impacts	Mitigation Measures	Refs
Incomer workers	<ul style="list-style-type: none"> a) Isolation from home and families b) Potential boredom in leisure time c) Possibility of heavy drinking and possible violence/inability to work as a result d) Unfamiliar culture of local communities 	<ul style="list-style-type: none"> a) Provision of telecommunications b) Provision of leisure facilities in camps c) Controls on alcohol consumption: no alcohol allowed in camps d) Cultural awareness events carried out by Contractors 	SIA Chapter 16
Potential local workers	<ul style="list-style-type: none"> a) Employment opportunities with the Project and with related providers of goods and services <p>The local available workforce may not be able to benefit from Project-related employment opportunities due to the following:</p> <ul style="list-style-type: none"> b) Contractors bringing their own workforce from other places c) Contractors focusing on Yuzhno-Sakhalinsk for recruitment d) Lack of skills, including English language e) Lack of experience in making job applications and going for interviews 	<ul style="list-style-type: none"> a) N/a b) Contractor reporting on Russian Content c) Efforts by Social Team and CLOs to maximise local content (work with Employment Centres, dissemination of information relating to job and training opportunities, work with Contractors and Project teams) d) Apprenticeship Programme and other training programmes <p>The IPDP will address IP lack of skills/access to jobs/prejudice in hiring and workplace through social development programmes and initiatives</p> <ul style="list-style-type: none"> e) CLO open hours including assistance in writing applications and CVs 	SIA Chapter 11 SIAA Chapter 3 CLO Organisation Overview
Local enterprises	<ul style="list-style-type: none"> a) Loss of skilled workers to the Project <p>Access to opportunities could be hindered by:</p> <ul style="list-style-type: none"> b) Lack of opportunity/ability to promote goods/services c) Lack of relevant skills and expertise 	<ul style="list-style-type: none"> a) Will be monitored and addressed if necessary via Issues Management process b) Work of Joint Committee c) Training opportunities 	SIAA Chapter 3

APPENDIX B: POLICIES AND PROCEDURES

The following table lists the SEIC policies, procedures and information documents that are referred to in this SIAA. All these documents are, or will be, in the public domain.

Table B-01: Documents Incorporated by Reference

Abbr.	Document	Date	Status	Purpose/Content
ESHIA	Phase 2 Environmental, Social and Health Impact Assessment (ESHIA)	2003	On SEIC web-site	Summarises environmental, social and health impacts and mitigation measures up to 2003. This SIA Addendum supplements and updates the Phase 2 Social Impact Assessment (Phase 2 SIA) which is part of the overall ESHIA.
HSESAP	Health, Safety Environmental and Social Action Plan	-	In progress	Captures all SEIC commitments, policies and procedures relating to health/safety/environmental and social impact management. Details the management structure, roles and responsibilities of SEIC personnel (for social, health and environmental matters). Details systems in place for the management and monitoring of Contractor/Subcontractor performance. Summarises mitigation and monitoring actions to meet SEIC environmental and social commitments, policies and procedures, including reporting/management systems and key performance indicators (KPIs). SEIC and Contractors are audited against this document
OSRP	Oil Spill Response Plan	-	-	Provides instructions on likely oil spill trajectories; response strategies/ techniques; equipment inventories and storage locations; areas for priority protection based on sensitivity maps (including local resources); notification/communication procedures; wildlife rescue; HSE/medical procedures and mitigation/compensation procedures.
PCDP	Public Consultation and Disclosure Plan	2004	Updated annually (on SEIC web-site)	Programme for consultation and Project-related information disclosure, including plans for communication with indigenous people.
-	CLO Organisation Overview	2005	Outline completed (full document to be completed in 2005 and will be appended to the PCDP)	Describes the roles and responsibilities of the Community Liaison Organisation
GP	Grievance Procedure	2004	Corporate policy (appended to PCDP)	Describes the systematic and consistent process to address public concerns or complaints regarding SEIC activities.

Abbr.	Document	Date	Status	Purpose/Content
				A separate Grievance Procedure will be established for SEIC employees. This will be based on the Shell model and will be completed in 2005.
RAP	Resettlement Action Plan	2004	Draft	Plan for resettlement activity, including relocation, compensation and supplemental assistance for Project-affected people and households.
-	Treatment Plan for Objects of Cultural Heritage	2003	Corporate document	Sets forth procedures to meet SEIC commitments in treating cultural objects potentially affected by construction of the Sakhalin II Project. Developed to fully address SEIC's obligations under Russian Federation's laws and regulations and the World Bank Operational Policy No. 11.03 on Management of Cultural Property in Bank-Financed Projects.
SIMP	Social Impact Monitoring Programme	-	Draft (to be completed in 2005)	Summarises the Social Performance Team's social impact assessment and monitoring programme.
Hand-book	Project Social Compliance Monitoring Handbook	-	Draft (to be completed in 2005)	Handbook for Projects to monitor Contractor performance in implementing social commitments.
IPDP	Indigenous Peoples' Development Plan	2005	Outline completed (full document to be completed in 2005)	Describes impacts and mitigation measures related to Sakhalin's indigenous communities and SEIC's principles, approaches and plans for the development of Sakhalin's indigenous populations.

APPENDIX C: TARGETED SOCIAL IMPACT ASSESSMENTS

The targeted SIAs were completed through consultation with local residents and experts, and through analysis of secondary data, following the processes described in Chapter 3 of the Phase 2 SIA. Questionnaires were modified according to the specifics of the local area. Informational materials were distributed in all communities.

Table C-01: Scope of Targeted SIAs

Community	Date	Interviews			Group Discussions	
		Catch Interviews	Administrators	Other Experts	Meetings	Participants
Vrangel/Nakhodka	Apr, 2003	38 ⁵	17	18	7	26
Slava/Molodezhnoye	Aug, 2003	37	2	15	14	60
Sokol	Sep, 2003	31	3	15	6	25
Vzmoyre	May, 2004	20	1	4	10	28
TOTAL		126	23	52	37	139

For the targeted SIAs, mitigation measures and recommendations for Contractors were based on the applicability of the measures set out in the corporate document 'Management of Social Issues – Social Impact Assessment Requirements' (MSI), which has now been superseded by the HSESAP (see Table A-01).

Impacts on the Sakhalin communities (Molodezhnoye, Slava and Sokol) were predicted to be the same as those identified in the Phase 2 SIA for other Sakhalin communities. Mitigation measures will therefore be as applied to all other Sakhalin communities. Table B-02 summarises the impacts identified in the targeted SIAs for the three Sakhalin communities, together with mitigation measures and references to relevant documentation.

Table C-02: Summary of Impacts and Mitigation Measures for Molodezhnoye, Slava, Vzmorye and Sokol

Impact or Issue	Mitigation Measures
Two registered land users and 13 unregistered land-users are to be affected from the sites of the proposed construction camp site and laydown yard in Slava.	As described in the RAP
In Sokol the site of the proposed construction camp is close to housing and public infrastructure (shops, one café, etc.) in Sokol. Workers use local shops and services. In Vzmorye the proposed camp is close to on community outskirts	As described in SIA Sections 12.5 and 12.9
The local housing market may not be able to satisfy demand for accommodation of incomer workers, because of the poor state of the houses in all four communities.	As described in SIA Sections 12.5 and 12.9 Most workers live in the construction camps (see SIA Section 4.3.2)

⁵ *In Vrangel only

Impact or Issue	Mitigation Measures
<p>Public concern about road safety in all communities</p> <p>Specifically, there is no pedestrian crossing on the main Yuzhno-Sakhalinsk-Nogliki highway which will suffer increased amounts of traffic from the Sakhalin I and II projects. Schoolchildren living in Slava cross this road on their way to school in Molodezhnoye and make come under increased risk of accidents.</p>	<p>As described in SIA Sections 12.5 and 12.9</p> <p>Road Safety Campaign (see SIAA Section 4.5.2.1)</p>
<p>Construction of camps and welding site has created employment opportunities for local communities living close to the construction sites.</p>	<p>CLO assistance as described in PCDP and SIAA Sections 3.4, 3.5</p>
<p>The Project will create opportunities for local construction companies, service industries, shops and food producers, in the villages and the district centre, Dolinsk</p>	<p>Support for local business opportunities and local procurement as described in SIA Sections 11.3 and 11.4 and SIAA Section 3.3</p>

The CGBS project in Vostochniy Port differs from the Sakhalin construction work in the following ways:

- No permanent objects will be located in this area, and so impact assessment, mitigation and monitoring measures refer only to the construction phase;
- The proposed site for the CGBS construction is a brownfield site that has already been used intensively, and is located away from public infrastructure, and there is therefore no need for any resettlement, compensation or supplemental assistance activities;
- No indigenous communities live in the Vostochniy Port area; and
- No heritage resources are located on the site.

Contractors and Subcontractors working on the CGBS project are required to comply with the same SEIC policies and procedures as those working on Sakhalin, unless they relate to the above-mentioned aspects. Table B-03 summarises the impacts and mitigation measures for the CGBS project.

Table C-03: Summary of Project Actions for CGBS Project

Category	Project Action
Russian Content, Employment and Business Opportunities	
Creation of local employment opportunities (this was the major local concern identified by the Targeted SIA)	<p>The CGBS project currently employs a total of 2229 employees. In total, there are 1596 Russian workers; 427 Russian supervisors; 2 expat workers and 204 expat supervisors.</p> <p>Of the Russian personnel, there are a total of 316 supervisors and 1156 workers from the local area. Total local employment is 1472.</p> <p>Thus, the project currently has 90.7% Russian content, and is employing 66% local personnel. (This satisfies the PSA requirements for Russian content.)</p>
Creation of business opportunities for Russian and local subcontractors.	<p>Subcontractors have been hired from overseas, from Western Russia and from Vladivostok.</p> <p>A number of local companies have been subcontracted to provide drivers, crane services, installation of fire-fighting system, sandblasting and mechanical services.</p>
Contribution to long-term economic development of Vostochniy Port.	<p>The CGBS project will contribute to the economic development of Port Vostochniy itself and may increase the capacity of Port Vostochniy to attract further projects.</p> <p>However, given Port Vostochniy's current reputation as a leading Russian port, the port authorities do not consider that the project will contribute (or need to contribute) to a significant increase in the port's competitiveness.</p> <p>The project will develop as one project of several that are developing in the Nakhodka Free Economic Zone (FEZ), therefore will contribute cumulatively to the economic development of this area. The FEZ will also secure against a boom and bust effect.</p> <p>The project is planning to demobilise in accordance with the requirements of the TEOC. The dock should be left flooded and open to the sea. All buildings, structures, piping, wiring and facilities are to be removed and the site to be re-cultivated. The fence is to be left in situ. The company that owns the site is, however, interested in keeping the facilities intact. It will be their responsibility to get the terms of the TEOC changed if they wish to do this.</p>
Development of local economy around the Port area.	<p>The development of the CGBS project will encourage the development of attendant sectors, particularly the leisure services and shops. Increased demand is expected to serve as a stimulus for local entrepreneurs.</p> <p>Although the project is short-term, it is expected to increase the capacity of local small and medium enterprises (SMEs) to benefit from future projects in the area.</p>
Training opportunities.	<p>The following training has been provided to expat and Russian/local personnel:</p> <ul style="list-style-type: none"> - HSE and 'Inform, Organise, Control' for supervisors - First Aid - Working at height, Confined space entry, Man basket, Access shafts

Category	Project Action
	<ul style="list-style-type: none"> - Waste handling - Defensive driving – drive smart
Community Impacts	
<p>Vrangel residents' expressed concern that demand for accommodation of incomer workers will affect local housing prices, and that the local housing market may not be able to satisfy demand.</p>	<p>481 workers from other parts of Russia and from Armenia have been accommodated in the project camp at Shepalova located about 10 km from Vostochniy on the coast.</p> <p>Buses travel daily from Nakhodka and Partizansk.</p> <p>No workers have relocated from Nakhodka or Partizansk to Vrangel.</p>
<p>Local concern about potential increased demand in leisure services due to the influx of incomer workers.</p> <p>There is a shortage of leisure services in Vrangel particularly as the town is spread out and transport services are inadequate.</p>	<p>No particular measures needed as, according to experts and residents, there are sufficient leisure services in Nakhodka city and sufficient entrepreneurial potential to respond to increases in demand.</p> <p>No workers have relocated to Vrangel.</p>
<p>Concern about potential community conflict and tension due to influx of incomer workers, increased crime, drinking, lack of sensitivity to local norms, etc.</p>	<p>A large number of workers come from the local area and no workers have moved to Vrangel, which minimises this risk.</p> <p>According to most local experts, the CGBS project is unlikely to have a significant impact on crime and social conflicts, as any negative factors would be compensated by a decrease in crime due to the expected increase in employment.</p> <p>All SEIC procedures apply for managing local social conflicts and tension (see SIAA Chapter 7).</p>
<p>Increased danger on local roads due to increased transportation of workers and materials.</p> <p>The central section of the Nakhodka-Vrangel road has a high accident rate because of the poor state of the road.</p> <p>Along the Nakhodka-Vrangel road there are bus stops and pedestrian crossings, which have been identified as areas of heightened risk.</p> <p>On certain days of the year there are festivals when local residents are likely to cross the road en masse and pay less attention to traffic dangers.</p>	<p>Provision of 'defensive driving – drive smart' training</p> <p>SEIC Road Safety Campaign (see SIAA Section 4.5.2.1)</p>
<p>CGBS construction is a brownfield site that has already been used</p>	<p>There has been no need for any resettlement, compensation or supplemental assistance activities.</p>

Category	Project Action
intensively, and is located away from public infrastructure.	
The CGBS project is not likely to impact local fishing and recreational areas.	N/A

APPENDIX D: CONSULTATION AND MONITORING ACTIVITIES IN 2003-4

The Phase 2 SIA describes the consultation process through to late 2002. This section describes consultation activities carried out in 2003 and between January and September 2004. During this time, consultation and monitoring activities were carried out in a total of 62 Sakhalin communities in order to implement commitments made by SEIC in the Phase 2 SIA, through the activities described in Table C-01 below.

Table D-01: Monitoring and Consultation Activities, 2003-2004

Activity	Purpose	Date
Pre-ESHIA Disclosure Consultations	To prepare local communities for the forthcoming Phase 2 ESHIA consultations	January-February 2003
Field Assessments in Affected Communities	Monitoring and assessment in seven communities directly affected by Project-related construction camps	October 2003
Phase 2 ESHIA Disclosure Consultations	To provide communities with the opportunity to comment on the ESHIA document and Project activities	October-November, 2003
Ongoing SIA Monitoring Consultations	To obtain continuous feedback about the implementation of certain Project activities and their impact on communities	April-June 2004
Day-to-Day CLO Activities	To maintain dialogue with local communities, resolve grievances, monitor Project impacts on communities	Ongoing (see PCDP and CLO Roles and Responsibilities)

Information about day-to-day CLO activities can be found in the PCDP. This includes CLO open hours, community notice boards and comment boxes.

The other types of consultation are described in more detail in the following sections. Section 2.3 of the main SIA text summarises the issues raised during the consultations.

Pre-ESHIA Disclosure Consultations

From 13 January to 18 February 2003, SPT experts carried out consultations in 62 communities in fifteen Sakhalin districts to prepare communities and SEIC for the ESHIA public hearings.

The scope of the pre-ESHIA consultations is described in Table C-02:

Table D-02: Scope of Pre-ESHIA Disclosure Consultations

Activity	Number of Communities	Number of Public Meetings	Number of Participants
Meetings with Experts*	48	N/A	171
Public Meetings	30	33	1,029
Catch Interviews	62	N/A	1,955
Dissemination of Informational Materials	61	N/A	N/A
TOTAL	62	N/A	3,155**

* Experts include representatives of administrations, enterprises and other organisations.

** The sum can include double counts because some people were interviewed and also participated in meetings.

Questions raised by communities at this time were subsequently addressed by SEIC experts in the ESHIA consultations themselves where appropriate. These questions have been included in SIAA Section 2.3. Subsequent chapters describe how they have been addressed.

Field Assessments in Communities Affected by Construction Camps

Between October 2003 and June 2004 field assessments were carried out in all 12 of the communities located close to construction camps.

From 13 to 29 October 2003, SPT experts carried out socio-economic monitoring in seven of the 12 directly affected communities where construction camps were operating or being built. CLOs assisted with interviewing of experts and Contractors. Informational materials were distributed in all communities.

The monitoring took the form of consultations to collect information, as illustrated in Table C-03.

Table D-03: Scope of Field Assessments

Community	Date (2003)	Interviews				Group Discussions	
		Catch Interviews	Administrators	Other Experts	Contractors	Meetings	Participants
Val	13-14 Oct	29	2	10	-	2	10
Nogliki	11-17 Oct	41	5	23	1	13	37
Nysh	23, 25 Oct	21	1	11	-	8	27
Argi-Pagi	24-25 Oct	27	2	17	5	9	37
Yasnoye/Palevo	26-27, 31 Oct	23	1	11	1	8	40
Onor	28-29 Oct	30	2	14	1	7	57
TOTAL	N/A	171	13	86	8	47	151

Field assessments were not carried out in Slava, Molodezhnoye and Sokol and Vzmorye, because Targeted SIAs were carried out in these communities (Section Appendix B). In April/June 2004 field assessments were carried out in the remaining two affected communities, Korsakov and Mitsulevka. Ongoing monitoring is being carried out in all these communities (see below).

At the same time an additional 14 experts were interviewed in the administrative centres of districts where affected communities are located (12 in Tymovskoye and two in Smirnykh).

Phase 2 ESHIA Disclosure Consultations

Between September and November 2003 SEIC announced a public consultation period for the Phase 2 ESHIA. This included public disclosure of the ESHIA document and an intensive schedule of public meetings throughout Sakhalin.

In September 2003 the full ESHIA document and an overview summary were made public on SEIC's public website (<http://www.sakhalinenergy.com/>) and distributed to public libraries in 42 project-affected communities, as well as some administrations (see Table D-01, Appendix D for a list of communities). The ESHIA is available in both Russian and English; the overview summary is also available in Japanese. The ESHIA is also available on CD-Rom.

In addition, prior to the ESHIA public meetings, the following were undertaken:

- Information was disseminated via the regional and district media and CLOs (through face-to-face meetings);
- A toll-free telephone number was established for callers outside of Yuzhno-Sakhalinsk (calls made within Yuzhno-Sakhalinsk are free);
- The timetables for ESHIA review and comment and for the public consultations themselves were advertised; and
- Details about the consultation process and proposed meetings were made available through announcements in public places; weekly media notices (from 8 September) and correspondence with various stakeholder groups, as described in Table B-02, Appendix B.

The public meetings themselves took place between 2 October and 27 November 2003. The aim was to provide residents of Project-affected communities with an opportunity to comment on the Phase 2 ESHIA and the Project activities being carried out in their community and ask Company representatives further questions about SEIC activities.

The public meetings were organised by the Head of Issues and Stakeholder Management together with other members of the External Affairs department, including the Social Performance Team (SPT) and CLOs. Company health and environmental experts and Contractor representatives also took part.

The public meetings were held in the administrative centres of each of the directly impacted administrative districts - Nogliki, Tymovsk, Smirnykh, Poronaisk, Makarov, Dolinsk, Yuzhno-Sakhalinsk, Kholmsk, Aniva and Korsakov, as well as in some of the affected communities. In total, 22 communities were visited and over 1200 people participated in the meetings (see Table D-03, Appendix D).

The public meetings took the form of facilitated meetings with short presentations and question and answer sessions led by Company representatives. These meetings were minuted as all public meetings are. This was followed by informal discussion with Company representatives for those who did not feel comfortable participating in the larger meetings. Feedback forms were available, as they are at all public meetings, for participants to record a question or concern (sample public comment forms are appended to the PCDP).

SEIC representatives were available to answer questions about the Project, listen to concerns and explain aspects of the proposed activities. Representatives of the Sakhalin Oblast Administration also participated in some of the public meetings.

The minutes of the meetings were released into the public domain and can be found at: http://www.sakhalinenergy.com/news/nws_releases_20031215.asp. Issues raised during these meetings have been included in SIAA Section 2.3.

Ongoing SIA Monitoring Consultation

In April and June 2004, in accordance with the commitments made in the Phase 2 ESHIA and the Social Impact Monitoring Programme (SIMP), SPT experts undertook consultation in Sakhalin communities. CLOs assisted with interviewing and arranging public meetings. Fifty-two communities in eleven districts were visited.

The scope of these consultation activities is illustrated in Table 2-E below:

Table D-04: Scope of Field Work

Activity	Number of Communities	Number of Meetings	Number of Participants
Public Meetings*	35	44*	1502
Meetings with Experts*	45	N/A	465
Catch Interviews	44	N/A	1259
Group Discussions	44	90	315

Activity	Number of Communities	Number of Meetings	Number of Participants
Community Surveys	11	N/A	270
Information Dissemination	46	N/A	N/A
TOTAL	52 (11 municipal formations)	N/A	3,496**

* In communities SPT experts conducted 2-3 meetings, including at enterprises and schools.

** This might include double count because some people can be interviewed and also participate in the meetings.

The latest round of SIA monitoring consultations continued through November and December 2004 and January 2005. The findings from these consultations are also included in SIAA Section 2.3.

Issue-specific Consultation

Aside from regular public meetings, SEIC uses consultation as a way to identify and resolve issues that arise during Project implementation together with representatives of local communities and administrations. This proactive and inclusive approach is demonstrated by:

- (a) The SEIC public consultation relating to Prigorodnoye public beach; and
- (b) The consultation process related to the possible resettlement of dacha communities from the LNG/OET site (see Section 4.7 and the RAP)

(a) Prigorodnoye Beach Consultation

Construction of the LNG/OET facility requires the withdrawal of Prigorodnoye Beach, a popular summer recreation area for local residents.

This beach became popular in the early 1990s after other local beaches that were widely used in the 1970s-80s became increasingly polluted with domestic and industrial waste. The increasing ownership of cars by Korsakov families in the 1990s also made it easier to access Prigorodnoye Beach. Other beaches around Aniva Bay had become difficult to access after several road bridges collapsed.

Prigorodnoye Beach is not officially designated as a 'recreational area'. There is no legal obligation, therefore, for the Project to compensate for its loss, other than to make lease payments over the life of the Project.

Korsakov District Administration, however, requested that an alternative recreational beach for the Korsakov community be developed as a condition of the Preliminary Land Allocation (PLA) for the LNG site. In response, SEIC developed an Action Plan in close consultation with the Korsakov District Administration and a broad cross-section of local residents, aimed at developing a reasonable alternative recreational resource to replace Prigorodnoye Beach.

Preliminary actions undertaken included the following:

- An appraisal of public use of Prigorodnoye Beach by the Social Performance Team (SPT);
- Initial consultation with Korsakov District Administration;
- Discussion of Prigorodnoye Beach at a Korsakov District Council meeting;
- Public discussion facilitated by a telephone hotline based at the Korsakov Administration and discussion of alternative beach sites in the local press;
- Public hearings to discuss alternative beach sites; and
- Further consultation with Korsakov Administration regarding alternative sites.

A range of alternative beach sites were considered through the public consultation process but all were evaluated as unsuitable on sanitary or other environmental grounds. Discussions with the District Administration continued until August 2003.

The Administration suggested the reconstruction of existing public squares in the town (Komsomlsk Square and a square near the District Administration building). This suggestion was not welcomed by the public or local NGOs. Public opinion was reflected in a series of critical articles in the local newspaper and complaints to SEIC by local residents and the local Rotary Club. Having considered the public response, SEIC decided against investment in the local public squares.

Further discussions were held in July-August 2003. In that time a questionnaire was published in the local newspaper to encourage public discussion of alternatives. There were 549 responses. The majority (451 people) supported the idea of regenerating Korsakov Town Park.

On 29th August 2003 a final meeting was held at Korsakov Administration, where a final agreement was reached to allocate funds for the regeneration of Korsakov Town Park. The protocol from the final working group meeting has now been signed by the Korsakov District Mayor and the SEIC Approvals Department, and includes measures to ensure transparency and accountability in the use of the funds. SEIC has agreed to pay compensation of USD 800,000 to the Korsakov Administration for park regeneration.

For more information about Prigorodnoye Beach, see the RAP.

Consultation with Indigenous Communities

The following table details the IP Consultation and monitoring activities that took place after the release of the Phase 2 SIA. Further information about IP consultation can be found in the IPDP.

Table D-07: Schedule of IP Consultation and Monitoring Efforts in 2003-4

Month	Location	Consultation and Monitoring Efforts
2003		
January	Val, Nogliki, Venskoe, Chir-Unvd	IP consultations held by SPT to identify community needs, including question and answer sessions; Project-related information distributed. (N.B. At this time, the CLO from the indigenous community had not been hired).
January	Nogliki District, Chir-Unvd	EA visit to inform local IP communities about Project activities and conduct interviews; written replies sent out later in response to questions raised during trip.
June	Nogliki District	Evenk CLO hired in Val for work with Val residents and indigenous communities throughout Nogliki District.
June	Val, summer reindeer camps	Consultation with reindeer herders about: access roads across summer pastures; open/closed gates on access roads; and construction schedules/measures to avoid reindeer accidents at Piltun Landfall.
June-August	Val, Venskoe, Chir-Unvd, Nogliki	Socio-economic monitoring by SPT, using questionnaire (subsistence food; use of traditional lands, income, employment, health) and individual discussions about gender issues.
July	Nogliki, Val	Visit by potential Phase 2 lenders, including meetings with IP in the Children's Art Centre, Val and with herders at Piltun camp.
August	Molikpaq	Molikpaq visited by IP representatives and EA, SPT and CLOs.
November	Nogliki, Val, Venskoe, Chir-Unvd	SPT monitoring of the effectiveness of the Supplemental Assistance Programme.
November	Nogliki, Val reindeer camps	SPT consultation on: community needs; construction impacts; Contractor Socio-Economic Management Plans (including herder consultation plans); supplemental assistance to 'Valetta'; potential social investment projects; cumulative impacts on reindeer and pastures.
Ongoing	Nogliki, Val, Venskoe, Chir-Unvd	Day-to-day CLO activities (see PCDP).

Month	Location	Consultation and Monitoring Efforts
2004		
January	Nogliki, Val	SPT visited IP communities to discuss construction schedules; measures to avoid reindeer accidents at Piltun Landfall; IP community needs and potential social investment projects; and to disseminate project information. The main outcome was the decision to hold regular facilitated workshops with reindeer herders with participation of reindeer herders and their families, key IP figures from Val, representatives from Nogliki Administration, SEIC and Exxon (see May and August below).
April	Nogliki, Val	Pre-workshop meeting to detail place and issues related to workshop.
April	Nogliki, Val, Venskoe, Chir-Unvd	Under Social Impact Monitoring Consultations, SPT visited IP communities and met with key IP representatives.
May	Garomay River, approx. 80 km north of Nogliki	Facilitated workshop with reindeer herders, their families and key decision-makers to discuss communication between herders and the Company/Contractors, support for herding and compensation payments
July	Nogliki, Val	Socio-economic monitoring.
August	Nogliki, Val	Pre-workshop meeting to detail place and issues related to workshop.
August	About KMP 17 along Piltun Access Road (NA1), Nogliki District	Facilitated workshop with reindeer herders, their families and key decision-makers to discuss communication between herders and the Company/Contractors, support for herding and compensation payments
Ongoing	Nogliki, Val, Venskoe, Chir-Unvd	Day-to-day CLO activities (see PCDP). The results of the January and June 2005 facilitated workshops are detailed in the IPDP.

APPENDIX E: ESHIA DISCLOSURE CONSULTATION TABLES

Table E-01: List of Communities where ESHIA was placed

Settlement	District	Key Project Asset	Location
Okha	Okha	Pipeline	District Administration/Library
Val	Nogliki	Camp/laydown	Library
Nogliki		Camp, district centre	District Administration/Library
Katangli		Pipeline	Library
Nysh		Camp/laydown	Library
Molodeznoye		Camp/laydown	Library
Argi-Pagi	Tymovsk	Pipeline	Library
Chir Unvd		Pipeline	Library
Tymovskoye		District centre	District Administration/Library
Voskhod		Pipeline	Library
Kirovskoye		Pipeline	Library
Voskresenovka		Pipeline	Library
Ado-Tymovo		Pipeline	Library
Krasnaya Tym		Pipeline	Library
Podgornoye		Pipeline	Library
Yasnoye/ Palevo		Camp/laydown	Library
Onor		Smirnykh	Camp/laydown
Buyukly	Pipeline		Library
Roschino	Pipeline		Library
Pobedino	Pipeline		Library
Smirnykh	District centre		District Administration/Library
Leonidovo	Poronaisk	Camp/laydown	Library
Poronaisk		Camp, district centre	District Administration/Library
Gastello		Booster station	Library
Porechye		Pipeline	Library
Vakhrushev			Library
Novoye		Pipeline	Library
Gornoye/ Tumanovo	Makarov	Camp/laydown	Library
Vostochny		Pipeline	Library
Makarov		District centre	District Administration/Library
Sokol	Dolinsk	Access roads/camp	Library
Sovetskoye		Camp/laydown	Library
Dolinsk		District centre	District Administration/Library
Vzmorye		Pipeline	Library
Starodubskoye		Pipeline	Library
Yuzhno-Sakhalinsk	Yuzhno-Sakhalinsk	Head office	Sakhalin Oblast Library Yuzhno City Library Yuzhno City Administration

Settlement	District	Key Project Asset	Location
Korsakov	Korsakov	LNG/OET, camp, laydown, district centre	District Administration/Library
Solovyovka			Administration
Troitskoye	Aniva	Pipeline	Administration
Mitsulevka		Camp/laydown	Library
Aniva		District centre	District Administration/Library
Kholmsk	Kholmsk	Port access	District Administration/Library

Table E-02: Stakeholder Communication relating to ESHIA Disclosure

Stakeholder Group	Letter of Advice	Copy of ESHIA	Follow-Up
Affected Communities	Media announcements	Via library	Via CLO network & SPT
District Mayors	Letter	Provided	Via CLO network
Heads of Communities	Letter	Via library	Via CLO network
Health Professionals	Letter or e-mail	As requested	Via Health team
NGOs	Letter or email	As requested	Via External Affairs
Media	Press-releases	As requested	Via External Affairs
Local Companies	Media announcements	Via library	As requested
General Population	Media announcements	Via library	As requested

Table E-03: ESHIA Disclosure Meetings – Timing, Location, Attendance

Community	Population	Public meeting venue	Date	Attendance
Val	1,450	Centre for Culture	Nov 10 th	60
Nogliki	11,200	Centre for Culture	Nov 27 th	40
Nysh	710	Centre for Culture	Nov 11 th	28
Molodeznoye	-	Village Club	Nov 12 th	35
Tymovskoye	9,000	House of Culture	Nov 14 th	21
Yasnoye / Palevo	1,640	Village Club	Nov 14 th	49
Onor	1,874	Culture Centre/Library	Nov 13 th	70
Pobedino / Roschino	1,959	Culture Centre	Nov 13 th	155
Smirnykh	7,600	“October” cinema	Nov 13 th	185
Leonidovo	2,300	School	Nov 12 th	97
Poronaisk	20,600	1. School 2. Education & Culture Centre	Nov 6 th	38 87
Gastello	1,300	School	Nov 12 th	37
Gornoye / Tumanovo	277 / 25	Porechye Village Club	Nov 14 th	16
Vostochny / Pugachevo	300 / 107	Railway station/plant	Nov 14 th	26
Makarov	8,700	Administration	Nov 17 th	70
Sokol	5,000	House of Culture	Oct 4 th	7
Sovetskoye	791	School/House of Culture	Oct 2 nd	12
Dolinsk	13,800	House of Culture	Oct 2 nd	14
Yuzhno / Mitsulevka	179,200 / 208	Central library	Nov 3 rd	98
Korsakov	36,500	Centre for Culture	Nov 10 th	20
Aniva	8,600	House of Culture	Oct 4 th	6
Kholmsk	39,300	Central library	Oct 3 rd	11
Total				1142

APPENDIX F: CAMP RESIDENTS AND CAMP CAPACITY (AS OF JANUARY 2005)**Table F-01: Camp Residents and Camp Capacity as of January 2005**

Camps	Number of Residents	Planned Provision of Worker Accommodation
Val, SS - PL	328	350
Nogliki, SEIC	80	80
Nogliki, SS - PL	474	600
OPF camp	1712	3000
Molodyozhnoye, SS -PL	421	450
Yasnoye, SS – PL (former SEIC camp)	80	80
Yasnoye, KNGS - PL	150	150
Onor, SS - PL	529	750
Leonidovo, SS - PL	221	500 (in progress, will be constructed in summer 2005, some rooms are ready)
Poronaisk, SS –PL (former SEIC camp)	80	80
Tumanovo, SS – PL	415	750
Pugachevo, SS - PL	-	500 (in progress, will be constructed in summer 2005)
Vzmorye	140	140
Sovetskoye, SS – PL (former SEIC camp)	30	50
Sokol, SS -PL	793	850
Korsakov, CTSD – LNG plant	1925	6000

APPENDIX G: SOCIAL INVESTMENT PROGRAMME

Table G-01: Summary of Social Investment Projects Supported in 2003

Project	Partnership	No. Participants/Beneficiaries
Environmental		
Poronaisk Nature Reserve, March for Parks – 2003 Project	<ul style="list-style-type: none"> - Poronaisk Nature Reserve - <i>Ostrov Sokrovishch</i> Newspaper - Sakhalin Regional Scientific Library 	200 children Poronaisk and other Sakhalin districts
Yuzhno Station of Young Tourists (White Variant – 3 Project, Mir A Project)	<ul style="list-style-type: none"> - Yuzhno Station of Young Tourists - Centre of Extracurricular Activity, Yuzhno Department of Education 	300 pupils
GREEN ISLAND Environmental School	<ul style="list-style-type: none"> - Sakhalin Environmental School - Department of Education - Sakhalin State University 	70 pupils from 13 Sakhalin districts
Environmental Laboratories for Yuzhno Schools	<ul style="list-style-type: none"> - Yuzhno Department of Education - Yuzhno schools 	Up to 300 pupils from three schools that obtained the laboratories, plus pupils from neighbouring schools
Safe Springs Project	<ul style="list-style-type: none"> - <i>Sakhalin Rodnik</i> NGO - Yuzhno Sanitary Committee - <i>Sovetsky Sakhalin</i> newspaper - Local TV 	All residents of Yuzhno interested
Issue of the Red Book of Sakhalin – Flora	<ul style="list-style-type: none"> - Environmental Committee of the Sakhalin Oblast - Sakhalin Publishing House 	3,000 copies for all schools/libraries, etc.
Small Grants to Support Environmental Projects	<ul style="list-style-type: none"> - Sakhalin district libraries - Local NGOs (initiative groups – <i>Ecocenter</i> from Poronaisk, <i>Cyclopes</i> in Okha, etc.) - Sakhalin district schools - Resource centres 	Up to 2000
Indigenous Peoples		
Indigenous Students Scholarships (monthly scholarship to best native students)	<ul style="list-style-type: none"> - Department of Education - Department of National Policies 	All indigenous students participated, 12 benefited
Indigenous Students Education (tuition fee students pay to the Universities)	<ul style="list-style-type: none"> - Department of Education - Department of National Policies - Sakhalin State University 	All indigenous students participated, 5 benefited

Project	Partnership	No. Participants/Beneficiaries
Voices of Taiga and Tundra International Project	<ul style="list-style-type: none"> - Groningen University - St.Petersburg University - Sakhalin Regional Museum of Local History - Sakhalin State University 	30 participants of the workshop
Russian-Orok Dictionary	<ul style="list-style-type: none"> - Sakhalin Publishing House - Department of National Policies, Oblast Administration 	<p>One Orok woman has been working on this dictionary with a colleague in Novosibirsk for 10 years</p> <p>One thousand copies were distributed to Sakhalin libraries, linguists, language teachers and the 300 Oroks living on Sakhalin</p>
Educational		
Junior Achievement Sakhalin (Economics Education)	<ul style="list-style-type: none"> - Junior Achievement Sakhalin NGO - Department of Education of Sakhalin Administration - Sakhalin schools 	More than 5,000 participants from 12 Sakhalin districts
Maps for Sakhalin Schools	<ul style="list-style-type: none"> - Department of Education of Sakhalin Administration - Departments of Education of Sakhalin districts 	194 schools on Sakhalin (more than 30,000 Sakhalin pupils)
Poronaik Lyceum of Traditional Industries of People of North	<ul style="list-style-type: none"> - Department of National Policies - Poronaik Lyceum of Traditional Industries of People of North 	110 pupils
Summer Regional School for Talented Children "EUREKA"	<ul style="list-style-type: none"> - Department of Education - Tomary School - 	150 pupils
Road Safety Program	<ul style="list-style-type: none"> - Sakhalin State Motor-Vehicle Inspection - Sakhalin Department of Education - Sakhalin Schools 	8,000 children from more than 22 locations
Books for Sakhalin Libraries	<ul style="list-style-type: none"> - Department of Culture - Sakhalin Libraries 	100 libraries, more than 100,000 readers
Education/communication Program for Sakhalin Schools (Oil and Gas brochure)	<ul style="list-style-type: none"> - Department of Education of Sakhalin Administration - Institute of Advanced Teachers' Training 	Issued 500 "pilot" copies
Social		
Renovation of TV equipment in Val settlement	<ul style="list-style-type: none"> - Val administration - Nogliki administration 	More than 2000 residents of Val settlement

Project	Partnership	No. Participants/Beneficiaries
Korsakov 150 th anniversary	- Korsakov administration	Korsakov residents
Small Grants to Support Charitable Projects ('Small Grants – Big Deeds' Programme)	- Interested groups - Local NGOs (e.g. <i>Chamgun</i> in Nogliki, <i>Chance</i> from Aniva, etc.) - Social organizations	Approximately 2000
Cultural		
Young Talents of Sakhalin NGO	- Department of Culture of Sakhalin Administration - Young Talents of Sakhalin NGO	More than 1,000 young members of the program (pupils of music and arts schools)
Annual Regional School for Talented Children	- Ministry of Culture, Russia - Department of Culture of Sakhalin Administration - Arts Schools - Music Schools - EXXON	More than 50
Music instruments for all Children's Music Schools	- Young Talents of Sakhalin NGO - Department of Culture	20 schools in 14 districts, more than 1,000 students
Small Grants for Cultural Youth Programs	- Arts Schools	1,000
Sports		
Lapta Sports Competitions	- Yuzhno Department of Education -	
Sport equipment for local schools	- Department of Education - Local schools	194 schools on Sakhalin (more than 30,000 Sakhalin pupils)
Ice Rink in Nogliki	- Nogliki Administration	All Nogliki residents
Sports events	- Department of Sports - Sports associations	200

Table G-02: Summary of Social Investment Projects Supported in 2004

LARGE SUSTAINABLE DEVELOPMENT PROJECTS		
Area	Project	Partners
Environment	Sakhalin Salmon Initiative	- Wild Salmon Centre (International NGO)
Social	English Language Teacher Training	- Dept of Education - British Council
Economic	CV and Application Writing	- Department of Labour (Employment Centres) - Russian-American Business Training Centre

DONATIONS AND STRATEGIC SOCIAL INVESTMENT PROJECTS			
Project	Justification	Partners	Years running before 2004
Environment			
Green Island School	Environmental education syllabus is not well developed in all Sakhalin schools. This is the leading environmental education programme on Sakhalin, which includes participants from all districts. It is a two-year practical and theory-based course. Many students who study at Green Island go on to University level environmental courses (22 out of 43 in 2003).	- Sakhalin Regional Extracurricular Environment School - Dept of Education	Three years
Environmental Labs – Districts Programme	Equipment to teach environmental syllabus required delivering a more effective environmental education programme at district level. Proposed Districts are Nogliki and Poronaisk, two key project impact districts.	- Yuzhno Department of Education - Yuzhno schools - Environmental NGOs	One
Safe Springs Programme	The quality of water at Yuzhno springs is good and often better quality than water supplied by the city. Testing of the springs to ensure safety of water has not been conducted. This project involves testing the water at springs in Yuzhno monthly, which will be published in the newspaper to advise the community of how to treat water before use. All tests are done by Yuzhno Sanitary Committee; SEIC provides transportation and overall project management. The objective is to provide Yuzhno residents with regular and reliable information on the quality of the spring-water they consume.	- Rodnik NGO	One
Small Environmental Grants ('Small	To support environmental project and initiatives identified at the	- Various	One

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DONATIONS AND STRATEGIC SOCIAL INVESTMENT PROJECTS			
Project	Justification	Partners	Years running before 2004
Grants – Bid Deeds' Programme)	grassroots level in the all Sakhalin districts.		
Tree Planting	A project designed to involve Yuzhno residents (especially pupils and students) in tree planting. NGO Boomerang has experience in the organization of tree planting campaigns and already has an agreement with Korsakov forestry.	- NGO Boomerang	New
Economic			
Junior Achievement	To provide economics education to students in the majority of Sakhalin districts.	- Junior Achievement – Sakhalin - USAID	Ten
Social			
Employee Action Grants	To encourage and promote employee involvement in the community. To be modelled on the Shell UK Employee Action Grants.	- Various	New
Fire Safety Campaign	Home fires kill and injure a large number of Sakhaliners annually. This programme will be designed to educate students on fire safety and prevention both in and outside of the home.	- Fire Dept - FOREST	New
School Materials	Lack of resources and materials in schools on Sakhalin was identified during the public consultation conducted during 2002. This is a continuation of the successful 2003 programme. Subjects to be covered will be English language and science.	- Dept of Education	One
Small Community Grants (Small Grants – Big Deeds Programme)	To support community and social projects and initiatives identified at the grassroots level in all Sakhalin districts.	- Various	One
Projects to support our business	To support community and social projects proposed by local authorities (mayors, etc.)	- Various	Has been done from time to time in the past
Cultural			
Young Talents of Sakhalin & Master Class Programme	Programme provides opportunities for development of talented Sakhaliners from all districts. Includes programme of Master classes and regional summer schools.	- Dept of Culture - Young Talents of Sakhalin NGO	Ten

DONATIONS AND STRATEGIC SOCIAL INVESTMENT PROJECTS			
Project	Justification	Partners	Years running before 2004
Small Cultural Grants (Small Grants – Bid Deeds Programme)	To support cultural projects and initiatives identified at the grassroots level in all Sakhalin districts.	- Various	One
Indigenous Peoples			
Regional Holiday of IP of the North	This activity supports and contributes to the preservation and sustaining of local indigenous culture. The holiday is organised as an arts and sports festival in which the majority of the indigenous population participates. The holiday increases interest in national cultures, both among indigenous people and other nations living on Sakhalin.	- Dept of National Policies - Dept of Culture	Three
Indigenous Students Scholarships and Education Programmes	Currently indigenous students are under-represented at upper high school and tertiary level. This programme is designed to assist indigenous students to gain further education, which increases the opportunity to secure good employment opportunities.	- Dept of National Policies - Association of Indigenous People of Sakhalin Oblast	Six
Development and Support of IP Associations	IP Associations are the key organizations which represent the rights and interests of Indigenous People on Sakhalin. This programme assists the development and continuation of IP Associations.	- Indigenous People Association in five Sakhalin districts	New
Voices of Taiga and Tundra	This programme has been running for a number of years and is aimed at preserving indigenous languages through workshops for indigenous teachers and setting up of linguistic laboratory.	- Sakhalin Regional Museum of Local History	Three
Sports			
Sports Equipment to Local Community Centres	During the public consultation conducted in 2002, it was identified in many communities that their community/cultural centres lack equipment and facilities. The clubs play a key role in many communities, serving as a focal point for youth and children which keeps them occupied.	- District and local governments - Dept of Social Assistance	New
Donations			
Emergency Relief/Donations	To cover unexpected emergencies and calls for assistance.		Always

DONATIONS AND STRATEGIC SOCIAL INVESTMENT PROJECTS			
Project	Justification	Partners	Years running before 2004
Leverage			
Media coverage of the projects	To promote SEIC's social investment projects and initiatives.	- Local media	Always
Evaluation			
SI Programme Independent Review	To ensure adequate promotion and profiling of SEIC's social investment activities.		New

CGBS Project Social Investment

Since the CGBS project started in 2003, the following Community Projects have been carried out.

- Drilling of five water wells in the Glinka River Basin that have been connected to the Vrangal water supply. These are to provide water for the project and to supplement the town supply.
- Funding of repairs to the roof of Secondary School No. 20 in the Vrangal area.
- Funding the renovation of the pond at the entrance to the site access road near the railway bridge. This work was performed using a contractor from the Vrangal area.
- Sponsorship of a motocross event and provision of prizes for the races.
- Provision of reflective clothing for children from Vrangal Secondary Schools Nos.19 & 20 and Nakhodka School No. 3. This was to improve their safety when walking to school in winter in the dark.
- Assistance with construction of the football field at Beregovoia by dumping soil there to create a playing field.
- Provision of rubbish bins around Vrangal town.
- Provision of warm winter clothing and two vehicles for the traffic police.
- Assistance to a disabled children's home in Ekaterinovka, Partizanski District, including:
 - Establishment of a summer camp,
 - Construction of a large play ground, and
 - Donation of items to improve their standard of living.
- Assistance to a children's orphanage at Olchovka, Kirovski District with donations of stationary and sports equipment.
- Donation of stationary and small gifts to a rehabilitation centre in Vrangal-2.
- Provision of financial support to the youth Taekwondo sport society to enable them to attend the World Championship in Korea where they won prizes.
- Provision of a fire engine for the Vostochniy Fire Brigade.
- Organisation of two open days at the site for employees' dependents.

Table G-03: Summary of Social Investment Spending to Date

Social Investment Programme							
Year	2003-2008	2003	2004	2005	2006	2007	2008
% by Year	100	100	100	100	100	100	100
Dollars/year	\$2,700,000	\$300,000	\$400,000	\$500,000	\$500,000	\$500,000	\$500,000
Spent/Allocated	\$700,000	\$300,000	\$400,000	\$0	\$0	\$0	\$0
Balance remaining for Year	\$2,000,000	\$0	\$0	\$500,000	\$500,000	\$500,000	\$500,000
Projects	Total \$	2003	2004	2005	2006	2007	2008
Partnerships (env/soc/eco)	\$200,000	\$0	\$200,000	\$0	\$0	\$0	\$0
Small Grants - Big Deeds	\$68,000	\$38,000	\$30,000	\$0	\$0	\$0	\$0
Environmental Education	\$47,000	\$21,000	\$26,000	\$0	\$0	\$0	\$0
Social Projects	\$156,000	\$76,000	\$80,000	\$0	\$0	\$0	\$0
Economic Education	\$17,000	\$9,000	\$8,000	\$0	\$0	\$0	\$0
Cultural Projects	\$45,000	\$35,000	\$10,000	\$0	\$0	\$0	\$0
Indigenous People Projects	\$42,000	\$18,000	\$24,000	\$0	\$0	\$0	\$0
Educational Projects	\$82,000	\$60,000	\$22,000	\$0	\$0	\$0	\$0
Total	\$657,000	\$257,000	\$400,000	\$0	\$0	\$0	\$0

APPENDIX H: CONTRACTOR SET-ASIDE FUNDS

The following sections detail the projects supported via the Contractor Set-Aside Programme. The projects are grouped according to Project Asset (OPF, Pipelines, and LNG/OET).

ONSHORE PROCESSING FACILITY

Training and Development

In 2004 the Company supported the training of Nogliki Hospital staff in "Advanced Cardiac Life Support" training and will continue the programme of training opportunities for Nogliki hospital staff during 2005. The Company is currently investigating a programme of craft training for workers in line with BETS schedule and requirements by discipline.

Nysh School Upgrade

The OPF team has supported a wide variety of projects which have assisted the Nysh School. These include support for fund raising efforts, provision of power tools, sewing machines and providing learning aids over a three-year period (2004-6). The works include upgrading the electrical works during the course of 2004 and 2005.

Nysh Community Activities

The OPF team has been actively engaged in the Nysh community from the earliest days of the sites operation through employment opportunities for locals and in the provision of firewood from the site as it was being cleared. Multiple firewood trips were organized to donate cleared wood to the community. During 2005 and continuing into 2006 there will be a Summer Programme established which will include the re-surfacing of the basketball court, English lessons and cultural exchange programme and other community related activities. The Company in 2005 and 2006 will also undertake a sports development project in the community.

The company has agreed to a number of charitable projects with the Sun House Children's orphanage including the provision of architectural furnishings and an educational/cultural exchange programme.

Nogliki Community Projects

There have been a number of projects undertaken or planned for 2005 in the Nogliki community. These include the upgrade of the water supply and the provision of furniture and equipment for the Nogliki Elderly and Disabled Home and donation of a kiln to the Children's Art School. If approved there is a proposed project for further equipment upgrades for the Nogliki hospital. (OPF-23)

Argi-Pagi Community Projects

Argi-Pagi received firewood in the earliest days of the project, as did the Nysh Community. In conjunction with the Integrated Project Logistics (IPL) there will be a public bathhouse constructed in Argi-Pagi. The bathhouse will be run by Administration with a small charge being made for the use of the facility to ensure it is maintained into the future.

Small Business Development [Proposed project]

The Company is currently in discussion with ACDI/VOCA about a small business development programme in the Nogliki/Tymovsk area. The focus would be on providing micro-finance to small to medium size enterprises. The programme would be replicating a successful programme based in Yuzhno-Sakhalinsk and is expected to be self-sustaining within three years providing an ongoing source of capital to small or medium size entrepreneurs into the future.

PIPELINES

During the course of 2003 and 2004 the Pipelines team have supported a wide variety of projects the length of Sakhalin and in all districts where the pipeline project operates.

Multiple District Projects

The Pipelines' team has supported a number of island-wide initiatives during 2004. These include scholarships for gifted children which will run for five-years (to support the original successful applicants throughout their education) and the computerisation of many district libraries. The team is also supporting the fencing of hazardous roads where they intersect with pipeline operations.

The newest project is the support of Kidsave and Podrostok project to develop permanency placement plans for 100 Sakhalin orphans during 2005. The project involves the recruitment of local trainers who will be trained to screen, mentor and train both potential adopting families and the children that will be placed with them. The programme has been successfully implemented in other parts of Russia and if the pilot is successful on Sakhalin it is expected that the company will continue to support the programme into 2006.

Nogliki District Community Activities

In Nogliki there has been a wide variety of projects supported. These include water supply improvements, purchase of a minibus, road improvements, hockey pitch reconstruction, apartment building repairs, hockey playground construction in Val, sports ground construction and repair of the secondary school gym of School #2 in Nogliki.

Tymovsk District Community Activities

In Tymovsk the participation in the "summer employment" programme was supported.

Smirnykh District Community Activities

In this district a wide variety of programmes have been supported. This includes a substantial upgrade and repairs to the Onor power supply and cultural centre classrooms. A contribution towards Roshino sports complex and construction of the Memory Square has also been made. The company has also supported a project to restore the long-term planting capacity for Smirnyk through the purchase and delivery of transplants. Starstroi is investigating whether the plants grown locally can be used in the reinstatement of the pipeline right of way.

Poronaysk District Community Activities

In Poronaysk the company will be refurbishing the passport and visa control office that was destroyed in a fire. The Integrated Project Logistics (IPL) team is delivering this project on behalf of the Pipelines team.

Aniva District Community Activities

In Aniva district the company has supported the reconstruction of the water pipeline and road as well as the community centre in Mitsulyovka. In Aniva village the volleyball ground has been reconstructed and furniture supplied to the school in Berezhnyaki. Substantial repairs were also undertaken at Troitsky orphanage.

Korsakov District Community Activities

The Pipelines team has supported the upgrading of water supply system in Korsakov as well as some road safety measures.

LNG/OET TEAM

During 2004 the LNG team have supported a wide variety of projects in the Korsakov community.

Fish Farm Reconstruction

Funds will be used to reconstruct the fish farm following flood damage in 2003. The work will include strengthening of adjacent river banks, increasing the height of the nursery outer and dividing walls, installing new lighter cover plates for the nurseries and constructing a concrete fish catcher to replace the existing wooden structure. The reconstruction will create an additional job opportunities for the Ozersky settlement residents and provide an ongoing source of economic activity in the community.

Educational & Industrial Skills Programme

In 2004 a craft workers training programme was launched. The programme was broadly advertised in the local newspapers (regional and Korsakov) and called for local applications. The programme is designed to organize a training centre on the base of a local vocational school and to upgrade local welders qualifications.

The training is performed by qualified Russian instructors who themselves had been trained in Japan.

The training programme runs for nine months and includes:

- Three month course to achieve Level 1 according to National Accreditation Committee on Welding Manufacture (NAKS) systems at plant "Zvezda" (Far East);
- Six months training on Sakhalin in CTSD training centre. Organisation of training centre includes: building/offices, training booths, classrooms etc as well installation of welder equipment, consumables, materials, power utilities, generators if necessary.

After successful completion of course companies involved in the Shelf projects will employ trainees. To date 40 people have been accepted into the programme.

Korsakov Education Activities

There have been a variety of education related projects supported by the LNG team over the past year. These include presentations for school children, providing internet connection for School #3, supporting the pen-friend programme, Christmas competition, upgrading of IT, providing prizes for winners of School English Language Olympiad, ecological laboratory set, refurbishment of school dormitory at Chapayev.

Educational Road Safety Programme

A multi-faceted programme has been developed by the LNG team on road safety. There was a launch in the community in September of the programme. The programme is recognition of the increased road traffic from the LNG/OET project and the need to try and minimise the potential impacts of this. Overall road safety awareness is low in the community and through a variety of programmes the Company aims to increase this awareness.

Female and Youth Health [Proposed project]:

This project will be implemented in conjunction with NGO "Mercy&Health, Korsakov Hospital and the members of Korsakov SD Committee. The project is in three phases. The first is to create a female health centre on the base of Korsakov Hospital, which will include the purchase of diagnostic equipment, development and publication of information pamphlets and medical personnel training.

The second phase is to develop a mobile clinic for STD/AIDS prevention through the purchase of a bus to be equipped with equipment to undertake diagnostic tests and equipment. There will also be information pamphlets available.

The last component is a health promotion programme aimed specifically at youth. The programme will focus on drug and alcohol dependence prevention and will include an education programme at schools, information pamphlets and to carry out specific events for youth in the district (four anticipated during 2005). It is hoped that the programme will decrease the number of abortions performed and infection rate of STDs, HIV and AIDS in the district as well as reduce the amount of alcohol and drug abuse by youth.

APPENDIX I: HEALTH IMPACT ASSESSMENT CHAPTER 13 (2003)

The following is an extract from the HIA (2003), namely Chapter 13, which sets out the key health-related mitigation measures. A number of mitigation measures have been more fully developed since the writing of this chapter, and these are set out in various sections of the EIA addenda (e.g. on waste management and river crossings). Commitments to health management are set out in the Health, Safety, Environmental and Social Action Plan Part 2 tables on Community Health and Occupational Health and Safety. These documents can be viewed on the SEIC website at www.sakhalinenergy.com / www.sakhalinenergy.ru.

The following health-related mitigation measures address the construction and operational phases of the Project. Periodic evaluation of the effectiveness of these suggested measures will be required, and an assessment of any residual impacts should be made.

13.1 CHANGED DISEASE SPECTRUM

13.1.1 Sexually Transmitted Disease (STD)

The approach to mitigation focuses on supporting existing local measures aimed at reducing the incidence of STD. These measures include:

- Joint review and update of community guidelines for STD prevention on Sakhalin Island;
- Assist and support the health community in improving STD programme management;
- Assist and support the health community in STD surveillance and data management;
- Assist and support health leadership in the community and individual behaviour change intervention programmes;
- Include STD awareness as part of the company and contractor health education programmes;
- SEIC camp management policy (details in SIA).

Key performance Indicators (KPI):

The effectiveness of the above measures can be determined by studying the monthly and annual STD incidence and prevalence statistics.

13.1.2 HIV/AIDS

Evidence from other oil and gas development projects suggests that camp followers, including prostitutes, will set up facilities adjacent to construction camps. Although it is not possible to completely isolate the camps, particularly when they are in close proximity to settlements, it is possible to restrict access to the camps for non-residents.

In addition to SEIC camp management philosophy, other mitigating methods could include the following:

- Participate in updating community guidelines for HIV prevention on Sakhalin Island;

- Assist and support the health community in improving HIV programme management;
- Assist and support the health community in HIV surveillance and data management;
- Assist and support health leadership in community and individual behaviour change intervention programmes. Focus on comprehensive school-based HIV and sex education programme;
- SEIC to implement HIV and blood-borne pathogens policy in line with the Shell Policy. Include HIV awareness as part of the company and contractor health education programmes.

Key Performance Indicators:

The effectiveness of the above measures can be determined by studying the monthly and annual HIV incidence and prevalence statistics for both the workforce and the Sakhalin population, although these may not be reliable.

13.1.3 Hepatitis B and C

Mitigation measures include:

- Hepatitis B vaccination for all health staff and other at-risk groups among Project personnel;
- Company support of community measures to minimise spread of blood and other body fluid related disease through support of local agencies and NGOs;
- Management of company generated, biologically contaminated waste included in the company waste management plan.

Key Performance Indicators:

- Percentage of health staff immunised against hepatitis B
- Evaluation of disposal of biological waste

13.1.4 Tuberculosis

- A reduction in TB incidence can be effected by helping the local health authorities to develop a better TB management programme. The approach needs to improve screening, diagnosis and treatment:
- Assist and support the local health community in expanding the TB prevention and care programme based on DOTS in line with internationally accepted standards and practices;
- Promote the development of a national and sub-national partnership to combat TB with all stakeholders in society, including governmental and private healthcare sector partners and NGOs;
- Company and contractor TB screening programme as part of medical fitness assessment. This will enable the early identification and treatment of TB.

Key Performance Indicators:

- Monitoring and evaluation of the national TB programme on Sakhalin Island
- Periodic health surveillance in accordance with RF guidelines.

13.1.5 Tularemia

- Contractors clearing the pipeline right of way should be provided with insect repellent treated clothing;
- Waste management practices within camps should minimise the possibility of rodent access;
- Camp medics will need to be trained to recognise several vector borne diseases;
- Vaccination for at-risk groups.

Key Performance Indicators:

- Cases of tularaemia amongst the workforce.

13.1.6 Tick Borne Encephalitis and Lyme Diseases

- Clothing and work procedures that minimise the risk of tick bites will reduce the number of cases among the SEIC workforce;
- Medical and other staff will need training to recognise cases and to implement the appropriate management regimes;
- Russian law prescribes immunisation against TBE for those at risk;
- SEIC may need to commission an entomological review to determine if further management of this risk is required

Key Performance Indicators:

- Cases of TBE and Lyme Disease amongst the workforce.

13.1.7 Leptospirosis

- Procedures to minimise rodent activity in the camps will be required and pets will not be permitted in the camps.

Key Performance Indicators:

- Control the number of rodents in the camps to minimal levels.

13.2 IMPACTS ASSOCIATED WITH LIVING CONDITIONS

13.2.1 Food Contamination

- Develop and implement adequate, standardised food and drinking water hygiene practices for company and contractors;

- Assess and monitor food hygiene procedures and practices in the hotels and catering agencies used by company staff and contractors and upgrade as required.

Key Performance Indicators:

- Audit records of catering companies used by SEIC and contractors.
- Ensure compliance with permits.

13.2.2 Acute Intestinal Infections

- Treatment of all drinking water on SEIC sites;
- Food hygiene programmes at all SEIC locations;
- Risk based immunisation for hepatitis A (catering personnel).

Key performance Indicators:

- Audit outcome for catering.
- Water quality meets standards.
- Immunisation rates for catering staff.

13.2.3 Acute Respiratory Infections

- Support risk-based immunisation programme for influenza;
- Provision of good standard of accommodation.

13.2.4 Drug and Alcohol Use and Abuse

- Implement company alcohol and drugs policy for SEIC staff and contractors with focus on awareness and prevention;
- Support community alcohol and drug programmes, including support to NGO, to minimise harm;
- Assist and support the health community in improving alcohol and drugs leadership and programme management;
- Assist and support the health leadership in the community and individual behaviour change intervention programmes;
- Implement the company and contractor revised comprehensive alcohol and drugs policy with focus on awareness, prevention and control.

Key Performance indicators:

- Assess the monthly and annual alcohol and drug-related statistics compiled by existing Sakhalin Island programmes.
- Conformance with SEIC Drug and Alcohol Programme.

13.2.5 Air Emissions

The planned mitigation measures detailed in the EIA will ensure that air emissions remain well below WHO standards.

13.2.6 Waste Management and Sewerage

SEIC have prepared a comprehensive solid waste management plan as part of the environmental management plan. Consideration of medical contaminated waste, hazardous substance handling, radioactive waste and rodent management will be included in the plan;

On remote company sites, there will be tertiary treatment of sewage prior to discharge. Sites located within towns, like the Poronaisk IUP camp, will be connected to the town sewer system;

Hazardous waste will be stored in accordance with RF requirements or exported to an appropriate facility. Details of hazardous waste volumes are contained in the solid waste management plan.

Key Performance Indicators:

Achieving a target of zero on the percentage of water discharge samples which are above acceptable contamination limits at control point.

13.2.7 Hazardous Substances

SEIC minimum health standards require product stewardship of hazardous substances. This includes the cradle-to-grave management of these materials, starting with the selection of the substances based on the minimum effect on human and environmental health. All products must also be registered for use in Russia. Some carcinogenic materials, such as asbestos, have been excluded from use (apart from limited use in gaskets) in the Project Basis of Design.

13.2.8 Water Course Disturbance

Watercourse disturbance was identified as a major potential environmental impact. The pipeline route takes into account the effect on watercourses and water sources, sanitary protection zones and salmon spawning rivers. See Volume 1, Chapter 5 and Volume 4 of the EIA for further details.

13.2.9 Water Contamination

The potential for the contamination of domestic water supplies by sewerage and grey water will be managed by the collection of these contamination sources at camps, followed by treatment in purpose-built treatment facilities. Further details are included in the EIA for each asset.

13.2.10 Noise

Noise standards have been included in the design requirements for each of the facilities. The design will minimise the noise exposure for employees within the fence line. Environmental noise at the fence line is being modelled and will be included for the relevant assets in the EIA report.