



## Social Performance Monitoring

### Goal and Objectives

The social performance monitoring is implemented as part of Project's Social Performance Management System (SP-MS) aimed to minimise adverse social impacts of the Project and to maximise its benefits to the inhabitants of Sakhalin Island and other key stakeholders.

The primary goal of social performance monitoring is to track and evaluate the project's progress in realisation of measures specified in the HSESAP ([HSESAP Commitments to Company Standards<sup>1</sup>](#)), with the ultimate aim of measuring the performance and effectiveness of the project's social management system and to monitor compliance against Company social commitments that are outlined in the HSESAP. Much of the work is focused on communities in the Sakhalin Oblast most likely to be subjected to impact as a result of the Project (e.g., those communities where Project's permanent facilities are located).

The matters associated with monitoring of the status of vulnerable individuals/groups affected by the Project, such as Sakhalin indigenous peoples, affected land users, etc. are covered by other respective Sakhalin Energy social documents. These are primarily: Sakhalin Indigenous Minorities Development Plan (SIMDP), Community Grievance Procedure (GP), and Resettlement Action Plan (RAP).

Monitoring of social parameters and the effectiveness of mitigation measures are required to achieve the Sakhalin Energy's social performance objectives, including HSESAP requirements. In addition to building and maintaining good relations between the Sakhalin Energy/Contractors and local communities, the two main objectives of the monitoring initiatives are to:

- Track whether actual social impacts triggered by the project deviate from those predicted during SIA, and if so to recommend a means for corrective action; and
- Assess the ongoing progress and performance of mitigation and development actions being undertaken by the Project to ensure programme objectives are being met and to allow for midcourse adjustments where necessary.

The two main objectives are attained through fulfilment of the following social monitoring tasks:

- Monitor mitigation measures, to ensure they meet the expected Sakhalin Energy social standards and ensure SP standards and commitments are delivered;
- Obtain continuous feedback, including concerns about the implementation of certain Project activities and their impact on communities. The most effective means and methods of communication will be applied;
- Determine potential and real successes and problems as early as possible, promptly develop and implement appropriate response actions and provide continuous follow-up to ensure their efficacy;
- Determine whenever appropriate whether social change is a result of the project activity or a result of other activities or natural variation;
- Reveal changes in local attitudes towards the Sakhalin-2 Project and Sakhalin Energy;
- Determine locally preferred forms of obtaining information about the Sakhalin-2 Project and the ways to communicate concerns arising in the communities to the Project; and
- Monitor whether procedures/plans, for example SIMDP, community grievances addressing are working effectively.

On-going community engagement practices are aimed at capturing communities' perceptions of the Project. Adequately responding to those will help the Project to achieve the goal, objectives and tasks set in the social monitoring requirements. The social monitoring enables adjustment and update of Project's social mitigation and enhancement measures and, ultimately, improves the maintenance of its SP-MS.

<sup>1</sup> Underlined items in this document refer to Sakhalin Energy Controlled Documents.

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**Responsibilities**

The overall responsibility for social performance monitoring is with the Sakhalin Energy Head of Social Performance. Implementation will require a combination of teams and functions, primarily Sakhalin Energy Social Performance Team Group (SPT), and Community Liaison Officers (CLOs).

The Sakhalin Energy Social Assessment Group (SAG) (within the Social Performance Team) has monitoring responsibilities primarily regarding overall social monitoring programme and its effectiveness.

CLOs will have the principal responsibility of observing day-to-day Project entities' activities and ensuring social implications of those activities are reflected in corresponding reporting forms.

CLOs have complete access to all facilities and land related to the Project. The major facilities to be included in this effort are:

- The entire easement for the pipelines Right-of-Way (ROW);
- Onshore Processing Facility;
- Project camps;
- Booster stations;
- LNG Plant and Oil Export Terminal;
- Any other facility, which is a part of the Project; and
- Other facilities, which are not Sakhalin Energy assets but are the key components of the Project.

In addition some key components of social performance are subject to external review (e.g. SIMDP, RAP, Community Grievance Procedure and Social Investment).

**Process**

There are three elements of the Project social monitoring process carried out by the Sakhalin Energy:

- Ongoing community liaison and oversight activities - to engage with local stakeholders and track key community social impact issues (led by CLOs);
- Social compliance monitoring and reporting - to track information on social performance processes, compliance with the HSESAP social commitments (led by SPT); and
- Social impact monitoring - with a focus on assessing social impacts. This includes regular community surveys, interviews and consultations with Project's stakeholders as required, to maintain up-to-date view of external stakeholder opinions and issues (led by SPT).

In addition, independent third party reviews will be conducted, which is in line with the international best practices and provides an external insight, challenge and assessment of the Project's social performance. The responsibilities of the external independent experts are set out in corresponding Sakhalin Energy documents (RAP, SIMDP, etc.).

The results of social monitoring will be evaluated and documented. Monitoring results will be reported to the senior Sakhalin Energy management. Besides, the monitoring results will be reported to the Lenders and IEC as stipulated in the Specification of HSE and SP Reporting to Lenders. Some of the social monitoring results will be made public (see provisions in the table below).

The Social Compliance Monitoring Handbook, checklists and questionnaires are designed to guide in ensuring that all social commitments are being met by Project entities. A clear non-compliance with social commitments shall be documented, reported, addressed and followed-up.

Social areas to be monitored, monitoring frequency, responsible action parties and means of verification are listed in the Table below.

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## Performance Indicators

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

- Public consultation and disclosure;
- Grievance addressing;
- Russian content and employment
- Community impacts;
- Indigenous Peoples (IPs);
- Resettlement management; and
- Social Investment Strategy.

Requirements for each above listed area are considered in the relevant specification that listed in HSESAP Commitments to Company Standards.

Two types of social indicators have been defined for each of the core social performance areas (see Appendix to this Specification):

- Key performance indicators (KPI), for example the grievances resolution.
- Process indicators related to the implementation of social performance processes and activities, for example grievances logged by categories.

## Definition of locations for social impact management

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

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

- Communities close to existing/proposed Project sites (e.g., permanent fixed facilities, their SPZ and RoW, temporary installations used for Project's operation),
- Communities in Sakhalin Island that may experience indirect and secondary effects of the Project (in case there is an indication of such an impact through the Sakhalin Energy grievance process, Sakhalin Energy incident reporting system, etc.),
- District centres in the districts where the Project's footprint is present.

Specific community lists have been developed for the IP monitoring programme and Compensation/ Resettlement/ Supplemental Assistance Monitoring Programme. The first one is part of the SIMDP and the second one – of the RAP.

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# SOCIAL PERFORMANCE MANAGEMENT STANDARD

Mandatory

## Social Performance Monitoring Specification

### Social Performance Monitoring: Areas, Frequency, Responsibilities and Verification

Area	Verification Process	Frequency	Responsible Party	Means of Reporting
Community liaison and oversight activities	Regular CLOs liaison with communities (see Section above for the definition of locations) and contractors (if any)	CLO will conduct bimonthly community visits	CLOs as described in the PCDP	Weekly written reports by CLOs
	Indigenous Peoples CLO liaison with indigenous people of Nogliki district and addressing IP-related issues in these communities	IP CLO will conduct monthly community visits	IP CLO, as described in the SIMDP, and PCDP	Monthly written reports by IP CLO
	CLO site visits (see Section above for the definition of locations) as required and appropriate	As required and appropriate	CLOs	Weekly written reports by CLOs
Social compliance	Internal social compliance review against HSESAP social requirements	Annually	SAG	Annually internal written report by SAG. Company will provide the Phase 2 Senior Lenders with copies of the Company's annual public report on HSE and social matters. Company will provide quarterly report (incidents and breaches) and half-yearly and annual reports (compliance and performance), in accordance with the specification HSE and Social Performance Reporting to Lenders.
	Social Compliance Monitoring Handbook	Half-yearly	SAG	Bi-annually internal written reports by SAG As above two last points
Social impact monitoring	Monitoring of public perceptions and attitudes in the Project area	Annual community opinion surveys during the first three years of the Operations and then as requested	Independent contractor with relevant track record and experience chosen according to the Company's procedures	Internal public opinion surveys report

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# SOCIAL PERFORMANCE MANAGEMENT STANDARD

**Mandatory**

## Social Performance Monitoring Specification

Area	Verification Process	Frequency	Responsible Party	Means of Reporting
Public consultation and disclosure	Monitoring of engagement with local communities and other stakeholders on issues of common interest	As set out in the PCDP and on ad hoc basis in response to issues arisen	External Affairs	Annual public consultation and disclosure report made publicly available (Sakhalin Energy public web-site)
Grievance resolution	Review of grievance resolution	Half-yearly	SAG	Internal Report on grievance mechanism with recommendations for its improvement, if necessary Sakhalin Energy Annual public consultation and disclosure report will include reporting on the aggregate number of public grievances received, and the number resolved within 20 working days.
	Third party monitoring (by Senior Lenders' Independent Environmental Consultant) of the grievance procedure shall take place. Undertaken during monitoring visits to Sakhalin.	Annually	Senior Lenders' Independent Environmental Consultant	Lender monitoring reports.
Indigenous People	Internal SIMDP monitoring and evaluation: Half-yearly trips to IP communities to evaluate SIMDP components implementation; and An annual SIMDP evaluation by the SIMDP Supervisory Board.	Half-yearly to Annually	IP Unit	Half-yearly internal report on SIMDP implementation
	SIMDP external independent review (audit level 1)	As per SIMDP, not less than annually	External independent IP specialist	External independent monitoring report made publicly available (Sakhalin Energy public web-site)

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# SOCIAL PERFORMANCE MANAGEMENT STANDARD

**Mandatory**

## Social Performance Monitoring Specification

Area	Verification Process	Frequency	Responsible Party	Means of Reporting
Cultural Heritage	<p>Archaeological monitoring will be conducted for the cultural objects (sites) located in close proximity to the ROW and Project assets, to check that boundaries of cultural objects' protective zones are properly marked and sites are not damaged.</p> <p>Archaeological monitoring shall be conducted in case of emergency during operations in order to protect OCH located close to the subjected site, to document current condition, and to elaborate relevant measures for ongoing preservation.</p>	Monitoring as set out in the Sakhalin Energy Cultural Resources Protection Plan for Sakhalin-2 Operations. Regular monitoring will be conducted in summer period on schedule defined by the Company. Initially the monitoring will be starting in 2010 and continue every 2 years. This will be reviewed by the Company as required.	Central HSE (via appointed Cultural Resource Contractor)	Internal reporting as per Sakhalin Energy Cultural Resources Protection Plan for Sakhalin-2 Operations
Resettlement, Compensation, Supplemental Assistance	RAP internal monitoring	Half-yearly for 36 months following the completion of construction or resettlement (when households were physically resettled)	SAG	RAP internal monitoring report
	External independent RAP review (audit level 1)	<p>Half-yearly for 36 months following the completion of construction.</p> <p>At the end of 36 months following completion of the construction phase to assess if the objectives and processes outlined in the RAP have been met.</p>	External independent resettlement specialist	RAP external monitoring report made publicly available (Sakhalin Energy public web-site)
Social Investment	Internal monitoring	Regular monitoring of each SI project in line with the relevant SI project TOR	SI Group	<p>Internal reports in line with SI project agreement</p> <p>Reporting about Sakhalin Energy social investment / sustainable development activities in the Sakhalin Energy corporate annual reporting</p>
	External independent SI review (audit level 1)	Biyearly	External independent monitor	SI report

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**Appendix: Social Performance Indicators**

Performance area	Performance Indicators
Public consultation and disclosure	<p><b>KPIs:</b></p> <ul style="list-style-type: none"> <li>• Percentage of public consultation and disclosure related grievances resolved within time period stipulated in the Community Grievance Procedure;</li> <li>• Number of communities where public meetings/ formal group discussions /workshops held;</li> <li>• Satisfaction of participants with public meetings/formal group discussions/ targeted group meetings/ workshops (percentage from total number of participants completed questionnaire).</li> </ul> <p><b>Process indicators:</b></p> <ul style="list-style-type: none"> <li>• Percentage of correspondence turned around within 14 days of receipt;</li> <li>• Percentage of repeat grievances related to public consultation and disclosure;</li> <li>• Number of public meetings/formal group discussions/workshops held;</li> <li>• Total number of people participating in public meetings/ formal group discussions /workshops;</li> <li>• Number of grievances formally provided at public meetings;</li> <li>• Satisfaction with grievance addressing related to public consultation and disclosure (percentage from total number of signed grievance satisfaction forms);</li> <li>• Nature of comments/ suggestions formally provided at public meetings.</li> </ul>
Grievance addressing	<p><b>KPIs:</b></p> <ul style="list-style-type: none"> <li>• Percentage of grievances resolved within time period stipulated in Sakhalin Energy Community Grievance Procedure;</li> <li>• Satisfaction with grievance addressing (percentage from total number of signed grievance satisfaction forms).</li> </ul> <p><b>Process indicators:</b></p> <ul style="list-style-type: none"> <li>• Number and percentage of logged grievances disaggregated per category during reporting period;</li> <li>• Number of grievances closed during reporting period;</li> <li>• Number of grievances resolved within 20 working days;</li> <li>• Number of repeat grievances;</li> <li>• Number of audits that include a review of grievances raised;</li> <li>• Percentage of red and high amber grievances registered on SPT grievance tracking tool within the required 24-hour period.</li> </ul>



Performance area	Performance Indicators
<p>Russian content and employment</p>	<p><b>KPIs:</b></p> <ul style="list-style-type: none"> <li>• Russian Content of employment (percentage of Russian nationals in total);</li> <li>• Percentage of Russian content of goods (weight of goods and materials) and services (person-hours of services);</li> <li>• Value of new contracts awarded to Russian enterprises.</li> </ul> <p><b>Process indicators:</b></p> <ul style="list-style-type: none"> <li>• Percentage of grievances related to recruitment and employment resolved within the time period stipulated in the Community Grievance Procedure;</li> <li>• Satisfaction with the grievance resolution process related to recruitment and employment (percentage from total number of signed grievance satisfaction forms).</li> <li>• Number of grievances related to recruitment and employment and as a percentage of total grievances;</li> <li>• Percentage of repeat grievances related to recruitment and employment</li> <li>• Number of grievances related to procurement of goods and services, and as a percentage of total grievances;</li> <li>• Percentage of grievances related to procurement of goods and services resolved within the time period stipulated in the Grievance Procedure;</li> <li>• Percentage of repeat grievances related to procurement of goods and services;</li> <li>• Satisfaction with grievance addressing related to procurement of goods and services (percentage from total number of signed grievance satisfaction forms).</li> </ul>
<p>Community impacts</p>	<p><b>KPIs:</b></p> <ul style="list-style-type: none"> <li>• Percentage of grievances related to community impacts resolved within time period stipulated in the Community Grievance Procedure;</li> <li>• Percentage of satisfaction with the grievance resolution process related to community impacts (percentage from total number of signed grievance satisfaction forms);</li> <li>• Percentage of grievances related to camp management and worker accommodation resolved within stipulated time period in the Community Grievance Procedure;</li> <li>• Percentage of grievances related to worker behaviour resolved within stipulated within time period stipulated in the Community Grievance Procedure.</li> </ul> <p><b>Process indicators:</b></p> <ul style="list-style-type: none"> <li>• Number of Project days lost due to community disturbance;</li> <li>• Compensation paid as a result of Project impacts;</li> <li>• Number of grievances related to community impacts;</li> <li>• Percentage of repeat grievances related to community impacts;</li> <li>• Number of grievances related to impacts on natural resources, and as a percentage of total grievances;</li> <li>• Percentage of grievances related to impacts on natural resources resolved within time period stipulated in the Community Grievance Procedure;</li> <li>• Percentage of repeat grievances related to impacts on natural resources;</li> <li>• Satisfaction with grievance addressing related to impacts on natural (percentage from total number of signed grievance satisfaction forms);</li> <li>• Number of grievances related to camp management and worker accommodation;</li> <li>• Percentage of repeat grievances relating to camp management and worker accommodation;</li> <li>• Number of grievances related to worker behaviour, as total number and as percentage of total grievances;</li> <li>• Percentage of repeat grievances related to worker behaviour;</li> <li>• Satisfaction with grievance addressing related to worker behaviour (percentage from total number of signed grievance satisfaction forms).</li> </ul>





Performance area	Performance Indicators
<p>Indigenous Peoples (IPs)</p>	<p><b>KPIs:</b></p> <ul style="list-style-type: none"> <li>• Percentage of grievances related to IP issues resolved within time period stipulated in Sakhalin Energy Community Grievance Procedure;</li> <li>• Satisfaction with IP issues related grievance addressing (percentage from total number of signed grievance satisfaction forms);</li> <li>• Number of communities where IP public meetings/ group discussions/ targeted group meeting/ workshops held;</li> <li>• Of those aware of the SIMDP, the percentage of indigenous population with a positive view of the SIMDP programmes.</li> </ul> <p><b>Process indicators:</b></p> <ul style="list-style-type: none"> <li>• Number and amounts of projects financed in the framework of SIMDP;</li> <li>• Number of IP communities that benefit from SIMDP projects (if accountable);</li> <li>• Lost Project days due to community-led disturbance provoked by Project impacts on IP communities;</li> <li>• Number of IP public meetings/formal group discussions/workshops held;</li> <li>• Total number of people participating in IP public meetings/ formal group discussions /workshops.</li> </ul>
<p>Resettlement management</p>	<p><b>KPIs:</b></p> <ul style="list-style-type: none"> <li>• Percentage of households that have re-established living standards and income earning capacity to pre-Project levels (from their perception);</li> <li>• Percentage of people who express satisfaction at their compensation package;</li> <li>• Percentage of grievances related to resettlement issues resolved within time period stipulated in the Community Grievance Procedure.</li> </ul> <p><b>Process indicators:</b></p> <ul style="list-style-type: none"> <li>• Number of consultations (formal group discussions/workshops, etc.) with affected land users, including Community Liaison Officer (CLO) consultations;</li> <li>• Total number of people that participated in consultations;</li> <li>• Percentage of repeat grievances related to resettlement;</li> <li>• Satisfaction with grievance addressing related to resettlement impacts (percentage from total number of signed grievance satisfaction forms).</li> </ul>
<p>Social Investment Strategy</p>	<p><b>KPIs:</b></p> <ul style="list-style-type: none"> <li>• Number of projects identified and completed;</li> <li>• Percentage of "success" projects. "Success" to be defined and monitored for each project.</li> </ul>