



## First RAP External Monitoring

**Sakhalin Energy Investment Company Limited**

**Final Report**

January 2008

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Sakhalin Energy Investment Company  
Limited

## First RAP External Monitoring

January 2008

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For and on behalf of ERM

Approved by: *Neena Singh*

Signed: *Neena Singh*

Position: *Partner*

Date: *18 January 2008*

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The Sakhalin Energy Investment Company Limited (SEIC) was established in 1994 to develop the Piltun Astokhsk (PA) and Lunskeye (Lu) oil and gas fields in the sea of Okhotsk, off the north-eastern shores of Sakhalin Island, in the Russian Far East. As a result of the project, there were social impacts as well as resettlement of families, which led to the preparation of a Resettlement Action Plan. The RAP had been prepared in accordance with the World Bank Group's Operational Directive 4.30 on Involuntary Resettlement (OD 4.30).

A part of the commitment of the RAP was to engage an independent external resettlement specialist to undertake a semi-annual audits of the project related resettlement activities. ERM has been engaged as that independent consultant, and has prepared this report as the first of the semi-annual audits of the RAP.

**1.1*****A BRIEF PROJECT DESCRIPTION***

Sakhalin has a total area of 76,400 km<sup>2</sup>. A long narrow island, it stretches 948 km from north to south, with a maximum width of approximately 160 km and a minimum width of about 30 km. Layout of the Sakhalin II Project has been largely driven by:

- The location of SEIC's oil and gas fields off the northeast coast;
- The need to transport oil and gas from these fields to a year-round, ice-free export port in the south.

Oil and gas fields on the island are located primarily in the two northern-most districts of Okha and Nogliki. Onshore development and commercial production of these fields has a long history dating back to the early 1900s and has involved both Russia and Japan.

Oil from Sakhalin has historically been transported to the Russian mainland via a sub-sea line extending from Okha District to De Kastrì. Gas is also transported to the mainland where it is used for industrial and domestic purposes in the Russian Far East. The Sakhalin I Project oil pipeline follows this established route.

With the exceptions of the Offshore Platforms and Pipelines, the Sakhalin II Project is sited entirely on Sakhalin Island. The Project's oil and gas pipelines generally follow the island's existing north-south transportation corridor. The pipelines terminate at an LNG Plant /Oil Export Terminal site on the southern end of the island at Prigorodnoye, Korsakov District. The length of the on-shore route followed by the Sakhalin II pipelines is approximately 816 km.

### 1.1.1 *Project Components*

Sakhalin-II Phase 2 has offshore and onshore components. The principal offshore components include the following:

- A new oil and gas production and drilling platform (PA-B) in the Piltun-Astokhsk Field with separate sub-sea oil and gas export pipelines to a landfall at Piltun,
- A new gas and condensate/oil rim production and drilling platform at Lunskeye (LUN-A), and
- Export pipelines from the LUN-A platform to the Onshore Processing Facility together with a mono-ethylene-glycol (MEG) flow line and combined power and fibre optic cables.

The main onshore facilities for Phase 2 include:

- An Onshore Processing Facility close to Lunskeye Bay in eastern Nogliki District;
- Gastello Booster Station in Poronaysk District, Central Sakhalin;
- A Liquefied Natural Gas plant at Prigorodnoye, Korsakov District, in the south of Sakhalin;
- An Oil Export Terminal, also at Prigorodnoye;
- Pig trap stations at Piltun landfall and within facility sites at the Onshore Processing Facility, Gastello Booster Station and LNG/OET;
- Gas pipelines and compressor stations to convey gas from PA-A, PA-B and the Onshore Processing Facility to the LNG plant at Prigorodnoye, and onwards to the Offshore Export Terminal;
- Oil pipelines and booster stations to transport oil from the platforms and the Onshore Processing Facility to the Oil Export Terminal at Prigorodnoye, and from there to an offshore Tanker Loading Unit to be located in Aniva Bay; and
- Supporting power, fibre-optic and telecommunications infrastructure.

In addition to these elements of the Project, a substantial Infrastructure Upgrade Project (IUP) has taken place, which has upgraded roads, bridges, railways, ports and an airport hospitals and landfills to support logistical activities for Project construction and operations. Much of this work has been carried out in partnership with local authorities.

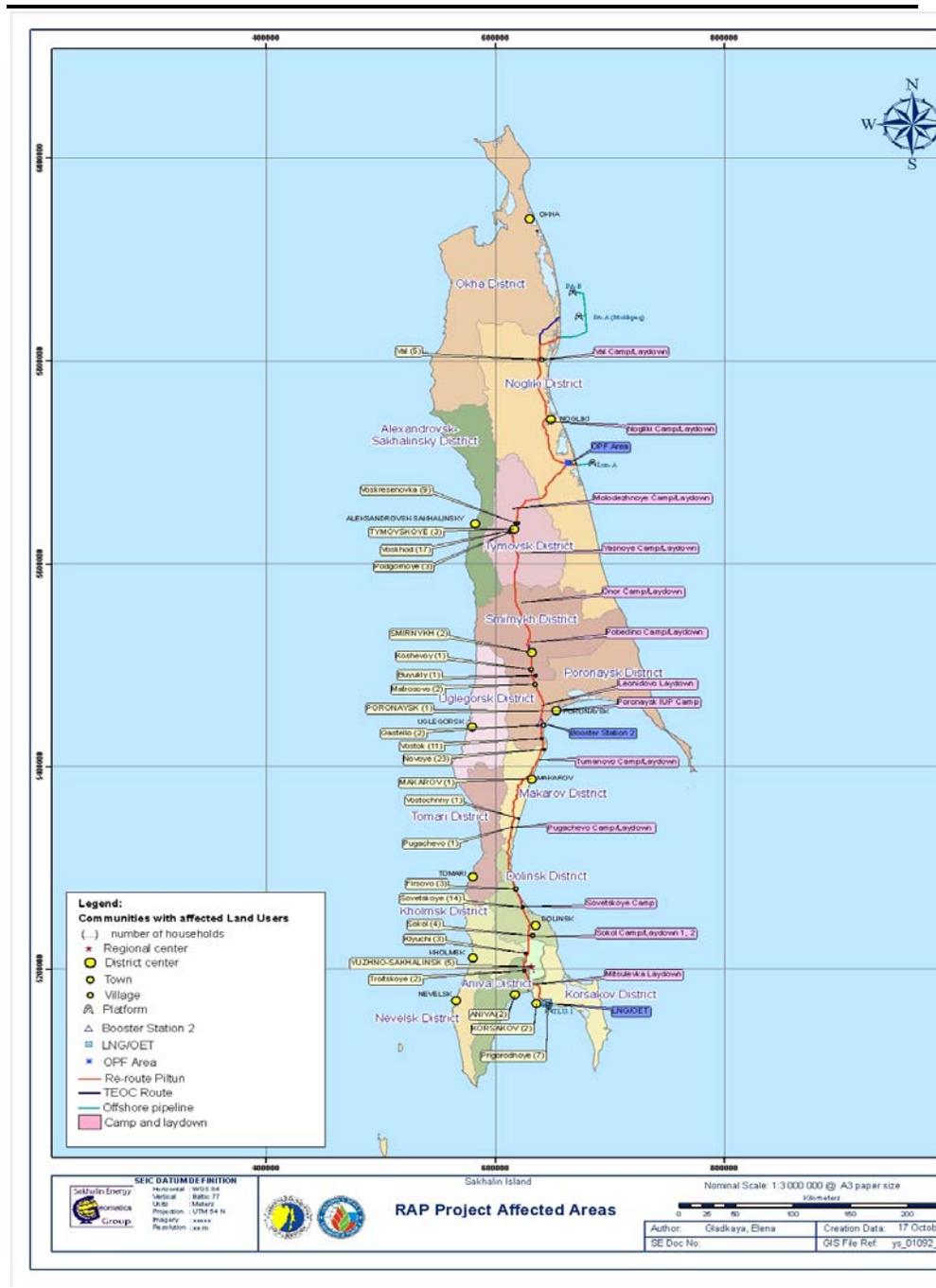
**(See the project affected area map in Fig 1 in the next page).**

## 1.2 *OBJECTIVE OF THE EXTERNAL MONITORING*

The specific objective of the RAP, as outlined in the RAP includes:

- To assess overall compliance with the RAP and World Bank OD 4.30;
- To verify that measures to restore or enhance project affected people's standard of living and livelihood are being implemented and to assess their effectiveness;

Figure 1.1 Project Affected Area



- To assess the extent to which livelihood restoration has been achieved and to advise when Project livelihood restoration is effectively complete; and
- To recommend any corrective actions necessary to achieve compliance with the RAP and OD 4.30, or to improve RAP implementation.

### 1.3

#### *APPROACH AND METHODOLOGY*

This first external RAP Monitoring was conducted between the months of August and November 2007, with field visit undertaken in August and again in November. The following tasks were undertaken:

- Review of the RAP, HSESAP and other project related documents that were relevant for the monitoring, including various progress and monitoring reports, additional social impact assessment taken for changes in project designs as well as for fishing enterprises and ancillary industries;
- Review of the grievance list and action taken against those complaints;
- Issue specific progress reports prepared for potential Lenders;
- Detailed discussions with the SEIC team, including the Social Assessment Group, the External Affairs team, the Approvals team, people responsible for engagement with specific groups like dachas, fishing enterprises, social investment etc. and CLOs from SEIC and contractors;
- Consultations with households that were resettled, and one family that was in the process of resettling;
- Consultations with one fishing enterprise;
- Survey of, and consultations with a sample of land owners/users impacted by the pipeline along the entire pipeline route;
- Discussions with representative of the reindeer herder families that were impacted by the project (in Val, Nogliki District);
- Discussions with representatives of dacha community located near LNG/OET ('Stroitel');
- Consultations with Government representatives including the Mayor of Korsakov, head of communities in Sovetskoye and Novoey, and Deputy Head of Culture Centre, Sovetskoye; and
- Consultations with two NGOs, Knowledge is Power, a citizens group based in Korsakov, and Sakhalin Environment Watch, working primarily on environmental issues, based in Yuzhno.

#### 1.3.1

##### *Limitations*

The first monitoring was conducted at a stage of the project when much of the construction activities were well underway, and some were in the stage of completion. Many of the issues discussed by the community were historical issues that had already been managed to various degrees/levels of satisfaction. It was difficult to get first hand observation of such issues, e.g. the impacts on the local roads due to transportation movement, and payment of compensation to project affected people.

It was difficult to get people together for consultation in groups or undertake Focus Group Discussion, as envisaged in the approach for monitoring. People preferred to talk individually, sitting in their homes or working in their fields. Only the dacha community could be consulted in a group.

The project is spread over a large area, and communities located at significant distances from each other. This monitoring visit could not cover all areas equally. However areas that were not adequately covered this time will be taken up as priority for the next monitoring visit.

During the visit, there were a series of local holidays and the consultant was unable to meet the representatives of the Nogliki Administration to discuss the reindeer herder compensation, as they were on holiday. Information was procured through discussions with representatives of the reindeer herder families.

#### 1.4

#### *LAYOUT OF THE REPORT*

*Section 1* (This section): Introduction, project description and objectives of the RAP monitoring.

*Section 2:* Status of RAP Implementation.

*Section 3:* Findings of the external monitoring and compliance against HSESAP 2 commitments.

*Section 4:* Recommendations.

*Annex A:* Field Schedule of the External Monitoring process.

The project has been undertaking compensation and resettlement/rehabilitation activities since 2002. These activities were carried out within the framework of an international standard Social Impact Assessment and Supplemental Assistance Programme developed in 2002. The Resettlement Action Plan as a document was formally adopted in November 2005. This section highlights the progress in the process of compensation, resettlement and rehabilitation in the project till August 2007. Key findings and compliance against the RAP commitments and discussion on specific issues have been provided in Section 3.

## 2.1 *PROGRESS IN LAND ACQUISITION*

### 2.1.1 *Land requirement*

At the onset the Sakhalin-II project Phase 2 was expected to acquire rights of 4,340 ha of land for a 3-year period to construct the natural gas and crude oil production infrastructure. In addition about 275 ha of land was required for a period of six-months to five years for temporary construction facilities and the construction phase Safety and Sanitary Protection Zones. It was expected that most of the land owners and users will be able to resume their pre-construction activities, with certain restrictions on the pipeline route.

This project also required 273 ha of land for permanent facilities.

### 2.1.2 *Current status*

All land required for the project, both on temporary and permanent basis, has been taken by SEIC. Additional land of about 2.5 ha has been taken in Chivo Bay, and hence total land requirement has changed, as shown in the table below.

**Table.1** *Change in land requirement*

Project Component	Land to be temporarily acquired for Construction	Land to be permanently acquired	Land subject to restriction of use.
Pipeline			
2005	3519.6	TBD	
Current	3821.89	3821.89	TBD
BS-2			
2005	TBD	19	
Current	30.72	30.72	TBD
ERS			
2005	TBD	TBD	
Current	44.091	44.091	TBD
OPF			

Project Component	Land to be temporarily acquired for Construction	Land to be permanently acquired	Land subject to restriction of use.
2005	317	64	
Current	64.18	134.42	TBD
<b>LNG Plant/ Oil Export Terminal</b>			
2005	504	190	
Current	452.99	452.99	TBD
<b>Temporary Construction activities</b>			
2005	275		
Current	275		TBD

Source: SEIC

TBD: To be decided

## 2.2 NUMBER OF HOUSEHOLDS AND ENTERPRISES IMPACTED BY THE PROJECT ACTIVITIES

The RAP states that about 125 households (432 individuals) were impacted by the project, of which 117 households will face only short-term or temporary impacts during the pipelines construction phase. 10 households, including 2 farms, and 13 enterprises have been permanently impacted and resettled to make way for permanent above ground facilities or sanitary Protection Zones and Safety Exclusion Zone.

In addition to households, there were 66 enterprises that were impacted.

Of the total number of households impacted by the project by land loss, 97 households lost (permanently or temporarily) potato and hayfields, 2 lost seasonal dachas, 13 lost farm lands and five were reindeer herders whose grazing pastures were impacted. One household will be relocated from the safety protection zone of the pipeline. In addition there were 71 dachas owners/users near the LNG site in Prigorodnoye that have claimed impacts on their quality of life as well as value of their dachas and quality of crops.

### 2.2.1 Current status

The total number of project affected households and persons have reportedly not changed from the numbers provided in the RAP. The owners/number of dachas owners/users near the LNG site in Prigorodnoye was specified. It is 71 dachas. Consultations during the monitoring visit also did not bring out instances of families who were impacted and were left out of the RAP.

Some additional families have claimed and received compensation, primarily due to temporary impacts of construction activities.

One fishing enterprise, the Korsakov Canning Company, has been claiming losses due to the project, but has not been considered as impacted by SEIC

under the Russian regulatory framework. All fishing enterprises, which were impacted by the LNG/OET, were compensated.

## 2.3 *RESETTLEMENT*

Of the 10 households that were resettled:

- 3 permanent households were moved from the LNG terminal;
- 2 farms were moved, 1 from the LNG/OET site and 1 from the Sanitary Protection Zone of LNG/OET;
- 1 household moved from the pipeline Safety Zone;
- 4 summer dachas users, 2 from LNG/OET site and 2 from pipeline construction site.

### 2.3.1 *Current status*

At the time of the audit, resettlement of all but 1 family has been completed, primarily between 2003 and 2005. The remaining one family is the family to be resettled because of the pipeline Safety Zone. The replacement house being provided as a compensation measure was in the process of being built and was expected to be completed in November '07, after which the family will shift. All the other resettled families have settled down in their new locations (issues facing these families have been discussed in Table 3.1).

Since then there has been progress and this family was resettled in December 2007. The resettlement was carried out according to agreed by the families and the Company plan and schedule. The Company provided to the family new house with household facilities, which have better conditions.

## 2.4 *PAYMENT OF COMPENSATION AND SUPPLEMENTAL ASSISTANCE*

### 2.4.1 *Affected Land Users*

The Approvals team reports that all except one project affected household (discussed above, yet to be resettled) have been paid full compensation due to them along with the additional Supplemental Assistance (SA) wherever required. This was confirmed from the household level discussions the consultant had. Wherever additional supplemental assistance was provided, an agreement was signed with details on the amount of land required, the purpose for which it was being taken, and the method to calculate the SA. Compensation has been paid for:

- Land plot withdrawal for project needs, for temporary and/or permanent purposes;
- Renewal of land user agreements for the project;
- Socio-economic impacts from project activities; and
- Grievances and complaints on specific damages.

Supplemental Assistance was used as compensation wherever the issue was out of the purview of the Russian Federation laws, but needed to be addressed to meet RAP commitments. One such example is the payment of compensation for land and crops to non-registered users.

There has been ongoing payment of compensation for damages and restriction in access faced by the community during the construction activities. This is likely to continue till the completion of construction activities.

#### 2.4.2 *Fishing enterprises*

3 Fishing enterprise operating where the LNG plant is currently located, have been impacted. These are Lenbock, Calypso and Contract. Of these Lenbock lost its entire fishing area. Calypso had 8 km of fishing areas in Korsakov region and used 3 nets. As a result of the impacts, it had to discontinue use of 1 net. Contract fishes over an area of 5.5 km, of which it has to discontinue operation in 2 km. Of the two net it used, it is now left with only one.

##### *Current status*

Full compensation has been paid to all enterprises based on several rounds of negotiations in the following years:

- Company 1: July 2003
- Company 2: 2005
- Company 3: June '07

Compensation was paid for:

- Loss of income, justified and based on the value of the catch averaged over a period of time;
- Cost of removal and relocation of fishing equipment;
- Assistance and compensation for applying for new fishing licence issued by the relevant state agencies; and
- Tax

Of the three, Lenbock has moved operations to another location. Calypso continues operation with two nets, and Contract continues operation with one net.

All the three enterprises employed permanent and temporary workers, the latter primarily for the salmon season. Workers and employees at Lenbock and Calypso have reportedly not been impacted by any loss of livelihood, primarily because the compensation agreement and payment was completed before the salmon season that those respective years. The enterprises hired their contractor workers accordingly. Contract may have issues which are discussed in greater details in Table 3.1

### 2.4.3 *Other enterprises*

There were 16 agricultural enterprises, 9 forestry enterprises and 11 other enterprises. All the enterprises have reportedly been fully compensated.

### 2.4.4 *Prigorodnoye Beach*

The construction of the LNG/OET facility required the withdrawal and closure of a part of the Prigorodnoye beach, which has been a popular recreational spot for the local residents of Korsakov and nearby areas. The people continue to use the remaining part of the beach for recreation (bathing and fishing).

SEIC had agreed to pay a compensation of \$800,000 to the Korsakov administration to support the development of a local park in lieu of the impacts on Prigorodnoye beach. This alternate was chosen after a series of consultations and negotiations with the Korsakov administration as well as the community of Korsakov. An Initiative Group was formed to discuss and reach a decision on the alternatives. The agreement that was reached in 2003 included:

- Infrastructure;
- Administrative building;
- Utilities;
- Paved roads and sites for attractions;
- Toilets;
- Fencing and a rotunda at the main entrance; and
- Transformer substation.

#### *Current status*

In 2004, a new Mayor of Korsakov was appointed and the recently formed Initiative Group dissolved. In 2006 the Korsakov administration communicated that instead of the park, the administration was keen to upgrade an existing sports stadium, which was not a part of the original agreement. SEIC negotiated with the administration to continue with the park proposal while funds for the stadium could come through the Korsakov Infrastructure Fund allocated by SEIC for the development of infrastructure of the Korsakov District. The agreement was reached in June 2007. Korsakov Administration submitted SEIC with first proposals on Korsakov Park Upgrade (upgrade of access road, construction of parking area and stairs) that SEIC approved. At the same time, SEIC confirmed its readiness to review Stadium Upgrade project when it is ready and consider its support from Korsakov Infrastructure Fund. (Note: needs to be confirmed by Sakhalin Oblast Administration as well).

In addition to these upgrades, specific measure are reportedly being undertaken to reduce impacts on the beach including:

- Reducing the fence line of the LNG/OET site;
- Installing garbage cans on the beach and

- Developing a car park, new bridge and asphalt road for the beach area which takes the traffic away from the shoreline, where the current road is.

A local NGO is bringing out issues related to how the amount granted for the park upgradation is being spent. This is discussed in Table 3.1

#### 2.4.5 *Prigorodnoye Dacha community*

In addition to the landowners directly impacted by the LNG and pipeline who have either already been or are in the process of being compensated and/or resettled, there are about 71 Prigorodnoye beach area dachas, with approximately 230 members, that had concerns about being impacted by the project activities. The dacha residents belong to the Stroitel and Teplovik communities.

When in 2002, the Ministry of Health formally approved the Sanitary Protection Zone for Prigorodnoye at a radius of one km (from an originally estimated radius of 3.5 km), to which SEIC agreed. The one km meant that the closure of the beach to the public could be avoided and none of the dachas would need to be relocated. The dachas residents however have several concerns regarding the project and its impacts including:

- Loss of value of land and assets due to the proximity to the SPZ of the LNG plant;
- Reduction in quality of life in terms of visual impacts, noise and air impacts and loss of recreational space;
- Adverse impacts on trees, crops and vegetables grown and
- Impact on access to amenities.

In the RAP SEIC committed to monitoring of air and noise emissions, and also measuring the Quality of Life (QL) indicators from 2006 onwards. The QL indicators would measure aspects like transport, agricultural productivity, livelihood status and community participation.

#### *Current status*

In 2005, there was an agreement with the Dacha Executive Committee to do the following:

- Evaluate the loss of value of land and crops and compensate losses
- Give an option of voluntary “waiver of rights” which would allow the dacha owners to give up claims over the property in turn for getting compensated by SEIC for residual market value of their property. The understanding was that after waiver, the dacha owner would not be able to lay claims on any other compensation, even if the SPZ Is increased in future for any reason.
- A targeted social investment programme and
- A mitigation measure package.

## **Loss of value of property**

A loss of property value assessment was conducted by independent agencies namely Gaaks Evaluation Agency and the Sakhalin State University. Its assessment was based on a comparison of increase in dacha value in Stroitel Cooperative with average price increase in dachas in other dacha communities in Korsakov, not impacted by the project in the period 1999-2006. The final assessment indicated that the loss of value in the Priogorodnoye dachas was 50%. 92% of dacha owners (67 people) received compensation for loss of market value. SEIC has not been able to contact a very few of the owners (6), and for them the deadline has been extended and special plan was developed to locate and compensate those dacha owners.

## **Waiver package**

14 dacha owners (17 people) have agreed to take the waiver option and have received compensation. This option provided double the amount of compensation as compared to the compensation offered for loss of value. The properties have been vacated and will be returned to the Korsakov administration. From available information, it appears that very few of these people have brought alternative dachas from the sum received as compensation. One opinion is that the land values have risen sharply, not allowing the people to buy good replacement dachas. The other opinion is that these dacha owners, mostly elderly people, have preferred to give up cultivation of dachas and use the compensation money for other purposes. SEIC maintains that the best prices and approaches were used assessment of market value. Thus the waiver is more than enough to buy dacha with the same conditions.

In September SEIC re-opened waiver package option following dacha people having second thoughts on the issue and actively communicated this to them through:

- Information letter advising of the waiver package extension went out to the dacha individuals. This letter in addition included a set of attachments that provided explanations for the most frequently asked questions regarding the Waiver Package;
- Waiver Package procedure for the owners of privatized land plots, registered in the Unified State Register of Rights -1 copy;
- Waiver Package procedure for privatized dacha plots owners/users (including who are not registered with the Unified State Register of Rights).

## **Loss of crop value**

Crop assessment was done between the months of May to October, 2006. The assessment, conducted by the Sakhalin Agricultural Institute, concluded that there has been no loss in crop value due to the project. Hence no compensation was offered for this aspect of dachas. This finding is being presently contested by the dacha owners.

## Quality of life monitoring

In addition to the above, there has been monitoring of air and noise levels in the LNG area as well at the location of the dachas as a part of quality of life indicators. In 2006 sound pressure levels were registered to generally exceed permissible levels by 0.5 – 42.3 dB in 1000 – 8000 Hz frequency range. Sound levels exceeded permissible limits by 1.3 – 16.6 dBA. Measurements showed that the main source of noise was industrial equipment of the LNG/OET site. No other sources of noise were found, justifying some of the dacha owners' concerns. SEIC reports that the air pollution levels were well within permitted level. In 2007 both noise levels and chemical content of air was well within permitted levels (samples were taken in three cooperative in June-October on monthly basis). A targeted social investment programme is being designed to respond to the needs of the dacha community. Nothing has been spent as yet as dacha owners have not decided what they want. The money for this is already budgeted for by SEIC. Dacha members also have access to the SEIC grievance redressal process in case they require to register complaints.

The dacha owners are of the opinion that the SPZ is likely to be reviewed for the operation phase, and are in a dilemma of whether taking the compensation options provided by SEIC today, or waiting for a time when they can perhaps get full resettlement benefits in case the SPZ is increased.

### 2.4.6 *Reindeer Herders and Indigenous Communities*

According to the RAP, the project would impact 5 Reindeer Herder families or 18 individuals, belonging to the Uilta and Evenk communities residing in Val (Nogliki District). The impacts are temporary and have been primarily due to the pipeline passing over their grazing areas. The herders do not have any legal titles to their summer and spring grazing pastures, and by law, were not entitled to any compensation under law. However according to Russian legislation SEIC transferred compensation to Nogliki Administration with an understanding that it would, in consultation with the herder families, use that money for addressing herders' needs and improvement of infrastructure in Val where herders families live. SEIC has also committed to a separate Sakhalin Indigenous Minorities Development Plan (SIMDP) to address specific issues facing the herder community as a whole.

#### *Current status*

2 payment of compensation was made in 2004 for allocation of pasture land. These were made to the Nogliki and Okha districts administrations. No payment has been made since then as there were reportedly no such land allocation.

The SIMDP is being implemented with an community engagement and consultation programme as well as regular training and capacity building. As

was agreed, SEIC has contributed funds to the Nogliki Administrative Fund to invest in projects and initiatives for the herder community. Consultations with the herder representative indicate that these include repair of herder camps, provision of transport to move on snow, repair of water supply and gas supply systems etc.

In addition to that compensation SEIC provided supplemental support to the herders, including:

- provision of in-kind support such as fuel;
- transportation of herders' families and their staff during spring migration and other times when herders so required;
- special herders celebrations and
- provision of feed for deers.

In 2007 the Company financed special fencing targeted for entrapment of deers.

Fish are their staple diet, and they expressed concern about potential impacts from Sakhalin II facilities on fish quality and catch size. Although the Sakhalin II project received a positive finding by the State Ecological Expertise, indigenous people insisted on a separate independent expert review of this matter.

In response to demands from the indigenous communities, through their independent council, SEIC has invited an independent marine biologist to undertake an expert review of data from marine environment monitoring and an assessment of project impacts on ecological conditions of valuable commercial fisheries in the areas of the northeast shelf of Sakhalin. The findings of this survey are provided in the SEIC website<sup>1</sup>.

## 2.5 OTHER COMMITMENTS

### 2.5.1 *Fishing and ancillary industries.*

In addition to the 3 commercial fishing enterprises directly impacted by the project and duly compensated, the RAP indicated that there due to restriction on movement of fishing vehicles around the project off-shore facilities, the fishing activity, potentially impacting the fishing business in general, and the ancillary industries associated with these industries, including its employees.

SEIC had committed to contributing to the sustainable development of this industry and to developing a baseline of small scale fishing activities, as also the associated ancillary industries. A regular communication channel was to be opened up at least twice a year. SEIC also proposed to monitor impacts on this sector. In case there were losses that would need to be compensated, SEIC

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(1) <sup>1</sup> The assessment was carried out by Prof. E. Kriksunov, Professor of the Ichthyology Chair of Moscow State University.

would follow the principles outlined in the entitlement framework to compensate.

*Current status*

A socio-economic impact assessment of fishing enterprises and ancillary industries was undertaken in 2005-2006<sup>1</sup>. As committed, a person has been designated as the fishing enterprise interface from SEIC's side to ensure regular communication with this stakeholder group. There have been no demands for compensation by this group till today as impacts are small as reported by the monitoring study.

**2.5.2** *Natural Resource users*

Community consultations during the social impact assessment stage had brought out concern regarding possible impacts on recreational fishing, berry and mushroom collection, and hunting/wild game.

SEIC had committed to ensuring that maximum efforts would be taken to avoid impacting natural resource used by the communities. These areas would be identified through community consultations. The project also committed to provide transport to enable people to access alternative sites, where ready access is not available, and in case of hardships, provision of appropriate supplemental assistance. Areas used for project related work, was to be restored on completion of construction.

*Current status*

There have been a 7 of grievances regarding damage to berry and mushroom fields, and also to roads leading to these areas during construction which have hampered these traditional activities. In some cases, the biological restoration of these sites will take time, sometime upwards of 2 years. Where access was an issue, all of those complaints have been resolved, with the contractor restoring roads etc. No compensation or supplemental assistance has been paid under this category as was not required with other mitigation measures being undertaken (i.e. road improvement).

The Community Liaison Officer (CLO) monitoring has taken tracking such issues on a regular basis.

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(2) <sup>1</sup> State Institution Regional Center for Coastal Fishing and Fish Finding carried out the survey "Socio-economic impact assessment of Sakhalin II project related works on the enterprises of fishing industry and ancillary industries".

## 2.6 *PROCESS COMMITMENTS*

### 2.6.1 *Consultation and Disclosure*

The RAP had a strong focus on consultation and disclosure. The consultation process has been ongoing, to various degrees from 1992. While initially most of the community consultation and disclosure programme was routed through the External Affairs team, since the onset of construction activities, the key role is being played by the 11 CLOs, located at different geographical areas of the project, and linked to different department and contractors. Of these 11, 2 are located within the corporate team, 5 along the pipeline route, 1 for the LNG, 1 for OPF, 1 for Booster stations, and the 11<sup>th</sup> for IP. CLOs interact with the community within their range on a regular basis, and report on these consultation and issues that came out in a weekly monitoring report. In addition key construction contractors have appointed their own CLOs and/or Social Focal Points (SFP).

In addition to this, specific consultations have been, and are being held with:

- Affected land users and resettled families;
- Impacted fishing enterprises (including potentially affected) and fishing organisations and authorities;
- IP representatives and authorities;
- Korsakov administration, community, media and NGOs; and
- Prigorodnoye Dacha community.

#### *Consultation with land users and resettled community*

Consultation with this group is held by SEIC twice a year during the 6-monthly internal monitoring process of the socio-economic status of project affected families/enterprises. 7 monitoring rounds have been undertaken since 2003.

The one family that is waiting for the completion of house construction to be resettled, has been consulted with at least twice a month in 2007. The consultations involved the Social Impact Assessment Team, CLOs and the Approvals Team. At the time of the external monitoring consultant visit, members of the Approval team was present along with the contractor overseeing the house construction.

#### *Consultation with the fishing enterprises and organisations*

SEIC has been interacting with the fishing enterprises through the Sakhalin Association of Fishermen. In 2006, SEIC and the State Institution Regional Centre for Coastal Fishing and Fish Finding carried out a socio-economic assessment<sup>1</sup> of the fishing enterprises and its ancillary industries, during which 36 meetings and interviews with experts and representatives of fishing enterprises and local administration were reportedly carried out in 9 districts.

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(1) <sup>1</sup> The study was called "Socio-economic Impact Assessment of Sakhalin II Project Related Works on the Fishing Industry and Ancillary Industries".

The 3 enterprises that were directly affected were consulted with right through the process of compensation negotiation, and this process is ongoing. Under the monitoring programme, the SAG and Central Approvals Team meets the enterprises once in 6 months. In addition, the Manager of Government relations (EA Department) has been closely working with the fishing community to share with project related information and identify issues and help in mitigating them. This was confirmed during discussion with one of the enterprise.

*Consultation with the Korsakov administration about the Prigorodnoye beach compensation*

As discussed in section 2.4.4, SEIC has been negotiating with the Korsakov administration on this issue and informing Korsakov public about the progress on this issue. Currently there has been agreement on improvement of the public park as well as the stadium through the compensation amount, which has been enhanced. Meetings have been held with the Korsakov District Assembly, which also held public hearings in March 2007. Additional community meetings were held in March 2007 in Novikovo, in June in Ozersk community, March-October 2007 in Korsakov community and in October in Chapaevo. SEIC has also engaged with the local NGO, Knowledge is Power, and with the media.

*Consultation with Prigorodnoye Dacha community*

The dacha community consultations have been the most challenging for SEIC. SEIC has consulted this group on a regular basis since 2004, once the SPZ was confirmed to be 1 km. A person within SEIC was made responsible for the dacha engagement process, and she has been supported in the process by the LNG /OET External Affairs Team. From consultation records it appears that in the first six months of 2007 itself, the dacha members and the Dacha Executive Committee were met 29 times regarding compensation and other issues like mitigation measures and possible social investment programmes. These meetings have been reported in the weekly monitoring reports of the CLO. Meetings have been held in Korsakov, in the CLO office 3 times a week. The meetings were also arranged in Prigorodnoye (dacha cooperative Stroitel). Separates meetings with dacha owners before the LNG plant commissioning were arranged in June at the LNG plant and September in Stroitel cooperative. While the dacha members agree that consultations have been regular, they feel that these meetings do not address some of the core issues they have been raising.

*Consultation with Indigenous People*

All consultations with IP are being held through the SIMDP programme. Meetings with the entire community are held once every 3 months. Some of these meetings have been held in collaboration with Exxon. Smaller and individual meetings are also held on a regular basis. Documents,

photographic evidence and consultations with the IP representative suggests that more than 90 individual and small group meetings have been held with the IP community, their representatives and the Nogliki administration regarding IP issues in between January and June 2007. IP concerns regarding access to their grazing areas, impacts of construction activities and obstruction of their migratory routes and traditional fishing grounds have been discussed in these meetings.

Area specific issues and consultations have been managed through the CLO network. In addition Independent External Monitor biannually carries out regular monitoring of SIMDP.

## 2.6.2 *Grievance Redressal*

There is a Community Grievance Procedure that SEIC has developed that lays down clear guidelines on the grievance redressal process in place. This process has been disclosed extensively through public campaigns (including different media ways), groups and individual meetings as well as disclosure in prominent places. This consultant saw pamphlets on the grievance process being displaced in the Korsakov Mayor's office, in the office of the Heads of Communities along the pipelines as well as in the CLO office. All the project impacted people met during the monitoring visit were aware of the process by which they could raise complaints, and while some of them had used the system, others had not.

The grievance procedure has 6 steps:

- **Step 1:** Receive the Grievance orally or in writing, through a CLO or directly by a designated "whistle blower team";
- **Step 2:** Assess the nature of grievance and assign a risk rating as well allocate to the relevant action parties and CLOs;
- **Step 3:** Acknowledge the grievance within 10 working days of receipt of grievance;
- **Step 4:** Investigate and resolve, ideally within 20 working days and at the maximum within 45 working days.
- **Step 5:** Close out, wherein a Statement of Satisfaction is signed by the complainant and no further action needs to be taken by SEIC.
- **Step 6:** Follow up

The grievance log indicates that by July 2007, there were 82 grievances related to RAP received from different geographical locations and for varying reasons and were registered. SEIC reports that this is 33% of the total number of grievances. Maximum complaints were received during 2005-2006, during the peak construction activity. The most common complaints were of damage to local and village roads and access routes due to movement of heavy construction vehicles during construction along the pipeline route. An associated complaint was damage to hay field/potato fields as well as berry and mushroom gathering areas. A small proportion of these complaints were repeat complaints indicating either that the core issue was not resolved (like in one case where that status of agreed action has not changed since February 2005), or the problem re-emerging.

Of the total 82 grievances, 77 are reported to be either resolved or closed out, indicating that the final outcomes was agreeable to both parties, and that the remaining five were either ongoing or at an “action agreed” stage. 15 had claims for compensation linked with it for losses/damages to crops and livelihood. In some cases the compensation was paid, and in a few, the matter was resolved without the payment of claims. The maximum RAP related grievances emerged from Dolinsk district (25), followed by Makarov and Yuzhno-Sakhalinsk districts.

SEIC reports that till last year, they had not been able to meet their own commitment of resolution of grievances within 45 days. 44% of grievances took over 90 days to resolve, whereas only 26% could be resolved within the stipulated 45 days. The remaining took between 45 -90 days. Sometimes the delays were in getting the various line departments, and thereafter the contractors, to take action. In most cases the action could be taken only in a particular season, for which SEIC had to wait for a few months.

In 2006 the GR process was reviewed and strengthened, along with extensive communication about the process and improved tracking of progress. SEIC now reports that since then the average resolution time has decreased significantly.

According to the revised GP (August 2007) 'A grievance shall only be considered resolved when the Complainant signs the Statement of Satisfaction with grievance resolution. The Statement of Satisfaction will contain the words of contentment clearly stated by the complainant.

Overdue grievances and grievances where no consensus is foreseen to be reached with the complainants will be reviewed by the Business Integrity Committee (BIC). In the absence of a statement of satisfaction, the BIC shall be the only body within SEIC able to decide whether all reasonable actions have been taken within SEIC and with the authority to change the status of a grievance.

If the BIC decides that no additional steps can reasonably be taken to resolve the grievance, whether or not the individual remains dissatisfied with actions taken, the grievance will be considered as closed out. In this eventuality the complainant will be issued a “Close-out” letter advising of SEIC position and that no additional steps can reasonably be taken. Full records of how this decision has been reached shall be maintained.

The external monitoring process randomly reviewed 13 grievances in more details. Of these, 10 now have a Statement of satisfaction signed and of the other three:

- A letter has been sent to one explaining that the claim is unjustified;
- One was on the issue was of deterioration of soil quality. No claim was made and a letter of satisfaction being pursued.

- The third grievance has been re-categorised as an ongoing grievance of dust and noise pollution in Prigorodnoye. The grievance remains even though the relevant monitoring has been conducted and the results are still the levels are within the norms.

### 2.6.3 *Monitoring (internal and external)*

The RAP commits SEIC to both internal and external/third party monitoring. Internal monitoring was proposed on a bi-annual basis, and to be conducted by the Social Assessment team, with support from the CLOs, for a period of 36 months. The monitoring was supposed to focus on the restoration of livelihood process of all project impacted people, as also of the effectiveness of the consultation/disclosure as well as grievance redressed.

External monitoring (this assignment) was also slated to be conducted on a semi-annual basis for a period of 36 months. The focus was to ensure that the RAP commitments were being made, and recommendation to close gaps, if any, and to strengthen the process.

#### *Current status*

Till date the internal monitoring process has completed 7 rounds since November 2003 of which the 7<sup>th</sup> one was conducted in June 2007. The monitoring process has interacted with project affected land users, fishing and other enterprises and farmers. It has highlighted issues regarding use of compensation money, continuation or severance of livelihood activities, overall satisfaction with the compensation and the payment process etc. The monitoring process has often been able to identify grievances and/or potential issues that were not registered with the SEIC, and helped in the resolution of the same.

The external monitoring process was delayed for various reasons. This is the first external/third party monitoring.

***FINDINGS OF THE EXTERNAL MONITORING AND STATUS OF COMPLIANCE AGAINST RAP COMMITMENTS***

The HSEAP Part 2 Table clearly outlines the specific commitments made by SEIC regarding the Resettlement Action Plan. This section comments on the status of compliance against select, most important commitments and discusses the reasons behind non-compliances or partial compliances, if any. For the full commitment table, please see the HSESAP table provided in the SEIC website <http://www.sakhalinenergy.com/>

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### 3.1 Compliance Table

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments
1.	SEIC shall compensate in accordance with the provisions of OD 4.30 or Russian Federation legislation, whichever is more extensive. The Supplemental Assistance Programme shall be drawn on as necessary to meet this commitment.	Y	<p>All compensation payment under Russian Federation laws has been completed. Wherever the project affected family was not eligible under the Russian laws. They were provided SA.</p> <p>Supplemental assistance has been used effectively and innovatively to provide compensation to non-registered users, to people not eligible under Russian laws but eligible under World Bank standards, to provide compensation for damages etc, and in a few cases, for income restoration initiatives. The Social Assessment Group and Approval Teams have managed to retain flexibility in the use of this assistance to respond to claims/issues as they emerge.</p>

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments
3.	<p>Wherever possible, and consistent with the preferences of the PAP, SEIC shall endeavour to provide replacement land and structures equivalent to or better than those lost to the project.</p> <p>A third party specialist appraisal firm to determine the compensation for land, crops and assets.</p> <p>Compensation payment prior to the land being occupied by the project in accordance with OD 4.30.</p>	<p>Y (during land acquisition);</p> <p>P (M)- Primarily an issue during construction</p>	<p>SEIC has used an independent estate valuation agency for determining value of land and assets. In rural areas the cadastral rates are reportedly higher than market rate, and either equal or more than the replacement value. However in the south of the island, market value tends to be higher. In all cases the higher value has been reportedly selected to ensure that "replacement value" is provided.</p> <p>The internal monitoring process undertaken by the Social Assessment Group and CLOs has tried to investigate the levels of satisfaction with the compensation and the process. The trend has been that around 70-75% have expressed satisfaction on both counts, between 20-27% have been expressing dissatisfaction with the compensation amount, as well as the lengthy process of disbursement.</p> <p>The 23 people the external monitor met expressed satisfaction with the compensation amount. Some said it was more than what they had expected for temporary impacts due to the pipeline, especially since they were non-registered users. Some had raised some grievances in the process but were satisfied with how those grievances were handled.</p> <p>Whenever land was acquired, for permanent or temporary use, full compensation was paid and an agreement signed with the land owners/users before physically taking over the land by SEIC. However during construction period there have been complaints when contractors have either used or damaged property and private roads without prior assessment of the road capacity or giving prior information to the user. Approximately 15 such claims were recorded in the grievance redressal register. The compliance is hence rated as partial even though the responsibility for this lay with the contractors. It is appreciated that unplanned incidents cannot be completely avoided during implementation of such scale Project. That's why SEIC has developed and implemented different incident and monitoring procedures such as Grievance Procedure and monitoring programmes to mitigate and predict them.</p>
4	<p>Project Affected Persons shall be assisted with livelihood restoration measures through the Supplemental Assistance Programme. This includes monetary support as well as non-monetary support</p>	<p>P (M)</p>	<p>Internal monitoring reports suggest that 50-74% of the landlosers feel their incomes have been restored or improved. They have been able to continue with the pre-project occupation in the same land, in other plots of land or in new land they have brought. People have utilised their compensation money to buy household assets, improve their houses, buy additional livestock, supplement their agriculture equipments, or have put the amount in a bank. Some of the older people who have discontinued with their agriculture have given the money to their children to pursue studies or start a small business.</p> <p>In 2007, 32% families perceive that they did not restore their incomes. This perception has actually</p>

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments
			<p>increased from 20% in 2006. It could be related to the fact that as people use up their compensation money, they feel as if they are worse off than before. However not all feedback is based on perception. There have been instances when people had to reduce their cattle/livestock because their hayfields were not restored for over two seasons. Even though compensation for loss of income was paid through Supplemental Assistance, and in one such case, SEIC has encouraged the family to start rearing chickens, such families might have problems in restarting their livestock occupation. In other cases, some people have not been able to resume their agricultural practice as the access has not yet been restored and land not handed back by the contractor.</p> <p>In cases where lands are not returned to land owners/users, because of construction continue, SEIC prolongs agreements for using lands and pays compensations to land owners/users for all relevant losses.</p> <p>The external monitoring however did not come across any family facing any significant livelihood restoration challenges. Wherever people have discontinued their old occupation, it is because they are old and feel they cannot continue with agriculture, which anyway had low returns. They have used the compensation money for other purposes out of choice.</p> <p>In case of resettled families, though the incomes have not changed significantly, the cost of living in Korsakov is higher than in the LNG area where they previously lived. Small, but important additional source of income and food from fishing and livestock activities have either reduced or completely stopped. At least one resettled person has to travel 20 km to take care of his livestock he retains in the old site. The number of livestock however has doubled. It must be noted however that during resettlement process SEIC provided the family alternative resettlement options for the livestock and it was choice of family to use land located at a distance of 20 km.</p> <p>The Social Assessment team is tracking families having problems in restoring livelihoods. There have been a couple of initiatives to enhance incomes by diversifying occupations. One such a person is being helped to start small scale poultry. However it is too early to assess the impacts of such initiatives.</p>

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments
5	<p>Lack of legal titles should not be a bar to compensation, un-registered land users to be compensated as any other PAP.</p> <p>In case where land has fallen out of compliance due to non-payment of taxes, primarily due to economic circumstances, the project shall also, where feasible, assist in getting alternative land of equivalent quality and shall undertake to pay all fees for registration of that land.</p>	P (M)	<p>Non-registered land users have been compensated through the Supplemental Assistance programme. They have been treated at par as registered land users as far as the compensation amount/process goes.</p> <p>Only some of the resettled families had titles for their house or land in their original location. Their new houses have been registered with SEIC's help. SEIC is also helping one family to get registration for a land where they want to keep their livestock, about 20 km from Korsakov.</p> <p>Many of these non-registered users impacted by the pipeline have been able to get easy access to alternate lands through their local authorities, and have not required help from SEIC for this. However some of them have now started thinking about registration of their land, especially as they feel that with more oil and gas activities going on, their new and old lands can be vulnerable to acquisition again. While none of them have approached SEIC for this, SEIC, as a part of its RAP commitment, needs to help their get registration, especially if they are vulnerable families.</p>

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments
6	<p>SEIC has identified that 89% of the project affected households are potentially vulnerable. The RAP lays down specific provisions for such households:</p> <ul style="list-style-type: none"> <li>• Supplemental Assistance specially designed to address the needs of such households;</li> <li>• Non-monetary assistance in the form of training;</li> <li>• access to loan or credit;</li> <li>• provision of employment opportunities within the project, where feasible;</li> <li>• assistance to become formally registered landowners of the land they have been using; and</li> <li>• SEIC will maintain procedures to deal with claims from vulnerable people promptly.</li> </ul>	P (H)	<p>As most of the impacted families fell into the vulnerable category, SEIC has treated everyone as vulnerable. It has provided the resettled families with registered property, it has used the supplemental assistance to respond to the needs of all families, and priority has been given to the land losers and other directly impacted families for employment opportunities during the construction phase, to the extent feasible. Feedback from landlosers and CLOs suggest that 40-50% of the construction related employment opportunities in Novoey and Smirnykh district were given to the local population, including eligible people from the project affected families.</p> <p>Non-registered have not yet been assisted to become formally registered land owners. SEIC reports that this assistance was provided to all non-registered land user who were resettled from LNG/OET and SPZ and to household on PP Safety Zone. In other cases Company has offered this kind of support to households, but in some cases people were not interested it or it was not possible according to objective causes (for example: the new land plots were located on the land which was part of collective farm and that collective farm was going through a bankruptcy process).</p> <p>SEIC has also not yet been able to develop income restoration programmes tailored to suit the requirements of the vulnerable families. While the HSESAP does not make provision to develop income restoration programme, Supplemental Assistance Programme does approach this issue. Except for the initiative on poultry with one family, there has been no other initiative taken up. SEIC reports that the community has not responded encouragingly whenever there have been discussions on income restoration, because they have not yet felt the need for generating additional income. If given a choice, people would prefer cash to income generation/credit support. This was similar to the feedback that the consultant received during consultations with the project impacted families.</p>
7	Mitigation measures related to reindeer herders	Y	<p>Most of these mitigation measures are being addressed through the Sakhalin Indigenous Minorities Development Programme (SIMDP). With respect to compensation, SEIC has worked with the Nogliki administration with resources to invest in measure to improve the lives and livelihood of the reindeer herder families impacted by the project (see section 2.4.6). 2 compensation payments were made for damage to grazing pastures.</p>

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments
8	Commitment related to natural resource users include: <ul style="list-style-type: none"> <li>Careful attention to facility siting to avoid impacts on natural resources</li> <li>Provide transport to enable them to reach alternative areas</li> <li>Social monitoring of communities adjacent to the project construction to identify project related impacts.</li> <li>Careful restoration programme on the pipeline corridor.</li> <li>Rigorous enforcement of no hunting, no fishing, no gathering policy among project people; and</li> <li>Clear channels for local communities to lodge complaints.</li> </ul>	Y	<ul style="list-style-type: none"> <li>Siting has taken into considerations minimization of impacts.</li> <li>Transport has not been provided as alternative natural resource areas are available nearby and there has been no demand for this. Dacha owners have been provided transport to go to their Prigorodnoye dachas.</li> <li>CLOs are monitoring social issues on a regular basis. Socio-economic monitoring of project impacted families has been done on a six monthly basis.</li> <li>Pipeline restoration is ongoing. While in some places construction is still on, in others, construction activities have ceased some lands have been handed back, while others are going through biological restoration, hence not yet given back to the owner. The process of restoration has caused families to lose another agricultural season, for which they have received additional compensation.</li> <li>There has been strong communication on restrictions on hunting and fishing. However there have been stray incidents recorded.</li> <li>There is a grievance redressal system in place</li> </ul>
10	The Supplemental Assistance Programme shall be used to meet OD 4.30 requirements. SEIC shall ensure transparency and consistency by documenting compensation communications, approaches and actions between users, communities and SEIC.	Y	Every recipient of SA was explained the basis of derivation of the assistance amount. They were given in writing the calculation of the compensation, a copy of which they got to keep. Families interviewed during the external monitoring field visit expressed satisfaction with the level of transparency and disclosure.

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments
13	Where there is a need to relocate commercial fisheries, SEIC shall ensure appropriate compensation and assistance is provided. SEIC shall provide compensation for lost income based value of catch; assist in the removal and relocation of equipment; and assist in and compensate for enterprises applying for new fishing licences.	Y	<p>As described in section 2.4.2 compensation for loss of income and relocation was negotiated with each of the three impacted enterprise separately.</p> <p>Company 1 had to relocate and SEIC assisted for the removal of nets and equipment, in the procurement of another fishing licence, provision of new equipment for processing and refrigeration and paying off the shareholders.</p> <p>Company 2 lost one fishing season because of some legal problems with the association. They continue fishing in the same area.</p> <p>Company 3 have received their payment in 2007. Because of the delay in the final settlement, the owner reports that the company had already contracted the contract workers to work during the salmon season. Once they had to remove their nets, they have to lay off the temporary workers, approximately 50 in number. Presently they are seeking legal advice on whether they need to compensate the workers for this. As SEIC is committed to providing compensation to workers in impacted enterprises, if laid off, they need to get into the details of this issue, and take steps accordingly. SEIC is currently assessing the situation.</p> <p>The compensation amount was reportedly assessed as fair, and took into account long term losses in income</p>
14	<p>Ancillary fishing industries: SEIC aims to avoid or minimize any socio-economic impacts on ancillary fishing industries with economic ties to the commercial fishing industry through implementation of environmental mitigation measures set out in HSESAP, EIA and EIA addendum.</p> <p>SEIC will conduct informal surveys through the CLO network and SPT on ancillary enterprises and individuals engaged in activities linked to commercial fishing.</p>	Y	<p>Discussions with fishing enterprise, CLOs and the social assessment team brings out that there is not a big, independent, ancillary industry in Sakhalin island that is critically dependent on the fishing enterprises . Most enterprises have their own ancillary support either within the enterprise or different enterprise specialise in particular services and provide those services to each other. Repair / maintenance/ processing facilities are generally located in the mainland. This opinion has been confirmed by the social impact assessment study on fishing enterprises and ancillary industry.</p> <p>There has been grievance registered by fishermen in Aniva Bay for impacts on fishing. As the SEIC study has shown no impacts till date, SEIC has responded to the complainants accordingly.</p> <p>There is ongoing engagement with the fishing enterprises and organisations. One person in SEIC has been appointed with that responsibility. The internal monitoring process also follows issues of concern within this sector.</p>

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments
15	Resettlement: Affected owners and users shall be compensated for loss of land, assets and livelihood in accordance with the Russian Federation regulations, or given the option of receiving equivalent replacement land and structures at a nearby location approved by them, along with assistance during moving and access to basic amenities and infrastructure. Additional allowances shall be paid from the supplemental assistance Fund where required to meet OD 4.30 principles. Resettled families will be provided income restoration support.	Y	<p>There were 7 families that required resettlement. Of these:</p> <ul style="list-style-type: none"> <li>• 2 chose houses with sheds in Korsakov</li> <li>• 1 chose an apartment in Korsakov</li> <li>• 2 chose dachas</li> <li>• 1 preferred monetary compensation and</li> <li>• 1 took monetary compensation for giving up the rights on the land. This family always lived in the Aniva District</li> </ul> <p>According to their commitment, SEIC assisted the family through the resettlement process, provided transport, used the supplemental assistance to provide a transitional allowance, to repair sheds based on the requirement of the family, and get the property in Korsakov registered in the family's name. Income profiles have not significantly changed, though access to vegetables and milk from cattle have reportedly gone down. Living expenses in Korsakov is also higher, denting family income levels. SEIC is the process of helping one family to register land in Prigorodnoye to keep his cattle.</p> <p>One additional family facing resettlement due to the pipeline SZ in Firsovo. The alternate house is located within a few hundred yards from the family's current location. The construction was in the progress at the time of the consultant's visit in August, and has since been completed. The family was closely involved in designing and construction of the house. The quality of the house is much better than the current dwelling. There will be no impacts in the household income as both husband and wife are government employees and will continue with their jobs. The family has a specific request of getting the soil transported from their present house to their new location.</p>
17	<p>The Dacha community is to be compensated on principles set out in the RAP. The company is committed to regular dialogue with the dacha owners/users to seek to understand their concerns regarding the proximity of the project to their communities and to discuss appropriate mitigation measures.</p> <p>SEIC will employ an expert assessor to provide an independent valuation of property value. The expert assessor will be acceptable to both dacha community</p>	P (M)	<p>As discussed in section 2.4.5, Dacha owners were provided a compensation package for loss of value of dachas based on an assessment of dacha values undertaken by an independent assessor. 67 people accepted this compensation package. Another 14 opted for a waiver package.</p> <p>An assessment of loss of crop value done by another independent agency concluded that there was no impact on crops, and hence no compensation was offered for crops.</p> <p>Full quality of life indicators are proposed to get started later this year. Air and noise monitoring were initiated in June 07, and is ongoing. The results show that emissions are well within permitted level. In 2007 both noise levels and chemical content of air was well within permitted levels (samples were taken in three cooperative in June-October on monthly basis). Flaring of gas at the LNG site has begun</p>

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments
	<p>and SEIC.</p> <p>Quality of life indicators such as health, livelihood and access to basic services will be monitored using indicators and a methodology will be agreed by, and to the satisfaction of the affected community and Senior Lenders by end of 2006. Significant impacts will be evaluated through monitoring the performance of QoL indicators over a period of time. Where significant impacts are established an appropriate compensation package will be worked out through a participatory process.</p> <p>In addition to compensation, the dacha community will be entitled to a targeted social investment programme to ensure that the quality of life is restored to pre-project levels, and in some cases improved.</p>		<p>since June 07 and this has aggravated community concerns.</p> <p>The dacha owners continue to have the following concerns:</p> <ul style="list-style-type: none"> <li>• They feel that the valuation process was not accurate and their dachas have been undervalued. The compensation does not allow them to buy an alternate dacha in the Korsakov. This is strongly contested by SEIC who maintain that the valuation was accurately done by an independent agency, which took into consideration the highest value around Korsakov;</li> <li>• Some report a reduction in quality and quantity of fruits and vegetable produced in their gardens since the project activities were initiated. This again is contrary to what was concluded on crop productivity by an independent assessment.</li> <li>• The soil assessment identified that the area has relatively high levels of arsenic, though within permissible levels. This may not indicate any project impacts but the dacha owners feel concerned about this, want a more in-depth assessment of soil quality, and also allege their markets for vegetables has dropped because of this. SEIC reports that since the external monitoring review it held discussion with dacha community and agreed to conduct additional survey. Following this agreement the Sakhalin Agricultural Institute conducted sampling and relevant examination and reported that: <ul style="list-style-type: none"> <li>1. The detailed examination of the soil along roads and soil from the off-road territory showed that majority of soil samples had lower arsenium concentration than the soil of land parcels of the <i>Stroitel</i> Garden cooperative. Also, the regular decrease of concentration is not observed with increasing of the distance from the route. Thus, impact of dust and vehicle emissions as a cause of accumulation of arsenium in the soil of garden land parcels is practically excluded.</li> <li>2. The second examination did not show increase in total concentration of arsenium in the soil of garden land parcels as compared to the same period of 2006.</li> <li>3. The tendency for increase in the arsenium concentration in soil of specific land parcels in the course of vegetation season found in 2006 was possibly caused by seasonal changes in physical and chemical conditions of soils that affected the degree of the microelement extraction during the analysis.</li> </ul> </li> </ul> <p>(The study concluded that arsenium concentrations found in the soils of the examined garden land parcels cause no risk of possible accumulation of the said microelement in the agricultural production in connection with operation of the route leading to the LNG Plant).</p>

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments
			<ul style="list-style-type: none"> <li>• Flaring, the dachas owners feel, has worsened the air quality and has impacted their health.</li> <li>• The noise, dust and traffic on the roads around their dachas has reduced the “value” of coming to dachas to spend weekends. Children and grandchildren, who used to previously visit on a regular basis, now come very infrequently.</li> <li>• The air monitoring is done without involving dacha owners. They feel that high wind conditions, and time of the day, impact the results. The monitoring, in their opinion may not have taken these into consideration, and can be biased.</li> <li>• Dredging and its impacts remains an issue. They can no longer collect scallops.</li> </ul> <p>Some of these concerns may be due to lack of understanding of the scientific aspects of air monitoring as well as presence and impacts of arsenic, which could be natural to the area. Dacha owners are planning to initiate their own air monitoring to compare and verify the results brought out by SEIC, and have already talked to potential agencies. It will cost them around 15000 Rb.</p> <p>SEIC has been in consultation with the dacha owners on a regular basis. A bus service is provided to dacha owners living in Korsakov to access their dachas in Prigorodnoye. The Dacha owners acknowledge that SEIC has engaged them and tried to respond to emerging issues. The entire issue of reducing the SPZ limits from 3 km to 1 km however remains at the heart of their discontent. The dacha owners are still hoping for a review of the SPZ in the operation stage and thereafter for a full resettlement package.</p>
21	Gatherers: Traditional users of common resources like berry and mushroom collectors will have alternative sites where they can access these resources. Families facing problems in access to similar resources will be provided with transport to alternative sites by the project. Such families can approach their CLOs and register their grievances and concerns.	Y	<p>There have been grievances regarding loss of access to gathering areas during the construction activities. The access has been restored thereafter. In some cases there have been delays in this response. At a couple of places these areas have been used as lay-down areas, but after consultation with the community. Loss of access was for a longer term in these cases. During the monitoring visit, a number of people did report about this issue, though they all reported that since the grievance was aired, access has been restored.</p> <p>SEIC reports that no demand or request for transport to alternate sites was received from any of the communities. The respective CLOs have been in regular touch with people, and would have responded had such requests been made. No claim for compensation has been made or paid on this issue.</p>

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments
22	Traditional Land Users (Hunting, Fishing, reindeer herding): Supplemental Assistance will be available in accordance with the principles set out in the RAP, where there is verifiable adverse impact. SEIC to develop or support some sustainable development initiatives through consultations with such stakeholders as discussed in the SIMDP.	Y	An SIMDP has been designed and is being implemented in parallel to the RAP, specifically addressing IP related issues.
23	Compensation for Prigorodnoye Beach	P	Already discussed in section 2.4.4. Knowledge is Power, a citizen's groups based in Korsakov, and a member of the Initiative Group to discuss the beach compensation issue was happy with the public hearing and the wider community consultations held on the issue by SEIC. Information is regularly shared by the company, though sometimes responses to specific queries get delayed. KiP did express concern that some of the funds for the park upgradation was not being used for the specific components agreed to, and plans to raise up the matter with SEIC.

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments
24 and 25	Temporary land use: Landowners and users shall be compensated for the use of land during the lease period for loss of fixed assets and for any loss of income experienced during the construction period. Land shall be returned to the original owners and users upon construction completion, with the land duly restored.	P (L)- The issue is construction related and should not recur now.	<p>SEIC has been compensating land users for temporary use of land. During construction time, in case the farmers/land owners could not be provided access to the remaining part of the land and lost crop for one season, such cases were identified by the CLOs and by the internal socio-economic monitoring process and compensation provided. The external monitoring process came across some such cases, where land owners confirmed that they had received compensation for use of land, as well as loss of crop due to loss of access to land during construction.</p> <p>Some grievances were recorded that indicate that there were incidences when land was used by contractors in different communities without either seeking permission from the land owner / users or accidentally damaging land owners/users community property. In such cases, the aggrieved parties have made claims. In some cases these claims have been upheld, and in others land has been restored without compensation. The resolution time for those complaints has more often than not taken over 45 days.</p> <p>Land restoration is in progress and according to construction and restoration plans. In some parts of the pipeline land has been restored, and in others, land is still being rehabilitated and not yet restored. While reaching compensation agreements, the project affected people were reportedly informed about the period within which their land would be restored and handed back. The external monitoring did come across a couple of cases where the project affected family had moved away from their original place of residence, and were not aware of when their land would be restored. In cases where land has not been returned to land owners/users, because of ongoing construction, SEIC extends agreements for using lands and pays compensations to land owners/users for all relevant losses.</p>

HSESAP Reference	RAP Commitment	Status (Y/P/N)	Comments
26 and 27	Road usage: Wherever possible, the project shall make use of existing roads to minimize the requirement for additional land acquisition. The project shall upgrade these where necessary to accommodate project traffic.	P (M)- Construction related	<p>Use of exiting road during 2005-2006 at the height of the pipeline construction period, was the biggest cause of concern to the community at large. Narrow, and sometimes unpaved village roads were used by contractors for movement of manpower, machinery and equipment, and often damaged the roads and sometimes public infrastructure like water pipes, beside creating congestion and traffic hazards. In many cases, the roads were not strengthened or upgraded before use for the project. The problems exacerbated during the rainy season.</p> <p>In Korsakov, the Mayor also expressed concerns about the additional pressure on the public infrastructure, including road and waste disposal systems.</p> <p>The roads have since been restored, albeit with delays. It required coordination with, and commitment from contractors, and different contractors responded to this issue differently. The external monitoring process came across positive feedback about some contractors (e.g. in Sevetskoye)) where they have not only restored the land, but have helped the community in many ways, including improving the local football field.</p> <p>In addition, SEIC continues to provide support to the Korsakov region through the Korsakov Infrastructure Fund. Thus far, USD1m has been allocated to upgrade a bridge in the centre of Korsakov (completed June 2006). A further USD4m was allocated to the construction of a new health clinic in Korsakov, due to complete in 2007. A further proposal for funding which is to be considered, and which is intended to provide recreational opportunities to Korsakov citizens, is for a municipal swimming pool. A target date has yet to be determined.</p>
31	Independent mediation: Where RAP related claims have not been satisfactorily resolved, the company has made provisions for independent mediation.		This is an additional provision included under the RAP commitments, on the suggestions of Lenders, primarily to address those grievances and issues that have reached a stalemate. The mediation process became part of SEIC Grievance procedure. As of today all RAP grievances have closed or are being processed by the Company. No RAP grievance till date needed to be referred to an independent mediation process.

*Y: The commitment has been fully met;*

*P: The commitment is either still in progress, or has been partially met. Partial Compliance has in turn been rated High (H), Medium (M) and Low (L) depending upon the relative significance of the issue and ease of managing that issue; and*

*N: This commitment has not been met. This is a non-compliance.*

*CONCLUSIONS*

In conclusion to the findings, the RAP commitments are being broadly met. A number of commitments have not been fully met, primarily because the related activities have not been completed or the issue is still being brought up by the community like the Prigorodnoye dacha issue. There are also cases where there are gaps in implementation, and the remarks in the compliance table bring out those gaps.

The systems of grievance redressal as well as consultation and disclosure through a strong CLO network are the strengths of the RAP implementation. Both these processes faced initial problems, but by effective monitoring and review, both these processes have been periodically modified to respond to emerging issues as well as reflect the feedback from the community, other stakeholders and lenders.

The external monitoring has been initiated at a stage when some of the key resettlement and compensation issues have already been met. Hence recommendations are being made primarily on issues where there is still a scope for improvement or strengthening of the RAP implementation.

#### **4.1 VULNERABILITY SUPPORT**

More than 80% of the project affected people are vulnerable according to the RAP and subsequent monitoring surveys. Local consultations with land losers/resettled people, and discussions with SEIC team brings out that no family is facing serious livelihood crisis, or that their vulnerability has increased due to the project. There have also not been any requests from the PAFs on livelihood support. The following is however recommended:

##### **4.1.1 *Advantages of registration***

As indicated by a user, it costs at least 16000 rb to register land. For the unregistered land users, this is a significant amount of money. There is also the added complication of many of these lands belonging to the erstwhile collective farming system. These systems have now been broken up but there is still a problem of unclear ownership. The process of registration is thus very lengthy and cumbersome. However as Sakhalin sees more companies coming in with investments, land requirement will increase. Some of the unregistered users now see the merit in registering their land. This will reduce their risks of not being compensated in future if their land is again impacted. It will also ensure they get a good value for their land and crops if faced with such circumstances. No one has yet approached SEIC for help in registration, monetary or non-monetary. However, the issue came up more than once during consultations with the project impacted families. SEIC, in the next few months should hold discussions with the unregistered users and gauge whether they need help in registration. After identification of those who do, SEIC can should, following commitments in the RAP, provide monetary as well as non-monetary support (like legal advice etc.) for registration of property of unregistered users.

SEIC has committed to exploring this issue.

##### **4.1.2 *Investigate alternate livelihood potential***

Some of the project affected people have taken their compensation and moved away from agriculture. The key reason is primarily age, and they feel that agriculture is a hard/difficult operation, and they are too old now to face that challenge. They are anyway pensioners, surviving on government pensions. Any setbacks could create a difficult situation for these elderly people as they

will have no agriculture to buffer them against such shocks. SEIC should monitor the progress of such potentially vulnerable groups and also explore the potential of providing them skills and credit to start ventures that allows them earn an additional income, specially people who can still work. It need not be a new venture. For example, some of these families still maintain dachas. Improving the returns from the dachas through better productivity and better marketing linkages/intermediary processing facilities could be something the farmers could easily adopt.

For most families, some amount of sensitisation would be required first. One option is a workshop or a series of location specific workshops for all the project affected families to discuss future livelihood opportunities for those who want to pursue it. Once the preferences are noted, SEIC can design and implement such a programme, with the help of experts, and with linkages with various government programmes. The adoption of such initiatives will require as much commitment from the project affected family as from SEIC. Hence for those households that do not want this additional support, SEIC need not pursue this income restoration support.

It is appreciated that change in income levels could be for various reasons, some not related to the project itself. Through consultation and workshops, SEIC should work toward identifying those specific households who have faced income hardships as a result of the project.

## 4.2

### *PRIGORODNOYE DACHAS ISSUE*

From the dacha community point of view their issues are not yet resolved. SEIC on the other hand has taken steps to provide them options of compensation, waiver as well as monitoring of QLIs. While the negotiations will continue, the following needs to be done:

- Representative of the dacha community need to be involved in the broader quality of life monitoring, which is presently limited to air and noise monitoring. While they were given an initial briefing on the purpose and methodology, they would still need some basic training in the process to be able to understand and interpret the findings of the monitoring and their implications. This will also reduce the risks of them not accepting the results of the monitoring. It is therefore recommended that every time the LNG contractor intends carrying out the monitoring, prior notice should be provided to the dacha representatives, to enable them to be present at such times. SEIC already shares the monitoring reports to the dachas owners, and should continue doing so.
- The concerns about impacts on crop/fruit and vegetable produce needs to be followed up. SEIC should commission experts to study the long term impacts of the project (flaring, dust and noise etc.) on crop production. In case of any significant impacts, the community would need to be compensation based on the principles outlined in the RAP. The survey should be done periodically like a monitoring to ensure

that if impacts are noticeable, then immediate and effective action can be taken. SEIC has already committed to conduct a crop production assessment if the air pollution parameters exceed permissible limits. The arsenic concerns have already been investigated.

#### 4.3 *STRENGTHENING OF INTERNAL SOCIO-ECONOMIC MONITORING*

SEIC has conducted 7 internal socio-economic monitoring since 2003, and the monitoring has brought out important feedback on restoration of livelihoods, utilisation of compensation money and identified any issues of concerns. The format and questionnaire used for monitoring was very useful for the first phase of the RAP implementation, wherein the focus was on payments of compensation and physical resettlement. The RAP is now at a stage where there needs to be a qualitative shift in the approach to the monitoring. Questions like levels of satisfaction with compensation amount and utilisation of the compensation money needs to discontinued to be replaced by more unstructured discussions on what their current livelihood patterns are, what are the challenges they face in their new place of residence and additional support that may be required for aspects like registration of land, or improvement in land quality and agriculture. SEIC's social investment programme has components like agriculture and livestock improvement that can directly address some of those emerging issues, and the Social Assessment team needs to engage with the social investment team to identify where linkages can be leveraged.

#### 4.4 *GRIEVANCE REDRESSAL AND INDEPENDENT MEDIATION*

The Grievance system is well documented and disclosed. Information dissemination about the process should continue, as is being done, at regular intervals, with a big campaign once in 6 months. The 45 day resolution time should be aimed to be met in all grievances in the next 6 months, except for exceptional cases.

According to changes to 2005 HSESAP Independent Mediation Process is part of SEIC Grievance Procedure. However no RAP grievance met eligibility criteria for the independent mediation process as yet. The timelines and terms of reference for such mediation should be practical and decided on the basis of the issue and number of parties involved. The 45-days resolution target may not be achievable in some such cases. To ensure prompt mediation, instead of one mediator, SEIC could have a pool of 2-3 mediators, well versed with Russian Federation laws and resettlement issues, and have proven negotiation record. These mediators would be on call, as and when required.

#### 4.5 *TRACKING THE FISHING ENTERPRISES*

Tracking the impacts on fishing should remain the priority of the company. The first social impact assessment did not identify any serious impacts on the

quantity and quality of fish, nor a great level of dependence on fishing from small scale/subsistence fishermen. However as fishing is such a vital economic activity with so many people involved in it, it would be prudent to conduct the social impact survey annually and identify adverse impacts, is any, as early as possible. The first study has established the baseline, and so in subsequent surveys, the focus would be on impact at the community and sector level. This would need close linkages with the Environment Management Plan and mitigation measures, as well as the sustainable development initiatives being undertaken.

In addition to the above, SEIC needs to investigate into the matter of one of the fishing enterprise's temporary workforce issue. In case it is confirmed that they have had to lay off people after signing seasonal contracts with them, SEIC needs to provide transitional allowance to the workforce as compensation for loss of job, in accordance with the RAP commitments.

Annex A

## Field Schedule of the External Monitoring process

**Schedule of Third Party RAP monitor visit**

Date	Location	Type of work
20.08	Office: Yuzhno-Sakhalinsk	Meeting with EA Manager (Jim Niven). Admin (security pass, etc.)
21.08	Office: Yuzhno-Sakhalinsk	Meetings with SEIC specialists: <ul style="list-style-type: none"> <li>• Grievance redressal</li> </ul>
		Meetings with SEIC specialists: <ul style="list-style-type: none"> <li>• Prigorodnoye Dacha progress</li> </ul>
22.08	Office: Yuzhno-Sakhalinsk	Meetings with SEIC specialists: <ul style="list-style-type: none"> <li>• Central Approvals Team</li> </ul>
		Trainings (HSE and security induction).
23.08	Fieldwork: Dolinsk district (Sokol, Sovetskoye, Firsovo)	Yuzhno -Sokol
		Meetings with PDP CLO, Meetings with Contractor CLO,
		Meetings with Head of Sovetskoye community,

Date	Location	Type of work
		Meetings with affected land users, Meetings with grievances complainants Meetings with affected land users, Meetings with grievances complainants Firsovo - Yuzhno
24.08	Fieldwork: Korsakov district	Meeting with CLO LNG. Meetings with Settlers. Meeting with Fish enterprises Meetings with Settlers. Meeting with Mayor of Korsakov Meetings with Settlers. Meetings with Dachas representatives. Meetings with Settlers. Prigorodnoye - Yuzhno
25.08	Fieldwork: Makarov, Poronaisk districts (Novoye, Makarov)	Yuzhno - Makarov Meeting with Makarov dachas owners (Grievance)

Date	Location	Type of work
		<p data-bbox="974 370 1226 394">Makarov - Tumanovo</p> <p data-bbox="974 435 1331 505">Meetings with PDP CLO, Meetings with Contractor CLO,</p> <p data-bbox="974 553 1486 578">Meeting with Head of Novoye administration</p> <p data-bbox="974 643 1419 712">Meetings with affected land users, Meetings with grievances complainants</p> <p data-bbox="974 753 1419 823">Meetings with affected land users, Meetings with grievances complainants</p> <p data-bbox="974 883 1276 907">Vostok - Poronaisk (camp)</p>
26.08	Fieldwork: Smirnykh district Tymovsk district	<p data-bbox="974 967 1226 992">Poronaisk - Smirnykh</p> <p data-bbox="974 1032 1419 1102">Meetings with affected land users, Meetings with grievances complainants</p> <p data-bbox="974 1143 1331 1213">Meetings with PDP CLO, Meetings with Contractor CLO,</p>

Date	Location	Type of work
		Smirnykh - Onor
		Smirnykh - Tymovsk
		Meetings with affected land users, Meetings with grievances complainants
		Tymovsk - Yasnoye (camp)
27.08	Fieldwork: Nogliki district	Yasnoye - Val
		Meetings with representatives of Reindeer herders.
		Val - Nogliki
		Nogliki camp
		Nogliki (train)

Date	Location	Type of work
28.08	Arrive to Yuzhno Yuzhno	Preliminary Report (key results and findings)
29.08	Yuzhno	Preliminary Report (key results and findings) Meetings with SEIC specialists, including: <ul style="list-style-type: none"> <li>• Indigenous People's person</li> </ul>
30.08	Yuzhno-Moscow	Final discussion with SPT and EA Manager.
12.11	Korsakov	Meeting with KiP, Local NGO
13.11	Yuzhno	Meeting with Sakhalin Energy Watch, an NGO

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ERM India Private Limited

6th Floor, Block 4B,  
DLF Corporate Park,  
DLF City, Phase-III,  
Gurgaon - 122 002

Tel: 91-124-4170300  
Fax: 91-124-4170301  
Email: india@erm.com

[www.erm.com](http://www.erm.com)

