

SAKHALIN INDIGENOUS MINORITIES DEVELOPMENT PLAN

Second Five-Year Plan (2011-2015)

Sakhalin-2 Project

Sakhalin Energy Investment Company Ltd.

December 2010

CONTENTS

CONTENTS	2
LIST OF ACRONYMS	6
NOTE ON PLAN PREPARATION	6
1 ORIENTATION	8
1.1 OBJECTIVES OF THE SECOND SAKHALIN INDIGENOUS MINORITIES DEVELOPMENT PLAN (“SIMDP 2”)	8
1.2 BRIEF DESCRIPTION OF SAKHALIN-2 PROJECT	9
1.3 BRIEF DESCRIPTION OF CONSULTATIONS CONDUCTED	10
1.4 BRIEF DESCRIPTION OF THE STAKEHOLDER PARTICIPATORY PROCESS IN PLAN PREPARATION	10
1.5 SCOPE OF THE SAKHALIN INDIGENOUS MINORITIES DEVELOPMENT PLAN 2.....	11
1.5.1 PROJECT SCOPE AND LOCATION OF AREAS OF INDIGENOUS MINORITIES SETTLEMENT	11
1.5.2 DEFINITION OF SIMDP COVERAGE	11
1.5.3 RELATION OF SIMDP TO OTHER PROGRAMMES AND DOCUMENTS OF THE PROJECT	14
2 BASELINE INFORMATION	16
2.1 LEGAL FRAMEWORK.....	16
2.1.1 THE LEGAL STATUS OF THE INDIGENOUS MINORITIES OF THE NORTH OF SAKHALIN OBLAST	16
2.1.2 SIMDP COMPLIANCE WITH INTERNATIONAL STANDARDS.....	17

2.1.3	RELEVANT SAKHALIN ENERGY SOCIAL/INDIGENOUS PEOPLES RELATED STANDARDS.....	17
2.1.4.	COMPENSATION FOR LAND USE.....	18
2.2	SOCIAL, CULTURAL, ECONOMIC AND POLITICAL CHARACTERISTICS OF SAKHALIN'S INDIGENOUS MINORITIES	18
3	ASSESSMENT OF DEVELOPMENT OPPORTUNITIES, IMPACTS AND RISKS	22
3.1	DESCRIPTION AND EVALUATION OF SIMDP 1.....	22
3.2	DESCRIPTION OF THE SIMDP 2 PREPARATION PROCESS	25
3.2.1	DESCRIPTION OF THE CONSULTATION PROCESS WITH SAKHALIN'S INDIGENOUS MINORITIES	25
3.3	ASSESSMENT OF ADVERSE IMPACTS	27
3.3.1	PERCEPTION OF POTENTIAL NEGATIVE PROJECT IMPACTS ON SAKHALIN'S INDIGENOUS MINORITIES	27
3.3.2	SIMDP 2 MITIGATION MATRIX	28
3.4	EVALUATION OF RISKS	28
4	DEVELOPMENT MEASURES	30
4.1	INTRODUCTION: HOW THE DEVELOPMENT PROGRAMMES WERE SELECTED	30
4.2	THE SIMDP 2 PROGRAMMES	30
4.2.1	SOCIAL DEVELOPMENT FUND.....	30
4.2.2	TRADITIONAL ECONOMIC ACTIVITIES SUPPORT PROGRAMME	31
4.3	ROLE OF THE IMPLEMENTING AGENCIES	33
4.3.1	ROLE OF GOVERNMENT AGENCIES IN IMPLEMENTING THE SIMDP 2	33

4.3.2	ROLE AND CAPACITY BUILDING OF INDIGENOUS PEOPLES ORGANISATIONS TO IMPLEMENT THE SIMDP 2	34
4.3.3	ROLE OF SAKHALIN ENERGY IN IMPLEMENTING THE SIMDP 2.....	35
4.4	SIMDP GOVERNANCE STRUCTURE.....	35
4.4.1	STRATEGY FOR PARTICIPATION	36
4.4.2	COORDINATING BODIES	37
4.4.3	MECHANISMS FOR PERIODIC REVIEW AND ADJUSTMENT OF THE SIMDP 2	38
4.4.4	SIMDP GRIEVANCE PROCEDURE	39
4.5	REPORTING, MONITORING, EVALUATION, AND DISCLOSURE	42
4.5.1	REPORTING REQUIREMENTS.....	43
4.5.2	INTERNAL MONITORING.....	43
4.5.3	EXTERNAL MONITORING.....	43
4.5.4	PLAN EVALUATIONS	44
4.5.5	TRIPARTITE REVIEW.....	45
4.5.6	DISCLOSURE.....	45
4.6	COST ESTIMATES AND FINANCING PLAN.....	48
4.6.1	SAKHALIN ENERGY INPUTS.....	48
4.6.2	SAKHALIN OBLAST GOVERNMENT INPUTS	48
4.6.3	THIRD PARTY INPUTS.....	48
4.6.4	BUDGET ALLOCATION	49
4.7	FUTURE SIMDPS.....	49
	ANNEX 1. TRIPARTITE AGREEMENT.....	50

ANNEX 2. LIST OF MATERIALS DISTRIBUTED DURING CONSULTATIONS WITH INDIGENOUS PEOPLES	50
ANNEX 3. INDIGENOUS MINORITIES PROJECTS SUPPORTED BY SAKHALIN ENERGY	56
A) THROUGH SIMDP 1, 2006–2010:	56
B) OUTSIDE SIMDP 1, 2004–2010:	56
ANNEX 4. LEGAL STATUS OF INDIGENOUS MINORITIES UNDER FEDERAL AND SAKHALIN OBLAST LEGISLATION	59
ANNEX 5. INTERNATIONAL STANDARDS OF SIMDP 2.....	62
ANNEX 6. PROPOSALS RECEIVED DURING CONSULTATIONS WITH INDIGENOUS MINORITIES AS PART OF SIMDP 2 PREPARATION.....	64
ANNEX 7. SIMDP 2 GRIEVANCE PROCEDURE FORM.....	72

LIST OF ACRONYMS

CLO	Community Liaison Officer
GB	Governing Board
HSESAP	Health, Safety, Environmental and Social Action Plan
IP	Indigenous Peoples
IPOs	Indigenous Peoples Organisations
LNG	Liquefied Natural Gas
MGF	Mini-Grant Fund
OD	Operational Directive
OP	Operational Policy
PSA	Production Sharing Agreement
RAIPON	Russian Association of Indigenous Peoples of the North, Siberia and Far East
RCAR	Regional Council of Authorised Representatives of the Indigenous Minorities of the Sakhalin Oblast
RF	Russian Federation
SDF	Social Development Fund
SDFEG	Social Development Fund Expert Group
SDP	Social Development Programme
SIA	Social Impact Assessment
SIM	Sakhalin Indigenous Minorities
SIMDP	Sakhalin Indigenous Minorities Development Plan (“Development Plan”)
SOG	Sakhalin Oblast Government
TEASP	Traditional Economic Activities Support Programme
TEG	TEASP Expert Group

LIST OF FIGURES

Map 1	Indigenous Peoples’ Communities and Sakhalin-2 Project Assets
Table 1	Number of Indigenous Minorities of the North Residing in Sakhalin Oblast by District
Table 2	2009 Wellness Data
Table 3	First Round of Consultations on Formation of the SIMDP 2 (February-April 2010)
Table 4	Second Round of Consultations on Formation of the SIMDP 2 (October 2010)
Table 5	Reporting, Monitoring, and Evaluation Schedule

Note on plan preparation

The Second Sakhalin Indigenous Minorities Development Plan (SIMDP 2) was prepared under the authority of the Tripartite Agreement signed in May of 2006 by the Sakhalin Oblast Government¹, the Regional Council of Authorised Representatives (Sakhalin's Indigenous Minorities Council), and Sakhalin Energy Investment Company Ltd. to establish the First Sakhalin Indigenous Minorities Development Plan (SIMDP 1).

Early in 2010, these parties established a Working Group (see Section 1.4) to guide preparation of the Second Plan. Over the course of the year, the Working Group carried out consultations with local indigenous communities and based on such inputs constructed the framework of SIMDP 2.

Working Groups members were:

- Sergey K. Kurmanguzhinov, Working Group Chair, head of Regional Council of Authorised Representatives of Indigenous Minorities of Sakhalin Oblast (RCAR)
- Tatiana A. Shkalygina, member of RCAR
- Ekaterina A. Korolyova, head of Sakhalin Oblast Government Indigenous Peoples of the North Department
- Vladimir V. Agnyun, Indigenous Minorities representative to the Sakhalin Oblast Duma
- Yulia A. Zavyalova, head of Sakhalin Energy Indigenous Peoples Group
- Natalia V. Gonchar, head of Sakhalin Energy Social Performance Group
- Alexei G. Limanzo, representative of RAIPON (Russian Association of Indigenous Peoples of the North, Siberia and Far East)

Non-Voting Working Group Members:

- Zoya L. Ronick, SIMDP Plan Assistant and RCAR Secretary
- Gregory E. Guldin, SIMDP External Monitor and consultant from Cross-Cultural Consulting Services

SIMDP 2 was formulated by the Working Group with primary writing responsibility given to Yulia Zavyalova, Natalia Gonchar, and Gregory Guldin.

In December 2010, a new Tripartite Agreement was signed by the three parties in Moscow, RF, to authorise implementation of SIMDP 2.²

¹ Prior to 1 January, 2010, the official name of the SOG was "Sakhalin Oblast Administration."

² See Annex 1 for a text of the Agreement.

1 ORIENTATION

1.1 OBJECTIVES OF THE SECOND SAKHALIN INDIGENOUS MINORITIES DEVELOPMENT PLAN (“SIMDP 2”)³

SIMDP 1. In 2006 Sakhalin Energy Investment Company Ltd. (“Sakhalin Energy” or “the Company”) entered into a partnership with the Regional Council of Authorised Representatives (RCAR)⁴ and the Sakhalin Oblast Administration in pursuit of a programme of sustainable development activities to benefit the indigenous minority peoples (“Indigenous Minorities,” “Indigenous Peoples”)⁵ of Sakhalin Island⁶. The First Five Year Plan (2006–2010) was the first of a series of such plans to be designed and implemented over the life of the Sakhalin-2 Project (the “Sakhalin-2 Project” or the “Project”) and was completed as of December 2010.

SIMDP 2. With the successful completion of SIMDP 1, the SIMDP partners have prepared this SIMDP 2 to replace and build upon the collective experience of the Plan and its implementers.

The key objectives of this second Five Year Plan are:

- Improving the lives and livelihoods of the Indigenous Minorities of Sakhalin Oblast through support for the delivery of benefits (social development programmes) in a culturally appropriate and sustainable manner.
- Enhancing the capacity of indigenous communities and individuals to actively participate in the management of the SIMDP and, by extension, similar socio-cultural and economic intervention strategies.
- Assisting Sakhalin’s Indigenous Minorities to prepare for the eventual establishment of an independent Indigenous Minorities development fund.
- Avoiding or mitigating in an environmentally sustainable manner any potential negative effects caused by the operation of oil and natural gas pipelines and associated Sakhalin-2 Project facilities.

³ The formal legal title of Sakhalin’s Indigenous Minorities is the “Indigenous Minorities of the North of Sakhalin Oblast.”

⁴ The RCAR is the official body representing the Indigenous Minorities of the Sakhalin Oblast; they are elected by a quadrennial congress.

⁵ On the advice of the Sakhalin RCAR this SIMDP 2 uses the term “Indigenous Minorities” in addition to “Indigenous Peoples,” which is the terminology used in the World Bank’s OP 4.10, the United Nations Declaration on the Rights of Indigenous Peoples and other international documents. Recognition of these peoples is based upon Russian Federation legislation and codification.

⁶ “Sakhalin Island” is part of the Sakhalin Oblast encompassing both Sakhalin Island and the Kurile Islands.

1.2 BRIEF DESCRIPTION OF SAKHALIN-2 PROJECT

Sakhalin Energy is the operator of the Sakhalin-2 Project, designed to develop the Piltun-Astokhskoye oil field and the Lunskoye gas field offshore northeast Sakhalin, an island in the Russian Far East. The Company was established in 1994. Its shareholders include Gazprom (50% plus one share), Shell (27.5% minus one share), Mitsui (12.5%), and Mitsubishi (10%).

Sakhalin-2 is one of the world's biggest integrated offshore projects for the production and export of hydrocarbons. It is also one of the world's most technologically advanced projects ever implemented in the oil and gas industry. The objectives, scope of operations, size of investment, harsh environment and unique ecosystem of the Island, plus the lack of oil and gas infrastructure at the outset, and Sakhalin's remoteness from major Russian economic centres, required Sakhalin Energy to apply best industry practices, deploy innovative technologies, and use efficient managerial solutions.

As the first offshore oil and gas development and the first liquefied natural gas (LNG) project in Russia, the Sakhalin-2 Project is also being implemented under the first production-sharing agreement (PSA) in the Russian Federation. The LNG produced from Sakhalin-2 has opened up new markets in Asia and America for Russian energy resources. The Project strengthens bilateral commercial and economic relations between Russia and countries in the Asia-Pacific, and helps these countries to diversify their sources of gas supply and reduce their dependence on supplies from other destinations.

The license areas of the Sakhalin-2 Project are located in the Sea of Okhotsk near the north-eastern coast of Sakhalin Island. The two oil and gas fields which make up the resource base are about 15 kilometres off the island's coastline. These fields are estimated to hold about 9% of the hydrocarbons reserves offshore Sakhalin.

Implementation of the Sakhalin-2 Project took place in two phases. In the first phase, Sakhalin Energy started seasonal oil production in 1999 from the ice-resistant offshore platform Molikpaq in the Astokh area of the Piltun-Astokhskoye field, the first offshore oil and gas production platform on the Russian shelf. The second phase of the Project started in 2003, a large-scale, integrated development of the two fields to simultaneously produce oil and gas with an integrated production infrastructure. In Phase 2, year-round oil production began in late 2008, and LNG production and deliveries in the first quarter of 2009.

The Sakhalin-2 Project has introduced several technological innovations to Russia, including LNG production and offshore oil production. The Company tapped Russian and international experience to find solutions to the most difficult challenges. The Project may serve as a model for similar partnership initiatives to develop energy sources in the Arctic.

In addition as of the end of 2009:

- the Company employed some 2000 people, 80 percent of them citizens of the Russian Federation;
- over the life of the Project, Russian contractors have been awarded contracts worth more than US\$14 billion;
- the Project has contributed some US\$600 million to the large-scale upgrade of the Island's infrastructure;
- the Russian Federation has received US\$1.3 billion in revenue from the Project since its start through 2009;
- since 2007, the Company invested about US\$13 million (over RUB 350 million) to implement social programmes in the Sakhalin Oblast.

More detailed information about the Company and the Sakhalin-2 Project is available at the Company's public website (www.sakhalinenergy.com – in English and www.sakhalinenergy.ru – in Russian).

1.3 BRIEF DESCRIPTION OF CONSULTATIONS CONDUCTED

Between 2006 and 2010 there was a series of participatory consultations and meetings with indigenous communities and their representatives regarding implementation of SIMDP 1. This included meetings with the External Monitor, SIMDP partners, and the Sakhalin Energy Indigenous Peoples Unit.

The first round of consultations to prepare for the SIMDP 2 was held between February and April 2010. It focused on receiving suggestions regarding the objectives, components and governance system and structure of SIMDP 2. These consultations with indigenous communities and local authorities took place in Poronaisk, Smirnykh, Aleksandrovsk-Sakhalinskiy, Tymovsk, Chir-Unvd, Nogliki, Val, Okha, Nekrasovka and Yuzhno-Sakhalinsk. No public meetings were held in Viakhtu and Trambaus villages as the roads were blocked in winter and spring seasons. 298 people took part in the first round of consultations.

The second round of consultations was held in October 2010 and included the presentation and discussion of SIMDP 2 Working Group proposals regarding SIMDP 2 objectives, components and governing system and structure developed on the basis of the feedback received during the first round of consultations, and discussion of the components for the Mitigation Matrix initially based on the results of the Public Opinion Survey performed by Sakhalin State University.

Consultations with indigenous communities and local authorities under the second round of consultations took place in Aleksandrovsk-Sakhalinskiy, Tymovsk, Chir-Unvd, Nogliki, Val, Okha, Nekrasovka, Poronaisk, Smirnykh and Yuzhno-Sakhalinsk. No public meetings were held in Viakhtu and Trambaus villages due to unavailability of access caused by bridges' collapse. 212 people took part in the second round of consultations.

1.4 BRIEF DESCRIPTION OF THE STAKEHOLDER PARTICIPATORY PROCESS IN PLAN PREPARATION

In 2010 partners of the First Sakhalin Indigenous Minorities Development Plan (SIMDP 1) started to prepare the Second SIMDP for 2011-2015 (SIMDP 2). For this purpose a **Working Group** was established on the principle of equal partnership. It was comprised of the representatives of the Regional Council of the Authorised Representatives of Indigenous Minorities of Sakhalin Oblast, Sakhalin Energy, the Sakhalin Oblast Government, the Sakhalin Oblast Duma (legislative assembly) and RAIPON (Russian Association of Indigenous Peoples of the North, Siberia and the Far East; the umbrella organisation of Indigenous Peoples in Russia). Six out of eight Working Group members were indigenous. The goal of the Working Group was to develop recommendations for the development of SIMDP 2 on the basis of SIMDP 1 experience and lessons learnt, as well as the results of the two rounds of consultations held in the seven Sakhalin districts of traditional living of Sakhalin Indigenous Minorities (see Item 1.3).

The Working Group guided writing of the SIMDP 2 and submitted it to indigenous communities in the seven districts. The draft SIMDP 2 was distributed in the areas of traditional indigenous residence during the first week of November to be considered by the indigenous population, followed by a special conference in Yuzhno-Sakhalinsk on November 17 called by the RCAR to approve and/or amend the draft SIMDP 2.

At that conference the indigenous delegates declared that they gave their consent to the Plan and to their representatives' signing of a new Tripartite Agreement to implement the Plan.

1.5 SCOPE OF THE SAKHALIN INDIGENOUS MINORITIES DEVELOPMENT PLAN 2

1.5.1 PROJECT SCOPE AND LOCATION OF AREAS OF INDIGENOUS MINORITIES SETTLEMENT

Map 1 conveys the location of Sakhalin-2 facilities along with the location of the seven officially recognised⁷ areas of traditional indigenous settlement on the island, viz.:

- Alexandrovsk-Sakhalinsky District
- Nogliki District
- Okha District
- Poronaisk District
- Smirnykh District
- Tymovsk District
- City of Yuzhno-Sakhalinsk

1.5.2 DEFINITION OF SIMDP COVERAGE

All nearly 4,000⁸ members of the four officially designated ethnic groups of Indigenous Peoples on Sakhalin - Nivkh, Nanai, Uilta, and Evenki, and including a few dozen members of other groups – resident on Sakhalin Island are eligible for SIMDP 2 coverage (see Table 1 below).

- **The Nivkh:** The Nivkh are the most numerous of Sakhalin's recognised Indigenous Minorities (at present numbering 2,682 people and representing three-quarters of the Island's total indigenous population) and, along with the no longer resident Ainu community⁹, are the original human inhabitants of the Island. Today almost two-thirds of the Nivkh are concentrated in two settlements: in the village of Nekrasovka in Okha District and in Nogliki, the administrative centre of Nogliki District. Fishing and hunting were the main traditional occupations of the Nivkh, but by the 1980s the majority were living in small urban settlements. Today very few practice hunting, but many still fish for subsistence and in small-scale fishing enterprises. Poor health, lack of education and unemployment pose significant community challenges to the Nivkh, as they do to other indigenous groups.
- **The Uilta:** Prior to the Soviet period, the Uilta (also known as the Orok or Orochen) had a varied subsistence economy of hunting, fishing and reindeer herding. This changed early in the 20th century as authorities selected reindeer herding to become the primary subsistence activity. Now one of the smallest groups of Indigenous Peoples in the Russian

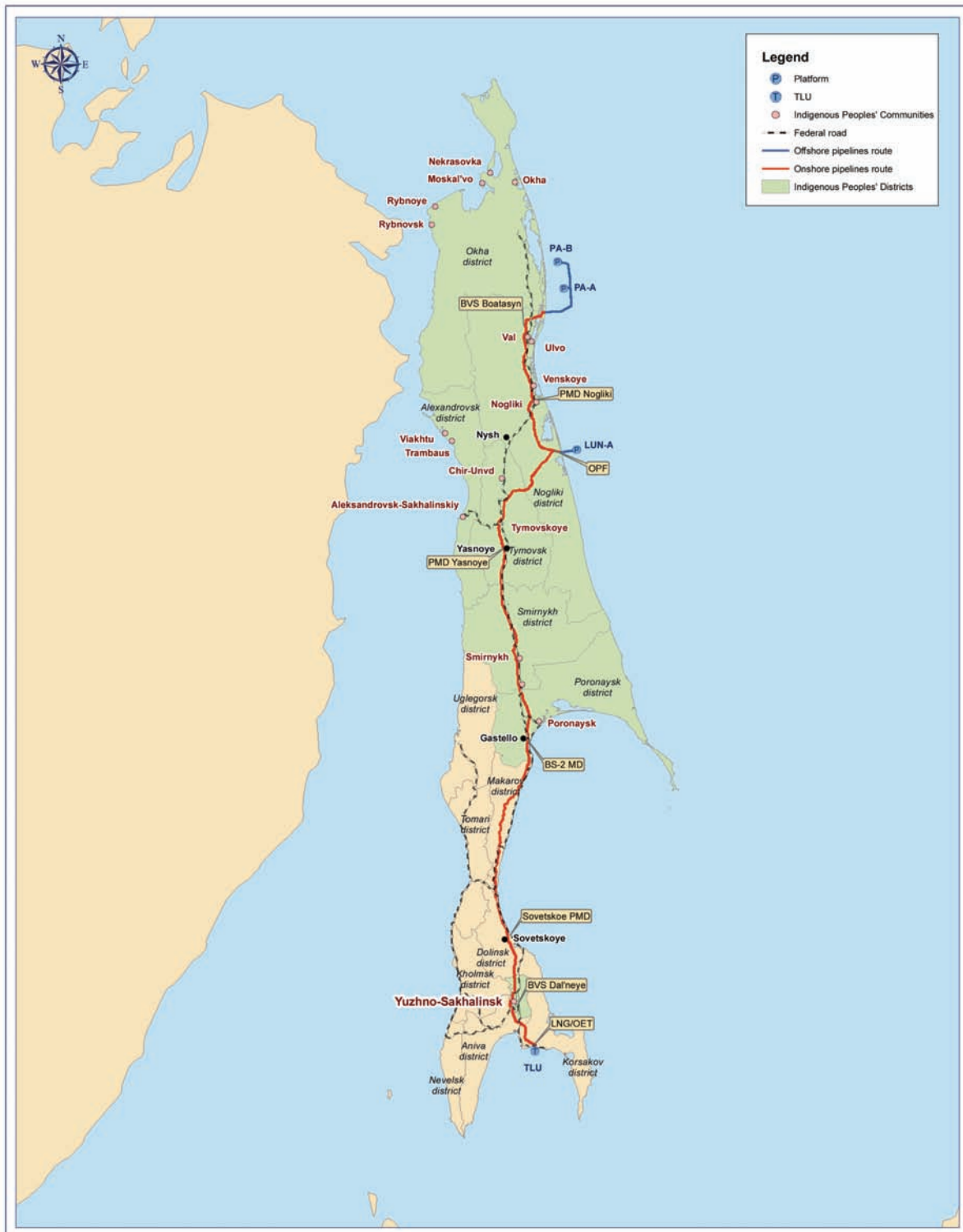
⁷ As codified in Russian law (Decree No. 631-R, Government of the Russian Federation, 8 May 2009).

⁸ Sakhalin Indigenous Minorities figures supplied by the Sakhalin Oblast Government (see Table 1).

⁹ Mostly repatriated to Japan after World War II and the termination of Japanese administration of southern Sakhalin.

Federation, the Uilta currently number 362 and are concentrated in the village of Val and also live in the towns of Nogliki and Poronaisk.

- **The Evenki:** The Evenki of Sakhalin are a small branch (numbering 326) of the Evenki (also known as Tungus) who are also found in Siberia, Mongolia and China. They arrived in Sakhalin at the end of the 19th century and have been closely associated with the Uilta, with many engaged in reindeer herding. Most are now to be found in the Alexandrovsk-Sakhalinsky, Nogliki and Okha districts of Sakhalin.
- **The Nanai:** The Nanai of Sakhalin, like the Evenki, are also a small offshoot of mainland cousins, some families having migrated to Sakhalin in the wake of World War II. Poronaisk District is home to the majority of Sakhalin's 164 Nanai.



Spheroid / Сферои́д: Horizontal Datum / Система координат: Vertical Datum / Система высот: Projection / Проекция: Units / Единицы измерения:		WGS84 - - UTM (Zone 54N) Metres		Sakhalin Energy Investment Company, Ltd. Сахалин Энерджи Инвестмент Компани, Лтд. Indigenous Peoples' Communities and Sakhalin-2 Project Assets	
Rev. No.	Purpose / Назначение	Originator / Автор	Signature / Подпись	File Name / Имя файла	SE Doc No / Номер документа
01	IFU	Natalya Shevchenko	Signature / Подпись	YS-2406	
Approved / Проверено:		Signature / Подпись:		27.09.2010	

NOTE: This map was compiled using the most current data at the time of publication. Please contact Geomatics for the latest information [e: SEIC-Geomatics-GIM@sakhalinenergy.ru]
 Примечание: Карта была создана с использованием данных на момент выпуска. Пожалуйста свяжитесь с отделом Геоматикс для получения новой информации [e: SEIC-Geomatics-GIM@sakhalinenergy.ru]

Map 1: Indigenous Peoples' Communities and Sakhalin-2 Project Assets

1.5.3 RELATION OF SIMDP TO OTHER PROGRAMMES AND DOCUMENTS OF THE PROJECT

Social Investment Programme: In addition to direct support given to the first SIMDP 1 (Annex 3a), Sakhalin Energy contributed to many other projects and activities benefiting the Island's Indigenous Minorities (Annex 3b).

Project Documents: Other Project documents with sections relating to Sakhalin's Indigenous Peoples, including those which subsume Indigenous Peoples as part of the general affected population, are:

- The Social Impact Assessment documents;
- Oil Spill Response documentation;
- The Resettlement Action Plan, which includes the Uilta and the Evenki reindeer herders as directly affected groups;
- The Public Consultation and Disclosure Plan;
- The Public Grievance Information Leaflet, which describes the Sakhalin Energy Grievance Procedure, and is accessible to all Project-affected people;
- The Health, Safety, Environment and Social Action Plan.

Most of the above documents can be found online on Sakhalin Energy's webpage www.sakhalinenergy.com/en/library.asp

Table 1: Number of Indigenous Minorities of the North Residing in Sakhalin Oblast by District¹⁰

District of residence of indigenous minorities of the North	Nivkh	Uilta (oroki)	Evenki	Nanai	Other indigenous minorities	Total
Okha district	1312	18	86	6	-	1422
Nogliki district	842	156	99	7	-	1104
Tymovsk district	268	-	6	6	9	289
Aleksandrovs-Sakhalinsky district	79	-	93	-	-	172
Smirnykh district	5	10	4	19	15	53
Poronask district	176	178	38	126	7	525

¹⁰ As of January 1, 2010; aside from these seven districts of traditional indigenous settlement, small numbers of indigenous residents can be found in the other districts of Sakhalin.

City of Yuzhno-Sakhalinsk	TBD ¹¹	TBD	TBD	TBD	TBD	approx. 300
TOTAL (not including Yuzhno-Sakhalinsk)	2682	362	326	164	31	3565

Source: oblast and district administration offices

¹¹ TBD=To be determined

2 BASELINE INFORMATION

2.1 LEGAL FRAMEWORK

2.1.1 THE LEGAL STATUS OF THE INDIGENOUS MINORITIES OF THE NORTH OF SAKHALIN OBLAST

The legal status of Indigenous Minorities in the Russian Federation is based on an integrated foundation. Indigenous rights are secured, first of all, in the basic law of the Russian Federation, the Constitution of the Russian Federation. For example, Article 69 guarantees Indigenous Minorities rights in line with generally recognised principles and regulations of international law and international treaties of the Russian Federation. According to Article 9, "land and other nature resources are used and protected in the Russian Federation as the basis of life and activities of the peoples residing on applicable territory". Article 72 states that it is a joint competence of the Russian Federation and its constituents "to protect primordial living environment and traditional way of life of ethnic minorities".

Second, indigenous rights are secured by three basic federal laws that apply solely to Indigenous Minorities:

- Federal Law No. 82-FZ of 30 April 1999, *On the Guarantees of Rights of Indigenous Minorities of the Russian Federation*;
- Federal Law No. 104-FZ of 20 July 2000, *On General Principles of Organisation of Communities of Indigenous Minorities of the North, Siberia and the Far East of the Russian Federation*; and
- Federal Law No. 49-FZ of 07 May 2001, *On the Territories of Traditional Nature Use of Indigenous Minorities of the North, Siberia and the Far East of the Russian Federation*.

The regulatory legal acts issued by the Sakhalin Oblast are also important for the exercise of indigenous rights. Regional acts are developed on the basis of their federal counterparts governing legal relations arising in connection with national and territorial features, conditions of historic resettlement, life support, traditional lifestyle, etc.

The Sakhalin Oblast has a developed legislative base regarding indigenous rights. The following Sakhalin Oblast Laws are currently being implemented:

- Law No. 72-ZO of 04 July 2006, *On Legal Guarantees of Protection for Sakhalin Indigenous Minorities' Primordial Living Environment, Traditional Life Style, Economic Activities and Crafts*;
- Law No. 75-ZO of 01 August 2008, *On Education in the Sakhalin Oblast*;
- Law No. 207-ZO of 12 September 2000, *On Preservation and Development of Traditional Crafts of Indigenous Minorities Residing in the Sakhalin Oblast*;
- Law No. 91-ZO of 16 November 2007, *On Languages of Indigenous Minorities Residing in the Sakhalin Oblast*;
- Law *On General Principles of Organisation of Communities of Indigenous Minorities*;
- Law No. 463 of 31 December 2003, *On a Representative of Indigenous Minorities at the Sakhalin Oblast Duma*;
- Law No. 8-ZO of 19 February 2007, *On Approval of Regional Target Programme of Economic and Social Development of Sakhalin Indigenous Minorities for 2007-2011, and other laws (as per the letter from the Sakhalin Oblast Duma)*.

A Concept of Sustainable Development of Indigenous Minorities of the North, Siberia and the Far East of the Russian Federation, approved by RF Government Ruling No. 132-p of 04 February 2009, is viewed as another important regulatory legal act for exercising Indigenous Minority rights.

Indigenous rights can be effectively protected, asserted and, what is most important, exercised only through written and adopted laws. These are viewed as the guarantor of revival, preservation and further development of the material and spiritual culture of Indigenous Minorities. However, many of the provisions in the operational federal and regional laws on Indigenous Minorities are not applied in practice and remain mostly paper declarations only.

Another significant problem in the protection of Indigenous Minorities' rights is the fact that although Indigenous Minorities are covered by different legal protection regimes, such regimes are not clearly defined.

2.1.2 SIMDP COMPLIANCE WITH INTERNATIONAL STANDARDS

Sakhalin Energy has made a public commitment to comply with the World Bank OD (Operational Directive) 4.20 (Indigenous Peoples) when implementing the succeeding versions of the SIMDP (the series of five-year plans that began in 2006). SIMDP 1, however, was developed and implemented in accordance not only with OD 4.20 but also with reference to the World Bank's successor policy, OP (Operational Policy) 4.10 (approved in 2005).

SIMDP 2 builds on and continues these international policy standards of SIMDP 1 as regards Indigenous Peoples. In addition, SIMDP 2 — like its predecessor SIMDP 1 — reflects in its implementation procedures and governance structure the requirements of some of the new international standards for Indigenous Peoples that have emerged since the SIMDP was first adopted in 2006. These new policies — of the International Finance Corporation (2006), the European Bank for Reconstruction and Development (2008), and the Asian Development Bank (2010) — have all strengthened requirements for participation, consultation, and benefits-sharing. Both SIMDP 1 and SIMDP 2 have met and will meet such standards, including the provision that the affected Indigenous Peoples participate in the design and give their implied or explicit consent to the implementation of the Project's Indigenous Peoples development programme.

See Annex 5 for a comparison of international Indigenous Peoples policy elements and SIMDP provisions.

2.1.3 RELEVANT SAKHALIN ENERGY SOCIAL/ INDIGENOUS PEOPLES RELATED STANDARDS

Sakhalin Energy recognises that regular dialogue and engagement with its stakeholders in both the indigenous and non-indigenous communities where Sakhalin Energy operates is essential. In the Company's business principles there are commitments regarding social obligations: "Sakhalin Energy aims to be a good neighbour by continuously improving the ways in which we contribute directly or indirectly to the general well-being of the communities within which we work. We manage the social impacts of our business activities carefully and work with others to enhance the benefits to local communities, and to mitigate any negative impacts from our activities."

With respect to Indigenous Peoples in particular Sakhalin Energy has specific commitments that are listed in the Health, Safety, Environmental and Social Action Plan (HSESAP) that is publicly available.

The Sakhalin-2 Project complies with Russian Federation legislation on Indigenous Peoples. Since 2001, Sakhalin Energy has been implementing an intensive and participatory Indigenous Peoples' Consultation Programme, developed during research for the Phase 2 Social Impact Assessment (SIA) (see the SIA, Chapter 6). Detailed information on consultations held for the SIMDP is provided in the Public Consultation and Disclosure Report and annual reports on its performance (these documents are publicly available).

2.1.4. COMPENSATION FOR LAND USE

All compensation was paid while operating and constructing the facility under the Sakhalin-2 Project. If the project is expanded any further, Sakhalin Energy will act in accordance with the Resettlement Action Plan, the Social Impact Assessment Plan and the laws of the Russian Federation.

2.2 SOCIAL, CULTURAL, ECONOMIC AND POLITICAL CHARACTERISTICS OF SAKHALIN'S INDIGENOUS MINORITIES¹²

Historically, one of the distinctive features of the Sakhalin Oblast's multi-ethnic population is that it includes 3,800 Indigenous Peoples (Nivkh, Nanai, Evenki, Uilta [Oroki], etc.) who live in 7 districts congruent with the areas of their traditional settlement and livelihoods. As per the List approved by the RF Government Decree No. 631-R dated May 08, 2009, they include Alexandrovsk-Sakhalinsky District, Nogliki District, Okha District, Poronaisk District, Smirnykh District, Tymovsk District and the City of Yuzhno-Sakhalinsk.

Since the 2002 All-Russia Population Census, a positive trend in indigenous minorities' demographic processes is evident as the Uilta (Oroki), Nivkh, and Evenki populations have grown.

Like other peoples, Indigenous Peoples are exposed to the challenges of the modern world: as industrial development transforms Indigenous Minorities' historical habitats, globalisation processes start to have definitive influences on indigenous socio-economic conditions, customary lifestyles, businesses, and crafts. In these circumstances, Indigenous Minorities' ethnic identification has risen and this has been accompanied by an increase in indigenous organised life as the Regional Council of Authorised Representatives of Indigenous Minorities of the North (hereinafter, the RCAR), 12 IPOs, and SIM (Sakhalin Indigenous Minorities) boards attached to local self-government authorities have all become very active. The RCAR is elected on an ethnic basis (every indigenous group has its representation on the Council) every four years at a regional gathering of Sakhalin's Indigenous Minorities.

The protection of indigenous constitutional rights and interests by the RCAR and by an Indigenous Minorities' representative in the Sakhalin Oblast Duma are distinctive features of the Sakhalin Oblast as a region of the Russian Federation. These entities help to build cooperation between public authorities, local self-governments and Indigenous Peoples' non-governmental organisations for the protection of indigenous constitutional rights, original habitats and traditional lifestyles.

About 70% of SIM reside in rural areas. Since 2005, growth in the number of established and registered *obschiny* (either clan/tribal or territorial/neighborhood) has been observed. *Obschina* is a recognised form of indigenous self-organisation aimed at preservation of traditional lifestyles and economy. Russian Federation legislation grants such *obschiny* a few privileges as non-profit organisations, as, for example, they are subject to simplified taxation. Similarly, the Tax, Forest, Water, and Land Codes of the Russian

¹² The Sakhalin Oblast Government's Department of Indigenous Peoples was the source of the information for this section.

Federation all grant preferences to Indigenous Minorities who live in the areas of traditional settlement and pursue traditional economic activities.

As of 01 July 2010, 50 clan enterprises (*rodoviye hozaitstva*) and *obschini* of SIM were registered in the Sakhalin Oblast, including 12 territorial/neighbourhood *obschini*, 10 clan/tribal (*rodoviye*) *obschini*, and 28 clan farming or agricultural enterprises and *obschini*. Among the traditional economic activities acknowledged in the RF Government Decree No. 631-R dated 08 May 2009, the following activities are typical for Sakhalin Indigenous Minorities: fishing, reindeer herding, hunting, wild herb gathering, dog breeding, and crafts. These historically established types of economic activities are common among SIM. Indigenous Minorities' customary habitats, lifestyles, and economic activities make up an integrated complex that provides for self-identity and the self-preservation of Indigenous Peoples.

Despite many similarities, Sakhalin's Indigenous Minorities belong to different language groups, carry out different types of economic activities, live in different natural and climatic conditions with different animals and aquatic biological resources, and have different ways of life. Regional legislation of the Sakhalin Oblast reflects various aspects of local Indigenous Minorities' vital activities. It supports an integrated approach to resolution of diverse socio-economic and ethno-cultural issues of indigenous development. See Annex 4 for a list of key Sakhalin Oblast legislation regarding indigenous issues.

Initiation of state financial support for the social and economic development of Indigenous Minorities has been a great achievement. Since 2007, Oblast budget subventions to the Oblast Targeted Programme *Economic and Social Development of Sakhalin Indigenous Minorities of the North in 2007-2011* (hereinafter, the Targeted Programme) have grown by more than 18 million roubles. Based on the agreement between the Russian Federation (RF) Ministry of Regional Development and the Sakhalin Oblast, in 2009 the Sakhalin Oblast started to receive federal budget subventions for development of infrastructure, culture, education and *obschini* of Indigenous Minorities in the areas of their traditional settlement.

For a while now, an administrative division of the Sakhalin Oblast Governor and Government Office has existed to coordinate the regional Targeted Programme with financial support from the federal budget as well as with other issues relating to IP socio-economic development, as recommended by the First and Second International Decades of the World's Indigenous Peoples.

The Targeted Programme helps to resolve issues pertaining to state support of the education of indigenous children, preservation and revival of traditional culture, and the publication of books in indigenous languages. Since 2007, a primer in the Uilta language and a series of books for Nivkh schoolchildren, "Reading Together with Granny" (by the noted Nivkh author V. M. Sangi) have been published. A Nivkh primer and a textbook for 2nd grade pupils (also by V. M. Sangi) are being prepared for re-print. According to the Sakhalin Oblast Ministry of Education, in 2009, children and teenagers comprised 37.7% of all Sakhalin Indigenous Minorities. 516 of them are secondary school pupils and 164 study their native language in schools or as an extra-curriculum activity. There is also a well established system for organising celebrations, festivals, contests, juvenile national sports competitions in the Sakhalin Oblast, helping to preserve and transmit indigenous culture to younger generations.

Despite the gains in support of native language teaching in the Sakhalin Oblast education system there is a need to increase the number of hours for native language study, to create more favourable conditions for the ethnic component of education, and to enhance language teaching aids. A system of continuing native language study from kindergartens through high schools is missing in many districts of traditional indigenous settlement. To ensure a systematic approach to the organisation of native language study a diversified

process of managing human resources and providing material and technical support, as well as financing and the involvement of SIM is needed.

Cooperation between Indigenous Minorities and large industrial companies in the Sakhalin Oblast is based on private-public partnerships. The Sakhalin Indigenous Minorities Development Plan is an excellent international good practice example of such indigenous, government and private sector collaboration.

At the same time, despite all efforts, the situation of Indigenous Minorities is complicated: Soviet-era policies of paternalism and acculturation led to the breakdown of customary lifestyles; environmental risks are significant due to aggressive industrial development of natural resources; and traditional economic activities are non-competitive in the current economic conditions due to the unavailability of material and technical resources and the absence of well-equipped enterprises and integrated biological resources processing technologies. In the Targeted Programme, only 9% of the budget is used for financing economic development of *obschini*. At the Sakhalin Oblast Festival of Clan Enterprises and *Obschini*, “The Mosaic of Cultures – 2009,” representatives of *obschini* and *rodoviye hozaitstva* discussed further sustainable development and determined that up to 50% of the Targeted Programme budget should be spent on the needs of *obschini* and clan enterprises.

Due to some weaknesses in Russian legislation, indigenous *obschini* experience certain difficulties such as:

- the ongoing loss of fishing and hunting grounds as well as “family” lands;
- only 54% of *obschini* and *rodoviye hozaitstva* get licenses for catching aquatic biological resources;
- traditional settlement territories of both federal and regional importance are not identified;
- commercial activity restrictions hinder effective targeted development.

Only 30% of *obschini* and clan enterprises (Okha District and Poronaisk District) said they possessed the objective conditions for sustainable development such as licenses for harvesting marine biological resources and they revealed critical information about their annual gross revenue, personnel, average salaries, and status of retired employees. Such information, though, is completely unavailable from Nogliki and Tymovsk Districts, although representatives of *obschini* and clan enterprises of these districts did receive support both from the state authorities and from private business.

Major problems for SIM who maintain traditional economic activities in remote locations are the unavailability or expense of electricity, outdated communication systems not satisfying the requirements of modern technology (unavailability of internet and mobile communications), and uncomfortable living conditions (dilapidated housing). Traditional SIM settlements are often located far away from traffic arteries, making socio-economic development of these territories even more difficult.

The majority of indigenous families live a precarious social existence with high sickness and mortality rates and declines in the average lifespan and birth rate. The uncomfortable living conditions of indigenous settlements also makes it difficult to attract specialists in education, healthcare, and culture to those areas, thus contributing to yet another dimension of lack of social capital.

Medical treatment of SIM by mobile health teams in the areas of their traditional settlement is a distant memory and the districts lack ethno-cultural centres with modern equipment that would serve for the development of traditional cultures, native languages, and crafts.

It is vital to formulate new principles, goals and objectives of sustainable indigenous development in the Sakhalin Oblast.

Table 2: 2009 Wellness Data

Demographic Data	Unit	Total	A-Sakhalinsk	Nogliki	Okha	Poronaisk	Tymovsk	Smirnykh
Indigenous population	pers.	3595	172	1104	1423	554	289	53
Birth rate	pers	56	1	19	21	10	5	-
Death rate	pers	25	-	15	5	5	-	-
Juvenile death rate	pers	-	-	1	-	-	-	-
Average lifespan	years	50	42	47	50	51	61	50
Employment								
Working age population , including:	%	52.7	36	57.3	60	56.6	44.5	62
Employed	%	33.9	21	39.2	30	35	17.9	60
not employed	%	28	2	0.3	70	65	26.6	3.9
Employed, in total	pers	394	29	99	168	77	21	-
including:								
a) production	pers		-		95		-	-
б) oil and gas industry	pers	-	-	-	-	-	-	-
b) social services	pers	-				-		-
r) traditional enterprises:clan/ tribe enterprises, <i>obschini</i> , other business entities	pers	289	29	99	73	67	21	-
Education:								
Comprehensive schools	#	36						
Pupils	pers	559	23	144	216	117	50	9

NOTE: information is based on the data provided by Sakhalin district administrations

In 2009, **49 IP students** graduated from higher / secondary / primary vocational institutions.

3 ASSESSMENT OF DEVELOPMENT OPPORTUNITIES, IMPACTS AND RISKS

3.1 DESCRIPTION AND EVALUATION OF SIMDP 1¹³

The Sakhalin Indigenous Minorities (SIM) themselves determined the SIMDP strategy and ways to implement it. The company's representatives composed only a minority within the initiative's governing bodies.

On May 25, 2006 the tripartite cooperation agreement was signed and implementation of SIMDP 1 began. The first five-year Development Plan called for yearly financing in the amount of USD 300,000 for five years (2006-2010). Sakhalin Energy accepted that this five-year Plan would only start a series of similar projects expected to operate for the entire duration of the Sakhalin-2 Project. Part of the responsibility they accepted was to make regular reports to all of the SIMDP stakeholders.

The Development Plan's governing bodies were established in accordance with this signed agreement. These included the Supervisory Board (the Plan's highest governing body, which normally convened every six months), the Executive Committee (which functioned when the Supervisory Board is not in session), two specialised committees (the Support of Traditional Economic Activities Committee and the Social Development Programme Committee), and the Mini-Grant Fund Board.

The Plan's governing bodies held regular, constructive meetings, allowing for consensus and decision-making.

The predominance of representatives of SIM within the Plan's governing bodies ensured that SIM had a direct role in implementing the SIMDP. This brought increased responsibility for drafting proposals and projects and then substantiating and justifying them, preparing reports, (both financial statements and analyses), conducting internal monitoring, etc.

The SIMDP's three areas of focus:

- Social Development Programme
- Traditional Economic Activities Support Programme
- Mini-Grant Fund's Competitive Programme *Let Us Preserve Traditions*

The Social Development Programme

The need for projects to support education, healthcare, and national culture was identified quickly during the initial consultations on the design of the Development Plan, and this programme is still important. This component was implemented in close cooperation with the relevant departments of the regional government and district administrations, and with educational, healthcare, and cultural institutions.

The SIMDP's Social Development Programme paid for equipment for remote medical/obstetric stations and ensured the availability of a mobile dental office. Diversified teams of doctors from the regional capital also carried out visiting medical examinations in areas densely populated by SIM, to ensure the timely detection and treatment of diseases. The Development Plan also paid for additional scholarships or training costs for SIM students. Attention was paid to the development potential of local organisations and committees, and training seminars were held to accomplish this.

¹³ Excerpted and adapted from *Plan Completion Evaluation Report*, October 2010.

The Social Development Programme carried out some projects with SIM partner organisations:

- The KykhKykh (Swan) Centre for the Preservation and Development of the Traditional Culture of Indigenous Minorities of the North: 2006–2009
- The local social organisation for Sakhalin's Indigenous Minorities of the Poronaysk District: 2009–2010
- The Poiran neighbourhood community of Indigenous Minorities of the North in the Yuzhno-Sakhalinsk city district: 2010

The Mini-Grant Fund

One of the goals of the Development Plan was to create sustainable preconditions to ensure that representatives of Indigenous Peoples would eventually be able to independently manage this Plan or other plans or programmes to follow.

That is why 10% of the Development Plan budget was allocated to the Mini-Grant Fund. The objective of the popular, yearly competitions for the mini-grants was to encourage and support the initiatives and proposals of representatives of Indigenous Peoples. For this reason, all the Mini-Grant funding decisions were made by a board consisting exclusively of representatives of Sakhalin's Indigenous Peoples. The proposals were examined by a panel of experts who issued their recommendations before the bids were submitted for review by the Mini-Grant Fund Board.

The Mini-Grant Fund became a kind of management model for the Development Plan. In the future, only the representatives of SIM will have the authority to make decisions, implement programmes, and monitor this initiative.

The Traditional Economic Activities Support Programme

Projects to revive the customary economic activities of the island's indigenous population are extremely important in order to preserve traditions. These programmes include the revival of Nivkhi dog breeding, assistance to Uilta reindeer herders, and support of SIM clan enterprises and communities.

The Traditional Economic Activities Support Programme helped SIM entrepreneurs in their efforts to more actively develop their trades for the benefit of SIM communities. Another goal of the Programme was to gradually increase the competitiveness of SIM enterprises.

As of the end of July 2010, seven complaints had been received regarding the implementation of the SIMDP. These complaints were registered pursuant to the Company's grievance procedure and were primarily related to the Development Plan's allocation of project funding. The members of the Supervisory Board and Programme Committees were informed of the complaints and reviewed them at meetings. All the complaints were resolved.

Monitoring

Each year the Company's Indigenous Peoples interface team visited the areas traditionally inhabited by SIM to update the public, representatives of municipal administrations, cultural, educational, and healthcare institutions, tribal businesses, and communities on the operation of the Development Plan. The team also conducted internal monitoring of the projects, collected proposals for the SIMDP programmes, and provided assistance in writing bids.

As part of this monitoring, an international expert in Indigenous Peoples issues, the anthropologist Dr. Gregory E. Guldin, visited Sakhalin every six months to assess the implementation of the SIMDP, consult with all the stakeholders, and visit the areas traditionally inhabited by SIM. Dr. Guldin has many years of experience working in the field of applied anthropology with government agencies and commercial organisations in the US, Russia, China, Indonesia, and Vietnam.

The goal of external monitoring was to assess the progress of the Development Plan so that problematic issues could be identified and deficiencies corrected. Independent monitoring reports are available to the public in Russian and English on the Sakhalin Energy website, and were also distributed in the districts and to the stakeholders and the public.

The Plan emerged as a good practice model on both international¹⁴ and national levels, with perhaps the most telling endorsement by the Russian Association of the Indigenous Peoples of the North, Siberia and the Far East of the Russian Federation (RAIPON), Russia's preeminent Indigenous Peoples organisation. RAIPON recommends that the Plan be used as a model for other regions in the country for Indigenous Peoples in their relations with industrial companies, particularly when there is foreign investment.

As part of a SIMDP Plan Completion Evaluation Report, a sociological survey reported that as of July 2010 there was a widespread feeling reported by Indigenous Minorities on Sakhalin that the SIMDP had been overall quite helpful to the indigenous communities in a number of ways. Real benefits, particularly in education, health and culture, had flowed to people, while the Plan had also encouraged other positive social trends as well such as increased social cooperative activity while enabling indigenous communities to enter into a new level of cooperation with government.

The results of the opinion poll indicated that positive SIM attitudes toward the Plan prevailed over negative attitudes. Some 45% of those polled spoke favourably or highly favourably of the Plan, while a mere 5% of respondents shared their negative impressions of the Plan. Of those with an opinion one way or the other, two-thirds were clearly positive. Some indigenous observers maintained that the most important benefit that the SIMDP 1 brought to the community did not have to do with the material benefits of the SDP and the other programs but rather with the encouragement that the Plan gave to indigenous communities to be more pro-active in their own and their communities' lives.

The Plan was not without its weaknesses and challenges. Internal monitoring was not effectively employed for the TEASP and this helped contribute to some of the reputational problems with the TEASP that the Plan from time to time suffered from. In addition, occasional conflicts of interest, lack of transparency, and inadequate reporting also plagued Plan implementation.

Finally, in its overall assessment the Plan Completion Evaluation Report concluded that:

The SIMDP was money well spent from the point of view of Sakhalin's Indigenous Minorities, its governments at the oblast and district levels, and, last but not least, the Sakhalin Energy Investment Company. Yes, too, the money was well spent considering that capacity-building was the central goal of the Plan and that a good dose of capacity-building was accomplished during Plan implementation. Through such a perspective it can be seen that mistakes or some difficulties were inevitable but don't detract significantly from the Plan's overall success as a benefits-providing mechanism, a capacity-building exercise, and as a qualified model for similar projects.

¹⁴ Presented as a good practice example of stakeholder engagement by the International Finance Corporation in their 2007 *Stakeholder Engagement* guidebook, while the World Bank also uses the SIMDP as a good practice example of Indigenous Peoples plan implementation (World Bank, in press).

3.2 DESCRIPTION OF THE SIMDP 2 PREPARATION PROCESS

3.2.1 A DESCRIPTION OF THE CONSULTATION PROCESS WITH SAKHALIN'S INDIGENOUS MINORITIES

Community Consultations

Two rounds of comprehensive, open consultations were held in areas traditionally inhabited by SIM, in order to get their input on the development of the SIMDP 2. Consultations were held in 10 communities on Sakhalin, with more than 500 representatives of SIM participating.

The first round of consultations was held between February-April, 2010 and was intended to gather initial opinions and proposals, to set priorities for the development of programmes and for the plan's governance structure. These spring consultations were held with the public and with representatives of social organisations, clan enterprises and communities, and local government agencies in the 10 settlements with high concentrations of SIM: Alexandrovsk-Sakhalinsky, Tymovskoye, Chir-Unvd, Nogliki, Val, Okha, Nekrasovka, Poronaysk, Smirnykh, and Yuzhno-Sakhalinsk. About 300 people took part in the consultations.

In addition, four bulletins on the progress of the SIMDP 2 were prepared, issued, and distributed, in paper and electronic form, to the stakeholders, and many of these stakeholders reacted positively to this initiative.

An SIMDP website (www.simdp.ru) was also created to provide information on both the progress of the SIMDP 1 and the status of preparations for this subsequent plan.

Table 3: First round of Consultations with SIM Representatives on the SIMDP 2 (February-April 2010)

Date	Location	Number of participants			
		Total	Administration	SIM IPOs	Community members
25 Feb 2010	Poronaysk	53	4	4	45
26 Feb 2010	Smirnykh	1	1	-	-
26 Feb 2010	Alexandrovsk-Sakhalinsky	6	6	-	-
27 Feb 2010	Chir-Unvd	31	1	-	30
27 Feb 2010	Tymovskoye	7	1		6
1 Mar 2010	Nogliki	68	11	3	54
2 Mar 2010	Val	28	3	-	25
2 Mar 2010	Okha	17	1	3	13
3 Mar 2010	Nekrasovka	57	8	4	45
7 Apr 2010	Yuzhno-Sakhalinsk	30	12	4	14
TOTAL		298	48	18	232

During the second round of consultations, stakeholders were provided with the following information: a preliminary draft of selected key components of the Plan, including

descriptions of proposed subcomponents, the management structure, a list of the plan's governing bodies, a table of measures to be taken to reduce potential negative impacts, and the grievance mechanism for reviewing any complaints made by the local population regarding the implementation of the SIMDP. This second round of consultations was held in October 2010 in areas where SIM traditionally live and work.

Table 4: Second Round of Consultations with SIM Representatives on the SIMDP 2 (October 2010)

Date	Location	Number of participants			
		Total	Administration	SIM IPOs	Community members
8 Oct 2010	Alexandrovsk-Sakhalinsky	8	7	1	-
8 Oct 2010	Tymovskoye	3	3	-	-
8 Oct 2010	Chir-Unvd	26	1	4	21
11 Oct 2010	Nogliki	41	8	3	30
12 Oct 2010	Val	12	1	-	11
13 Oct 2010	Nekrasovka	16	1	-	15
13 Oct 2010	Okha	15	6	1	8
15 Oct 2010	Smirnykh	10	4	-	6
15 Oct 2010	Poronaysk	50	6	4	40
20 Oct 2010	Yuzhno-Sakhalinsk	31	10	3	18
TOTAL		212	47	16	149

No consultations were held in the villages of Viakhtu and Trambaus in Alexandrovsk-Sakhalinsky due to their inaccessibility caused by bridge destruction.

3.2.2 KEY FINDINGS FROM THE CONSULTATIONS

In general, the consultations revealed that SIM of all ages believe that the SIMDP 2 should support social projects such as educational and cultural programmes, healthcare, and the development of Indigenous Peoples' potential. They also feel the Plan should continue to support traditional occupations, develop a robust monitoring process carried out by the three Plan partners for Plan activities, and pay more attention to keeping the local population informed of the Plan's progress.

Formal Consent Granted

The Working Group continued to guide writing of the SIMDP 2 and submitted it to indigenous communities in the seven districts of traditional indigenous residence during the first week of November for their consideration. This was followed by a special conference in Yuzhno-Sakhalinsk on November 17 called by the RCAR to approve and/or amend the draft

SIMDP 2. Indigenous delegates to the conference were chosen in open meetings in each of the seven districts.

At that conference, and by a vote of 44 in favour, none against, and 6 abstaining, the indigenous delegates declared that they:

- Acknowledged the broad community support which the Plan has received.
- Agreed that consultations were carried out without coercion, were held early enough for the community to discuss the issues at length, and were accompanied by the necessary information regarding the first and second Plans for them to formulate their own independent assessment of the Plans.
- Granted consent to the establishment of the second Sakhalin Indigenous Minorities Development Plan and to the signing of an agreement among the Regional Council of Authorised Representatives of the Indigenous Peoples of Sakhalin Oblast, the Sakhalin Oblast Government, and Sakhalin Energy to implement the SIMDP 2.

3.3 ASSESSMENT OF ADVERSE IMPACTS

3.3.1 PERCEPTION OF POTENTIAL NEGATIVE PROJECT IMPACTS ON SAKHALIN'S INDIGENOUS MINORITIES

Avoidance and mitigation of environmental harm from the Project was one of the main targets of the SIMDP 1. In consideration of SIM concerns and based on extensive consultations with SIM during 2005-2006, a mitigation matrix was developed. The matrix included potential hazards and measures for their avoidance and/or resolution and was periodically updated at each Supervisory Board meeting.

Between 2006 and 2010 thirty issues were included into the matrix, and as of December 2010, 28 issues had been closed, with two remaining under continuous monitoring:

- "Concerns Regarding the Consequences of Emergency Oil and other Substances Spills": twice a year the Company submits reports to the RCAR regarding oil other hydrocarbon spills.
- "Grievance Procedure": Sakhalin Energy's grievance procedure can be used to address any outstanding Project-related issue.

With the closure of the Project's construction phase many of those potential hazards receded in probability. Nevertheless, as one of the SIMDP's priorities is to prevent or mitigate any adverse impacts produced on SIM by the Sakhalin-2 Project infrastructure, a survey was conducted to identify various concerns the public might continue to have in connection with the Project.

The Sociology Department of Sakhalin State University carried out this sociological survey of SIM from 1 to 20 July 2010 at the request of Sakhalin Energy Investment Company Ltd. Interviews were conducted with representatives of SIM aged 17 or older and residing in the seven settlements on Sakhalin traditionally inhabited by SIM: Val, Chir-Unvd, Nekrasovka, Nogliki, Poronaysk, Okha, and Yuzhno-Sakhalinsk.

Methods of gathering information included:

A) A large-scale survey based on prepared questionnaires in the form of formal interviews with respondents. A total of 209 representatives of SIM were interviewed using representative sampling.

B) Focus group interviews in Yuzhno-Sakhalinsk in addition to the survey. Two focus groups were held: one for young people between 17–20 (9 people), and another for employed adults aged 35 or older (9 people).

In response to the question, “Have there been any inconveniences or adverse effects in connection with the Sakhalin-2 Project in the past (or are there any today)?,” the following responses were received:

Yes	32.93%
No	6.75%
Hard to say	<u>60.32%</u>
Total	100%

In most cases, the respondents noted that the adverse impact, if any, was felt mainly during the construction of the Sakhalin-2 facilities (the building of the pipeline, the offshore exploratory drilling, the construction of onshore production facilities, etc). By the time of the interviews, these projects had been completed, and the respondents accordingly indicated that these adverse affects had lessened or ceased.

3.3.2 SIMDP 2 MITIGATION MATRIX

As noted above, some SIM continue to have negative expectations about the Sakhalin-2 Project, although their concerns are somewhat less pronounced when compared with the period before the launch of the SIMDP 1. The sociological surveys and second round of consultations on the creation of the SIMDP 2 helped identify a number of issues currently causing concern in connection with the implementation of the Sakhalin-2 Project and which will be incorporated into a new SIMDP 2 Mitigation Matrix:

- Concern about the effects of spills of oil or other substances.
- Provision of information regarding measures to protect biological diversity.
- How will SIM be informed of Sakhalin-2 Project expansion to affect other lands and resources utilised by SIM, if such occurs?
- What is the method of distributing the SIMDP funds?
- What are the grievance procedures for the Sakhalin-2 Project and for the SIMDP?

Upon Plan launch, this matrix will be updated and submitted to each Governing Board meeting, as well as made available to the Regional Council of Authorised Representatives of Sakhalin’s Indigenous Minorities and other stakeholders.

3.4 EVALUATION OF RISKS

Risks identified for SIMDP 1 included: i) the Company failing to fulfil its pledge to fund the SIMDP if financing was not forthcoming, ii) Sakhalin Energy inadequately staffing its Indigenous Peoples Unit, iii) the Oblast Government not becoming a full Plan partner, and iv) indigenous partner organisations not undertaking active involvement in Plan co-management. These risks did not materialise during SIMDP 1. Sakhalin Energy not only fully supported the SIMDP but supported indigenous projects beyond the SIMDP budget as well. A key concern for the first Plan, that the SOG would not fully engage with the Plan, has proven not to be a problem at all as the SOG has fully engaged with the Plan. In addition, the various IPOs working with the Plan, and particularly the RCAR, have also cooperated closely in Plan management and support.

Some other risks identified earlier, though, have indeed materialised, at least to some degree, during the first Plan and continue to pose risks during the second. Attention to issues of transparency and accountability in all aspects of SIMDP implementation will need to be paid during the second Plan; concerns which enhanced transparency and monitoring approaches will address. It is also critical that the Plan avoid conflict of interest situations or

of favouring — or appearing to favour — the interests of an individual, or group, or a district. This is of paramount importance particularly in the administration of the TEASP.

Yet another area of risk relates to the environmental risks that any extractive industries project brings with it, and the Sakhalin-2 project is no exception. The Mitigation Matrix (section 3.3.2) spells out measures that will help avoid and mitigate any potential project impacts.

4 DEVELOPMENT MEASURES

4.1 INTRODUCTION: HOW THE DEVELOPMENT PROGRAMMES WERE SELECTED

The specific development measures for the SIMDP 2 will be decided by the committees which will oversee the two SIMDP 2 programmes: the Social Development Fund and the Traditional Economic Activities Support Programme. These two programmes were approved to be included in the Second SIMDP by the Working Group of indigenous, Company, and Oblast Government representatives following an extensive consultation process with Indigenous Peoples and experts of many kinds. Beginning with the first round of consultations held throughout the island in the spring of 2010 and continuing with the second round of consultations held in October 2010, indigenous communities were polled as to preferences for development measures and programmes. These discussions resulted in identifying traditional economic activities, education, health, culture and capacity-building as the main areas of development interest. These elements recommended for the SIMDP 2 were remarkably similar to the elements recommended for SIMDP 1 in 2005-2006. Yet another input into the Working Group decision was the recommendations of the SIMDP 1 Plan Completion Evaluation Report (see Section 3.1) which also advised the re-establishment of the TEASP and a Social Development Fund (SDF).

4.2 THE SIMDP 2 PROGRAMMES

The SIMDP 2 comprises two separate development programmes, both successors to the first Plans' programmes. Whereas the SIMDP 1 (see Section 3.1) was composed of a Social Development Programme (SDP), a Mini-Grant Fund (MGF) and a Traditional Economic Activities Support Programme (TEASP), the Second SIMDP will only support two programmes. The first, the Social Development Fund (SDF), will cover all non-economic development initiatives, while the second, the TEASP, will operate similarly as its first Plan predecessor, emphasising economic development.

4.2.1 SOCIAL DEVELOPMENT FUND

Overview and Components

The SIM Social Development Fund (SDF) was created to achieve the following goals:

- To improve the quality of SIM life, taking the characteristics of their cultures into account;
- To raise the capacity of SIM to manage social development funds.

SDF funds will be distributed in a number of areas, primarily:

- Education;
- Healthcare;
- Culture;
- Training and capacity-building.

Based on proposals from representatives of SIM, the Working Group recommended allocating part of the SIMDP 2 budget to carry out some long-term projects:

- Healthcare: to provide financial assistance to pay for the surgical treatment of eye diseases, prosthodontic dentistry, and support for SIM students who are studying for healthcare careers
- Education: to support young people from the indigenous population who are students in institutions of higher education, vocational secondary education,

or are beginning their professional education. The students may be attending formal classes or be enrolled in distance-learning programmes.

Competitive applications submitted by SIM individuals, public organisations, or communities have first priority for SDF funds.

The expert group and the fund budget

The decision to allocate funds to these or other potential program components will be made by the SDF Council (see below).

The Expert Group. A Social Development Fund Expert Group (SDFEG) will also be established to make recommendations to help the Council evaluate specific grants or proposals. The SDFEG will include:

- Three representatives from the ministries of the Sakhalin Oblast Government (culture, health, and education);
- One representative from Sakhalin Energy;
- One representative from the SOG (the department of SIM within the Governor's Administration and the SOG);
- One representative from the Regional Council of Authorised Representatives of Sakhalin Indigenous Minorities.

Each of these partner organisations will be responsible for determining the procedures to select their own expert representatives.

Budget. The amount of funding that is expected to be allocated for SDF programmes will be close to half of the total SIMDP 2 budget (see Section 4.6). The Governing Board will adjust this amount every year as required (see Section 4.4.2).

Programme management and monitoring

The primary body responsible for making decisions under this Programme will be the **Social Development Fund Council**. This Council will operate under the general supervision of the **SIMDP Governing Board** (see Section 4.4.2) and will consist of seven representatives of SIM, representing the seven regions where SIM traditionally live and work. Each representative shall be aware of the social situation in his/her district and shall be elected by the residents of his/her district in accordance with the procedure determined by RCAR.

The Council chair will be elected by the entire SDF Council. The Council will meet on a regular basis, with the frequency of meetings and other organisational matters to be agreed upon by the Council members at its first meeting.

As part of Plan implementation, the operation of the SDF will be regularly evaluated by the three partners. There will also be external monitoring and assessment by the External Monitor and assessment groups, as described in sections 4.5.3 and 4.5.4 of the SIMDP. Regular consultations will be held with the participants and organisations that are carrying out the Plan, in order to plan and design future and ongoing activities.

4.2.2 TRADITIONAL ECONOMIC ACTIVITIES SUPPORT PROGRAMME

Overview

During preparations for both the SIMDP 1 and SIMDP 2, Indigenous Minorities' representatives agreed that about half of the SIMDP budget be allocated to support for traditional economic activities¹⁵.

¹⁵ This refers to types of economic activity traditionally practiced by Indigenous Minorities, such as fishing, hunting, reindeer herding, and collecting wild plants. It also includes contemporary forms of these activities.

The Traditional Economic Activities Support Programme (TEASP) was designed to address issues of Indigenous Minorities' employment and business development. Indigenous Minorities' representatives have emphasised repeatedly the importance of traditional resource use activities (reindeer herding, fishing, gathering, and crafts) for preservation of their cultural heritage.

The goals of the Traditional Economic Activities Support Programme are to:

- Develop and preserve traditional forms of economic activity of Sakhalin's Indigenous Minorities.
- Create employment and business opportunities for Indigenous Minorities based on their current skills and experience.
- Increase the capacity of indigenous enterprises.
- Develop enterprises that are economically sustainable, enabling them to move beyond grants and subsidies to the use of market tools such as credit.
- Promote awareness and skills in environmentally, socially and economically sustainable natural resource use.
- Enable successful Indigenous Minorities' enterprises to provide social benefits and support to their local communities.
- Encourage successful Indigenous Minorities' enterprises to act as model enterprises for others.

TEAS programme rationale

Currently many indigenous enterprises, particularly in the sphere of the 'traditional economy' (fishing, herding, hunting, gathering and crafts) are economically unsustainable or uncompetitive. Many indigenous families have registered 'clan enterprises' (*rodoviye hozyaitsva*). At the smaller end of the enterprise spectrum, these are small family units that engage in fishing, gathering and possibly hunting for subsistence and may sell or exchange surplus production. These enterprises use fish quotas that are allocated to Indigenous Minorities for subsistence use. At the larger end of the spectrum, a few enterprises use commercial quotas and sell their catches to commercial markets for profit. In between there is a range of small non-commercial entities, some of which have the potential to become commercial enterprises.

Today there are only a few examples of sustainable indigenous businesses based on traditional activities. Yet the potential for indigenous enterprises to make a success in the wider market is considerable and the SIMDP 1 has shown that such successes are possible with support and entrepreneurial skill. During consultations, Indigenous Minorities' representatives have expressed the desire for the SIMDP 2 to provide support to those enterprises that are commercial entities or have the potential to become commercial entities. Experience gathered during SIMDP1 implementation demonstrated that indigenous entrepreneurs require considerable training in business skills, as well as certain specific technical specialities. Indigenous entrepreneurs expect assistance to come in the form of grants, free training and low-interest credit, and are for the most part averse to taking business risks, including the use of micro-credit. Initiatives including the latter must thus be approached cautiously and in full recognition of local business preferences and approaches.

The **TEASP** seeks to respect the wishes of indigenous entrepreneurs to develop their economic activities primarily within and for the benefit of the indigenous community, but at the same time the programme seeks gradually to build the capacity of indigenous entrepreneurs to function competitively in the larger market economy.

Programme components, experts group and budget

Programme Components. During implementation of SIMDP 1, the TEAS Programme allocated set funds to Business Plans and to grants to support self-sufficiency of households pursuing traditional economic pursuits such as fishing and wild plant gathering. For SIMDP 2, funds will be distributed among a number of components, including primarily:

- Business plans;
- Self-sufficiency grants;
- A micro-credit fund.

Determination of the distribution of funds among these potential components—or others — will be made by the SIMDP Governing Board (GB) and the TEASP committee (see below).

Experts Group. To guide the decisions of the Committee on both strategic approaches to developing traditional economic activities on Sakhalin and on evaluation of specific grants, subsidies, or credit allocation proposals, a TEASP Experts Group (TEG) will also be established. This TEG will be comprised of experts familiar with economic development on Sakhalin. Each of the three entities collaborating on implementing the Plan — the RCAR, the SOG, and Sakhalin Energy — will appoint two members to the TEG. Each of the partners will be responsible for determining the procedures for selecting its own expert representatives.

The TEG will evaluate all proposals taking into account the viability of the proposal in terms of business efficiency or financial viability (for business plans and micro-credit applications), the sustainability of the proposed activity, and the contribution that the activity might make to the preservation and enhancement of traditional economic activities.

Budget. Funding expected to be allocated to the TEAS Programme will be half of the total SIMDP 2 budget for the first year (see Section 4.6). This will be adjusted annually, as necessary, by the SIMDP Governing Board (see Section 4.4.2).

Programme Management and Monitoring

The primary decision-making body for this programme will be the **TEASP Committee**. This body will operate under the authority of the SIMDP Governing Board (see section 4.4.2.) and will be composed of 7 indigenous representatives, one selected from each of the seven districts recognised as areas of traditional indigenous settlement. Each expert should be familiar with the conduct of traditional economic activities in their district and selected by the local people in that district according to a procedure guided by the RCAR.

The Chair of the committee will be elected by the full committee. The Committee will meet on a regular basis, with the frequency of meetings and other organisational matters to be agreed upon by Committee members at its first meeting.

The implementation of the Traditional Economic Activities Support Programme will be evaluated by the three plan partners on a regular basis to assess the working of the Programme. External monitoring and evaluation will also be carried out by the External Monitor and the Evaluation Teams described in SIMDP Sections 4.5.3 and 4.5.4. Regular consultation will take place with participants and implementers, and the results of these will feed back into planning and design of further activities.

4.3 ROLE OF THE IMPLEMENTING AGENCIES

4.3.1 ROLE OF GOVERNMENT AGENCIES IN IMPLEMENTING THE SIMDP 2

The Sakhalin Indigenous Minorities Department of the Central Office of the Governor and Sakhalin Oblast Government (SIM Department) has been functioning for more than

fifteen years. Three of its specialists are actively involved in the development and implementation of regional socio-economic and cultural programmes aimed at the support of SIM. The Department is responsible for management and monitoring of these programmes and allocation of federal subsidies across the whole territory within the competence of the Sakhalin Oblast Government, including ensuring target spending of budget and proper registration and keeping of reports on the events covered by the programme. The SIM Department closely cooperates with the executive bodies of the Sakhalin Oblast Government and state institutions, public associations of SIM, subsoil users, and handles all SIM-related issues, including grievance procedure.

Furthermore, Sakhalin Oblast Law No. 463 of 31 December 2003 *On a Representative of Indigenous Minorities at the Sakhalin Oblast Duma* defines the procedure of electing a representative at the SIM Congress for a period not exceeding four years. The representative's responsibilities include protection of constitutional rights and interests, review of SIM-related proposals, applications and grievances, regular meetings with SIM, and reporting. The representative has the right to propose legislative initiatives to the Sakhalin Oblast Duma (regional legislative body or parliament), interface with state bodies, and obtain SIM-related documents from state bodies, organisations or individuals in the Sakhalin Oblast.

All of the above-said departments and bodies as well as the municipal administrations of the seven districts of traditional residence and economic activities of SIM have been assigned certain state authority to ensure protection of primordial living environment, traditional way of life and economic activities. They often play the main role in implementation of federal and regional SIM development programmes approved in various periods by legislative acts of various levels, budget spending, and ensuring proper registration and keeping of reports on the events covered by the programme.

While acting within the framework of state-private sector partnership, state bodies provide information and methodological support and expert follow-up to SIMDP coordination bodies to ensure sustainable development of SIM in the areas of traditional residence and economic activities.

4.3.2 ROLE AND CAPACITY BUILDING OF INDIGENOUS PEOPLES ORGANISATIONS TO IMPLEMENT THE SIMDP 2

The Regional Council of Authorised Representatives of Sakhalin Indigenous Minorities (RCAR) has been operating since March 2005.

RCAR's primary responsibilities are to:

- Represent and protect the interests of SIM individuals and communities at the local, regional, national, and international level, in government agencies, local authorities, and the courts;
- Ensure that the decisions of the regional SIM congresses are carried out;
- Organise and conduct negotiations with the industries and oil companies operating in areas traditionally inhabited by SIM, in order to protect the IP's ancient homelands; and
- Monitor and oversee the activities of project managers and their subcontractors who are producing, processing, and transporting oil and gas within the Sakhalin Oblast and in the adjacent shelf waters. This monitoring is to ensure compliance with the design documentation for the project as well as with the findings of environmental and ethnological studies.

RCAR actively seeks to resolve issues of concern to SIM and works with:

- The Sakhalin Oblast Government;
- The Indigenous Minorities representative to the Sakhalin Oblast Duma;
- The Public Chamber of the Sakhalin Oblast;
- Oil companies that are drilling for hydrocarbons on Sakhalin;
- SIM social organisations, such as:
 - the Association of the Indigenous Minorities of the North, Siberia, and the Far East of the Russian Federation (RAIPON)
 - the Okha local social organisation *KykhKykh* (Swan) Centre for the Preservation and Development of the Traditional Culture of Indigenous Minorities of the North
 - Poronaysk District Local Social Organisation for Sakhalin’s Indigenous Minorities
 - Okha District Local Social Organisation for Sakhalin’s Indigenous Minorities
 - other Sakhalin IPOs

It is anticipated that through RCAR and other indigenous participation in the various governance bodies of the SIMDP, from the Governing Board to the programme committees that valuable administrative experience will be gained by SIM. In addition, explicit training opportunities will be developed by the Plan.

4.3.3 ROLE OF SAKHALIN ENERGY IN IMPLEMENTING THE SIMDP 2

From the very onset of work on Sakhalin in 1994, Sakhalin Energy has worked actively with representatives of SIM on the island and has supported initiatives aimed at social development, the preservation of traditions, and cultural support. But it was the development and launch of the Sakhalin Indigenous Minorities Development Plan in accordance with international standards that took the relationship between the Indigenous Peoples and the Sakhalin-2 Project to a whole new level. This joint initiative between RCAR, Sakhalin Energy, and the SOG was realised under a three-sided agreement.

With SIMDP 1 launch in May 2006 Sakhalin Energy’s Indigenous Peoples Unit has been the administrative unit responsible for organising, coordinating, and implementing SIMDP’s many activities and programmes. This Unit will continue to support implementation of SIMDP in the future.

4.4 SIMDP GOVERNANCE STRUCTURE

An SIMDP Coordinator will be appointed by and serve at the pleasure of the three partners to guide SIMDP implementation with the close assistance and participation of the RCAR and the SOG and particularly the Indigenous Peoples Unit of Sakhalin Energy. The SIMDP Coordinator will be responsible for general administrative oversight of the SIMDP governance bodies and their work products as well as for administration of the SIMDP grievance procedure (please see Section 4.4.4.).

The SIMDP will be carried out with the active participation of the indigenous population and will be managed by a Governing Board (GB) whose work will be supplemented by an Executive Committee, a Traditional Economic Activities Support Program Committee, and a Social Development Fund Council.

Apart from possible overlap between the Governing Board and Executive Committee, no individual shall serve simultaneously on more than one governing body structure, whether board, committee, council, or advisory group.

4.4.1 STRATEGY FOR PARTICIPATION

The active participation of the Indigenous Minorities of Sakhalin is critical to the approach of the three cooperating parties to indigenous community development on the island. Both programs and processes of Plan preparation and implementation need to consider approaches which would most effectively engage Sakhalin Indigenous Minorities in the governance of the Plan. The below principles and implementation mechanisms are devised with that goal in mind.

SIMDP 2 Participation Principles

The SIMDP has been formulated and will operate in accordance with the following principles:

- **Arrange culturally appropriate consultations and meetings**
Customary practices influence participatory approaches. SIMDP meetings, community consultations, and activities will follow local indigenous custom in the dynamics of holding meetings.
- **Recognise the need for community consensus-building**
Those responsible for implementing the SIMDP recognise the importance that consensus building and participation have in building support and participation in the SIMDP. Participation does not occur in a vacuum. It takes place in the context of customary as well as innovative structures, values and practices.
- **Recognise that consensus-building takes time**
Preparations for the SIMDP 2 and plans for its implementation recognise that agreements and understandings with Sakhalin's Indigenous Minorities need to be given flexible time frames so that the many divergent views and perspectives of a wide range of community members can be acknowledged.
- **Plan an inclusive approach**
In approaching SIMDP 2 project preparation and implementation, attentiveness to ethnic, geographic, age, social, organisational, and gender inclusivity is and will continue to be critical.
- **Emphasise transparency**
To aid the process of inclusion, preparation and implementation of the SIMDP 2 both rely on an open process of discussion and disclosure. The Working Group has aimed at timely information sharing and this will be carried out during project implementation.
- **Keep communications open**
A consultation feedback component to the plan is essential. The rule of gold for a successful engagement process is making sure that those who participate receive feedback, including a description of what points were accepted and which were not incorporated and why. Or why a grant proposal was turned down and suggestions made for improvements. Each SIMDP 2 programme will define when and how feedback is going to be provided, and which mechanisms will ensure that this information is accessible and understandable. Feedback to participants is what makes consultations credible and accountable.
- **Rely on indigenous co-ownership**
A viable partnership with Indigenous Peoples is the goal of the three partners promoting the SIMDP. All efforts, including a strong capacity-building

dimension, aim at continuing the trend to eventual indigenous self-management of this SIMDP, its successors, and like programs.

SIMDP 2 Participation Mechanisms

- **SIMDP Planning and Preparation**

The Working Group planned out and contributed to the development of the SIMDP 2 from its start. The Working Group arranged two rounds of consultations in the indigenous communities of Sakhalin.
- **SIMDP Implementation**

Indigenous participation in the oversight and governance of the SIMDP is anticipated through the establishment of the SIMDP Governing Board and two bodies to run the Social Development Fund and the TEASP.
- **Governance Capacity-raising**

In consultation with both the SDF Council and the TEASP Committee, the Executive Committee will establish mechanisms to provide training in governance for all participants on governance bodies.
- **SIMDP Monitoring and Evaluation**

A vigorous effort to continue involving indigenous participation in the SIMDP monitoring and evaluation efforts is planned (see Sections 4.5.2, 4.5.3, and 4.5.4, respectively).

4.4.2 COORDINATING BODIES

Governing Board

The SIMDP **Governing Board** (GB) is the chief oversight body for the planning and implementation of the SIMDP. Its charge is to:

- Uphold the principles and guidelines of this SIMDP;
- Amend the principles and guidelines of the SIMDP as necessary;
- Set SIMDP policy for the Plan as a whole and as instructions for the TEASP and the SDF;
- Review with the SIMDP Coordinator the progress of the SIMDP
- Review reports on SIMDP progress as provided by the Coordinator
- Review reports on TEASP and SDF progress provided by their governing bodies
- Meet with the External Monitor who will be charged with providing an independent review of the SIMDP implementation progress
- Review and respond to reports on SIMDP progress as prepared by the External Monitor and the Evaluation Teams
- Review the work of the SIMDP Coordinator
- Hold an Annual Meeting in December each year to set guidelines for adjusting the parameters of the following year's SIMDP, including allocations for Plan programmes
- Raise issues relevant to the successful implementation of and planning of later stages of the SIMDP

- Advise Plan partners on matters related to the development, broadly defined, of Indigenous Minorities on Sakhalin

The following people will comprise the GB:

- Three RCAR representatives
- Two Sakhalin Oblast Government representatives, to be proposed by the Indigenous Minorities Department within the Government
- Two representatives of Sakhalin Energy
- The indigenous representative to the Sakhalin Duma
- A representative of RAIPON, the national Indigenous Peoples organization
- Two indigenous community representatives from the districts of traditional indigenous living who are not members of the RCAR

Each party will be responsible for the appointment of its own representatives.

Frequency of Meetings: The SIMDP Governing Board will meet as needed (according to a process to be determined by the Board itself), but no less frequently than two times a year. The first meeting of the GB will take place following formal launch of the SIMDP 2 in Q1 2011 at which time the Board will elect a chair from among its members and proceed to establish its own operating procedures.

Terms of Office: Members will serve as long as they hold the confidence of their appointing organisations.

Conflicts of Interest. If GB members or members of their immediate family have a personal stake in any funding or grant proposals coming before the SIMDP Governing Board, they will absent themselves from any discussion and voting on the issue.

Governing Board Executive Committee

A Governing Board Executive Committee (EC) will help carry out implementation of the SIMDP in accordance with GB supervisory guidance and the SIMDP 2 with the following understandings:

- It will act on the Board's behalf in-between meetings of the Board.
- The EC will review all decisions of both the TEASP Committee and the SDF Council.
- Authority to supersede (temporarily, and only in-between meetings of the GB) decisions of the TEASP Committee and the SDF Council can be granted to the EC by explicit action of the GB.
- All decisions of the EC will be subject to review by the GB.

The EC will be composed of six members including two from Sakhalin Energy, two from SOG, and two from RCAR. These members will be selected by the Board as a whole upon nomination by each of the three partner organisations.

4.4.3 MECHANISMS FOR PERIODIC REVIEW AND ADJUSTMENT OF THE SIMDP 2

Timely review and adjustment of the SIMDP is critical to its ability to meet the development needs of Sakhalin's Indigenous Minorities.

To that end:

- The Governing Board will hold an annual meeting during which the past year's program performance will be reviewed and the coming year's plan adjusted and approved (see section 4.4.2).
- The three Plan sponsors will monitor the SIMDP and make recommendations for adjustments to the GB (see section 4.5.2.).
- An independent third party External Monitor will make periodic assessments of plan progress and make "Action Plan" recommendations to the Board and other Plan stakeholders (see SIMDP section 4.5.3.); each governing body receiving "Action Plan" recommendations will respond in writing to such within one month of receiving such recommendations.
- Formal evaluations of the Plan will be held at midterm (to advise on mid-Plan adjustments) and completion (to be used to inform preparation of SIMDP 3 [2016-2020]; see section 4.5.4.).
- Tripartite review of Plan progress by the management of the SOG, RCAR, and Sakhalin Energy will take place annually (see SIMDP section 4.5.5).

4.4.4 SIMDP GRIEVANCE PROCEDURE

Purpose

This grievance procedure (hereinafter referred to as Procedure) regulates the process of receipt, registration and resolving grievances related to the implementation of the Second Sakhalin Indigenous Minorities Development Plan.

This Procedure is developed in accordance with the general principles and approach of the Community Grievance Procedure of Sakhalin Energy.

The Procedure has the following specific objectives:

- Ensure effective and timely resolution of grievances in compliance with the law of the Russian Federation and international best practices;
- Promote strong and effective relationships with all those affected by the SIMDP 2;
- Reduce the likelihood of recurrence of similar grievances, thereby reducing the risks of conflicts and avoiding unreasonable expenses;
- Ensure careful documentation of grievances and remedial actions.

Scope

- This Procedure deals with all grievances that are concerned with SIMDP 2 implementation.
- This Procedure excludes issues which are not related to SIMDP 2 implementation.
- The statutory rights of the Complainant to undertake RF legal proceedings remain unaffected by this Procedure.

Definitions

Grievance

"Grievance" is a statement of complaint by an individual, group or organisation that reflects concern and dissatisfaction with the implementation of the Development Plan.

Complainant

A Complainant is an individual, group or organisation which lodges a grievance. A grievance can be logged by a third person party on behalf of a Complainant.

Grievance Handling Group

A group consisting of the members of the SIMDP Executive Committee.

Grievance Settlement Procedure: stages

Grievance procedure includes the following stages:

Step 1 — Receipt of grievance.

Step 2 — Assessment, registration and assignment of the responsible person.

Step 3 — Acknowledgement of grievance receipt.

Step 4 — Investigation and settlement.

Step 5 — Close-out.

Step 6 — Reporting and monitoring.

Each stage is described below.

Step 1 — Receipt of grievance

Grievances shall be received in writing or oral form via/through:

- Incoming correspondence, including e-mail and fax messages, received to the address of Sakhalin Energy, the Governing Board, Executive Committee or Coordinator of the Development Plan;
- Head of the Indigenous Peoples' Group of Sakhalin Energy;
- Community Liaison Officer of Sakhalin Energy;
- Hotline of the External Affairs Department of Sakhalin Energy: 8 (4242) 662400 (on working days from 9:00 till 17:00);
- E-mail box of the grievance group of Sakhalin Energy (Grievancereport@sakhalinenergy.ru);
- Sakhalin Energy's Information Centres;
- Members of the Regional Council of Authorised Representatives of Sakhalin Indigenous Minorities;
- Other representatives of SIMDP 2.

See Appendix 6 for a copy of the Grievance Form.

Step 2 — Assessment, registration and assignment of the responsible person

After receipt of the grievance through one of the above channels, the recipient of the grievance shall within 1 (one) working days deliver the grievance to the SIMDP Coordinator (hereinafter referred to as Coordinator).

The Coordinator shall register the grievance within 2 working days in a registration log with the following information: registration number of the grievance, date of grievance receipt, name of the complainant or the name of the organisation, if the grievance was received from the organisation (if applicable, i.e. the grievance is not anonymous), a summary of the grievance.

The Coordinator shall initiate the assessment and processing of the grievance by the Executive Committee within 5 working days from date of receipt (where applicable the processing can be done by phone or e-mail). Based on the assessment by the Executive Committee the following information shall be registered in the grievance log: the Programme and/or component of the Plan (as applicable), the person in charge of the grievance handling, the recommended measures for the complainant and the Executive Committee, other important information.

The resolution of the grievance is the responsibility of the Executive Committee which shall assign it to one of its members to follow through on its behalf.

In case it is determined that the issues raised in the grievance do not relate to any aspect of SIMDP implementation, the SIMDP Coordinator shall note this in the grievance log and provide such grievance to the Social Assessment Group of Sakhalin Energy with the appropriate notice for further work in accordance with the Grievance Procedure of Sakhalin Energy. In this case the activities, steps and actions below are not applicable.

Step 3 — Acknowledgement of grievance receipt

Within no more than **10 working** days from receipt of the grievance, the Coordinator on behalf of the Executive Committee shall send an acknowledgement letter to the Complainant. This letter shall be copied to the Social Assessment Group.

The acknowledgement letter shall contain:

- A formal statement of acknowledgement of the grievance;
- A grievance registry number;
- A statement of the fact that the grievance resolution process has been initiated;
- A date when the Complainant can expect to receive an update on actions taken with respect to his/her grievance;
- A contact name (usually the SIMDP Coordinator) and telephone number.

Step 4 — Investigation and settlement

The Executive Committee will endeavor to investigate and settle grievances within **20 working days** from receipt of the grievance. The maximum period of settlement should not exceed **45 working days** which is considered sufficient to perform any necessary actions, or to agree upon them with the Complainant, or to completely resolve the grievance.

Confidentiality

When receiving a grievance it is necessary to offer the Complainant to sign a Consent to disclose grievance-related Information to Third Parties.

In case of Complainant's refusal to sign the Consent to disclose grievance-related Information to Third Parties, all parties involved in the consideration and resolution of the grievance shall keep confidentiality when dealing with third parties on issues relating to the grievance.

Communication with the Complainant

The SIMDP Coordinator or the person in charge assigned by the Executive Committee shall ensure continuous communication with the Complainant informing his/her on the grievance consideration progress. Update on the progress shall be provided to the Complainant with a minimum regularity of **20 working days** through:

- meetings with the Complainant;
- written and oral reports on the progress achieved during the grievance consideration.

Step 5 — Close-out

Upon complete resolution, the grievance shall be promptly closed-out on the basis of the Grievance Statement of Satisfaction signed by the Complainant.

The Grievance Statement of Satisfaction shall clearly confirm the satisfaction of the Complainant with the outcome of the resolution.

A copy of such application shall be transferred to the Social Assessment Group and to the SIMDP Governing Board.

Unsettled grievance

If the grievance remains unsettled or actions are not agreed with the Complainant within 40 working days from the grievance registration, it is considered “unsettled” (or “overdue”). The following actions shall be taken with respect to the unsettled grievances:

- If the Executive Committee majority decides that all possible steps to settle the grievance have been taken, but the Complainant is not satisfied, this information shall be provided to the SIMDP Governing Board. According to the decision of the Board a letter (by the Coordinator) describing the actions taken on the grievance and a notification on close-out of the grievance shall be sent to the Complainant.
- The Executive Committee shall provide information on such grievance to Sakhalin Energy (about grievance close-out by decision of the Board).
- If the SIMDP Board has decided that the grievance resolution was not appropriate this decision is communicated to the Executive Committee for further work.

Reporting and Monitoring

All the basic steps for handling of the grievance shall be recorded in the grievance log specifying the time, actions, status, etc. in accordance with the form approved by the Executive Committee. In addition, all information relating to the grievance (Grievance Form, supporting documents, minutes of meetings of the SIMDP Executive Committee and GB, minutes of meetings with the Complainant, etc.) in electronic and paper form shall be kept in a consistent manner while maintaining confidentiality.

The Plan Coordinator shall provide a monthly report on the grievance’s status to the Social Assessment Group of Sakhalin Energy and the SIMDP Board (within 10 calendar days following the reporting month).

Internal and external monitoring is performed on an annual basis. The programme of such monitoring may contain meetings with the Complainants to assess the effectiveness and appropriateness of the execution of the Grievance Procedure. Grievances information shall be communicated to the External Monitor at least two weeks prior to each monitoring visit.

4.5 REPORTING, MONITORING, EVALUATION, AND DISCLOSURE

The partners in the implementation of the SIMDP will monitor its progress, outcomes, and effects. These monitoring activities will result in a series of reports and evaluations (see Table 5) which will serve two major functions. First, these activities will help identify problems or changes which need to be made during the course of the programme. Second, the monitoring will provide an opportunity to assess whether the SIMDP’s stated goals have been met. In both cases, the resulting information will permit a timely adjustment of the programme’s design and implementation.

4.5.1 REPORTING REQUIREMENTS

The parties carrying out various components of the SIMDP should submit semi-annual reports at each Board meeting. These reports will be summarised in the Plan reports in accordance with the procedure described below.

- Monthly Reports. These brief reports will be prepared by the SIMDP coordinator and generated as part of the SIMDP's ongoing, daily operations and will function as an internal highlighting or overview of the Plan's implementation process. These reports will function as progress reports to the Plan partners.
- Semi-annual Progress Reports. These will include reports on the Plan's progress, information on any problems that arise, difficulties, actions taken, and payments made. These reports will be prepared by the Plan Coordinator and the three Plan partners and submitted to both the Board and to the External Monitor.
- Midterm Implementation Report. This will be a midterm report, created during the SIMDP's third year of operation. This report will provide the basic source data for the Midterm Evaluation Team's Report, and will be based on monthly and semi-annual reports. It will be publically disclosed.
- Plan Completion Report. This report will be created at the end of the SIMDP's implementation, at the end of the second half of the fifth year of its operation. It will summarise all Plan accomplishments and expenditures over the Plan's five years. It will be publically disclosed.

4.5.2 INTERNAL MONITORING

The experience of the SIMDP 1 demonstrated that internal monitoring is a key component of successful implementation of the Plan. Internal monitoring will involve visiting of beneficiaries and analysis of reports, including financial documentation. Each monitoring effort will result in a monitoring report shared with the GB and the External Monitor.

Monitoring of the SIMDP 2 will be conducted by a Monitoring Team composed of at least one representative of each partner as per decision of the Executive Committee according to a schedule decided on by the EC and approved by the GB. Other persons (e.g. Indigenous Peoples' specialists from district administrations, representatives of district IPOs and members of SIM communities) can also be invited as necessary for acquisition of appropriate data and information exchange.

4.5.3 EXTERNAL MONITORING

In addition to internal monitoring by Plan partners, a third party External Monitor will review implementation of the SIMDP. Such external monitoring will provide the Plan partners and the Indigenous Minorities of Sakhalin with independent verification of Project compliance with the SIMDP 2, provide periodic objective assessments of SIMDP program implementation and their outcomes and impacts, and identify issues so that the Plan partners can develop corrective actions.

The External Monitor is a social science professional with extensive international experience in Indigenous Peoples project development and supervision. The External Monitor was selected by Sakhalin Energy after consultation with its partners in the RCAR and SOG.

The External Monitor will:

- Act as advisor on the Plan implementation for all three Plan partners.
- Review internal monitoring and reporting procedures as well as internal monitoring records and will be asked to identify any areas of non-compliance, recurrent problems, or potentially disadvantaged groups.

- Review reports submitted by implementers of SIMDP programmes and semi-annual reports submitted by the Plan.
- Review grievance records for evidence of significant non-compliance or recurrent poor performance in program implementation. To this end the Monitor will be provided with a full list of resolved and unresolved Indigenous Minorities' grievances during each monitoring visit so as to assess all unresolved Indigenous Minorities' grievances.
- Discuss with Sakhalin Energy's Indigenous Peoples Unit staff SIMDP implementation and make suggestions, as appropriate.
- Interview a cross-section of SIMDP stakeholders, including affected households, and meet with the Regional Council of Authorised Representatives and relevant SOG and Municipal District government agencies; interviewees should include both successful and unsuccessful grant/credit applicants, along with both supporters and critics of the Plan.
- Take part as an observer at meetings of the SIMDP Governing Board; for those meetings of the Governing Board that the EM will not be physically present, the EM should attend by teleconference, conducting a desk review as of all documents received by the GB, and submitting an EM Desk Review report.
- Assess overall compliance with international standards.
- Conduct SIMDP 2 External Monitoring Reviews on Sakhalin according to the schedule laid out in Table 5; upon mutual agreement with Sakhalin Energy and in consultation with the RCAR and SOG, additional reviews can be scheduled as necessary.
- Prepare an External Monitoring Report upon the conclusion of each External Monitoring Review which will be sent to the all three Plan partners and disclosed publicly.
- Work with a team of Plan partners, Indigenous Minorities, and other interested parties to conduct an SIMDP Midterm Evaluation during the middle of year three of the SIMDP implementation and a Plan Completion Evaluation during the middle of the concluding year (see Section 4.5.4.).
- Be available for ad hoc consultation in person or at a distance as requested by Sakhalin Energy in consultation with the RCAR and the SOG.

4.5.4 PLAN EVALUATIONS

Two formal Project Evaluations will be conducted: a Midterm Evaluation during the middle of the third year of Plan implementation and a Plan Completion Evaluation during the middle of the concluding fifth year. These evaluations will be based on External Monitor Reports, internal Plan monitoring and implementation reports, on-site visits to the island and other data sources as appropriate.

The Midterm Evaluation Report's recommendations will lead to SIMDP 2 adjustments during the Plan's final two years while the Plan Completion Evaluation will influence planning for SIMDP Phase Three.

An Evaluation Team of two social science professionals (one being the External Monitor) and one representative of Sakhalin's Indigenous Minorities will be contracted to conduct these two evaluations according to international best practice. Such Evaluation Reports will be submitted to the three Plan partners and will be made available publicly. Barring the need for supplemental visits, External Monitor reviews will be superseded by these evaluation efforts during years 3 and 5 of the Plan (see Table 5).

4.5.5 TRIPARTITE REVIEW

Annually, or more frequently if necessary, SIMDP 2 implementation progress will be reviewed jointly by the senior management of the RCAR, the SOG, and Sakhalin Energy. This review will consider all Plan semi-annual reports along with reports from the External Monitor and the Evaluation Team. Such reviews will serve to better coordinate SIMDP 2 implementation efforts.

4.5.6 DISCLOSURE

The following SIMDP 2 documents will be disclosed to the public:

- SIMDP Semi-Annual Progress Reports.
- SIMDP Annual Progress Reports.
- SIMDP Midterm Implementation Report.
- SIMDP Project Completion Implementation Report.
- External Monitor Annual Reports.
- Mid-term Evaluation and Project Completion Evaluation Reports.
- Monitoring reports of Monitoring Teams.
- Protocols of SIMDP 2 bodies.
- Annual financial reports of Social Development Fund and Traditional Economic Activities Support Programme.
- SIMDP grievance procedure.
- Grant application forms and procedures.
- These documents will be placed on the Company's website: www.sakhalinenergy.ru/www.sakhalinenergy.com and SIMDP website: www.simdp.ru

Table 5: Reporting, Monitoring, and Evaluation Schedule

Project Activities	YEAR 1 2011				YEAR 2 2012				YEAR 3 2013				YEAR 4 2014				YEAR 5 2015				YEAR 6 2016
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	Q 1
Reporting Requirements																					
<u>Monthly Reports</u>																					
<u>Semi-Annual Progress Reports</u>																					
<u>Midterm Implementation Report</u>																					
<u>Plan Completion Report</u>																					
Internal Monitoring																					
<u>Tripartite monitoring of the SIMDP (Continuous)</u>																					

External Monitoring																					
	SIMDP Party Monitoring																				
Project Evaluations																					
	Midterm Evaluation																				
Tripartite Review																					
	SOG, the RCAR, and Sakhalin Energy																				
SIMDP 3 Planning																					
	Launch SIMDP 3																				

4.6 COST ESTIMATES AND FINANCING PLAN

4.6.1 SAKHALIN ENERGY INPUTS

The Sakhalin Energy Investment Company will:

- Contribute on average US\$312,000 for five years to support the SIMDP 2.
- Provide the following cash and in-kind supports to the SIMDP¹⁶.
- Administration of the SIMDP is the responsibility of the SIMDP 2 Coordinator, a full-time role. Sakhalin Energy will compensate the Coordinator's salary, although the Coordinator will not be a Sakhalin Energy direct hire.
- The head of Sakhalin Energy's Indigenous Peoples Group will manage the SIMDP 2 on behalf of Sakhalin Energy. The Company's Indigenous Peoples CLO (Community Liaison Officers) reports to the Coordinator and works on community-level implementation of the SIMDP. This team sits within the Social Performance Team of Sakhalin Energy's External Affairs department. In addition to these focused resources, support will be provided from the areas of expertise within Sakhalin Energy's External Affairs team for communication activities, social assessment activities, and social investment.
- Arrange for internal and external monitoring and evaluation of the SIMDP 2.
- Provide logistical and financial support to enable meetings and tasks of the SIMDP 2 Governing Board, Executive Committee, Social Development Fund Council, Traditional Economic Activities Support Programme Committee and the Tripartite Review meetings¹⁷.
- Carry out capacity-building as necessary for Indigenous Minorities to co-manage and co-implement the SIMDP.
- Conduct annual public consultations with selected Indigenous Minorities communities.

In addition, Sakhalin Energy funded an Oblast event to request consent of Sakhalin Indigenous Minorities¹⁸ for SIMDP 2 adoption. Representatives of seven Sakhalin districts of indigenous traditional living participated in this 17 November, 2010 public event held in Yuzhno-Sakhalinsk.

4.6.2 SAKHALIN OBLAST GOVERNMENT INPUTS

The Sakhalin Oblast Government will co-implement, co-monitor, and co-fund some of the SIMDP 2 components. In addition, the Sakhalin Oblast Government will provide advice and expert services to support the SIMDP 2, including representatives of the departments of Culture, Education and Health to serve with the SDF Experts Group.

4.6.3 THIRD PARTY INPUTS

SIMDP 2 initiatives are open for co-funding opportunities.

¹⁶ With funds not derived from the SIMDP

¹⁷ With financial reimbursement for transportation and accommodations available to SIM representatives only (those not employed by state and municipal agencies) for conduct of SIMDP meetings.

¹⁸ With funds not derived from the SIMDP

4.6.4 BUDGET ALLOCATION

The SIMDP 2 budget will be allocated equally between the Social Development Fund and the Traditional Economic Activities Support Programme during the first year of SIMDP 2 implementation. The SIMDP 2 Governing Board will annually approve budget allocations for each coming year based on the programmes' efficiency and reports of internal and external monitoring at its final meeting at the end of every year of SIMDP 2 implementation.

Both the Traditional Economic Activities Support Programme Committee and the Social Development Fund Council will decide on the annual distribution of available budget funds between their components at their first meetings of the year.

4.7 FUTURE SIMDPS

The design of future SIMDPs — continuing with the SIMDP 3 (2016 - 2020) — will depend heavily on the lessons learned from previous SIMDPs in terms of governance, implementation and budgeting. Consulting the data provided in Plan reports and evaluations will allow future SIMDPs to be streamlined and their overall efficacy improved. Planning for the Third SIMDP will begin in earnest during Quarter 1 of the Second SIMDP's Year Five (2015).

With regard to future iterations of the SIMDP, the Project is committed to developing and supporting them as appropriate to the circumstances and needs of Sakhalin's indigenous communities. The content and level of SIMDP 3 will be determined in consultation with Plan partners and based on the results of Plan evaluations and the reports of the External Monitor.

ANNEX 1. COOPERATION AGREEMENT

between the Sakhalin Oblast Government, Sakhalin Energy Investment Company Ltd.,
and Regional Council of Authorised Representatives of Sakhalin Indigenous Minorities

Moscow

14 December 2010

The Sakhalin Oblast Government, represented by the Sakhalin Oblast Governor and the Chairman of the Sakhalin Oblast Government (hereinafter referred to as the Government) Alexander Vadimovich Khoroshavin, acting on the basis of the Sakhalin Oblast Articles of 09 July 2001, Sakhalin Energy Investment Company Ltd., registered under the laws of Bermudas and exercising business activities in the Russian Federation via its Branch Office located at 35, Dzerzhinskogo Str., Yuzhno-Sakhalinsk, 693000, Certificate of Accreditation and Registration No. 20355.1 of 06 June 2006, INN 9909005806 (hereinafter referred to as Sakhalin Energy), represented by Chief Executive Officer Andrey Petrovich Galaev, acting on the basis of Resolution No. EX/2009/06w of 15 December 2009, and the Regional Council of Authorised Representatives of Sakhalin Indigenous Minorities (hereinafter referred to as the Council), represented by the Council Chairman Sergey Kisinpaevich Kurmanguzhinov, acting on the basis of Council Regulations of 25 March 2005 and Statement of Consent for the Sakhalin Indigenous Minorities Development Plan 2 of 17 November 2010, (hereinafter referred to as the Parties), taking into account the need for interaction on the issues of observing the rights and interests of Indigenous Minorities of the Sakhalin North (hereinafter referred to as Indigenous Peoples of the North) in the conditions of a large-scale development of oil and gas fields in Sakhalin, emphasising the role of development of social and state/private partnership between Indigenous Peoples of the North, state authorities, local self-government authorities, and industrial companies for the purpose of sustainable development of indigenous community, and noting the positive experience of tripartite cooperation during implementation of Sakhalin Indigenous Minorities Development Plan 1 in 2006-2010, funded by Sakhalin Energy, agree to undertake this Cooperation Agreement based on the effective Russian and international standards with respect to Indigenous Peoples of the North.

Sakhalin Indigenous Minorities Development Plan 2 (hereinafter referred to as SIMDP 2) is the result of joint efforts, talks and consultations between the Government, the Council, and Sakhalin Energy. Thus, the three Parties were involved in the creation of SIMDP 2 and hereby commit to continue cooperation during its implementation in line with SIMDP 2 requirements and in close interface with SIMDP 2 coordination authorities.

The Parties:

- respect each other and recognise that each of the Parties has its own views, opinion, and tasks;
- respect the priority right of Indigenous Peoples of the North to use the resources of fauna and flora, and their growing aspiration for self-government and control over the environment of their native habitat;
- emphasise the distinctive spiritual ties of the Indigenous Peoples of the North with their land and the singular importance of the preservation and protection of their habitat as a pre-condition for their ethnic survival and development;
- recognise that development and production of hydrocarbons, and construction of oil and gas pipelines, plants and other large industrial facilities, produce an impact on Indigenous Peoples of the North native habitat, traditional way of life, and economic activities;
- recognise a common intent to establish closer contacts between the Parties;

- take into account the need for consultations with Indigenous Peoples of the North;
- take into account the principle of free, prior and informed consent of Indigenous Peoples of the North during such consultations;
- recognise Indigenous Peoples of the North's right to define their own sustainable development priorities;
- recognise the need for state support by the Government and support by Sakhalin Energy;
- point out that the Indigenous Peoples of the North live in remote settlements in severe environment with undeveloped infrastructure facing serious socio-economic problems related to the preservation and development of traditional economic activities and revival of culture and language;
- appreciate the aspiration of Sakhalin Energy, exercising economic activities on the native territories of traditional residence and traditional economic activities of Indigenous Peoples of the North, to contribute to the institutional and social-economic development of the indigenous community; and
- assume obligations and take decisions based on the principles of equal partnership, transparency, and prompt notification, and rely on joint responsibility with Indigenous Peoples of the North while interacting with each other.

1. Agreement Objectives

This Agreement is undertaken to coordinate the Parties' efforts to implement SIMDP 2 and to consolidate their cooperation for the purpose of sustainable economic and social-cultural development of Indigenous Peoples of the North on the basis of mobilisation of the internal resources of indigenous community.

2. Subject of the Agreement

The subject of this Agreement is the interaction between the Government, Sakhalin Energy, and the Council on the following issues:

- establishment of coordination authorities in SIMDP 2 management structure;
- preparation and holding of joint events to ensure top-level management of SIMDP 2 implementation;
- preparation and holding of internal monitoring of SIMDP 2 progress;
- drawing attention of state, science, public and industrial institutions to Indigenous Peoples of the North's problems; and
- generation of recommendations for adoption of regulatory acts as related to efficient implementation of SIMDP 2, development of indigenous groups, protection of their native habitat, and preservation of their traditional activities, culture and language.

3. Liabilities of the Parties

While acting in the framework of this Agreement

3.1. The Government shall:

- appoint two representatives of the Government to serve on the SIMDP 2 Governing Board;

- appoint two representatives of the Government to serve on the Executive Committee;
- appoint one representative of the Government to serve on the SIMDP 2 implementation internal monitoring team;
- agree upon the appointment of the SIMDP 2 Coordinator with the Parties;
- interact with the Sakhalin Energy SIMDP 2 Coordinator and Indigenous Peoples Liaison Team;
- coordinate the work of the Sakhalin Oblast executive authorities for SIMDP 2 implementation;
- initiate and approve regulatory legal acts aimed at successful implementation of SIMDP 2; and
- provide material and technical aid to the Council within the scope of its activities using the funds allocated for such purposes under the regional target programme Economic and Social Development of Sakhalin Indigenous Minorities.

3.2. Sakhalin Energy shall:

- appoint two representatives of Sakhalin Energy to serve on the SIMDP 2 Governing Board;
- appoint two representatives of Sakhalin Energy to serve on the SIMDP 2 Executive Committee;
- appoint one representative of Sakhalin Energy to serve on the SIMDP 2 implementation internal monitoring team;
- while acting jointly with the Council, take measures for minimisation or prevention of adverse impacts on the traditional ways of life and traditional economic activities in view of implementation of the Sakhalin 2 Project, as provided by the mitigation matrix incorporated in SIMDP 2;
- provide resources for the Sakhalin Energy Indigenous Peoples of the North programme as required for efficient implementation of SIMDP 2;
- agree upon the appointment of the SIMDP 2 Coordinator with the Parties; and
- ensure funding of SIMDP 2 in the amount of US\$312,000 annually for five years beginning from 01 January 2011 to 31 December 2015.

3.3. The Council shall:

- appoint three representatives of the Council to serve on the SIMDP 2 Board;
- appoint two representatives of the Council to serve on the SIMDP 2 Executive Committee;
- appoint one representative of the Council to serve on the SIMDP 2 implementation internal monitoring team;
- agree upon the appointment of the SIMDP 2 Coordinator with the Parties;
- while acting jointly with the Government and Sakhalin Energy, exercise control over implementation of the SIMDP 2 via its representatives on the Board;
- interact with the Government and Sakhalin Energy and ensure synergy in SIMDP 2 implementation;
- while acting jointly with Sakhalin Energy, take measures for minimisation or prevention of adverse impacts on traditional way of life and traditional economic activities in view of implementation of the Sakhalin 2 Project, as provided by the mitigation matrix incorporated in SIMDP 2;

- agree with the Association of Indigenous Peoples of the North, Siberia and Far East of the Russian Federation (RAIPON) on the RAIPON candidate to serve on the SIMDP 2 Governing Board;
- ensure participation of Indigenous Peoples of the North in obtaining the benefits as provided by SIMDP 2;
- contact the Sakhalin Oblast Duma with a request for appointment of an Indigenous Peoples of the North representative at the Sakhalin Oblast Duma to serve on the SIMDP 2 Governing Board;
- inform the community about SIMDP 2 progress at Indigenous Peoples of the North meetings in the areas of traditional residence and traditional economic activities, and in mass media; with this, it is mandatory to obtain prior concurrence of all of such information reports between the Parties and mention that SIMDP 2 is being implemented under the Tripartite Agreement between the Government, Sakhalin Energy, and the Council;
- interact with Indigenous Peoples of the North communities, public organisations, ethnic enterprises, and other associations on the issues of SIMDP 2 implementation;
- interact with the Sakhalin Energy SIMDP 2 Coordinator and Indigenous Peoples Interface Team; and
- interact with local self-government authorities in the areas of traditional residence and traditional economic activities of Indigenous Peoples of the North on the issues of SIMDP 2 implementation.

4. Areas of Cooperation

4.1. The three Parties recognise that in the coming decades the future of both Indigenous Peoples of the North and all other residents of Sakhalin will be closely related to the development of energy resources on the Island. To assist in the sustainable development of Indigenous Peoples of the North, the three Parties intend to make efforts to achieve the basic goals of SIMDP 2, including:

- contributions to the improvement of the quality of life of Indigenous Peoples of the North by distributing Project benefits (via social development programmes and traditional economic activities support programmes) taking into account cultural features and sustainable development requirements;
- development of the potential of Indigenous Peoples of the North communities, clan enterprises, public associations and individual representatives, contributing to their active involvement in SIMDP 2 management and in any subsequent development and implementation of similar social, cultural and economic plans;
- assistance in preparation of Indigenous Peoples of the North for a potential establishment of an independent Indigenous Peoples of the North development fund; and
- prevention or mitigation, in accordance with environmental requirements, of any potential adverse impacts produced by operation of Sakhalin Energy oil and gas pipelines and associated industrial facilities of the Sakhalin 2 Project on the native habitat, traditional ways of life and economic activities of the indigenous communities.

5. Particular Terms and Conditions

This Cooperation Agreement also provides for the following.

5.1. Holding of regular meetings between high-ranking officers of the Government, Sakhalin Energy, and the Council for considering the issues directly related to the subject hereof.

5.2. Any amendments and supplements hereto may only be made by mutual consent of the Parties, in the form of a protocol to be signed by the three Parties.

5.3. In the event of a common desire among the Parties which may arise, additional Agreements may be adopted by mutual consent of all the Parties.

6. Validity and Termination of Agreement

6.1. This Agreement has been made on 14 December 2010 and shall take effect as soon as signed by the three Parties.

6.2 This Agreement has been made in Russian and in English in triplicate, one copy in each language for each of the Parties.

In the event of any discrepancy between the Russian and the English texts of this Contract the Russian text shall be paramount.

6.3. This Agreement shall be governed by laws of the Russian Federation.

6.4. This Agreement may be terminated:

- by mutual consent of the Parties;
- by the decision of either Party to withdraw from this Agreement, subject to a prior (at least a two-month) notice to the other Parties.

7. Legal Addresses of the Parties

Sakhalin Oblast Government
Kommunistichesky Ave., 39
Yuzhno-Sakhalinsk, 693011

Sakhalin Energy Investment
Company Ltd.
(Sakhalin Energy)
Dzerzhinskogo St., 35
Yuzhno-Sakhalinsk, 693020

Regional Council of Authorised
Representatives of the Sakhalin
Indigenous Minorities of the
Sakhalin Oblast
Dzerzhinskogo St., 23
Yuzhno-Sakhalinsk, 693020

ANNEX 2. LIST OF MATERIALS DISTRIBUTED DURING CONSULTATIONS WITH INDIGENOUS PEOPLES

1. REVIEW OF IMPLEMENTATION OF THE SIMDP 1
2. MEASURES FOR MITIGATION OF THE POTENTIAL ADVERSE IMPACTS OF THE SAKHALIN-2 PROJECT
3. SAKHALIN ENERGY GRIEVANCE PROCEDURE
4. GRIEVANCE PROCEDURE OF THE DEVELOPMENT PLAN
5. MANAGEMENT STRUCTURE PROJECTS, PROGRAMMES OF THE SIMDP 2, BUDGET ALLOCATION
6. CONTACT INFORMATION OF THE SIMDP 2 WORKING GROUP MEMBERS

ANNEX 3. INDIGENOUS MINORITIES PROJECTS SUPPORTED BY SAKHALIN ENERGY

A) THROUGH SIMDP 1, 2006–2010:

From 2006 to 2010, the Company has funded 301 projects approved by the Plan's governing bodies to the total amount of 41 026 907 rubles under the Development Plan. Annually issued reports regarding allocation of funds and description of projects are distributed throughout the districts of the Sakhalin Oblast and to stakeholders. They are also available on the Development Plan website www.simdp.ru.

B) OUTSIDE SIMDP 1, 2004–2010:

Since 2006, the Development Plan has been the key document used by Sakhalin Energy in working with the indigenous minorities of Sakhalin. Nonetheless, outside the budget of the Development Plan from 2004 to 2010:

Projects Supported by the Company	Involved Parties	Amount
Support of a festival of Indigenous Minorities of the North		
Event contributing to the preservation and sustainability of local indigenous culture	Indigenous Minorities of the North Department of National Policies Department of Culture	US\$3 000
Indigenous minorities children's sports holiday	Indigenous Minorities of the North Department of National Policies Department of Culture	US\$2 300
Indigenous students scholarships and education programmes		
Programme designed to assist indigenous students to gain further education	Students from Indigenous Minorities Department of National Policies Indigenous People Association of the Sakhalin Oblast	US\$8 000
Development and support of IP Associations		
Support of the district Associations of Indigenous Minorities of the Sakhalin North being key organisations, which represent the rights and interests of Indigenous People of Sakhalin. In particular, Sakhalin Energy supported financially IP congresses.	Indigenous People Associations in five districts of the Sakhalin Oblast	US\$3 000

Small Grants—Big Deeds programme			
Programme of initiatives for community organisations aimed at implementation of social, cultural and environmental projects	Initiatives of IP communities	US\$3 000	
Media programme			
Programme of initiatives for community organisations in the area of media development	IP books	US\$2 000	
Holding a meeting of the RAIPON Coordinating Council and Far East of the RF			
Joint meeting of the RAIPON and Far East of the RF Coordinating Council and the Advisory Board for the issues of Indigenous People of the authorised representative of the RF President in the Far Eastern Federal District	Indigenous People Association of the Sakhalin Oblast, RAIPON and Far East of the RF, Sakhalin Oblast Administration	US\$5 200	
The 5th Congress of the Indigenous People Association of the Sakhalin Oblast North			
The Congress of the Indigenous People Association of the Sakhalin Oblast North held once every four years	Indigenous People Association of the Sakhalin Oblast North, Sakhalin Oblast Administration	US\$1 700	
Participation of the Kykh-Kykh (Swan) Centre for Preservation and Development of Traditional Culture of the Indigenous Minorities of the North Okha Local Public Organisation in stage III of the interregional review of activities of ethnocultural centres of Indigenous Minorities of the North and Far East of RF	Kykh-Kykh (Swan) Centre for Preservation and Development of Traditional Culture Okha Local Public Organisation	28 000 roubles	
Extra edition of Ulita ABC-book (200 copies)		240 000 roubles	
Supplies of fuel and combined feed for reindeer herders' economic activities	Nogliki District Municipal Formation Administration Reindeer herders in Val village	536 000 roubles	
Shared funding for building a pen for keeping and catching deer in the Nogliki district	Nogliki District Municipal Formation Administration Reindeer herders in Val village	560 000 roubles	
Extra edition of the Nivkh Myths and Tales book by G.A. Otaina			

Development and creation of the Sakhalin North Indigenous Minorities Development Plan website			
Administering of the projects of DP Social Development Programme	KykhKykh (Swan) Centre for Preservation and Development of Traditional Culture of the Indigenous Minorities of the North OLPO	584 560 roubles	
Administering of the projects of DP Social Development Programme	Local Public Organisation of the Indigenous Minorities of the Poronaysk District	377 290 roubles	
Administering of the projects of DP Social Development Programme	Poiran territorial community of Indigenous Minorities of the North, Yuzhno-Sakhalinsk	276 793 roubles	
Financing of a regional event held to obtain consent of Sakhalin Indigenous Minorities to commencement of the SIMDP 2 implementation	Representatives of the seven indigenous minorities traditional residence areas		

Apart from these events, Sakhalin Energy provided material, technical and financial support to organise meetings and fulfil tasks within the framework of tripartite evaluation of the Plan implementation, and annual public consultations with representatives of Indigenous Minorities of the North in the areas of traditional residence and economic activities of the Sakhalin Oblast Indigenous Minorities, etc.

ANNEX 4. LEGAL STATUS OF INDIGENOUS MINORITIES UNDER FEDERAL AND SAKHALIN OBLAST LEGISLATION

In Sakhalin Oblast, we have defined the following primary areas of state support to the development of Sakhalin Indigenous Minorities of the North:

- support to socially vulnerable indigenous individuals;
- control over exercising state guarantees for health protection of Indigenous Minorities of the North;
- creation of environment for development of unique indigenous culture;
- creation of prerequisites for revival and development of traditional indigenous economic activities;
- environmental control in traditional settlement areas of Indigenous Minorities in order to prevent negative impact to these areas and deprivation of Indigenous Peoples from their legitimate interests.

In terms of normative and legislative regulation of vital activities of Indigenous Minorities, the public authorities of the Sakhalin Oblast do the following:

- acknowledge and legally define the status of Sakhalin Indigenous Minorities of the North, protect their interests;
- participate in discussions of draft federal laws relating to Indigenous Peoples of the North; develop draft federal laws relating to socio-economic and cultural development of Indigenous Peoples of the North;
- define legal status of the territories of traditional nature use and economic activities of Indigenous Peoples of the North;
- execute legislative regulation of various economic activities of Indigenous Peoples of the North;
- ensure social protection of Indigenous Peoples of the North;
- develop and approve socio-economic programmes for Indigenous Peoples of the North;
- develop and approve bylaws aimed at implementation of federal and regional laws.

In order to create conditions for implementation of Federal Law No. 82-FZ “About Guaranteed Rights of Indigenous Minorities of the Russian Federation” dated 30 April 1999 and to ensure sustainable socio-economic development of Indigenous Peoples of the North and support to vital activities of Sakhalin Indigenous Minorities, the following Sakhalin Oblast laws have been approved:

- Sakhalin Oblast Law No. 207 “About Preservation and Development of Traditional Crafts of Indigenous Minorities Residing in the Sakhalin Oblast” dated 12 September 2000;
- Sakhalin Oblast Law No. 463 “About Indigenous Peoples’ Representation in the Sakhalin Oblast Duma” dated 31 December 2003;
- Sakhalin Oblast Law No. 72-ZO “About Legal Guarantees of Protection for Sakhalin Indigenous Minorities of the North’s Original Habitat, Traditional Life Style, Economic Activities and Crafts” dated 04 July 2006;

- Sakhalin Oblast Law No. 8-ZO “About Approval of the Oblast Targeted Programme Economic and Social Development of Sakhalin Indigenous Minorities of the North in 2007-2011” dated 19 February 2007;
- Sakhalin Oblast Law No. 45-ZO “About Application Procedure for Sakhalin Indigenous Minorities of the North *Obschinas* Applying to Local Self-Government Authorities in Regard to *Obschina* Charter Amendments, Liquidation or Voluntary Dissolution” dated 24 May 2007;
- Sakhalin Oblast Law No. 91-ZO “About Languages of Sakhalin Indigenous Minorities of the North” dated 16 October 2007.

Sakhalin Oblast Duma continuously improves the legislation in this sphere.

For example, 11 Sakhalin Oblast laws (No. 275 dated 09 July 2001, No. 68-ZO dated 14 October 2005, No. 3-ZO dated 27 January 2006, No. 90- ZO dated 16 October 2007, No. 123- ZO dated 26 December 2007, No. 91- ZO dated 19 September 2008, No. 121- ZO dated 30 December 2008, No. 69- ZO dated 09 July 2009, No. 78- ZO dated 29 July 2009, No. 120- ZO dated 17 December 2009, and No. 50- ZO dated 23 June 2010) approved amendments to the existing laws of Sakhalin Oblast.

Sakhalin Oblast Government (previously, Sakhalin Oblast Administration) and local self-government authorities pay much attention to implementation of state policies pertaining to Sakhalin Indigenous Minorities.

For example, the following regulations have been issued:

- Sakhalin Oblast Governor Decree No. 99 “About Measures Aimed at Creation of Conditions for Preservation of Traditional Life Style and for Development of Traditional Economic Areas of Indigenous Minorities of the North” dated 02 March 2001;
- Sakhalin Oblast Governor Decree No. 106 “About Approval of Action Plan for Implementation of Federal Laws “About Guaranteed Rights of Indigenous Minorities of the Russian Federation” and “About General Organisational Principles for *Obschinas* of Indigenous Minorities of the North, Siberia and Far East of the Russian Federation” dated 13 March 2001;
- Sakhalin Oblast Administration Order No. 186-ra “About Approval of the State Cadastre of Specially Protected Natural Territories in the Sakhalin Oblast “ dated 28 April 2005 (with revisions of 21 December 2009);
- Sakhalin Oblast Administration Decree No. 212- ra “About Primary Areas of State Support to Sakhalin Indigenous Minorities of the North” dated 24 November 2005;
- Sakhalin Oblast Administration Decree No. 263- ra “About Establishment of the Commission for Sakhalin Indigenous Minorities Capacity Building and About Approval of the Procedure for Partial Reimbursement of Tuition Fees, Dormitory Fees and Travel Costs to the Place of Education and Back for Sakhalin Indigenous Students and Graduates” (together with the Statement on Commission for Sakhalin Indigenous Minorities Capacity Building) dated 04 December 2007;
- Sakhalin Oblast Administration Decree No. 268-p “About Approval of the Statement on Allocation and Consumption of Subventions from Sakhalin Oblast Budget for Implementation of Oblast Targeted Programme *Economic and Social Development of Sakhalin Indigenous Minorities of the North in 2007-2011*” (together with “Report on Consumption of Subventions from Sakhalin Oblast Budget for Implementation of Oblast Targeted Programme *Economic and Social*”

Development of Sakhalin Indigenous Minorities of the North in 2007-2011) dated 14 July 2009 (with revisions of 07 May 2010);

- Sakhalin Oblast Administration Decree No. 349-pa “About Approval of Statements Envisaging for Implementation of Oblast Targeted Programme *Economic and Social Development of Sakhalin Indigenous Minorities of the North in 2007-2011*” dated 31 August 2009 (with revisions of 12 January 2010);
- Sakhalin Oblast Administration Decree No. 408- pa “About Procedure of Subventions Allocation from Sakhalin Oblast Budget to Sakhalin Municipal Formations’ Budgets for Support of Economic and Social Development of Sakhalin Indigenous Minorities of the North” dated 15 October 2009 (with revisions of 19 April 2010);
- Sakhalin Oblast Government Decree No. 1 “About Amending Sakhalin Oblast Administration Decree No. 349- pa “About Approval of Statements Envisaging for Implementation of Oblast Targeted Programme *Economic and Social Development of Sakhalin Indigenous Minorities of the North in 2007-2011*” dated 31 August 2009” dated 12 January 2010;
- Sakhalin Oblast Government Decree No. 61 “About Amending Statement on Allocation and Consumption of Subventions from Sakhalin Oblast Budget for Implementation of Oblast Targeted Programme *Economic and Social Development of Sakhalin Indigenous Minorities of the North in 2007-2011*” (together with “Report on Consumption of Subventions from Sakhalin Oblast Budget for Implementation of Oblast Targeted Programme *Economic and Social Development of Sakhalin Indigenous Minorities of the North in 2007-2011*”) dated 02 March 2010;
- Sakhalin Oblast Government Decree No. 181 “About Amending Procedure of Subventions Allocation from Sakhalin Oblast Budget to Sakhalin Municipal Formations’ Budgets for Support of Economic and Social Development of Sakhalin Indigenous Minorities of the North Approved by the Sakhalin Oblast Administration Decree No. 408- pa dated 15 October 2009” dated 19 April 2010;
- Sakhalin Oblast Government Decree No. 211 “About Amending Statement on Allocation and Consumption of Subventions from Sakhalin Oblast Budget for Implementation of Oblast Targeted Programme *Economic and Social Development of Sakhalin Indigenous Minorities of the North in 2007-2011*” dated 07 May 2010;

V. I. Efremov [signed]
Chairman of Sakhalin Oblast Duma

ANNEX 5. INTERNATIONAL STANDARDS OF SIMDP 2

Key Provisions of World Bank OD 4.20, World Bank OP 4.10, IFC Performance Standard 7 (Also PS 1) ¹⁹	SIMDP 2 Provisions	WB/ IFC Source Paragraphs		
		OD 4.20	OP 4.10	PS 7
Indigenous Peoples definitions	The SIMDP 2 follows Russian Federation legislation — and World Bank / IFC practice — in its definition of “Indigenous Peoples” or “Indigenous Minorities”.	5	3, 4	4, 5
Consultations, information disclosure, informed participation	<p>Two rounds of consultations were carried out with indigenous communities to solicit Plan recommendations and to confirm Plan content regarding benefits, mitigation measures, and Plan governance.</p> <p>A Working Group of Indigenous Peoples, Oblast government representatives and Company staff jointly determined Plan contents and governance mechanisms.</p> <p>An Indigenous Minorities conference formally accepted the Plan by passage of a declaration of both broad community support and consent to Plan adoption on their behalf at a special conference held in Yuzhno-Sakhalinsk on 17 November, 2010.</p>	8, 15	10, 11	99
Mitigation measures are carried out as necessary; adverse impacts are avoided.	During SIMDP 1, a series of mitigation measures were carried out successfully, with 28 out of 30 issues being fully resolved by SIMDP 1 conclusion. A survey among Indigenous Minorities was performed in July 2010 to ascertain anticipated negative Project impacts, and these were added to a new SIMDP 2 mitigation matrix that, along with the two remaining issues from SIMDP 1 (necessity for information sharing if any environmental impacts occur; necessity to maintain a grievance procedure for SIMDP), will be jointly processed and responded to by the RCAR and Sakhalin Energy.	9	9	7, 8
Benefits to Indigenous Peoples from development	SIMDP 2 comprises two separate development programs, the Social Development Fund and the Traditional Economic Activities Support Programme.	9, 15	12	10

¹⁹ World Bank Operational Directive 4.20, Indigenous Peoples; World Bank Operational Policy 4.10, Indigenous Peoples; International Finance Corporation Performance Standard 7: Indigenous Peoples; IFC PS 1: Social and Environmental Assessment and Management Systems

Key Provisions of World Bank OD 4.20, World Bank OP 4.10, IFC Performance Standard 7 (Also PS 1) ¹⁹	SIMDP 2 Provisions	WB/ IFC Source Paragraphs		
		OD 4.20	OP 4.10	PS 7
investments	Plan funding will be USD 312,000 per year for each year of the five-year commitment.			
Indigenous Peoples issues addressed through Social Impact Assessment processes	A full SIA was conducted for the SIMDP 1. Since then semi-annual External Monitor reports as well as a Midterm Evaluation Report and Project Completion Evaluation Report have been conducted to assess Indigenous Minorities issues as affected by the SIMDP.	10, 14, 15	9	PS 1: 4-12
Indigenous Peoples Development Plan	The Sakhalin Indigenous Minorities Development Plan 1 was completed after successfully being implemented between 2006-2010. The SIMDP 2 will continue the benefits/ mitigation package through 2015.	13-15	12	PS 1: 16

ANNEX 6. PROPOSALS RECEIVED DURING CONSULTATIONS WITH INDIGENOUS MINORITIES AS PART OF SIMDP 2 PREPARATION

1. MANAGEMENT STRUCTURE

Proposals	Municipal Formations			
Two-level system — programme committees and supervising authority	Nogliki Formation	City	District	Municipal
	Poronaysk Formation	City	District	Municipal
The document to be elaborated by the Second Working Group should be approved with participation of a personal chief editor or approved by the representatives of three Parties	Nogliki Formation	City	District	Municipal
Elaborate the issue of establishment of a special Fund to accumulate the funds of the Development Plan, social and economic programme, and Rosneft	Nogliki Formation	City	District	Municipal
	Poronaysk Formation	City	District	Municipal
Eliminate the TEASP Committee	Okha Formation	City	District	Municipal
Eliminate the Executive Committee	Okha Formation	City	District	Municipal
Change the management chart in the SIMDP 2 as follows: SB, EC, TEAS Committee; SDP and MGF to be combined	Okha Formation	City	District	Municipal
Create a special young peoples component in the Development Plan, or pay attention to the young people issues within the management structure	Poronaysk Formation	City	District	Municipal
	Yuzhno-Sakhalinsk Municipal Formation	City	District	
Retain the same programmes and structure, increase financing	Poronaysk Formation	City	District	Municipal
	Alexandrovsk-Sakhalinsky City District		District	Municipal Formation
Form committees including at least one representative from each district, i.e., 7 persons in all, one representative from Sakhalin Energy and one representative from the Sakhalin Oblast Governor and the Sakhalin Oblast Administration — a total of 9 persons, others may be present as invited persons without vote	Poronaysk Formation	City	District	Municipal
The SIMDP committees for allocation of funds should include representatives of Indigenous Peoples of the North from each district. Only Indigenous Peoples should be represented on the TEASP Committee, while representatives of the Regional Council, the Administration, and the Company may be present as experts	Poronaysk Formation	City	District	Municipal
	Tymovsk Formation	City	District	Municipal
	Nogliki Formation	City	District	Municipal
Establish a unified executive-administrative authority of the SIMDP	Nogliki Formation	City	District	Municipal

2. PROGRAMMES OF THE SIMDP 2

Proposals	Municipal Formations			
Business projects must be first discussed in the districts and be approved prior to be submitted to the Development Plan	Nogliki	City	District	Municipal Formation
Give priority to the TEASP Committee in the SIMDP 2	Nogliki	City	District	Municipal Formation
Transfer all projects relating to economic development and business plans to the Small Business Microcredit Fund	Nogliki	City	District	Municipal Formation
Pay attention to higher-priority allocation of funds to the Nogliki District	Nogliki	City	District	Municipal Formation
Provide direct financing of the clan enterprises	Nogliki	City	District	Municipal Formation
Reindeer herding should be financed in a separate line in the Development Plan	Nogliki	City	District	Municipal Formation
Retain all sustainable healthcare and education projects	Nogliki	City	District	Municipal Formation
	Yuzhno-Sakhalinsk	City	District	Municipal Formation
Create a factor system within the Traditional Economic Activities Support Programme of the SIMDP 2	Okha	City	District	Municipal Formation
Increase the general budget of financing to be more than US \$300,000	Okha	City	District	Municipal Formation
	Nogliki	City	District	Municipal Formation
	Poronaysk	City	District	Municipal Formation
	Alexandrovsk-Sakhalinsky	City	District	Municipal Formation
The microcredit programme should be launched, however self-sufficiency budget allocation is also required	Okha	City	District	Municipal Formation
	Nogliki	City	District	Municipal Formation
	Poronaysk	City	District	Municipal Formation
<ul style="list-style-type: none"> • It is high time for indigenous people to address such an area of economic activities as tourism • Establish an open-air museum to promote development of ethnic tourism • Render assistance in organisation of social advertising of the culture, ways of life and traditions of the Sakhalin indigenous ethnic groups, in order to awaken interest among city dwellers and visitors to unique culture of the Sakhalin Indigenous Peoples 	Yuzhno-Sakhalinsk	City	District	Municipal Formation
Increase the volume of financing for self-sufficiency	Okha	City	District	Municipal Formation
Increase financing of mini-grants from 30,000 to 60,000 roubles	Nogliki	City	District	Municipal

	Formation
Remove the MGF restrictions on the “traditional” concept; for example, development of children requires skates, mats	Poronaysk City District Municipal Formation
<ul style="list-style-type: none"> • Applications that did not receive financing this year should be transferred for the next year • Sums specified in applications differ from the received sums; financing should be provided according to applications 	Okha City District Municipal Formation

3. MONITORING

Proposals	Municipal Formations
Establish an auditing panel for checking the Plan 1 projects of the Nogliki District (<i>Buran</i> snowmobiles are sold out)	Poronaysk City District Municipal Formation
Engage independent auditing or revising company to monitor the TEASP projects, and reserve respective funds in the Development Plan budget	Poronaysk City District Municipal Formation
Exercising control over preparation of an analytical report on provision of material support under the SIMDP	Okha City District Municipal Formation
Monitoring of the Development Plan projects must be conducted in a more transparent and informative manner; monitoring should place more emphasis on the projects of support of traditional economic activities The annual financial reports on the programmes, in particular, on the TEASP committee should specify names of the beneficiaries and financial support they have received	Nogliki City District Municipal Formation
Monitoring must be conducted with participation of three Parties, followed by report and approval	Nogliki City District Municipal Formation
Lack of information about the <i>Preserving Traditions</i> competitive programme	Nogliki City District Municipal Formation
Analysis of funds on sustainable projects of the Development Plan (the manner of use)	Nogliki City District Municipal Formation
Improve informing on distribution of finds in the committees	Tymovsk City District Municipal Formation

4. PROJECTS OF THE SIMDP 2

Proposals	Municipal Formations
The district healthcare needs an ultrasonography mobile unit which costs up to 3.5 mln roubles	Alexandrovsk-Sakhalinsky District City District Municipal Formation
A mobile photofluorograph (to be used on the intermunicipal basis), the cost is 8 mln roubles	Alexandrovsk-Sakhalinsky District City District Municipal Formation
<ul style="list-style-type: none"> • Include eye disease examination • Payment of travel expenses for medical treatment and consultation in Yuzhno-Sakhalinsk • Conduct comprehensive medical examinations of Indigenous Minorities of the North living in Yuzhno-Sakhalinsk • Render assistance to indigenous peoples in receiving paid medical services during comprehensive medical examination and diagnostics of diseases 	<p>Okha City District Municipal Formation</p> <p>Yuzhno-Sakhalinsk City District Municipal Formation</p> <p>Nogliki City District Municipal Formation</p>

<ul style="list-style-type: none"> • Increase the amount of funds allocated for dental prosthetic rehabilitation to ensure the use of metal ceramics and improve the dental prosthetic rehabilitation services • Provide medicines for indigenous peoples in Okha • Organise medical examination of the reindeer herders directly in the field 	
Viakhtu needs a de-ironing station	Alexandrovsk-Sakhalinsky District City District Municipal Formation
<ul style="list-style-type: none"> • Any assistance in purchasing of housing by graduates • Render assistance in provision of housing to those in desperate need • Construction of housing for young representatives (families) of Indigenous Peoples of the North in Yuzhno-Sakhalinsk • Construction of housing for young people in Nekrasovka • Render assistance in repair of hosing stock (partial or full recovery of costs) 	Nogliki City District Municipal Formation Okha City District Municipal Formation Smirnykh City District Municipal Formation
<ul style="list-style-type: none"> • Financing the programme of the <i>Preserve the National Language</i> national language studying course. This will provide the possibility to establish the national language study courses irrespective of the age category. We should understand that the school programme alone is not sufficient. • Send to advanced language study courses in Saint-Petersburg • Increase the number of copies of ethnic books, dictionaries, guides for language study, national fairy tales • Establish an ethnocultural centre of SIM (for studying languages, conducting rehearsals and concert activities of ethnic ensembles, establishing a souvenir shop and exhibitions, computer room equipment, etc) 	Yuzhno-Sakhalinsk City District Municipal Formation Poronaysk City District Municipal Formation Nogliki City District Municipal Formation
Establish SIMDP information centres in the districts	Yuzhno-Sakhalinsk City District Municipal Formation
Continue training under the <i>Young Leader Workshop</i> project	Yuzhno-Sakhalinsk City District Municipal Formation
<ul style="list-style-type: none"> • Construction of a capital typical building for the <i>Pila Ken</i> ensemble in Nekrasovka according to the co-financing principle • Render financial assistance to the <i>Pila Ken</i> ensemble 	Okha City District Municipal Formation
District gasification similar to that in Nogliki is required	Poronaysk City District Municipal Formation
Replace financing of dental prosthetic rehabilitation in the SDP by rendering assistance to orphans, since this direction is stipulated neither in the Regional Target Programme nor in the Development Plan	Poronaysk City District Municipal Formation
<ul style="list-style-type: none"> • Continue the practice of holding workshops for training correct writing of business projects, business building, 	Okha City District Municipal Formation

<p>crediting, sponsoring, etc.</p> <ul style="list-style-type: none"> • Training workshops for preparation of grant applications and proposals • Retain the advance training courses in the SIMDP 2 	Poronaysk City District Municipal Formation
<ul style="list-style-type: none"> • Funds to be predominantly allocated for development of the following traditional economic activities: reindeer herding, production of souvenirs, and development of ethnic tourism • Support of decorative and applied arts craftsmen is necessary 	Poronaysk City District Municipal Formation Yuzhno-Sakhalinsk City District Municipal Formation
Establish a day-care centre for children of Sakhalin indigenous ethnic groups in Yuzhno-Sakhalinsk	Yuzhno-Sakhalinsk City District Municipal Formation
<p>Render assistance in purchasing the following items for the Yuzhno-Sakhalinsk Centralised Library System:</p> <ul style="list-style-type: none"> - imaginative literature of Indigenous Peoples of the North in the Russian and native languages; - children's literature of Sakhalin indigenous ethnic groups; - methodology handbooks, dictionaries, ABC books, etc.; - ethnological literature; and - periodical editions published by national public organisations of Sakhalin indigenous peoples, etc. 	Yuzhno-Sakhalinsk City District Municipal Formation
In order to popularise culture of the indigenous peoples among the Yuzhno-Sakhalinsk population at the present-day technical level, render assistance in purchasing and installation of multimedia equipment with a plasma screen	Yuzhno-Sakhalinsk City District Municipal Formation
In order to strengthen material and technical base (manufacturing ethnic costumes and instruments, merchandising, etc.), provide financial support to the Yuzhno-Sakhalinsk <i>Yh Myth People</i> ensemble of Indigenous Minorities of the North	Yuzhno-Sakhalinsk City District Municipal Formation
<ul style="list-style-type: none"> • In order to popularise national kinds of sports of indigenous peoples, render assistance in holding open national sports tournaments in Yuzhno-Sakhalinsk • Render assistance in obtaining gym vouchers for representatives of indigenous peoples • Promote development of national kinds of sports 	Yuzhno-Sakhalinsk City District Municipal Formation
<ul style="list-style-type: none"> • Render assistance to Sakhalin indigenous minority youth creative teams in taking part in a festival of national cultures with participation of youth creative teams • In order to develop creative potential of Sakhalin indigenous minority students, support their participation in intellectual, artistic-aesthetic and sports events • Provide for participation of representatives of Indigenous Peoples of the North from the Yuzhno-Sakhalinsk City District Municipal Formation in the regional, all-Russian and international cultural forums and training events under the SIMDP 	Yuzhno-Sakhalinsk City District Municipal Formation
Provide financial support to Indigenous Minority teachers for participation in the municipal stage of competition <i>Teacher of the</i>	Yuzhno-Sakhalinsk City District Municipal Formation

<i>Year</i>	
Provide financial support to Indigenous Minority children during the first year of life	Nogliki City District Municipal Formation
Provide financial support to Sakhalin North Indigenous Minority disabled people and children from low-income families	Nogliki City District Municipal Formation
Re-equip the former office of reindeer herders and place the medical and obstetrical station and village library there	Alexandrovsk-Sakhalinsky District City District Municipal Formation
Place the 2 nd preschool group in the released room of the boarding school	Alexandrovsk-Sakhalinsky District City District Municipal Formation
Extend the scope of subjects in a school museum taking Sternberg's living in exile at the end of the 19 th century as a basis	Alexandrovsk-Sakhalinsky District City District Municipal Formation
Establish a good sports area near the school	Alexandrovsk-Sakhalinsky District City District Municipal Formation
A bus for 15–20 seats is needed to carry children	Alexandrovsk-Sakhalinsky District City District Municipal Formation
Consolidation of funds is required to repair the ambulant clinic in Nekrasovka	Okha City District Municipal Formation
It would be cheaper to purchase from the factory in a centralised manner, so several applications should be combined	Okha City District Municipal Formation
Organise medical examination of the reindeer herders directly in the field	Nogliki City District Municipal Formation
Restoration of reindeer herding	Alexandrovsk-Sakhalinsky District City District Municipal Formation
In what way does the SIMDP pay attention to veterans of the Great Patriotic War?	Okha City District Municipal Formation
May I, as a pensioner, submit an application for a floating craft?	Nogliki City District Municipal Formation
<ul style="list-style-type: none"> • Rendering assistance to newly legally established communities • When solving major problems, tribal enterprises should build their relations on a partnership basis • Establish advisory units for registration of legal entities (TC, tribal communities), legal consultations, etc. • It is necessary to increase funds allocated for development of tribal enterprises, communities, and ethnic enterprises • Render assistance in establishing enterprises to provide job for Indigenous Peoples • Develop a two-year curriculum for the Tribal Enterprises and Communities School 	Yuzhno-Sakhalinsk City District Municipal Formation
<ul style="list-style-type: none"> • Create a unified cultural heritage bank for Sakhalin Indigenous Peoples • Support for research projects, financing of the expedition 	Poronaysk City District Municipal Formation Nogliki City District Municipal Formation
Extend the scope of economic activities via including the agriculture	Tymovsk City District Municipal Formation
<ul style="list-style-type: none"> • It is high time for indigenous people to address such an 	Yuzhno-Sakhalinsk City District

<p>area of economic activities as tourism</p> <ul style="list-style-type: none"> • Establish an open-air museum to promote development of ethnic tourism • Render assistance in organisation of social advertising of the culture, ways of life and traditions of the Sakhalin indigenous ethnic groups, in order to awaken interest among city dwellers and visitors to unique culture of the Sakhalin Indigenous Peoples 	Municipal Formation
Hold a workshop on dog breeding	Alexandrovsk-Sakhalinsky District City District Municipal Formation
Help the <i>Moroshechka</i> children's ensemble with manufacturing of costumes under the Development Plan	Alexandrovsk-Sakhalinsky District City District Municipal Formation
As for wild-growing plants, we are ready to deliver berries and many other products, but we have to establish contacts in Yuzhno-Sakhalinsk	Alexandrovsk-Sakhalinsky District City District Municipal Formation
It is necessary to buy a bulldozer (the cost is approx. 3 mln rubles) to clear roads in Viakhtu during winter months, or a cross-country vehicle	Alexandrovsk-Sakhalinsky District City District Municipal Formation
Allocate funds to cover accommodation of students in apartments Increase students' scholarship (annual)	Alexandrovsk-Sakhalinsky District City District Municipal Formation
Diesel generator for the Viakhtu village	Alexandrovsk-Sakhalinsky District City District Municipal Formation

5. INFORMATION SHARING

Proposals	Municipal Formations
Use the Internet to increase the availability of information on the SIMDP	Okha City District Municipal Formation Nogliki City District Municipal Formation Poronaysk City District Municipal Formation Yuzhno-Sakhalinsk City District Municipal Formation
Specialists attached to district administrations should know all students	Okha City District Municipal Formation
Establish the SIM Board attached to the city administration	Alexandrovsk-Sakhalinsky District City District Municipal Formation
Establish SIMDP information centres in the districts	Yuzhno-Sakhalinsk City District Municipal Formation Alexandrovsk-Sakhalinsky District City District Municipal Formation
Lack of written information about applications submitted, whether they are accepted or not	Okha City District Municipal Formation
We do not know quotations to write applications, so we need somebody to give us quotations	Alexandrovsk-Sakhalinsky District City District Municipal Formation

6. CONCERNS

Proposals	Municipal Formations			
Mitigation of oil development impacts in the territory of residence of Indigenous Peoples of the North	Nogliki Formation	City	District	Municipal
Several oil companies, which have laid working roads to conduct their activities, are currently operating near the Val village. The roads are laid through berry areas, the environment has been disturbed.	Nogliki Formation	City	District	Municipal
During the period of wild-growing plants gathering and fishing, the projects road near the village are used by people from other districts including those from the south of Sakhalin	Nogliki Formation	City	District	Municipal
Studies of fish mutations are required to find out the reasons of this phenomenon	Nogliki Formation	City	District	Municipal
We are concerned about the state of nature (ecology): too many vehicles are in the district forests during the period of wild-growing plants gathering and fishing	Nogliki Formation	City	District	Municipal
Poaching	Nogliki Formation	City	District	Municipal
There are concerns about the state of environment in the Okha district. Oil spills that enter spawning rivers are very frequent.	Okha Formation	City	District	Municipal

ANNEX 7. SIMDP 2 GRIEVANCE PROCEDURE FORM

You can submit your grievance anonymously if you wish. However, the more information you can provide, including your contact details, the more efficiently we will be able to follow-up.

SIMDP Reference No:	
Full Name: <i>Note: You can remain anonymous if you prefer or request not to disclose your identity to the third parties without your consent</i>	_____ _____ <input type="checkbox"/> I request not to disclose my identity without my consent <input type="checkbox"/> I wish to raise my grievance anonymously
Contact Information: <i>Please mark how you wish to be contacted (mail, telephone, e-mail).</i> <i>Note: You do not have to give your details if you do not wish to provide them.</i>	<input type="checkbox"/> Address: _____ _____ <input type="checkbox"/> Telephone: _____ <input type="checkbox"/> E-mail: _____
Passport number: <i>Note: You do not have to give your passport details if you do not wish to do so.</i>	_____
Is the complaint related to Indigenous People?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is the complaint related to SIMDP?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Preferred language for communication: <i>Please mark how you wish to be contacted.</i>	<input type="checkbox"/> Russian <input type="checkbox"/> English <input type="checkbox"/> Other (please indicate) _____
Description of the incident or grievance (What happened? When did it happen? Where did it happen? Who did it happen to? What is the result of the problem?):	
What would you like to see happen to resolve the problem?	

Signature: _____ **Date:** _____

Consent to disclose grievance-related information to the third parties
<p>I am aware that this grievance of mine is submitted to managing bodies of SIMDP but may refer to actions or failure to act of third parties. I understand that in order to efficiently resolve my grievance representatives of Executive Committee of SIMDP will have to contact these third parties so as to check into the facts stated in the grievance and work out a solution. I hereby agree that SIMDP representatives can disclose this grievance (as well as additional information about it) to third parties. I hereby agree that representatives of SIMDP may disclose/transfer my personal data, indicated in the present grievance to third parties to provide for effective grievance resolution process. This consent is effective from the date of signing thereof till providing of written withdrawal.</p>
<p style="text-align: center;">Signature: _____ Date: _____</p>

Grievances shall be received in writing or oral form via/through:

- Incoming correspondence, including e-mail and fax messages, received to the address of Sakhalin Energy, the Board, Executive Committee or Coordinator of the Development Plan: 8 (4242) 662761; fax: 662916.
- Head of the Indigenous Peoples' Group of Sakhalin Energy;
- Community Liaison Officer of Sakhalin Energy;
- Hotline of the External Affairs Department of Sakhalin Energy: 8 (4242) 662400 (on working days from 9:00 till 17:00);
- Mailbox of the Grievance Group of Sakhalin Energy (Grievancereport@sakhalinenergy.ru);
- Sakhalin Energy's Information Centres;
- Members of the Sakhalin IP Regional Council;
- Other representatives of the Second Development Plan.