



SAKHALIN ENERGY INVESTMENT COMPANY LTD.

PUBLIC CONSULTATION AND DISCLOSURE REPORT

**Issue 03
January 2011**

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1 INTRODUCTION

Sakhalin Energy Investment Company Ltd. (Sakhalin Energy) considers regular and meaningful engagement with the public and key stakeholders, as well as the public disclosure of relevant project information, to be important elements for the successful development of the Sakhalin-2 Project (the Project). To this end, since the Phase I component of the Sakhalin-2 Project began in 1992, the Company has actively sought to engage with stakeholders and provide information about its activities.

This document describes Sakhalin Energy's plans and programmes for public consultation and the disclosure of information undertaken by Sakhalin Energy as of 31 December 2010, and includes:

- Summary of consultation held in 2010;
- Summary of consultation held with different stakeholder categories;
- Summary feedback from consultation;
- Community Grievance Procedure Implementation;

There are two appendices to this document:

- Appendix 1 provides a summary of non-governmental and community organisations which have been involved to date;
- Appendix 2 lists the existing stakeholders in Japan, in particular, on the island of Hokkaido, which is situated in relatively close proximity to the southern end of Sakhalin Island.

Sakhalin Energy will update this Report on an annual basis.

2 CONSULTATION AND INFORMATION DISCLOSURE

2.1 CONSULTATION CARRIED OUT IN 2010, GENERAL INFORMATION

The types of consultation Sakhalin Energy has carried out in 2010 are presented in Table 1 below.

Table 1: Types of Consultation Carried out in 2010

TYPE	EXAMPLES
Public Consultations	<ul style="list-style-type: none"> - Public meetings in town halls, culture centres, libraries - Public hearings (arranged in compliance with RF legislation) - Dialogues with stakeholders within frame of Sustainable Development Report preparation
Group Meetings	<ul style="list-style-type: none"> - Focus group meetings (e.g., heads of enterprises, indigenous people, vulnerable groups) - Seminars (e.g., with school children, entrepreneurs) - Spontaneous group meetings (e.g., in a shop, school or in the street) often called group discussions
Individual Meetings	<ul style="list-style-type: none"> - Meetings with experts (e.g., administration, specialists from health, education, social or cultural departments, entrepreneurs, key figures in the community) - Interviews with local residents - Others

Table 4: Community Consultations in 2010

DATE	CONSULTATIONS	KEY PURPOSE	COMMUNITIES or No. MEETINGS	No. PEOPLE
January - December 2010	Consultations under SIMDP	Update on SIMDP implementation and others	23	197
Q1	Consultations with IP in Okha, Nekrasovka, Nogliki, Val, Chir-Unvd, Tymovskoe, Al-Sakhalinsky, Smirnykh, and Poronaisk	1 st round of consultations within SIMDP-2 development	9	298

DATE	CONSULTATIONS	KEY PURPOSE	COMMUNITIES or No. MEETINGS	No. PEOPLE
Q2	Second dialogue with stakeholders within frame of GRI report development, meeting in Yuzhno-Sakhalinsk	2009 Sustainable Development report preparation*	1	20
Q2	Consultations under SIMDP in Yuzhno-Sakhalinsk	1 st round of consultations within SIMDP-2 development	1	30
Q2	Public hearings in Nogliki	Public hearings on expansion of OPF Accommodation Facilities	1	11
Q2	Community public meetings in Nogliki, Tymovskoe, Al-Sakhalinsky, Smirnykh, Poronaisk, Makarov, Dolinsk, Aniva, Korsakov districts	Update on Sakhalin-2 project progress and most recent information about Project benefits, Project related local activities, social initiatives, SD/SI (Sustainable Development /Social Investment) projects, grievance procedure, employment opportunities and local business development	9	199
July – August	Public opinion survey	Assessment of public attitude towards the Project activities under social impact monitoring programme	23	800
Q3	Public hearings in Nogliki	Public hearings on Molikpaq platform modification	1	6
Q4	First round of a dialogue with stakeholders within frame of GRI report development, meeting in Yuzhno-Sakhalinsk	2010 GRI report development	1	20
Q4	Consultations with IP in Okha, Nekrasovka, Nogliki, Val, Chir-Unvd, Tymovskoe, Al-Sakhalinsky, Smirnykh, Poronaisk and Yuzhno-Sakhalinsk	2nd round of consultations within SIMDP-2 development	10	212

* In 2009 Sakhalin Energy joined the UN Global Compact and decided to follow the public non-financial reporting standard of the Global Reporting Initiative, GRI. Consultation summary under Sustainable Development Report preparation is described in section 2.2

DATE	CONSULTATIONS	KEY PURPOSE	COMMUNITIES or No. MEETINGS	No. PEOPLE
Q4	IP Conference in Yuzhno-Sakhalinsk	Discussion on further cooperation within frame of SIMDP-2	1	90
Q4	Community meeting with Val residents	Inform on GTT construction plans and potential impact mitigation measures, Grievance Procedure, No Hunting, Fishing and Gathering Policy	1	8
Q4	Community in Korsakov	Update on Sakhalin-2 project progress and most recent information about Project benefits, Project related local activities, social initiatives, SD/SI (Sustainable Development /Social Investment) projects, grievance procedure, employment opportunities and local business development	1	6
Total				1897

2.2 STAKEHOLDERS ENGAGEMENT WITHIN FRAME OF SUSTAINABLE DEVELOPMENT REPORT PREPARATION

In 2009 Sakhalin Energy joined the UN Global Compact and decided to follow the public non-financial reporting standard of the Global Reporting Initiative, GRI.

Sustainable Development Report covers the results of Sakhalin Energy activities, including environmental protection, personnel development, stakeholder engagement, social projects and other aspects. Sustainable Development Report is in public domain at the Company's official website, Sakhalin Energy Information Centers, located in the Sakhalin communities and is widely distributed among stakeholders listed in section 3.1.

As part of the reports preparations the Company commits to hold regular consultations with stakeholders so they can share their opinions on the Company's activity and make recommendations on further development of the Company's responsibility in production, environment and social areas.

Consultations are conducted in a form of dialogue twice a year. During the first round of a dialogue the Company presents information on Company's activity for the reporting period to stakeholders. Participants of the dialogue comment and discuss what additional information of wide audience interest might be included into the report, ask questions. During the second round of a dialogue the Company responds to the stakeholders' comments and questions received during the first round of a dialogue. Results of consultations are included into Sustainable Development Report of the corresponding reporting period.

In 2010 the Company conducted two rounds of dialogue:

- April 2010 – second round of dialogue within frame of 2009 Sustainable Development Report preparation, where the Company answered questions and comments received during the 1st round of dialogue (took place in November 2009). Summary of dialogues within frame of 2009 Sustainable Development Report is included into the Report (see the report at the company's website: http://www.sakhalinenergy.com/ru/library.asp?p=lib_social_shelf&l=lib_social_report_2009).
- November 2010 – first round of a dialogue within 2010 Sustainable Development Report preparation, where the Company presented to stakeholders information on Company's activity and achievements for the reporting period.

In September 2010 the Company conducted a public presentation of 2009 Sustainable Development Report in Moscow. Representatives of scientific and expert community, federal and regional authorities, business, indigenous people, NGOs and other society representatives and mass-media attended the presentation.

Successful public affirmation of the 2009 Sustainable Development Report conducted by Non Financial Reporting Council of Russian Union of Industrialists and Entrepreneurs (RSPP) became a major measure. As it underlined in the RSPP conclusion, the report "covers all key areas of responsible business practice in compliance with the principles of Russian Business Social Charter and with sufficient completeness of information on the Company's activity in these areas." RSPP Conclusion and Certificate are available at the company's website (http://www.sakhalinenergy.com/ru/library.asp?p=lib_social_shelf&l=lib_social_report_2009).

2.3 CONSULTATION AND INFORMATION DISCLOSURE IN PROJECT AFFECTED COMMUNITIES

Sakhalin Energy endeavoured to ensure that the people and groups it consulted with were representative and inclusive of vulnerable groups such as the elderly; local traditions are respected in discussions and decision-making; and that face-to-face meetings arranged are varied and create conditions that encourage diverse participation.

Sakhalin Energy undertook a public meetings programme in key project-affected communities in 2010.

The date, time and venue for the public meetings were announced in key Sakhalin newspapers (as listed in Table 9) three weeks prior to any public meeting. Key stakeholders with whom the Company has frequently engaged were informed of the meetings by e-mail or in writing.

2.3.1 Consultations and Information Disclosure in Regard with Construction and Operations of Gas Transfer Terminals (GTT)

In August –October 2010 the Company conducted social impact assessment in regard with construction and operations of GTTs in the South and North of the island. The consultations conducted with potentially affected groups as follows:

Northern GTT:

- reindeer herders' representatives in Val- to specify and detailize information on potential impact to reindeer herders;
- reindeer herders (10 people) at encampment in the Nutovo river area – 2010-2011 migration paths were mapped ;
- Opinion survey of Val residents (10 people);
- Public meeting with Val residents (3 November 2010, 8 people) – to inform on the construction activity, identify concerns and etc.

Southern GTT:

- Head of Lugovoye Territory Management Department ;
- Head of Novo-Aleksandrovka (Novaya Derevnnya) Territory Management Department;
- Lugovoye Library Director and residents.

During consultations all participants were informed on construction plans, potential impact mitigation measures, Public Grievance Procedure, No Hunting, Fishing, Gathering policy.

Social Impact Assessment Report for the GTTs construction is available at the Company website (www.sakhalinenergy.ru, www.sakhalinenergy.com).

2.3.2 Consultations and Information Disclosure with Residents in the Vicinity of LNG/TLU Accommodation Facilities

In 2010 the Company specialists hold meetings with Korsakov residents living in the street located in close proximity to LNG/TLU Accommodation Facilities under Social Impact Monitoring Programme in order to identify potential concerns, resolved grievances monitoring and inform on project implementation status.

2.3.3 CLO Activities in Communities

During 2010 Sakhalin Energy carried out regular consultation with affected communities using dedicated Community Liaison Officers (CLOs).

Community Liaison Officers hold “open hours” in dedicated offices in 3 districts of Sakhalin Island where residents can ask questions, discuss issues of concern or lodge grievances. In the communities without dedicated offices CLOs hold “open hours” in the Company Information Centers. Information about date, time and place was announced in advance on the Sakhalin Energy bulletin boards and website.

Sakhalin Energy has developed a Grievance Procedure to ensure that grievances are resolved as efficiently as possible. The steps that should be undertaken to lodge a grievance were available in CLO offices, in the libraries listed in Appendix 2, and on the Sakhalin Energy website. As well CLOs have been trained to record grievances.

CLOs met with key community members (authorities, social institutes, employment Centres, etc) regularly. CLOs also made frequent visits to project-affected communities on Sakhalin Island to ensure that communities without a CLO office have regular access to a representative of the company to discuss any project-related issues. These visits were announced in advance in those communities.

Company Information’s centres have been opened in 23 communities. With this project Sakhalin Energy established an effective system of receiving feedback from communities residing in close vicinity to Sakhalin-2 assets, the direct involvement of settlements libraries helped to develop and introduce more effective tools of communication with communities, located in the vicinity of Sakhalin-2 project assets.

2.3.4 Other Methods of Communication with Affected Communities

Sakhalin Energy provided regular information about the project in advertisements, question and answer sessions and in local media (newspapers are listed in Section 2.7) and on its public website in Russian and English: www.sakhalinenergy.ru (Russian) and www.sakhalinenergy.com (English).

In hard copies the following material was distributed:

- Corporate newspaper *Vesti*;
- Annual reports (2009 Annual Review and 2009 Sustainable Development Report);
- Lenders and Lenders’ Independent Consultant HSESAP Implementation Reports;
- Grievance Procedure Leaflets and Booklets;
- Other specific environmental and social aspects reports and materials.

In 2010 Sakhalin Energy continued to operate special free hotlines:

- For telephone queries and complaints from communities within Sakhalin Island - number is 8 4242 662400 (dial from Sakhalin Island).
- Safety issues - number is 8 4242 662500 (dial from Sakhalin Island).

2.3.5 Consultations and Information Disclosure with Dachas at Prigorodnoye in 2010

The size of the sanitary protection zone (SPZ) around the Prigorodnoye LNG plant/OET has been determined as an approximate radius of 1km from the emission sources. There are no communities within this location; however, approximately 40 dachas lie in close proximity to the

edge of the SPZ¹. These are generally seasonally (summer) occupied residences. The Prigorodnoye dacha residents, closest to the SPZ edge, belong to the dacha community 'Stroitel' (over 1 km west of the LNG/OET site).

Throughout 2010 Sakhalin Energy continued engagement with dacha community and addressed all concerns, queries or questions by the dacha owners in the face-to-face meetings and consultations with the community leadership. In addition Sakhalin Energy continued maintaining Quality of Life monitoring as required under the HSESAP with air quality monitoring being a major part of it. The results have been reported to the dacha owners and no questions or comments have been received from them.

- Visits to dacha sites during the dacha season;
- CLO open hours three times a week all year round;
- Individual meetings with dacha community members as requested;
- Dacha community is always invited to public meetings held in Korsakov two times a year;
- The Company regularly informs representatives of the cooperative regarding the status of works at Prigorodnoye production complex;
- Air and noise monitoring during dacha season performed jointly with dacha owners (in their presence);
- Special invitations for company dialogs with stakeholders when preparing GRI report (questions and concerns the chairman of Stroitel cooperative as well as Sakhalin Energy's answers were also included into the Sustainable Development Report for 2009).

2.4 INDIGENOUS STAKEHOLDERS

2.4.1 Sakhalin Indigenous Minorities Development Plan (SIMDP) Consultations

The Company has undertaken regular engagement with indigenous people in the north east of Sakhalin Island. The consultation activities undertaken and supplemental assistance provided are detailed in the Sakhalin Indigenous Minorities Development Plan (SIMDP).

Consultations with the indigenous people held in 2010 were focused on the implementation of the SIMDP, i.e. updating/explaining its status, the process, gathering concerns and ideas for potential projects, reminding on the Grievance Procedure and the way it works.

The distinctive feature of 2010 is the wide –range consultations with indigenous people and other groups of stakeholders within frame of development of SIMDP-2 for 2011 -2015. (See section 2.4.2).

Table 3: Focused consultations with indigenous communities in 2010

DATE	CONSULTATIONS	KEY PURPOSE	No. COMMUNITIES/ MEETINGS	No. PEOPLE
January - December	Consultations during implementation of the SIMDP	Update on SIMDP implementation, Public Grievance Procedure	23	197
February-April	Consultations in Okha, Nekrasovka, Nogliki, Val, Chir-Unvd Tymovsk, Alexandrovsk-Sakhalinski,	First round of consultations within SIMDP-2 development	10	298

1 An SPZ is a designated area around an industrial facility separating it from any nearby residential areas, established to protect local residents from any negative effects of industrial activities.

DATE	CONSULTATIONS	KEY PURPOSE	No. COMMUNITIES/ MEETINGS	No. PEOPLE
	Smirnykh and Poronaisk			
October	Consultations in Okha, Nekrasovka, Nogliki, Val, Chir-Unvd Tymovsk, Alexandrovsk-Sakhalinski, Smirnykh and Poronaisk	Second round of consultations within SIMDP-2 development	10	212

In 2010 in addition to regular consultations the other ways of information disclosure were used to inform indigenous people on SIMDP and other the project and IP related aspects. The dedicated SIMDP website was developed and launched (www.simdp.ru). It contains information on SIMDP implementation as well as on status of SIMDP-2 development.

As in previous years, information on SIMDP content and implementation was widely distributed in the IP communities, including SIMDP implementation, financial reports and external monitoring reports.

2.4.2 Second Sakhalin Indigenous Minorities Development Plan (SIMDP-2) Consultations

SIMDP 2 was developed with a “free prior and informed consent” (FPIC) of the indigenous people, as this principle was set forth in the United Nations Declaration on the Rights of Indigenous Peoples (2007). What makes SIMDP-2 really unique is that for the first time ever an industrial company used the FPIC principle in its engagement with local community.

Besides establishment of working group, composed of majority of IP representatives, two rounds of wide and open consultations were conducted in IP communities to ensure indigenous people active involvement and their opinions are taken into account. Consultations took place in 10 Sakhalin communities. Over 500 IP representatives participated in consultations.

First round of consultations took place in February-April 2010 to collect opinions and suggestions, to define priorities of SIMDP programs and management structure. During spring consultations wide range of stakeholders groups of 10 IP communities were consulted: community residents, representatives of NGOs, tribal enterprises, local authorities. Over 300 people participated in consultations.

Table 4: 1st Round of consultations with indigenous communities within frame of SIMDP-2 development

Data	Location	No. Participants			
		Total	Administration	IP Council	Residents
25.02.10	Poronaisk	53	4	4	45
26.02.10	Smirnykh	1	1	-	-
26.02.10	Alexandrovsk-Sakhalinski	6	6	-	-
27.02.10	Chir-Unvd	31	1	-	30
27.02.10	Tymovskoye	7	1		6
01.03.10	Nogliki	68	11	3	54

Data	Location	No. Participants			
		Total	Administration	IP Council	Residents
02.03.10	Val	28	3	-	25
02.03.10	Okha	17	1	3	13
03.03.10	Nekrasovka	57	8	4	45
07.04.10	Yuzhno-Sakhalinsk	30	12	4	14
TOTAL		298	48	18	232

In October the second round of consultations that included the presentation and discussion of Working Group proposals regarding the Plan objectives, components and governing structure developed on the basis of the feedback received during the first round of consultations, and discussion of the components for the Mitigation Matrix, as well as Grievance Procedure for SIMDP related grievances, held.

Table 5: 2nd Round of consultations with indigenous communities within frame of SIMDP-2 development

Data	Location ^{*i}	No. Participants			
		Total	Administration	IP Council	Residents
08.10.10	Alexandrovsk-Sakhalinski	8	7	1	-
08.10.10	Tymovskoye	3	3	-	-
08.10.10	Chir-Unvd	26	1	4	21
11.10.10	Nogliki	41	8	3	30
12.10.10	Val	12	1	-	11
13.10.10	Nekrasovka	16	1	-	15
13.10.10	Okha	15	6	1	8
15.10.10	Smirnykh	10	4	-	6
15.10.10	Poronaisk	50	6	4	40
20.10.10	Yuzhno-Sakhalinsk	31	10	3	18
TOTAL		212	47	16	149

*In Viakhtu and Trambaus consultations were not held due to lack of access (broken bridges)

In order to raise public awareness four Information Updates on SIMDP- 2 development process were prepared and widely distributed among stakeholders in hard and electronic copies, as well as placed on the SIMDP website. Initiative received positive feedback from stakeholders.

At the beginning of November finalised draft of SIMDP-2 was distributed among communities and stakeholders for public discussion/comments.

On November 17th, the special conference Prospects for Further Cooperation under the Second Sakhalin Indigenous Minorities Development Plan (SIMDP-2) was held in Yuzhno-Sakhalinsk with participation of IP representatives from all IP communities (about 90 people). The purpose of the conference was to discuss the Draft of SIMDP-2, public comments to it and readiness for implementation of the Plan. The participants gave IP public acceptance for SIMDP-2 implementation and signing a tripartite partnership agreement on the Plan.

On 14 December, 2010 in Moscow Sakhalin Energy, the Regional Council of Authorised Representatives of Indigenous Minorities of the North of Sakhalin and the Government of the Sakhalin region signed an agreement on the second Sakhalin Indigenous Minorities Development Plan (SIMDP- 2) to be implemented in 2011-2015.

2.4.3 Consultations with the reindeer herders

In 2010 regular meetings were held with the reindeer herders and their representatives leaving in Val to update on the implementation of the SIMDP, i.e. updating/explaining its status, the process, gathering concerns and ideas for potential projects, reminding on the Grievance Procedure and the way it works.

In addition three dedicated meetings with reindeer herders and their representatives were held as follows:

- July - meeting with an independent auditor under external RAP monitoring in Piltun Bay summer camp. The compensations and supplementary assistance under RAP were discussed;
- August – meeting with reindeer herders representatives in Val to clarify and specify information on potential impact on reindeer herders;
- October - meeting at encampment in the Nutovo river area within frame of social impact assessment in regard with to construction and operations of GTT to specify and detalize information on potential impact to reindeer herders.

2.5 CONSULTATIONS AND DISCLOSURE IN OTHER SAKHALIN COMMUNITIES

In 2009 Sakhalin Energy conducted consultation in 9 of 15 Sakhalin Island’s district centres as well as other towns, villages and settlements. Community Liaison Officers hold regular meetings in all of these places, which are announced in advance in those communities.

Sakhalin residents could consult the two main Sakhalin Island newspapers for details of project news. These were: Gubernskiy Vedomosti and Sovetsky Sakhalin.

In addition, project news and information relevant to specific communities were published as required in the following 11 district newspapers:

Table 6: District Newspapers are used for Project News and information Distribution

DISTRICT	NEWSPAPER(S)
Aniva	Utro Rodiny
Dolinsk	Dolinskaya Pravda
Kholmsk	Kholmskaya Panorama
Korsakov	Voskhod
Makarov	Novaya Gazeta
Nogliki	Znamya Truda

DISTRICT	NEWSPAPER(S)
Tymovsk	Tymovsky Vestnik
Poronaisk	Express, Zvezda
Smirnykh	Novaya Zhizn
Okha	Sakhalinsky Neftyanik

2.6 ENGAGEMENT WITH COMMUNITY AND OTHER NON-GOVERNMENTAL ORGANISATIONS

The Annual Reports, fact lists and other publications that may be of interest were provided during the course of the year.

During 2010 the Company continued its regular engagement with community and non-governmental organisations as follows:

- Meetings with Sakhalin based, national and international NGOs within the frame of Sustainable Development Report (SDR) preparation (twice a year);
- Cooperation with the Western Gray Whale Advisory Panel as part of the work on elaboration of optimal solutions for minimising the impact upon gray whales. In 2010, two WGWAP meetings were held (April and December), at which Company representatives met with WGWAP researches, representatives from the World Wildlife Fund, Pacific Centre for Environment and Natural Resources, International Fund for Animal Welfare;
- Cooperation with the Wild Salmon Centre and associated Sakhalin Salmon Initiative within the framework of similarly-named programme;
- Cooperation with social oriented NGOs within the frame of SD/SI Company's programs.

Table 7 reflects the number of meetings held with organisations that have been consulted with, either as groups or separately in 2010.

Table 7: Meetings with Community and Other Non-governmental Organisations

Location	No.
Local (includes formal Indigenous organisations)	20
Regional	4
National	4
Japan	6
Other International	5

2.7 JAPANESE STAKEHOLDER ENGAGEMENT

2.7.1 Introduction

Representatives of Sakhalin Energy were in contact with specialists in trans-boundary issues, such as oil spill response (OSR), Steller's sea eagle (SSE) and biodiversity, and have attended a number of conferences and technical meetings in 2010.

2.7.2 Materials available in Japanese

On topics that are of a relevant transboundary nature, Sakhalin Energy translates key public domain information into Japanese. Principally this includes information about trans-boundary environmental and social issues. The following materials have already been made available in Japanese:

- Overview of the ESHIA;
- Sections of the Environmental Impact Assessment Addendum that have relevance in a transboundary context:
 - Executive summary,
 - Oil spill response,
 - Baseline Stellar Sea Eagle,
 - Marine mammals (other than Western Gray Whale),
 - Marine and coastal commercial fisheries,
 - Dredging and disposal in Aniva Bay,
 - Material project changes since the 2003 EIA,
 - Red data book and migratory birds,
 - Vancouver WGW workshop report,
 - Summary of the comparative environmental appraisal of the offshore Piltun pipeline routes.
- Tables from Health, Safety, Environment and Social Action Plan (HSESAP) 2005 that have relevance in a transboundary context:
 - Part 1. Overview of HSE and social management framework,
 - Table 2.1. Hydrocarbon spill prevention, preparedness and response,
 - Table 2.3. Onshore biodiversity,
 - Table 2.4. Offshore biodiversity;
- Phase 1 Oil Spill Response summary;
- The Corporate Oil Spill Response Plan for Phase 2;
- The Offshore Prigorodnoye Oil Spill Response Handbook;
- Chapter 6.6 of the PCDP; and
- Minutes of stakeholder meetings in Sapporo and Tokyo.

2.7.3 Public consultation activities in Japan

During 2010 the Company has undertaken a number of consultation and engagement activities in Japan. This programme has been developed with feedback from stakeholders, including the participants at several meetings in Japan, which the Company have attended and/or initiated.

Key stakeholder activities in 2010:

- 23 February – 25th International Symposium on Okhotsk Sea & Sea Ice, Oil spill response workshop at Monbetsu city;
- 29 May – meeting with Japanese Coast Guards
- 3 June – meetings with Hokkaido Government and Hokkaido Fishery Association

- 16 July – Rebus island forum for Sakhalin oil spill response (This year’s 2nd meeting between OEPN and Sakhalin Energy)
- 4 September – joint Japanese-Russian OSR exercise,
- 4 September - 6th round of stakeholders meeting for safety & disaster prevention on tanker voyages for Sakhalin project hosted by Japanese Coast Guard
- 5 September - Sakhalin Project Forum
- 14 October – meeting with Hokkaido Fisheries Association and OENP in Yuzhno-Sakhalinsk.

During the above mentioned meetings the Company representatives informed on Sakhalin-2 Project implementation status, OSR readiness. The Sakhalin Energy specialists from HSE, EA and Marine Departments participated in the meetings.

A review of the engagement activities in Japan has been undertaken at the end of Quarter 4 2010 to determine the 2011 programme in consultation with JBIC.

2.8 MEDIA AND OTHER INTEREST GROUPS

Sakhalin Energy’s External Affairs department in both Moscow and Yuzhno-Sakhalinsk communicated regularly with representatives of the mass media as well as other interest groups such as educational and research institutions.

Formal meetings, such as press conferences and discussion were held regularly. There was also informal interaction with representatives of these groups.

Media were informed in advance of press conferences and other meetings by telephone, fax or email as appropriate.

In 2010 four media briefings were held in Yuzhno. Media representatives of the Island’s and national media were invited to attend.

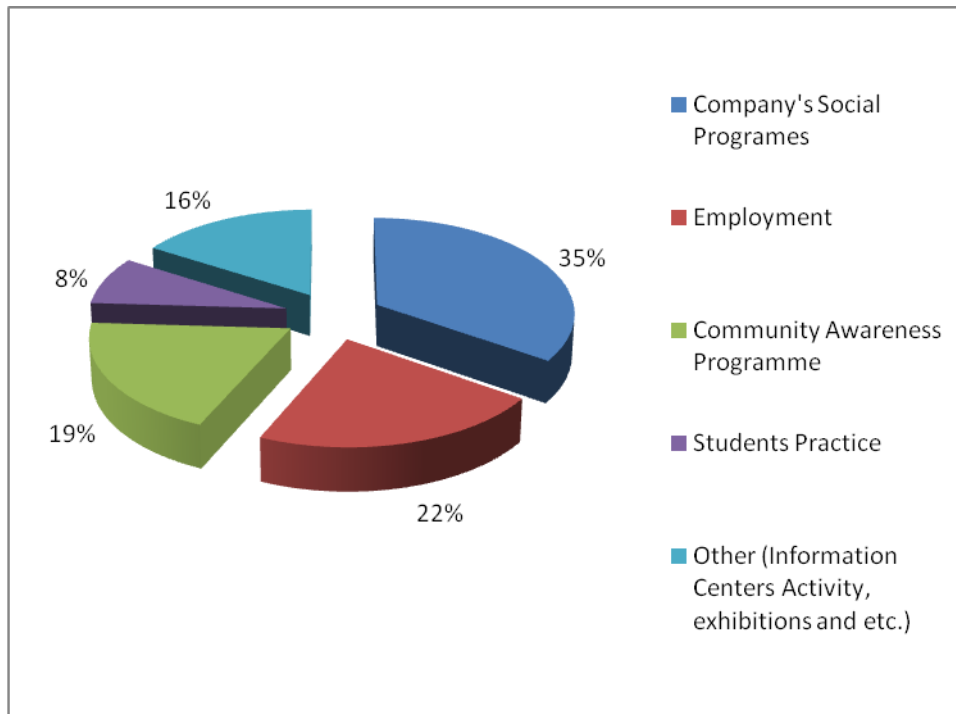
Table 10. Multi-media activity

Format	Frequency	Language
Media briefings for Sakhalin journalists	4	Russian/English
TV programme ‘Energy’	50	Russian
Monthly community project update	Monthly	Russian
‘At a Glance’ page in the internet site	Regularly	Russian/English
“Vesti” newspaper	Monthly	Russian

3 FEEDBACK FROM CONSULTATION

Sakhalin Energy has relied heavily on feedback received from stakeholders in developing the consultation programmes.

The main questions that have been asked during consultations (CLO open hours, public meetings and Sakhalin Energy Information Centers) are shown at the diagram below. Majority of people queries (35%) expressed their interest in the Company's Social Investment Programs. Sakhalin Energy has devoted considerable time and resources to answering these questions.



In addition the summaries of stakeholders dialogues within 2009 Sustainable Development Report preparation included into the Report, Appendix 2 (see the report at the company's website

http://www.sakhalinenergy.com/ru/library.asp?p=lib_social_shelf&l=lib_social_report_2009).

4 COMMUNITY GRIEVANCE PROCEDURE

In 2009 Sakhalin Energy became one of 5 world companies selected to test so called Ruggie Principles, which were developed by Professor John Ruggie under the mandate of Special Representative of the UN Secretary General on the issue of human rights and transnational corporations and other business enterprises. These principles are intended to be a practical guide to business community on how to create effective tools of handling grievances.

In 2010 the Ruggie's representatives visited Sakhalin to get acquainted with the Sakhalin Energy Community Grievance Procedure. They highly appreciated the procedure itself and its implementation.

In March 2010 the Company representatives presented the Community Grievance Procedure to the participants of UN International Forum: Business and human rights. Protect, Respect, and Remedy (in Moscow).

In October 2010 Sakhalin Energy participated in consultations with business within the frame of the mandate of Special Representative of the UN in Paris. In December 2010 Harvard University and Special Representative of UN hold the seminar for participants of Ruggie Principles testing project. Sakhalin Energy practices in Community Grievance Procedure implementation received high recognition.

4.1 REPORTING GRIEVANCES

On regular basis the Company distributes a community grievance leaflet, which advises those with a grievance on how they can lodge a grievance relating to Sakhalin-2 Project activities. The community grievance leaflet is distributed in the project affected communities and among the contractors/subcontractors employees.

In 2010 the Company run a regular campaign on advertising of the Grievance Procedure aimed at distributing information on the Grievance Procedure among communities and contractors/subcontractors employees. These included:

- Leaflet and posters (in all Project affected communities and locations, including offices, camps);
- Districts newspaper announcements;
- A dedicated slide in every community presentation;
- Meeting with contractors to introduce Community Grievance Procedure, including contractors new to the Sakhalin-2 project (GTTs construction contractors)
- Meetings with local authorities of the territories adjacent to the GTTs constructions.

4.2 GRIEVANCE ADDRESSING IN 2010

In 2010 the Company received 22 grievances, 19% less than in previous year which is due to considerable reduction in Sakhalin-2 project construction works and related temporary community inconveniences and also timely identification of potential issues of concern and their effective resolution. Among grievances received in 2010, 50% were raised in connection with the Project related impact on local communities; 27% - labour issues (contractor organisations); other grievances – SIMDP implementation -23% (see Table below).

Table 9: Grievances lodged in 2010

Grievance Category	Number of grievances lodged	%
Community impact	11	50
Labour relations	6	27
Others (SIMDP implementation)	5	23
Total	22	100

As of the end of 2010 18 grievances were addressed. Of them 11 grievances (or 61%) were resolved within the time period stipulated in Community Grievance Procedure (less than 45 working days), and even more, 6 grievances were addressed within 20 working days. Regarding status of other 7 grievances as of the end of 2010:

- Investigation was conducted, all circumstances were clarified, final decision was made in favour of complainants and concerted actions act was signed. Tender in progress ;
- 3 grievances: appropriate measures were taken, current in process of agreement on compensation measures with complainants;
- Appropriate measures were taken to investigate and clarify all circumstances and response is being prepared.

15 grievances were resolved with Statements of satisfaction signed by complainants. As for 3 grievances all practical measures were taken however either a complainant did not express his/her opinion regarding them or grievances were anonymous. In addition, all grievances related to the resettlement were reviewed by the RAP² independent specialist during RAP third party monitoring. The independent specialist expressed her satisfaction with the grievance resolution process that had been implemented (relevant reports are available on Sakhalin Energy public web-site).

4.3 GRIEVANCE PROCEDURE WITHIN THE FRAME OF SAKHALIN INDIGENOUS MINORITIES DEVELOPMENT PLAN

In 2010 the IP Grievance Procedure within the frame of SIMDP-2 preparation was developed and approved for use. Initially workflow and principles of handling grievances were discussed and agreed with the Working Group of SIMDP-2 preparation, and then the draft procedure was disclosed to the community to discuss and comment.

IP Grievance Procedure is one of the SIMDP-2 components and is included into the document body.

² Resettlement Action Plan

APPENDIX 1 COMMUNITIES, NGOS AND OTHER STAKEHOLDERS AS OF 2010

Local & RFE	National	Regional	International
<ul style="list-style-type: none"> • Sakhalin Environment Watch • Sakhalin Fishing Associations and co-operatives • Russian Geographical Society • Marine Rescue Centre • Rodnik Environmental Centre • Green Island School • Poronaysk Eco-Centre • Pokrovskaya School • Young Talents of Sakhalin • Sakhalin State University • Institute of Advanced Teachers Training • Russian Association of Family Planning • AntiAIDS Foundation • Sakhalin Regional Anti-AIDS Centre • Sakhalin Branch of Russian Journalists Association • Association of Russian Far East Fisherman • Podrostok • NGO Chance • Yuzhno Rotary Club • Korsakov Rotary Club • Sakhalin Community • Garmoniya 	<ul style="list-style-type: none"> • WWF – Russia • IFAW-Russia • Greenpeace – Russia • IUCN - Russia • RAIPON • Russian network of UN Global Compact • RSPP 	<ul style="list-style-type: none"> • Consulate General, Japan – Yuzhno • Hokkaido Government • Wakkanai Municipal Government • Abashiri Municipal Government • Monbetsu Municipal Government • Rumoi Municipal Government • Governmental Fishing Agencies • Hokkaido Bureau of Economy, Trade and Industry • Hokkaido Regional Assembly • Tourism Authorities • Japan Coast Guard – Tokyo and Regional Headquarters • Hokkaido Fishing Associations • Hokkaido regional fishing cooperatives in Wakkanai, Sarufutsu, Esashi, Abashiri, Kitarumoi, Otaru, Tokoro, Yuubetsu, Oumu, Ishikari • Japan Environment Disaster Information Centre 	<ul style="list-style-type: none"> • WWF International • IFAW • IUCN • Pacific Environment • Greenpeace Netherlands • Wild Salmon Centre • Living Earth Foundation • UN Global Compact • UN Development Program

Local & RFE	National	Regional	International
<ul style="list-style-type: none"> • Sakhalin Culture Fund • Arts Development Fund • Disabled Children's Organisation • Association of Indigenous People • Regional Council of Sakhalin IP Representatives • Traditional Culture Conservation and Development Center Kykh-Kykh • Northern Nations Public Organisation • Poronaysk Lyceum of Traditional Industries of the People of the North • Museum of Local History in Nogliki and Tymovsk • Military Veterans Organisation • Korsakov Business Association • Knowledge is Power • Commercial fishery associations • Sakhalin Salmon Initiative • NGO Kidsave • NGO Boomerang • NGO Pilgrim 		<ul style="list-style-type: none"> • Hokkaido University • Ship & Ocean Foundation • Friends of Earth Japan • IFAW – Japan • WWF Japan • Wildlife Preservation Bureau of Hokkaido • Etopilika • Hokkaido Raptores Research • Wild Bird Society of Japan • Yamashina Institute for Ornithology 	

APPENDIX 2 LIST OF EXISTING JAPANESE STAKEHOLDERS ON SAKHALIN ENERGY DATABASE AS OF 2010

Japanese stakeholders	Japanese stakeholders
<ul style="list-style-type: none"> • Consulate General – Yuzhno • Hokkaido Government • Wakkanai Municipal Government • Abashiri Municipal Government • Monbetsu Municipal Government • Rumoi Rumoi Municipal Government • Governmental Fishing Agencies • Hokkaido Bureau of Economy, Trade and Industry • Hokkaido Regional Assembly • Tourism Authorities • Hokkaido Fishing Associations • Hokkaido regional fishing cooperatives in Wakkanai, Sarufutsu, Esashi, Abashiri, Kitarumoi, Otaru, Tokoro, Yuubetsu, Oumu, Ishikari 	<ul style="list-style-type: none"> • Japan Coast Guard – Tokyo and Regional Headquarters • Japan Environment Disaster Information Centre, Hokkaido University • Ship & Ocean Foundation • Friends of Earth Japan • IFAW – Japan • WWFJapan • Wildlife Preservation Bureau of Hokkaido • Etopilika • Hokkaido Raptors Research • Wild Bird Society of Japan • Yamashina Institute for Ornithology