
SAKHALIN INDIGENOUS MINORITIES DEVELOPMENT PLAN

First Five-Year Plan (2006-2010)

Sakhalin II Phase 2 Project
Sakhalin Energy Investment
Company Ltd.

April 2006

0000-S-90-04-P-7067-00-E

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List of Abbreviations

EIA	Environmental Impact Assessment
ESHIA	Environmental, Social and Health Impact Assessment
IFC	International Finance Corporation
IP	Indigenous Peoples
IPOs	Indigenous Peoples Organisations
NGOs	Non-Governmental Organisations
NTFP	Non Timber Forest Products
OD	Operational Directive
OP	Operational Policy
PAP	Project-Affected People
PCDP	Public Consultation and Disclosure Plan
PSA	Production Sharing Agreement
RAIPON	Russian Association of Indigenous Peoples of the North
RAP	Resettlement Action Plan
RF	Russian Federation
SIA	Social Impact Assessment
SIAA	SIA Addendum
SIMDP	Sakhalin Indigenous Minorities Development Plan
SOA	Sakhalin Oblast Administration
TSG	Territorial Self-Government

1 ORIENTATION

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

The Sakhalin Energy Investment Company Ltd. (“**Sakhalin Energy**”), with the support of and in close collaboration with the Sakhalin Indigenous Minorities Council (SIMC) and the Sakhalin Oblast Administration (the “**SOA**”)¹, aims to enter into a partnership with the indigenous minority peoples (“**Indigenous Minorities**”, “**Indigenous Peoples**”)² of Sakhalin Island (“**Sakhalin**” or the “**Island**”) in pursuit of a programme of sustainable development activities to benefit such Indigenous Minorities. This First Five Year Plan (2006–2010) is the first phase of the SIMDP and is one in a series of such plans to be designed and implemented over the life of the Sakhalin II Project (the “**Sakhalin II Project**” or the “**Project**”). The key objectives of this first Five Year Plan are:

- Avoidance or mitigation in an environmentally sustainable manner of any likely or potential negative effects caused by the construction and planned operation of oil and natural gas pipelines and associated Project facilities;
- Improving the lives and livelihoods of the Indigenous Minorities of Sakhalin through support for the delivery of benefits (social development programmes) in a culturally appropriate and sustainable manner; and
- 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.

1.2 BRIEF DESCRIPTION OF SAKHALIN II PROJECT OPERATIONS AND REVENUE SHARING

The Sakhalin II Project comprises the development of two energy fields: Piltun-Astokhskoye, primarily an oil field with associated gas, and Lunskeye, predominantly a gas field. Both fields were discovered in the 1980s. Together the fields contain recoverable hydrocarbon volumes of over 1 billion barrels (150 million tonnes) of crude oil and more than 500 billion cubic meters (17 trillion cubic feet) of natural gas.

The Sakhalin II Project is being developed under a Production Sharing Agreement (“**PSA**”) concluded in 1994 between the Government of the Russian Federation (“**RF**”), Sakhalin Oblast Administration and Sakhalin Energy. The shareholders in Sakhalin Energy are: Shell Sakhalin Holdings B.V. with a 55 % interest (parent company – Royal Dutch Shell plc), Mitsui Sakhalin Holdings B.V. with 25% (parent company – Mitsui & Co., Ltd.) and Diamond Gas Sakhalin B.V. with 20 % (parent company – Mitsubishi Corporation).

Phase 1 of the Sakhalin II Project focused on oil development and went into seasonal production during the summer of 1999 at the Vityaz Production Complex (including the Molikpaq offshore platform). As the sea around the Vityaz Production Complex is covered with ice for approximately six months every year, production from Phase 1 is currently limited to the ice-free period of about 180 days. Phase 2 of the Project is an integrated oil and gas development that will allow year-round oil and gas production. It will involve a further investment of approximately US\$20 billion and

¹ The Term “Oblast” refers to the Sakhalin region.

² On the advice of the Sakhalin Regional Council of the Authorised Representatives of the Indigenous Minorities of the North of Sakhalin this SIMDP uses the term “Indigenous Minorities” in addition to “Indigenous Peoples”, which is the terminology used in the World Bank’s OD 4.20 and other international documents.

will provide revenue for stable economic growth and further development of the Sakhalin region.

Molikpaq is located off the shores of Nogliki District in the north-east of Sakhalin. 31% of Sakhalin's Indigenous Peoples live in the Nogliki District, comprising 7% of the district's population. The indigenous Nivkhi engage in fishing in the coastal lagoons that line the north-eastern shores of Sakhalin. Construction and operations of Phase 2 of the Sakhalin II Project will affect areas of spring and summer pastures used by the Uilta and Evenk reindeer herders.

In accordance with the PSA, revenue received from selling the Project's oil and gas is first subjected to a royalty charge of 6%, which is paid to the Russian Federation. Initially, according to the PSA, the royalty was split such that 60% went to Sakhalin Oblast and 40% went to the Russian Federation. However, after changes in the tax legislation in 2004, Sakhalin's share was cut to 5%, with the remaining 95% going to Moscow. In 2004, US\$28.5 million in royalties were paid to Russia as a result of production from the Molikpaq offshore platform. Such royalties will continue throughout the life of the Project.

The remainder of the revenue ('cost oil') will be used by Sakhalin Energy to recover operational and development costs. Given that Phase 1 development began in 1996, the time between first investment and recovery of costs (without profit) is anticipated to be a period of about 14 to 15 years. After this period, the difference between income and 'cost oil' (referred to as "profit hydrocarbons") will be split between the Russian Federation and Sakhalin Energy, as agreed in the PSA. The income from the sale of Sakhalin Energy's share of the profit hydrocarbons is subject to an income tax rate of 24%, which will be the major part of the direct benefits of the Project to Russia.

By the end of Phase 2, the levels of investment in the Sakhalin II Project will make it the largest single foreign investment project in Russian history.

1.3 BRIEF DESCRIPTION OF CONSULTATIONS CONDUCTED

Between 2001 and 2004 a series of consultations and meetings were held with Indigenous Minorities communities and their representatives in relation to the Project in general and, in particular, to the Social Impact Assessment (the "SIA") of the Project. These consultations involved 150 indigenous individuals and various indigenous enterprises and organisations (see Sections 3.1.1 and 3.1.2. below).

Consultations with Indigenous Minorities specifically for this SIMDP began in May and June of 2005. This first round of consultations focused on ascertaining priorities for benefits-sharing components, yet they were also used to gather input for mitigation planning. The consultations held in May targeted four communities: Val, Nogliki, Chir-Unvd and Poronaisk. In June, follow-up focus groups and interviews were held both in these four communities as well as in Yuzhno-Sakhalinsk. These consultations involved a total of nearly 200 people, constituting over 5% of the entire indigenous population of the Island (see Section 3.1.5 and Annexes 1 and 9 of this document for more detail). Consultations with other stakeholders were also held, including Oblast officials, other oil company operators, non-governmental organisations ("NGOs") and social development and indigenous experts.

A second round of consultations was held in early fall to report back to stakeholders with a tentative outline of the Project components selected. A third round of consultations took place beginning in December 2005 and lasting through February 2006 to consider SIMDP Section 4 mitigation measures and social programme benefits as proposed during the work of the Social Development Programme and Sustainable Resource Use Committees (see Sections 1.3 and 3.3 and Annex 11).

These consultations included the northernmost Sakhalin district of Okha and the western district of Aleksandrovsk-Sakhalinsky.

In addition to these public consultations, the Sustainable Resource Use and Social Development Committees were set up and a series of meetings held with indigenous representatives and their consultants, in order to discuss Project impact mitigation measures and support for Indigenous Peoples' development projects (see Sections 4.1 and 4.2).

1.4 BRIEF DESCRIPTION OF THE PARTICIPATORY PROCESS

In June 2005, a working group (the "**Working Group**") of Sakhalin Energy staff and consultants, Oblast representatives and Sakhalin Indigenous Minorities Peoples Council members was formed to provide guidance to the Sakhalin Energy team preparing this Five Year Plan. The Working Group provided input to Sections 1, 2, 3, and 4. Working Group Committees, composed of representatives from the Oblast authorities, indigenous communities and civil society representatives as well as Company staff/consultants were also set up to advise Sakhalin Energy team preparing this Five Year Plan on appropriate mitigation measures and benefits sharing.

1.5 SCOPE OF THE SAKHALIN INDIGENOUS MINORITIES DEVELOPMENT PLAN

Mitigation measures in the SIMDP will be restricted to the SIMDP Project Area (as defined in (i) below), while benefits-sharing will be available to all SIMDP Project-affected People ("**PAP**") (as defined in (ii) below).

- (i) Definition of SIMDP Project Area: For the purposes of this SIMDP, the "**SIMDP Project Area**" is defined as areas in or north of Poronaisk District³ which are:
- a. within one km either side of the pipeline from landfall to Poronaisk;
 - b. in or near land used by indigenous communities, and in which Project construction camps are located or through which access/transit roads run or any Project activities take place;
 - c. downstream of pipeline river crossings (including lagoons); and/or
 - d. in oil spill sensitive areas.

Project mitigation measures undertaken as part of the SIMDP would be confined to definite ("a" above), probable ("b"), or potential ("c" and "d") effects occurring in the SIMDP Project Area. See Figure 1-01 below for the locations of "a" and "b" and identified indigenous communities.⁴

³ Identified Indigenous Minority communities are all located in, or north of, Poronaisk District, as codified in Russian law (Decree No. 22, Government of the Russian Federation, 11 January 1993) and confirmed by the Sakhalin Indigenous Minorities' Council.

⁴ Nogliki, Poronaisk, and Val are included within the SIMDP Project Area under (i) b. above and Chir-Unvd under (i) a. since area residents make substantial use of the berry fields adjoining the pipeline near their community.

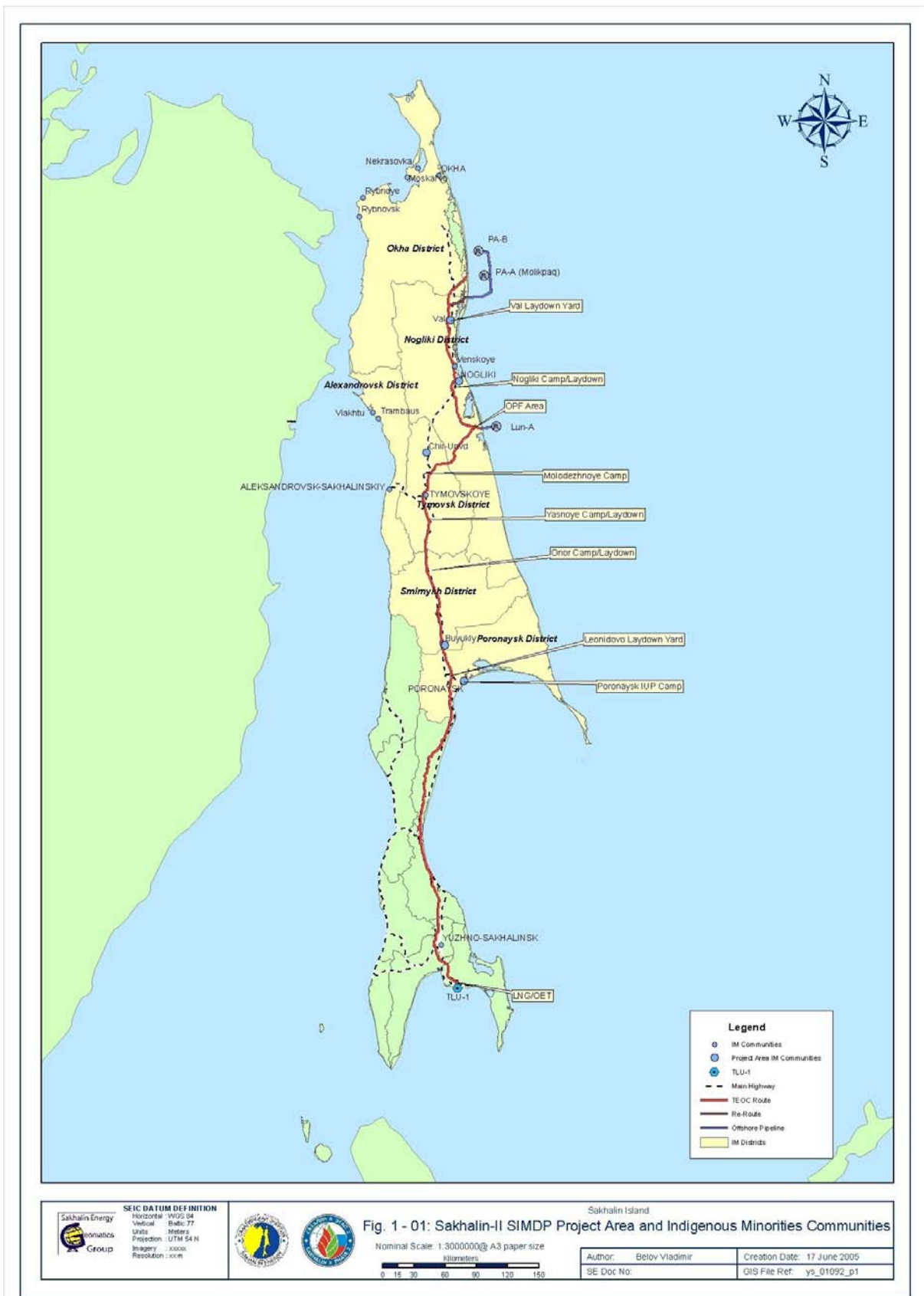


Figure 1-01: Sakhalin-II SIMDP Project Area and Indigenous Minorities Communities

(ii) Definition of SIMDP PAP (Project-affected people): All 3,513⁵ members of the four officially designated communities of Indigenous Peoples on Sakhalin - Nivkhi, Nanai, Uilta, and Evenki⁶ - are considered Project-affected people for the purposes of the SIMDP (see Table 01 below). This demonstrates the desire not to exclude any indigenous group on the Island from the programme of benefits offered by the SIMDP.

- **The Nivkhi:** The Nivkhi are the most numerous of Sakhalin's recognised Indigenous Minorities (at present numbering 2,649 people and representing three quarters of the Island's total indigenous population) and, along with the no longer resident Ainu⁷, are the original human inhabitants of the Island. Today almost two-thirds of the Nivkhi 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 Nivkhi, 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 Nivkhi.
- **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 Federation, the Uilta currently number 387 and are concentrated in the village of Val and also live in the towns of Nogliki and Poronaisk. Spring and summer pastures have declined due to severe forest fires in 1989 and 1998. Other grazing areas have been crossed by old geological access roads and are not used by the herders because of the risk of poaching.
- **The Evenki:** The Evenki of Sakhalin are a small branch (numbering 266) 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-Sakhalinskiy, 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 140 Nanai.

(iii) Relation of SIMDP to other Project programmes or documents:

- Social Investment Programme: The Sakhalin II Social Investment Programme has benefited Sakhalin's Indigenous Minorities as part of the general population or as targeted subsets. These programmes were

5 Sakhalin Indigenous Minorities figures supplied by the Sakhalin Oblast Administration; reported for January 1, 2005. Official counts of Sakhalin's Indigenous Minorities only cover those Indigenous Minorities in the six districts identified in Decree No. 22 (see fn. 4 above); estimates for the remaining southern island districts (including the Oblast capital of Yuzhno-Sakhalinsk) would add up to 300 more indigenous individuals to the Sakhalin totals.

6 According to the decree of the Government of the Russian Federation, March 24, 2000, No.255, "Official List of Indigenous Minority Peoples of the Russian Federation."

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

funded at a level of US\$400,000 in 2004, with \$27,200 going to Indigenous Minorities (see Annex 2).

- Project Documents: Other Project documents with sections on the Island's Indigenous Peoples, including those which subsume Indigenous Peoples as part of the general affected population, are:
 - the Social Impact Assessment (the "**SIA**"), particularly Chapters 6 (Consultations with Indigenous Peoples), 12 (Impacts on Sakhalin Communities), and 14 (Uilta Reindeer Herders), as well as Appendix E (Additional Information on Indigenous Peoples' Consultations);
 - the SIA Addendum (the "**SIAA**"), Chapter 6 (Indigenous Peoples Consultation and Monitoring Update 2003–05);
 - the Environmental Impact Assessment (the "**EIA**"), Chapters 2 (Oil Spill Response) and 8 (Commercial Fisheries);
 - the Resettlement Action Plan (the "**RAP**"), which includes Uilta and Evenk reindeer herders as directly affected groups;
 - the Public Consultation and Disclosure Plan (the "**PCDP**"), Section 7.4, including further 6-monthly updated sections on consultations with Indigenous Minorities; and
 - the Public Grievance Information Leaflet, which describes the Sakhalin Energy Grievance Procedure, and is accessible to all Project-affected people either via the CLOs or the PCDP (see Annex 13).

Table 01: Number of Indigenous Minorities of the North Residing in Sakhalin Oblast by District⁸

INDIGENOUS MINORITIES OF THE NORTH, NUMBER (PEOPLE)							
NO.	DISTRICT OF RESIDENCE OF INDIGENOUS MINORITIES OF THE NORTH	NIVKHI	UILTA (OROKI)	EVENKI	NANAITS Y	OTHER MINORITIES OF THE NORTH	TOTAL
1.	ALEKSANDROVSK-SAKHALINSKY DISTRICT	116	-	66	1	5	188
2.	NOGLIKI DISTRICT	857	166	100	7	4	1134
3.	OKHA DISTRICT	1215	-	65	5	40	1325
4.	PORONAISK DISTRICT	205	196	29	116	7	553
5.	SMIRNYKH DISTRICT	-	20	-	6	7	33
6.	TYMOVSK DISTRICT	256	5	6	5	8	280
	TOTAL	2649	387	266	140	71	3513

SOURCE: OBLAST AND LOCAL GOVERNMENT OFFICES

⁸ As of January 1, 2005

2 BASELINE INFORMATION

2.1 LEGAL FRAMEWORK

2.1.1 The Legal Status under National Law of the Indigenous Peoples affected by the Proposed Project

Indigenous Peoples legally enjoy in full and without any exception all rights of citizens of the Russian Federation, and are furthermore entitled to additional guarantees, rights, benefits and privileges, most importantly in socio-economic and cultural spheres.

At the federal level these special rights are provided by a Presidential Decree, several Russian Federation government regulations, and three additional principal laws. Moreover, various provisions on this matter are contained in different federal laws and codes aimed at regulating distinct issues such as nature-use and protection, production sharing agreements, fisheries, culture and continental shelf usage.

Additional laws and regulations pertaining to Indigenous Peoples are also found at the Sakhalin Oblast (i.e. regional) level.

The legal provisions at both federal and regional levels are directed at granting, recognising and preserving the rights of Indigenous Peoples. However, some provisions are declaratory, while others need clarification and development. Generally, while there is a good regulatory foundation for recognising the rights and privileges of Indigenous Peoples, efficient legal mechanisms for exercising those rights have not yet fully emerged. For example, although there is a federal law on the territories of traditional natural resource use of Indigenous Peoples, it is relatively ineffective, as no action has been taken to implement relevant provisions. Furthermore, there are constant proposals to revise the law. (A detailed list containing an analysis and brief description of regulatory provisions can be found in Annex 3.)

In April 2005 the resolution of the Fifth Congress of the Russian Association of Indigenous Peoples of the North (“**RAIPON**”) (the country’s pre-eminent Indigenous Peoples organisation) highlighted the absence of a clear mechanism secured in the Russian Constitution and in the legislation of the Russian Federation which would provide for realising the rights of Indigenous Peoples in the areas of regulating land use, self-government and development of customary economic activities and ethnic cultures. This lack of a clear and effective legislative mechanism has reportedly resulted in constrained use of the declared rights in everyday practice.

2.1.2 Access of Indigenous Groups to the Legal System

According to experts in the field, at the present time Sakhalin Indigenous Peoples do not fully realise and enjoy their rights of access to the legal system due to a number of factors, including:

- lack of legal culture (i.e., lack of experience with legal issues, lack of understanding of the law and its potential for rights’ assertion or problem solving and lack of willingness to use the law as a problem-solving mechanism) and a generally low level of civic-minded activities employed by Indigenous Peoples;
- insufficient provision of legal resources in the areas where Indigenous Minorities live, including provision of local libraries with legal literature, and lack of access to legal advice; and

- local Indigenous Peoples' organisations do not normally have qualified specialists with knowledge of Indigenous Peoples' rights.

According to Sakhalin Oblast Administration officials, the establishment of an Indigenous Peoples' legal centre for the Sakhalin Oblast would increase the level of legal culture and legal awareness of Sakhalin's Indigenous Peoples and would enable them to enjoy their rights of access to the legal system to a much greater extent, hence better equipping them to protect their rights.

2.1.3 SIMDP Compliance with the World Bank's Operational Directive ("OD") 4.20 (Indigenous Peoples) Standards with Gap Analysis Comparison of OD and Russian Legislation

Sakhalin Energy has made a public commitment to comply with the spirit of the World Bank OD 4.20 (Indigenous Peoples) and OD 4.30 (Involuntary Resettlement) (see Sakhalin Energy Resettlement Action Plan for compliance with the latter). Project compliance with OD 4.20 is detailed in Appendix 4. Sakhalin Energy is committed to developing and implementing the SIMDP in accordance with OD 4.20. Furthermore, the SIMDP has been developed keeping in mind, and taking inspiration from, the policy guidance of the World Bank's new Indigenous Peoples' Policy, Operational Policy ("OP") 4.10, "On Indigenous Peoples". This first Five Year Plan of the SIMDP is also in compliance with the Indigenous Peoples' guidelines of the International Finance Corporation (the "IFC"). Sakhalin Energy also operates according to the IFC's safeguard policies on public consultation and disclosure (see the PCDD for further detail).

Russian legislation, as noted above, recognises Indigenous Peoples and works compatibly with the OD to identify the Indigenous Peoples to whom the policy would apply on Sakhalin. The main area where there is a policy gap relates to customary land and resource use as explained below. See Annex 3 for a detailed overview and summary of key legislation (at both a federal and Oblast level) on indigenous issues and see Annex 5 for a comparison of OD 4.20 coverage against Russian legislation.

2.1.4 Compensation Issues Related to Land Use

Construction and operations of the Sakhalin II Project will affect a small portion (less than 1%) of the area of spring and summer pastures used by Uilta and Evenki reindeer herders from Val. In the Resettlement Action Plan, the Uilta and Evenki reindeer herders have been identified as a "vulnerable group" because they have no formal rights under Russian Federation law to the lands that they use on a day-to-day basis for their livelihood activities, nor legal entitlement to compensation⁹.

The reindeer herders are among the beneficiaries of the Supplemental Assistance Programme, adopted by Sakhalin Energy in 2002 specifically to provide compensation to people and households who may not be eligible under Russian Law, but who need to be compensated in order to comply with World Bank OD 4.30. Compensation for acquisition of pasture lands was made by Sakhalin Energy in 2003 – 2004 in the form of a payment of over 3 million roubles to the Nogliki District budget which was spent on herders' and community needs based upon discussions held with the herders and other community representatives. Supplemental assistance opportunities have also been

⁹ The pastures belong to the Russian Federal Forest Fund. Sakhalin Energy made compensation payments to the Russian Federal Forest Fund and Nogliki District Administration for the pipeline corridor. Both Sakhalin Energy and Nogliki District Administration committed to ensuring that the reindeer herders receive fair compensation for their loss of pasture.

discussed with the herders and their families (see the RAP for details and the SIA, Chapters 8, 12 and 14).

2.1.5 Relevant Company and Shell Social/Indigenous Peoples Related Standards

Shell does not have a specific policy on Indigenous Peoples. However, Shell's revised Statement of Business Principles (1997) incorporates a commitment to ensure "that the rights of Indigenous People and communities are respected". Shell requires that projects such as the Sakhalin II Project establish and implement a Stakeholder Engagement Plan, an integrated Environmental, Social and Health Impact Assessment ("ESHIA") and a Social Performance Plan, the purpose being to guide efforts to engage with stakeholders, reduce disruptive social impacts and generate benefits for both the indigenous and non-indigenous communities where Shell operates.

The Sakhalin II 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 SIA (see the SIA, Chapter 6 and the PCDP, Section 7.4). Sakhalin Energy and Shell also acknowledge international law, such as the International Labour Organisation Convention 169 Concerning Indigenous and Tribal Peoples in Independent Countries (1991), even though Russia has yet to ratify this convention.

2.2 SOCIAL, CULTURAL, ECONOMIC AND POLITICAL CHARACTERISTICS

2.2.1 Demography of Indigenous Peoples in the SIMDP Project Area

According to the RF Government Decree of 1993, there are officially six districts where Indigenous Minorities live on Sakhalin. In all of these districts, the settlements are ethnically mixed and Russian-speaking. As a rule, Indigenous Minorities live clustered in large villages but are scattered within towns, with the exception of Yuzhniy Island, Poronaisk.

Four districts are within the SIMDP Project Area as shown in Table 02.

Table 02: SIMDP Project Area Districts and Settlements with Indigenous Minorities (as of 2005)

Districts	Main Ethnic Groups	Settlements in Project Area	Indigenous Peoples Population in District
Nogliki	Nivkhi, Uilta, Evenki	Nogliki, Val	1134
Tymovsk	Nivkhi	Chir-Unvd	280
Poronaisk	Nanaitsey, Nivkhi	Poronaisk	553
Smirnykh	Uilta, Nivkhi	Buyukly	33
Total			2,000

Source: Oblast and local government offices

There are 1,134 Indigenous People in Nogliki District (approximately 30% of Sakhalin's total indigenous population), including 857 Nivkhi, 166 Uilta, 100 Evenki and 7 Nanaitsey. Indigenous Peoples make up approximately 7% of the Nogliki District population. Val has the second largest indigenous community in the district (about 190 indigenous residents), with about 130 Uilta, 50 Evenki and some Nivkhi. In Tymovsk District, the only village with a concentrated indigenous population is Chir-Unvd (with an indigenous population of 209). There is a very small indigenous population of 10 to 12 Uilta and Nivkhi in the village of Buyukly in Smirnykh District. In Poronaisk District, the district centre, Poronaisk, has 453 indigenous residents.

The Nivkh population is generally stable, having increased by only 10 people in 2000 over the previous year. The Uilta are one of Sakhalin's smallest ethnic groups, with no population increase since 1991 and a decrease of 6 people in 2000.

As of January 1, 2000, 58% of indigenous residents (1,976) live in town areas and 42% live in rural areas. Rural indigenous populations are declining throughout Sakhalin because of migration to district centres or town areas, as described in the SIA (Section 6.2).¹⁰

For more information, please see the SIA (Chapters 4, 6, and 14, and Appendix D).

2.2.2 Maps Showing the Locations and Land Uses of Indigenous Minorities in Relation to the Proposed Project Area

The locations of indigenous fishing, hunting and gathering grounds are shown in Figure 2-01 below. It is based on the information collected from Indigenous Minorities in the course of Indigenous Peoples resource use mapping conducted in 2002–2004.

¹⁰ Updated figures have been requested of the regional government and are expected to be released soon.
Sakhalin Energy Investment Company

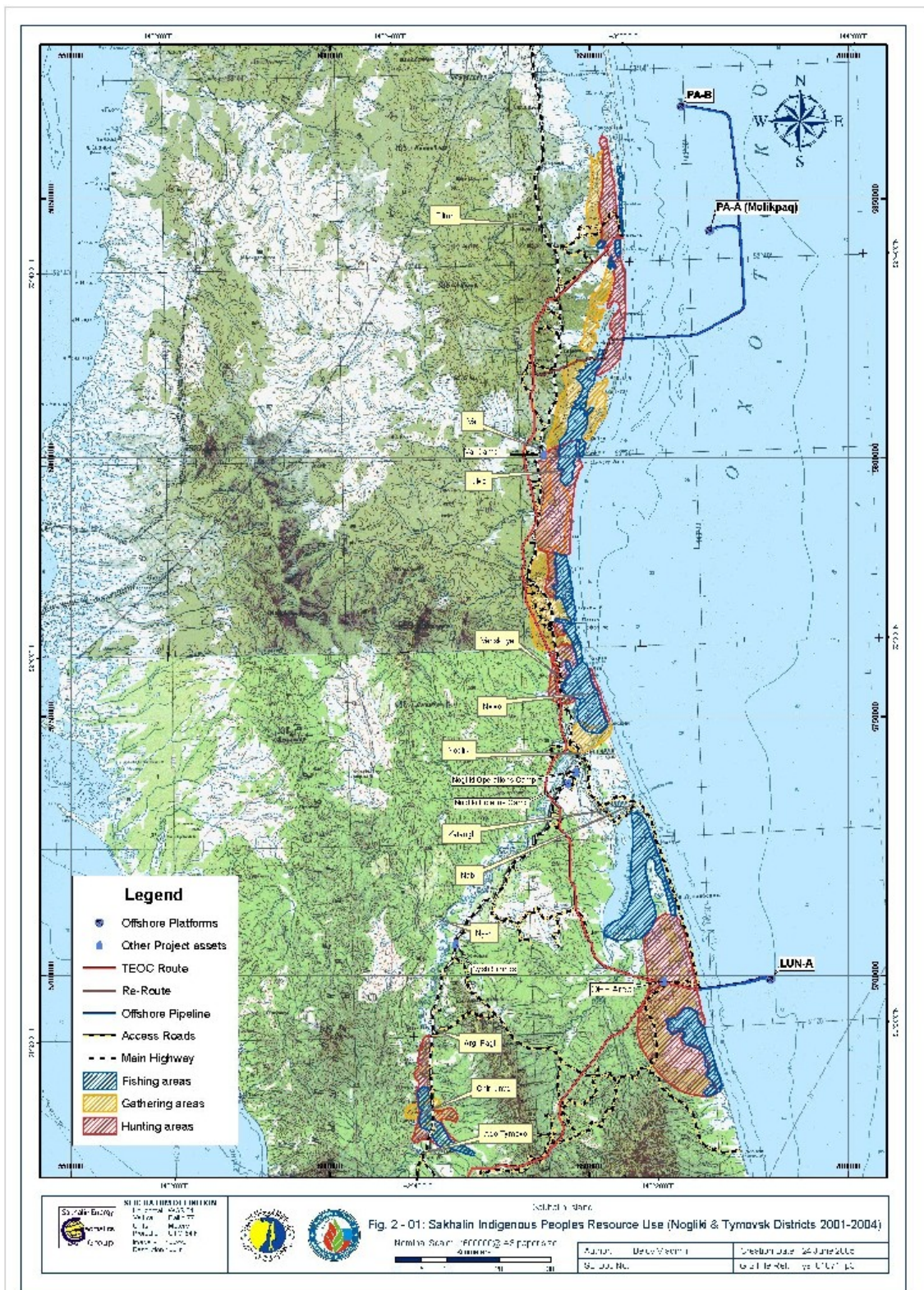


Figure 2-01: Sakhalin Indigenous Peoples Resource Use (Nogliki and Tymovsk Districts 2001-2004)

The location of reindeer pastures used by the reindeer herders co-operative of Valetta, north of Val, is shown on the map in the SIA, Chapter 14.

2.2.3 Socio-Cultural Characteristics of the Indigenous Minorities

Indigenous Families

The average size of an indigenous family is four persons. Women play an important role in the family by actively participating in decision-making and are often engaged in fishing commensurately with men. At the moment, only men are engaged in reindeer herding and hunting.

The last decade has been characterised by an increase in the number of intermarriages between people of different ethnic groups. (See below for further details).

Quality of Life

In the period of post-Soviet reform (1991–1995), severe deterioration of social living conditions amidst economic crisis became an incentive that awakened the personal entrepreneurial initiative of some Indigenous Minorities. However, some experts note that changes in the social and economic situation have resulted in the generation of negative social and emotional responses to the unsatisfactory living conditions, including alcohol and tobacco abuse, lack of professional or higher educational achievement, unemployment and suicide.

Standard of Living

The majority of Indigenous Minorities have incomes below the minimum subsistence level as set by the regional government. According to indigenous respondents, the key source of income for most of them is a wage salary. However, the following sources also add to indigenous incomes:

- pensions;
- sales of natural resource products;
- social security benefits (family allowance, disability allowance, loss of breadwinner allowance);
- unemployment benefits;
- sales of souvenirs; and/or
- clan enterprises.

Apart from the household incomes listed above, some poorer families receive food coupons (for bread, sugar and pasta), humanitarian aid (single distributions of food products) and money to buy school supplies for children. Also, some indigenous enterprises receive funds under the Sakhalin Regional Programme for Socio-economic Development of Indigenous Peoples (under the Federal Programme for 2001–2004).

Other key data on standards of living are described below.

Employment

Many of the Indigenous Peoples on Sakhalin work in non-subsistence sectors of the economy such as construction, the oil industry, education and culture, trade, etc. In 2002, a total of 959 of the Indigenous Minorities were employed. As of October 1, 1998, 173 Indigenous People were registered as unemployed and looking for a job, 80% of whom were receiving unemployment benefits (see the SIA, Chapter 4).¹¹ However, the actual rate of unemployment among Indigenous Minorities is higher

¹¹ Updated figures have been requested of the regional government and are expected to be released soon.

than these figures would indicate, as most unemployed people do not register with employment centres. Among the main reasons of unemployment named by Indigenous Peoples and relevant authorities are the following:

- lack of competitiveness in the job market;
- lack of effort applied to job seeking; and
- limited number of jobs in the majority of communities where Indigenous Minorities live (except Nogliki district, in particular Val and Nogliki).

Economy

In the period of post-Soviet reform (1991–1995), financial support to the federal Indigenous Peoples Development Programme was discontinued. Boarding schools and 24-hour kindergartens were closed. Social privileges were drastically reduced and financing for indigenous enterprises ended. With the collapse of the centralised economy and the closure of indigenous enterprises at the beginning of the 1990s there was a rise in unemployment amongst Indigenous Peoples.

Chapter 4 of the SIA provides data on clan enterprises (*rodovye khoziastva*). As of 2002, 53 clan enterprises were registered in the Sakhalin region. Of these, only 30 are currently operational and they employ a total of 409 people. Nogliki District has 15 clan enterprises, most of which are involved in fishing. Although Indigenous Peoples are entitled to subsistence fishing quotas (100 kg per person/year), the subsistence quotas of local (mostly elderly) residents who cannot fish for themselves are often transferred to such clan enterprises. Clan enterprises are experiencing severe economic difficulties due to low production capacity, low competitiveness, production expenses and a lack of business knowledge (see Section 4.2).

Many indigenous enterprises are registered with the district administrations but have not been allocated land or commercial fishing or hunting grounds. They use traditional fishing grounds to catch marine and river fish. They also hunt marine mammals, gather berries, mushrooms and wild plants for their own use and sometimes to sell.

Production (Subsistence/Commercial)

The Indigenous Peoples of Sakhalin engage in subsistence, recreational and commercial natural resource use - primarily fishing and gathering. Indigenous People fish (for salmon and non-salmon species) in bays (including Chaivo, Nyivo, Nabil, Lunskiy, Piltun, Terpeniya and other bays), the Tym and Poronai river estuaries, and on virtually all the rivers crossed by the pipeline right-of-way (the pipeline crosses about 1100 rivers and streams, but not all of them are spawning sites). (For further detail, see the RAP).

A small number of Indigenous Minorities engage in subsistence or (rarely) commercial hunting (see the SIA, Sections 6.6.2 and 12.3). As of 2003, seven clan enterprises utilise hunting grounds in Nogliki District. However, this activity is in decline and some hunting grounds have not been used for several years. A small number of Uilta and Evenki still migrate with their reindeer and engage in hunting, fishing and gathering, as described in the SIA (Sections 6.6.4 and 12.3 and Chapter 14).

Chapter 6 of the SIA provides background information about the subsistence and commercial production activities of the indigenous population of Sakhalin and summarises the baseline data gathered via household questionnaires and consultation (see Section 6.6 of the SIA). This includes information on household income, subsistence food sources, resource use activities, fishing regulations and Indigenous Peoples' enterprises.

Section 12.3 of the SIA details issues related to commercial and non-commercial fishing, gathering and hunting (among both the indigenous and non-indigenous

populations). This section includes community concerns about fish health, regulatory issues and potential impacts and mitigation measures for both the indigenous and non-indigenous communities.

Sakhalin Energy has mapped indigenous resource use in areas close to Project facilities and Project pipeline construction and infrastructure upgrade activities (see Map 2 above). This information has been used to inform the oil spill response sensitivity mapping. The information and related maps have been updated during summer 2005.

Information has also been gathered about illegal use of natural resources, in particular over-fishing of salmon quotas, fishing for salmon in areas where it is forbidden and illegal trade in fish. Some illegal fishing is related to subsistence use and local residents in some cases depend on this activity as a source of food or as a significant part of their household income. Sakhalin Energy has declined to publish information or maps of where these kinds of activities take place.

The team involved in the creation of the SIMDP will update the existing database of information about indigenous subsistence, recreational and commercial natural resource use and will use this information to update resource use maps and oil spill sensitivity maps. Impacts on Indigenous Minority resource users and existing proposed mitigation measures will be re-assessed in consultation with the indigenous resource users themselves (see Section 3 below).

Section 4 of this SIMDP identifies ways to share Project benefits with local resource-using communities by strengthening their capacity to protect and sustainably utilise their natural resource base. Illegal activities will not be compensated or considered under Sakhalin Energy's Supplemental Assistance Programme. However, subsistence resource users who engage in illegal activity out of necessity will be able to benefit from Project benefit-sharing initiatives.

Education

There are state-run schools in the majority of communities where Indigenous Minorities are concentrated. These are mostly secondary schools. There are no ethnic schools, nor special curriculum or disciplines for indigenous schoolchildren, except for vocational language classes in some schools.

Indigenous Peoples have mainly secondary or incomplete secondary education (meaning that they can read, write, and they have a basic knowledge of key disciplines under the secondary education programme). Only a small proportion of school graduates continue education in higher educational institutions or vocational schools. The majority enter educational institutions located on Sakhalin, mostly Sakhalin State University and Poronaisk Technological Lyceum (the only specialised educational institution for indigenous students, where they learn traditional craftsmanship).

Until recently, there were special quotas in higher educational institutions for indigenous students. Lately, however, the quotas have been significantly decreased. According to experts and indigenous respondents, the main problems faced by indigenous school graduates desiring to continue their education are:

- a lack of competitiveness; and
- financial problems (which are also typical for the majority of Sakhalin's population).

Health

In support of the Health Impact Assessment, Sakhalin Energy's Indigenous Peoples experts collected information on the status of indigenous health using a general questionnaire (see Appendix I of the SIA).

Clinics and hospitals are usually situated in district centres, while paramedic stations are located in rural areas. Very few respondents regularly attend medical facilities or undergo medical examinations due to two main reasons:

- paramedic stations in rural areas and villages cannot provide a full set of medical services; and
- most people cannot afford to go to the district centre to consult with a medical specialist.

According to indigenous respondents and relevant authorities, Indigenous Peoples suffer mostly from colds and respiratory diseases (including tuberculosis), as well as digestive and cardiovascular diseases. Hearing disorders, eyesight and dental problems are also common. The main harmful habits are tobacco smoking and alcohol abuse, both of which are practised by adults as well as young people.

Detailed information about healthcare is given in the Health Impact Assessment report and also in the SIA, Chapter 6.

Culture and Sports

The cultures of all Sakhalin Indigenous Minorities have suffered great changes during the last one hundred years. Nevertheless, there are many indigenous individuals who have made efforts to preserve their native languages and rich cultural heritages.¹²

According to indigenous respondents, the younger generation has mostly abandoned the language of their ancestors, as well as many of their cultural traditions, myths, songs and festivals. Much is irretrievably lost. This can be explained by the intrusion of new economic, cultural, and social relations into the lives of the indigenous communities resulting from the Russian colonisation of the southern Russian Far East in the middle of the nineteenth century, and from the subsequent gradual destruction of the traditional lifestyle during the Soviet period, starting with the collectivisation of the 1920s and 1930s.

Today there are public cultural centres and libraries in the majority of communities with an indigenous population. At the cultural centres, there are usually ethnic ensembles, crafts and souvenir-making classes, as well as indigenous language classes. In the district centres' museums and in indigenous communities' schools, special sections are devoted to the history and culture of Indigenous Minorities.

Indigenous artists continue to make traditional clothes, embroidery, and carvings. Their artistic skills and creative work are highly valuable today to enhance a wider understanding and appreciation of their cultures. Due to such efforts, the ancient symbols, ciphered in the ornaments of clothes and utensils, have undergone a revival as some artists try to recreate certain unique techniques or traditions.

Traditional sports are still played and competitions are held regularly, including an Indigenous Peoples of the North Olympics. Ethnic festivals are held four to five times a

12 Sakhalin Energy supported a number of initiatives aimed at preservation of traditional culture, including support of the Dutch-Russian research project 'Voices of Taiga and Tundra' to study Sakhalin indigenous languages; support to the publication of 'Keepers of Ancient Ornaments' album; and support to the publication of the Nivkh-Russian Dictionary (edited by Y. Kreinovich) and the Orokh-Russian and Russian-Orokh Dictionaries.

year while, according to indigenous respondents, they also celebrate other Russian festivals (official, professional and Russian Orthodox).

Language

According to indigenous respondents and experts, the majority of indigenous residents living on Sakhalin nowadays do not speak their native languages. The exceptions are a small number of elderly people in each ethnic group. However, there are attempts to preserve language traditions, as is reflected in the language courses at some schools and cultural centres, as well as in the publishing of books in indigenous languages and dictionaries.

Religion

Sakhalin's Indigenous Peoples conceived the universe as consisting of three worlds: the upper, middle and lower. The upper and the lower worlds were the worlds of good and evil spirits, as well as ancestor spirits. People occupied the middle world and shared it with the spirits, who were masters of nature and different phenomena on which people's lives depended. The most important spirits were the Master of the Mountains (bear), the Master of the Waters (orca) and the Deity of the Fire.

Land belonged to the spirits and people took care to please the Masters, thus feeding the spirits of water, forest, fire, and mountains. This is the basis from which a ceremony of "feeding the spirits" (or chukh-chukh) derives. According to indigenous respondents, this ceremony is still widely practised by Indigenous Minorities, normally when they start a seasonal traditional activity (for example, they would feed the Master of the Water in spring when the bays are free from ice and the fishing season starts).

Contemporary religion is a mixture of traditional beliefs (animism, totemism and shamanism) with Christianity (Eastern Orthodoxy and Catholicism).

Leadership

According to both experts and Indigenous Minorities themselves, there are few leaders among Sakhalin Indigenous Peoples for a variety of reasons, such as:

- low level of civic activity; and
- lack of special knowledge or education.

Existing leaders are mostly Nivkhi. Experts also note that there is strong clan support for the leaders.

Intermarriage

In the last decade, an increase in mixed marriages (between people of different nationality) has been observed on Sakhalin. Experts explain it by a number of factors:

- middle and younger generations of Indigenous Minorities are fully integrated into wider society;
- the Russian language is the mother tongue for the majority of the population, including Indigenous Minorities;
- a Russian-speaking population of different nationalities prevails in most of the communities where Indigenous Peoples live; and
- non-indigenous partners are sometimes considered to be more successful (as having a better professional career, higher income, or more social connections important for promotion in life).

For more information please see the SIA, Chapters 4, 6, and 14.

2.2.4 Description of Land and Natural Resources

Description of Ecological Context of the Project and Sakhalin Island

North-eastern Sakhalin is characterised by wetlands and shallow lagoons that stretch along the north-eastern Okhotsk Sea coast. Numerous rivers flow towards the coast from the forested mountains in the centre of this northern part of the Island. The main river in this area is the Tym River, which flows north-eastwards from central Sakhalin (Tymovsk District) towards Nogliki, the Tym River estuary and out into the Okhotsk Sea via Nyisky Bay (a shallow coastal lagoon). This is an area much used by indigenous fishers and fishing enterprises. From just south of the source of the Tym River, the Poronai River flows south to the town of Poronaisk and to Terpeniya Bay in Poronaisk District (the southernmost district where Indigenous People live in significant numbers).

Further descriptions of flora, fauna, hydrology, soils and other aspects of the natural environment can be found in Chapter 1 of Volumes 2–6 of the Environmental Impact Assessment (2003).

The Sakhalin II Project is being developed in areas that may already be under ecological stress, particularly in the north-east. Factors that may be contributing include:

- Major forest fires in the 1960s, 1989 and 1998;
- Over-fishing, small-scale and large-scale fishing in rivers and coastal waters;
- Decades of activity by the forestry industry; and
- Over 70 years of activity of the onshore oil and gas industry.

The SIA documents local concerns about the health of local fish populations, including minor oil slicks on certain stretches of river, fish smelling of oil, fish with sores on their bodies, a decline in the saffron cod population and a decrease in the water level of certain rivers (see the SIA, Chapter 12, Table 12–11). Similarly, local hunters report declines in commercial species.

It is therefore all the more important that Sakhalin Energy closely monitor the impacts of Project implementation on the natural resources of the areas around the pipeline right-of-way and around the Project facilities. The company has been undertaking baseline surveys since 1998. The Company commissioned a wide range of baseline surveys as part of the Project Environmental Impact Assessment (2003). These are listed in EIA Volume 1, Appendix A. Chapter 1 of Volumes 2–6 of the EIA describe the existing environment; Volumes 2, 3, 4 and 6 are relevant to Indigenous Peoples resource use areas; Chapter 3 in these volumes identifies impacts, mitigation measures and monitoring provisions.

Identification of Culturally Significant or Sacred Sites in the SIMDP Project Area

According to experts, due to historical and social reasons (including collectivisation in the 1920s and 1930s and forced resettlement in the 1960s and 1970s) ongoing ties of Sakhalin's Indigenous Minorities to sacred and ritual sites have mostly been lost.

Formerly, sacred sites were located near settlements (ritual and sacrificial offering sites, e.g. Bear Festival sites). A culturally significant site could be a river associated with a legend or a rock with anthropomorphic features. Intentional visits to sacred sites were rare and typically carried out as part of special events. Indigenous Peoples, however, could find themselves spontaneously in a culturally significant place in virtually any

area since all land belonged to the spirits, which would manifest themselves in any phenomena or object of the ambient world.¹³

Indigenous Peoples' burial sites or other identified cultural heritage resources, as well as the relevant treatment procedure to be followed if the Project encounters them, are summarised in the Sakhalin II Project Treatment Plan For Objects Of Cultural Heritage (Part 2, Section 6.2 and Appendix D).

Traditional or Customary Land Tenure Systems and the Extent of their Legal Recognition by the State

Prior to the early 20th century and within the framework of customary law, land "tenure" did not mean private ownership of a certain territory. Sakhalin Indigenous Minorities practiced land use and ownership of subsistence resource grounds (e.g. bays and river estuaries); ownership of the territory of a settlement and the adjacent area such as berry and wild plant gathering grounds, banks of rivers and streams where Indigenous Peoples practiced seasonal fur animal hunting (which appeared with the development of fur trade); and ownership of remote areas of forest, where they hunted wild animals.

Usage rights for a certain territory were of a collective nature and changes of any given area's "boundaries" were permitted, as were resettlements to more convenient locations. This is why Evenki families, who came to Sakhalin in the 19th century, settled widely along the Island and became neighbours with the indigenous residents.

In the north-eastern part of the Island, the Uilta and Nivkhi lived, as a rule, interspersed; meaning that a Nivki family and Uilta family lived as neighbours. Beginning in the 19th century, representatives of several territorial groups of Nivkhi (Amur, Shmidt, and West-Sakhalin), all speaking different dialects, as well as Evenki families, settled on the north-west coast of Sakhalin.

Because the total population was small, there was no strict regulation of boundaries for each family or each clan on the land. Sufficient territory existed for development and resources were abundant.

Today there exists a gap in recognition of traditional or customary land tenure in the Russian Federation legislation. Customary law is recognised only as long as it does not contradict existing state legislation.

Traditional or Customary Rights of Indigenous Peoples Relating to Access to Natural Resources and the Extent of their Legal Recognition

Nivkhi: Nivkhi had customary access to key subsistence resources:

- Water: fish (salmon and non-salmon) and marine mammals in different seasons of the year. Three to four unrelated clans could fish in the same or neighbouring areas;
- Biological forest resources: those acquired by hunting (bear, deer, fur animals, etc). If hunters from one family put traps on a certain territory, other hunters would normally not hunt in the same area. A group of hunters could exploit a territory of 15 – 20 km in radius, cognisant of the location of areas inhabited by bears, of bird nesting areas, of fur animal areas and of wild reindeer migratory routes; and
- Berries and plants: gathering was mostly practised by women in the season when plants bloomed and berries ripened.

¹³ Vladimir Sangi, a renowned Nivkhi writer, has claimed that the whole area of north-east of Sakhalin is Indigenous Peoples' sacred land and that oil companies should make a "sacrificial offering" in a form of compensation for the use of this land.

Nivkhi had winter and summer settlements. Summer settlements were located in coastal areas, close to salmon fishing grounds. Winter settlements were located 3 – 5 km inland. By the end of the 19th century, many Nivkhi settlements became fixed and four-seasonal.

Uilta: Uilta held the same philosophy as the Nivkhi concerning natural resource use in a certain territory. Their settlements were also seasonal with summer camps being located on spits of lagoons. By way of example, on Chaivo Bay families of Uilta, Nivkhi and Evenki lived together. During the 19th century until the beginning of the 20th century, an institution of “locality associations” (*zemlyachestva*) was formed between these families, i.e. members of a Nivkhi clan were considered neighbours of Uilta or Evenki clans because they lived on the same territory. The same situation existed on all bays (Lunskiy, Nabil, Piltun and Chaivo).

By the beginning of the 19th century, a system of land use with permanent nomadic routes and a socio-normative system of natural resource use regulation had been formed.

Sakhalin Indigenous Minorities still practice traditional livelihood activities, including reindeer herding, fishing, hunting (forest and marine mammals, fur-bearing animals), and gathering (wild plants, berries). Grounds in the vicinity or within reach of their communities, as well as pasturelands, thus remain vital for subsistence activities. Sakhalin Energy has conducted Indigenous Peoples’ nature resource mapping in the SIMDP Project Area (please see Map 2).

2.2.5 Institutional Capacities of Project Stakeholders

Identification of Indigenous Minorities’ Representative Organisations/ Institutions and Description of their Mandate and Capacity to Implement the SIMDP

According to Oblast officials, Sakhalin Indigenous Peoples are known for their participation in political life and for their desire to raise and solve the issues and problems of the indigenous community. This contradicts the claims of others (experts and many Indigenous People themselves) that most of the indigenous community are reluctant to get involved with civic engagement (see Section 2.3).

There are several Indigenous Peoples Organisations (“IPOs”) on Sakhalin. The Sakhalin branch of the Russian Association of Indigenous Peoples of the North (“RAIPON”) was established 15 years ago. District organisations of Indigenous Minorities were established in the Okha, Nogliki, Poronaisk, Aleksandrovsk-Sakhalinsky and Tymovsk districts.

Val is host to a Territorial Self-Government (“TSG”), which includes all indigenous residents of Val and elects a TSG Council of 7 representatives. The TSG is authorised to initiate laws and participate in decision-making with regards to cultural and social life of the indigenous community. However, the TSG has not been very active in recent years.

In the spring of 2005, after the Sakhalin branch of RAIPON was declared illegitimate by the Ministry of Justice (due to a lack of financial accounting records, legal documentation and official membership), two new associations arose from the defunct Sakhalin association:

- The Union of the Indigenous Peoples of Sakhalin (President A.G. Limanzo): This association has been fairly inactive, however, since inception. It is not formally registered and membership is also informal; and

- The Sakhalin Regional Public Organisation “Union of the Indigenous Peoples of the Sakhalin Region” (President S.K. Kurmangudzhinov): Membership of this union is by individuals and organisations with formal registration and activities.

In March 2005, the Special Congress of Indigenous Peoples of the Sakhalin Region elected the Sakhalin Regional Council of Authorised Representatives of Indigenous Minorities of the North (“**Sakhalin Indigenous Minorities’ Council**”, SIMC). This Council is empowered to act on behalf of all Indigenous Peoples of Sakhalin in their discussions and negotiations with local and Oblast authorities, with industrial companies and the oil operators, with NGOs as well as with other stakeholders.

All organisations mentioned above act on the basis of charters or statutes (e.g., the Sakhalin Indigenous Minorities’ Council), in which the members’ authority (their rights and responsibilities) is described. Some of the above organisations are already involved in the development of the present SIMDP and all of the organisations have been invited to contribute to its development and implementation.¹⁴ Indigenous leaders, however, acknowledge a number of current limitations that prevent or diminish their contribution. Lack of experience in programme administration, legal issues, bureaucratic paperwork, budgeting and plan formulation has hindered IPO co-ordination and long-term planning. Members of the SIMC have requested that this SIMDP include a capacity building component covering such issues for IPO members (see Section 4.2).

Identification and Assessment of Government Institutions with Assigned Responsibility for Indigenous Minorities

Indigenous Peoples specialists work in the administrations (in the office of the Vice-Mayors for Social Affairs) of the six districts of Sakhalin where officially recognised Indigenous Minorities reside. The Department of the Indigenous Peoples of the North of the Sakhalin Oblast Administration (the “**Indigenous Peoples Department**”) has been at work for more than ten years, since the break-up of the Soviet Union. At first housed within the Department for Community Relations, in March 2005 it emerged as an independent entity reporting directly to an Oblast Vice-Governor. The Indigenous Peoples Department works in close interaction with different administration and government agency departments of the Sakhalin Oblast and is involved in all matters, that affect Indigenous Peoples, including complaints or grievances. The office is small, with only two full-time staff. The staff actively participate in development and implementation of regionally targeted socio-economic and cultural programmes for Indigenous Peoples. It is responsible for supervision and monitoring of these programmes throughout the SOA, including ensuring that budgets get spent as allocated and reports on programme activities are filed appropriately. The department’s limited resources, however, hinder its ability to act as effectively and proactively as it otherwise could.

In addition, a law of the Sakhalin Oblast (“On a representative of Indigenous Peoples at the Sakhalin Oblast Duma”, December 31st 2003, No. 463) requires that an Indigenous Peoples’ representative be elected to the Duma (the Oblast legislature or parliament) by the Sakhalin Indigenous Peoples Congress, for not more than four years. The representative is generally obliged to consider petitions and issues related to Indigenous Peoples and carry out regular meetings with their members. The representative is authorised to initiate Oblast bills and issues for consideration of the Duma, liaise with other State authorities and to acquire documents relating to Indigenous Peoples from any entity, agency or individual within the territory of the Oblast. All activities of the representative are financed from the Oblast budget.

¹⁴ Two representatives of the Regional Council of Authorised Representatives of Indigenous Peoples are members of the SIMDP Working Group, which is described in Section I of this document. Other members of the Regional Council serve on the Working Group’s committees helping to formulate Section 4 of this SIMDP.

All the above departments and agencies, as well as the administrations of six districts with indigenous populations, are often the main implementers of the federal and regional Indigenous Peoples' programmes, approved in different periods of time by laws of different levels.

Analysis of the Indigenous Peoples' Relationship with Government Institutions and other Local, National and Regional Groups

According to Sakhalin Oblast authorities, relations of Sakhalin Indigenous Peoples with other local and ethnic groups are characterised by friendliness, openness and mutual understanding. These characteristics are also typical of Indigenous Peoples' traditional relations with outsiders.

Experts and local residents (both indigenous and non-indigenous), however, concede that, due to the peculiarities of historical development, socio-economic reasons and ethnic and cultural differences, mutual discrimination, racism, and inter-ethnic conflicts do occur. One source of friction is that some non-indigenous local residents disapprove of indigenous quotas for fish and educational placements and other benefits that are in place for the indigenous population.

Some experts observe that the national Indigenous Peoples' movement has strengthened over the last decade or so and that the indigenous movement on Sakhalin has become more active in the last year or two, especially due to the connection by Sakhalin Indigenous Peoples to groups and movements beyond Sakhalin regional boundaries.

Between January 20 and 24, 2005, an Indigenous Peoples' protest against oil companies was held on Sakhalin and supported by RAIPON, the Green and Liberal Democrat political parties and several NGO organisations (including Sakhalin Environmental Watch and WWF Russia). The second round of the protest was held between June 28 and July 1, 2005. The protesters demanded that oil companies finance an independent ethnological (anthropological) expert review (*etnologicheskaya expertiza*) of their projects and establish a special Indigenous Peoples' Development Fund to be financed by oil companies. According to the Indigenous Minorities' Council, the aims of the ethnological expert review would be to assess oil project related environmental, cultural and social impacts and to calculate adequate levels of compensation for the Island's Indigenous Minorities as a result of any such impacts.

Summary of Sakhalin Energy's Engagement with other Oil Companies, including an Assessment of the Response of other Oil Industry Companies on Sakhalin Island to Indigenous Peoples' Demands

Sakhalin Energy has always maintained a relationship with other operators on issues where co-operation and co-ordination will be of benefit to stakeholders and to managing the impacts of activities. In December 2004, Sakhalin Energy and the other relevant oil and gas operators discussed the most appropriate way to respond to the Indigenous Peoples' demands for an ethnological expert review and for the establishment of an indigenous community fund.

This discussion culminated in the signing of a tripartite agreement on 18th January 2005 between the Sakhalin Oblast Administration, Sakhalin Energy and other operators, and the Indigenous Peoples' representative in the Oblast Duma (the "**Tripartite Agreement**"). Signatories agreed to work together in a three-sided approach to address Indigenous Peoples' concerns and issues. Since this date, the operators have tried to use this agreement as the basis for discussions on Indigenous Minorities' issues.

Sakhalin Energy continues to engage all stakeholders on its activities relating to Indigenous Peoples and will continue to keep the other operators informed of the development of the SIMDP.

3 ASSESSMENT OF DEVELOPMENT OPPORTUNITIES, IMPACTS AND RISKS¹⁵

3.1 DESCRIPTION OF PROJECT PREPARATION PROCESS

3.1.1 Description of the SIA/SIAA Consultation Process with Indigenous Peoples

Sakhalin Energy has had an Indigenous Peoples' Consultation and Monitoring Programme since 1994. Beginning in 2001 for Phase 2 of the Project, this programme was expanded to meet the spirit and intent of the World Bank OD 4.20 on Indigenous Peoples and OD 4.30 on Involuntary Resettlement.

For the SIA/SIAA, the programme has involved regular consultation (interviews, focus groups and public meetings) with Indigenous Peoples' leaders, interest groups, enterprises and community residents, as well as with interested NGOs and relevant local authorities. The aims of consultation are to:

- inform Indigenous Peoples about Project activities, including discussion of construction schedules;
- discuss potential and perceived Project-related impacts;
- discuss proposed and already implemented mitigation measures;
- determine whether supplemental assistance is needed and monitor the Supplemental Assistance Programme; and
- identify Indigenous Peoples' community needs and potential areas for support.

In 2003, on behalf of Sakhalin Energy, the Sakhalin Regional Museum conducted a socio-economic survey of Indigenous Peoples in Nogliki and Tymovsk districts (see Annex 6). This survey work is ongoing. Since 2003, an Evenk Community Liaison Officer from Val has been working with the Indigenous Peoples' communities of Nogliki District (as well as the non-indigenous community of Val). Her work includes development of the SIMDP, assistance to local residents with job-seeking and resolution of public grievances (for further information, please refer to the PCDDP). As the reindeer herders are directly impacted by Project land-take, Sakhalin Energy has been holding regular workshops with them since 2004 (May and August 2004; January and May 2005) to discuss Project impacts, mitigation measures and compensation issues (see Annex 7).

¹⁵ This Section 3 describes the consultation process and the key findings of the original Phase 2 Social Impact Assessment, the Social Impact Assessment Addendum and other sources, including information supplied by representatives of the Sakhalin Indigenous Minorities Council. In addition, an emphasis is placed on the consultations held specifically for this SIMDP in May/June 2005

3.1.2 Description of Consultations with Other Stakeholders

Sakhalin Energy regularly consults with non-indigenous stakeholders (NGOs, local authorities, teachers and social workers) via interviews, focus groups and public meetings. Consultation is often carried out in mixed indigenous and non-indigenous groups. For example, a representative of Nogliki District Administration took part in workshops with reindeer herders. Indigenous Peoples attend general consultations in Sakhalin communities, aimed at the whole population.

3.1.3 Key Findings from SIA/SIAA Consultations

Field research as part of the SIA/SIAA consultations demonstrated that the Sakhalin II Project Phase 2 construction work will have greater direct and indirect impacts on the populations and settlements of Nogliki District than those of Okha, Tymovsk, Smirnykh and Poronaisk districts. Specific areas most sensitive to Phase 2 construction have been identified, including certain reindeer pastures, rivers and hunting areas in Nogliki District.

The following table lists key Indigenous Peoples' concerns expressed during the SIA/SIAA consultations, and summarises Sakhalin Energy's actions to address these, referencing relevant sections of the SIMDP and other documents. Concerns about all the following issues can be addressed via the Sakhalin Energy Grievance Procedure (see Section 4.5.3).

Table 03: Key Indigenous Peoples' Concerns

Concern	Summary of Sakhalin Energy Response	Reference
Potential environmental pollution, including pollution of salmon spawning rivers; coastal lagoons (bays) and coastal waters, and associated reductions in fish stocks	Engagement with Indigenous Peoples' representatives and their consultants relating to impacts on fisheries as part of the SIMDP consultations Work of independent fish expert	SIMDP 4.1.2, Annex 12
Potential oil spills	Oil spill response plans Pipeline design Consultation; access to information Sensitivity mapping and social surveys Access to OSR training	SIMDP 3.2.1 SIMDP 4.1.2, Annex 12
Safe utilisation of industrial waste	Waste Management Strategy	EIA Addendum
Preservation of berry fields, hunting areas and marine bio-	Impacts and mitigation measures discussed during Mitigation Matrix negotiations	SIMDP 4.1.2, Annex 12 RAP 4.2.7,

Concern	Summary of Sakhalin Energy Response	Reference
resources	Subsistence activities considered in the RAP Issues to be considered by Project Documentation Review panel	5.1.5 SIMDP Section 4.1
Limitation of access to berry fields and other traditional resource use areas	Issues to be considered by Project Documentation Review panel Subsistence activities considered in the RAP	SIMDP Section 4.1 RAP 4.2.7, 5.1.5
Access to local fishing, hunting and gathering grounds by in-migrant workers	Sakhalin Energy's 'No Hunting, Fishing and Gathering' policy	SIAA 7.2.2
Impacts on reindeer pastures (land-take) and reindeer (noise, poaching due to increased access etc.)	Impacts and mitigation measures detailed in the SIA and the Resettlement Action Plan (RAP), and are summarized in the SRU Mitigation Matrix. A hunting/herding expert will be included in the Project Document Review panel of experts.	SIA Chapter 12 RAP 4.2.6 SIMDP Annex 12
Access to job opportunities and transparency of the hiring process	Issues addressed in the SIAA for the overall population The Indigenous Peoples' CLO provides indigenous communities with information about training and job opportunities; assists potential workers with writing their CVs and job applications.	SIAA Chapter 3 SIAA Chapter 6 CLO Organisation Overview
Need for specialist training in professional skills and the English language		
State of local roads and road safety	Road Safety Campaign Infrastructure, Projects And Logistics Programme (Summarized In SRU Mitigation Matrix)	SIAA 4.5.2 SIMDP Annex 12
Need for an expert review of Indigenous Peoples' livelihoods and cultural heritage, with a focus on Project impacts	Project Documentation Review	SIMDP Section 4.1
Payment of compensation for impacts on territories of traditional natural	All such compensation mechanisms are detailed in the RAP Project Documentation Review	RAP SIMDP Section

Concern	Summary of Sakhalin Energy Response	Reference
resource use		4.1
Project revenue sharing and potential social investment support	These issues are covered in the SIA and SIAA.	SIA SIAA Chapter 8

3.1.4 SIA/SIAA Assessment of Critical Issues and Options

The potential impacts causing most anxiety to indigenous residents as expressed during SIA/SIAA consultations include:

- environmental impacts such as oil spills and other pollution in local spawning rivers, coastal lagoons and coastal waters, especially with regards to impacts on fisheries and fish stocks;
- loss of reindeer pastures, noise and other disturbances to reindeer and construction of access roads which could increase poaching;
- limitation of access to fishing, hunting and gathering grounds; and
- access by incoming workers to local fishing, hunting and gathering grounds.

Since construction work began, the social and environmental performance of Project contractors has become increasingly important to local indigenous residents, in particular regarding the following:

- the state of local roads and road safety; and
- the construction of pipeline river crossings.

The key benefits desired from the Project, as revealed in SIA/SIAA consultations, include job opportunities and a ‘trickle-down’ effect from Project revenues. Indigenous residents also suggested ways in which social investment could be used to support indigenous communities, including:

- small business support for Indigenous Peoples enterprises (fishing, herding, souvenir-making);
- support for the reconstruction of Nogliki museum;
- support for language training, cultural centres, educational programmes;
- construction of fish hatcheries close to where Indigenous Peoples’ families and enterprises fish; and
- support for children’s summer camps.

3.1.5 Description of Consultations with Indigenous Peoples to Prepare for this SIMDP

Consultations with Indigenous Minorities specifically for this Five Year Plan of the SIMDP began in May and June of 2005. This first round of consultation focused on ascertaining priorities for benefits-sharing components, yet also gathered input for mitigation planning. Four communities (Val, Nogliki, Chir-Unvd, and Poronaisk) were targeted during the May consultations, with follow-up focus groups and interviews held both in those communities and in Yuzhno-Sakhalinsk in June. A total of nearly 200 people were involved, constituting over 5% of the entire indigenous population of

the Island (see Annex 1). In addition, consultations were held with other stakeholders (including Oblast officials), other oil company operators, non-governmental organizations, and social development and indigenous experts.

The breakdown of participants in the first (May/June) round of consultations by age/gender is given in Table 04 below.

A second round of consultations was held in early fall to report back to stakeholders with a tentative outline of the Project components selected. A third round of consultations took place beginning in December 2005 and lasting through February 2006 to consider SIMDP Section 4 mitigation measures and social programme benefits as proposed during the work of the Social Development Programme and Sustainable Resource Use Committees (see Sections 1.3 and 3.3 and Annex 11). These consultations included the northernmost Sakhalin district of Okha and the western district of Aleksandrovsk-Sakhalinsky.

Table 04: SIMDP Round 1 Consultations with Indigenous Minorities (May/June 2005)

No.	Date	Location	Number of Participants				
			Total	Sex		Age	
				Men	Women	Young people (under 30)	Old age (above 50)
1	May 19	Nogliki	15	0	15	0	0
2	May 19	Nogliki	10	1	9	1	7
3	May 20	Veni	1	0	1	0	1
4	May 20	Nogliki	6	1	5	2	0
5	May 21	Val	11	1	10	0	7
6	May 21	Nogliki	20	4	16	0	8
7	May 22	Chir-Unvd	12	2	10	0	5
8	May 22	Poronaisk	12	6	6	2	0
9	June 9	Val	13	8	5	10	0
10	June 9	Val (Garomai)	21	14	7	5	6
11	June 11	Chir-Unvd	23	13	10	15	0
12	June 11	Chir-Unvd	17	2	15	0	13
13	June 12	Nogliki	7	7	0	6	0
14	June 12	Nogliki	4	3	1	1	2
15	June 12	Poronaisk	13	3	10	0	0
16	June 10	Poronaisk	3	2	1	0	0
TOTAL:			188	67	121	42	49
Percentages for age and gender			100	35.64	64.36	22.34	26.06
Total percent of 3513 ¹ Sakhalin IP			5.35	1.91	3.44	1.20	1.39

¹Data according to the Indigenous Minorities' representative in the Regional Duma

First round consultations conducted in May/June 2005 for the SIMDP revealed the views of Sakhalin's indigenous residents on community problems as summarised in Table 05 below.

Table 05: Community Concerns and Potential Solutions Suggested by Participants of the SIMDP Round 1 Consultations (May/June 2005)

These community concerns relate both to Project impacts and to the general social situation in the communities. Sakhalin Energy's responses to the community concerns about Project impacts are provided in the Mitigation Matrixes (Annexes 12 and 13). Community concerns about the general social situation have been taken into account in the design of the SIMDP subcomponents (Section 4.2: Specific Development Measures).

Concern	Location	Group Consulted	Suggestions Made by Meeting Participants
Ecology			
Silting up of rivers; decline in the quality of fish	Nogliki	Elderly Nivkh women, residents of Nogliki	Ecological and ethnological (anthropological) expert review
Negative experience of Russian oil industry – construction of pipeline will contribute to the decline in riparian fish resources (silting up of rivers, logging of riverbank forests, noise in the pipeline)	Nogliki	Elderly Nivkh women, residents of Nogliki	Take negative experience into account and construct pipeline to cross rivers above ground
Project Impact on Ecology			
Fish resources are expected to decline as a result of river crossings using the dry trench method and directional drilling	Nogliki	Nogliki residents at public meeting	Construction of pipeline river crossings above rivers
Erection of oil and gas platforms in Lunsky Bay will kill the fish	Nogliki	Middle-aged Nivkhi	Halt the Sakhalin II Project
Expected decline in fish populations and fish quality	Nogliki	Nogliki residents at public meeting	Halt offshore projects in places where salmon migrate

Concern	Location	Group Consulted	Suggestions Made by Meeting Participants
Culture			
Need to preserve native traditions	Nogliki, Venskoye, Poronaisk	Teachers (Russian), resident of Venskoye, Nogliki-based indigenous action group, residents of Poronaisk (at public meeting)	Construction of an open-air museum in Venskoye with winter and summer living quarters and a barn; construction of a museum (Chamgun); support for Native dance troupe 'Mengume Ilga' (Poronaisk)
Bullying of native children	Nogliki	Russian teachers, indigenous action group	
Genetic (or other) inability or indisposition of native children to study	Nogliki	Elderly Nivkh women, teachers, indigenous action group	
Absence of organised leisure activities for adults and young people	Chir-Unvd, Val	Chir-Unvd residents at public meetings; young people of Val	Construction of an 'ethno-centre' or club, including a sports complex; financing of sports events; provision of sports equipment
Adult Employment			
Unemployment of adult native population	Nogliki, Chir-Unvd	Teachers (Russian); residents of Nogliki of all ages (mainly Nivkhi); Chir-Unvd residents at public meeting	Development of native production (fishing)
	Nogliki, Chir-Unvd	Chir-Unvd residents at public meeting	Development of traditional industries – souvenir production
	Nogliki	Nogliki-based indigenous community group	Development of traditional industries – souvenir production; production of souvenirs in an integrated way with other production activities
	Nogliki	Nogliki-based indigenous community group	Development of the service sector

Concern	Location	Group Consulted	Suggestions Made by Meeting Participants
	Nogliki	Nogliki-based indigenous community group	Development of private enterprise and small business (e.g. in the service sector) which satisfies demands of Indigenous Peoples regarding type of work and flexible working hours
	Val	Reindeer herding enterprise; Evenki/Uilta middle-aged women	Development of reindeer herding
Lack of specialists to develop successful businesses	Val	Reindeer herding enterprise; Evenki/Uilta middle-aged women	Business training courses for adults
Lack of opportunities for developing fishing businesses: a) no equipment, eg. fishing tackle; b) no start-up financing; c) no knowledge of legislation; d) no fish processing equipment.	Nogliki, Poronaisk	Residents of Nogliki at public meeting; d) Poronaisk residents at a meeting	Financial assistance; support for/organisation of business courses; d) provision of opportunities for small business credit
Difficulty for local people to find employment outside the village due to high cost/poor provision of transport.	Chir-Unvd	Residents of Chir-Unvd at public meeting	
Non-timber forest product (NTFP) resources have declined due to forest fires, thus hindering opportunities to develop NTFP businesses.	Chir-Unvd	Residents of Chir-Unvd at public meeting	
Low profitability of agriculture (animal husbandry and crop cultivation) related to climatic conditions and the high cost of transportation.	Chir-Unvd	Residents of Chir-Unvd at public meeting (head of administration in response to residents' suggestion)	

Concern	Location	Group Consulted	Suggestions Made by Meeting Participants
Seasonality of NTFP gathering hinders the development of NTFP businesses.	Chir-Unvd	Residents of Chir-Unvd at public meeting	Participation in a project aimed at seasonal gathering and collection (at collection points) of NTFPs (part of a larger project).
Poorly developed infrastructure in Poronaisk hinders the development of tourism.	Poronaisk	Poronaisk residents at public meeting	Capital investment in infrastructure; preparation of a long-term tourism development plan.
Problems with the souvenir business – work is done by hand and there is a lack of a market for goods.	Poronaisk	Poronaisk residents at public meeting	Full-scale research into the souvenir market; establishment of a specialist shop in Yuzhno-Sakhalinsk.
Education			
No money for student allowances (technical colleges and universities)	Nogliki, Val	Teachers (Russian), adult women (Evenki, Uilta), residents of Nogliki at public meeting.	Assistance
Preservation of native languages	Nogliki	Teachers (Russian), residents of Nogliki at public meeting.	Assistance and development of school programmes
Orphan children	Nogliki	Teachers (Russian)	Establishment of boarding schools (International)
No opportunities for getting an education in relevant professions (oil and gas, utilities, construction industry, interpreting/ translating)	Nogliki, Val	Teachers (Russian); Nogliki-based indigenous community group; Nogliki residents at public meeting; young people in Val.	Job vacancies market; educational courses; introduction of new specialisations into local technical colleges; courses for oil spill response operators; hairdressers.
High cost of kindergartens for parents	Nogliki, Val, Chir-Unvd	Elderly Nivkh women; adult women (Uilta, Evenki); Nogliki residents at public meeting; residents of Chir-Unvd at public meeting.	
Lack of free food for children in schools	Nogliki	Residents of Nogliki of all ages	

Concern	Location	Group Consulted	Suggestions Made by Meeting Participants
		(mostly Nivkh women).	
Impossibility of additional studies for children with learning difficulties in schools; low wages for teachers	Nogliki	Elderly Nivkh women	
Low level of qualification of village teachers	Nogliki	Nogliki-based indigenous community group.	
Inadequate provision in schools and kindergartens; absence of educational resources and possibilities in villages.	Nogliki, Chir-Unvd, Poronaisk	Nogliki-based indigenous community group; residents of Chir-Unvd at public meeting; residents of Poronaisk at public meeting.	
Lack of competitiveness of children from village schools and indigenous children.	Nogliki	Nogliki-based indigenous community group.	Additional classes or a separate programme of education.
Need for business training for adult population	Nogliki, Val, Poronaisk	Nogliki-based indigenous community group; reindeer herding enterprise; adult women (Evenki, Uilta); residents of Nogliki and Poronaisk at public meetings; young people of Val.	Assistance and financing; business planning courses; organisation of enterprises and enterprise development; accountancy courses.
Inadequate financing for system of additional education of school children (culture, industries, sport).	Val	Adult women (Evenki, Uilta)	
Belief that indigenous children find it more difficult to learn than children of other ethnic origins.	Nogliki	At public meeting (adults and Nivkhi)	Various – 1) construction of school for separate education of children; 2) joint education of children and 3) (equitable) provision of assistance depending on the financial status of the family.
Children do not go to kindergarten and,	Nogliki,	Residents of Nogliki, Chir-Unvd	

Concern	Location	Group Consulted	Suggestions Made by Meeting Participants
as a result of this, they lack a foundation for long-term education.	Chir-Unvd, Poronaisk	and Poronaisk at public meetings.	
Other	Nogliki	Participant in consultation	Construction/repair of a second school for indigenous children
Dilapidated building of the Technological Lyceum for Native Industries (educational establishment for indigenous children with boarding), Poronaisk.	Poronaisk	Adult Poronaisk residents	Construction/repair of Technological Lyceum for Native Industries.
Inadequate provision of text-books and handbooks in educational institutions and public libraries.	Poronaisk	Poronaisk residents at public meeting	
Lack of opportunities for gaining a basic knowledge of English and computer skills.	Val	Young people in Val	English language courses; computer courses at the middle school; purchase of computer for the Val Indigenous Self-Government Council.
Health			
Adult alcoholism	Nogliki, Val	Teachers (Russian); Nogliki-based indigenous community group; adult women (Evenki, Uilta).	Alcoholism treatment and construction of a rehabilitation centre (Chamgun).
Pension doesn't cover cost of medical treatment	Nogliki	Elderly Nivkh women	Assistance

Concern	Location	Group Consulted	Suggestions Made by Meeting Participants
Indigenous Peoples health issues (alcoholism, dental, TB, paediatrics, cancer, sexually transmitted diseases).	Val, Chir-Unvd	Adult women (Evenki, Uilta); residents of Chir-Unvd at public meeting.	Integrated programme of alcoholism treatment; provision of diagnostic equipment and X-ray; purchase of medicine; travelling doctors and medical inspectors; establishment of dental surgeries; false teeth; assistance with travel and paid medical treatment; assistance with treating children at sanatoriums.
Project Impact on Health			
Predicted increase in sexually transmitted diseases.	Val	Adult women (Evenki, Uilta)	Provision of free condoms for workers and local populations close to camps
Decline in quality of fish and decline in fish catches (and consumption) may have a negative impact on local indigenous health (Nivkhi).	Nogliki	Residents of Nogliki at public meeting	Ecological and ethnological (anthropological) expert reviews.
Infrastructure			
Lack of housing: poor housing conditions	Nogliki, Val, Chir-Unvd, Poronaisk	Residents of Nogliki, Poronaisk, Chir-Unvd; young people of Val.	
Lack of some services is a potential source of work for Indigenous Peoples (hairdressing, sewing, repair of clothing and shoes, knitting).	Nogliki, Poronaisk, Val, Chir-Unvd	Nogliki-based indigenous community group; adult population at public meetings; young people of Val and Chir-Unvd.	Poronaisk – construction of a complex on Yuzhnyi Island (kindergarten, boarding school, lyceum, sports complex, hairdresser); Assistance to set up businesses, provision of buildings (e.g. construction of complexes).
Problems with transport to district centres or to the centre of town (Poronaisk).	Chir-Unvd, Poronaisk	Chir-Unvd and Poronaisk residents at public meetings.	Construction of a bridge across the River Tym; construction of the shortest road to the federal road (Chir-Unvd); purchase of a passenger and goods transportation ferry (Poronaisk).

Concern	Location	Group Consulted	Suggestions Made by Meeting Participants
Threat of flooding if Tym River breaks its banks (Chir-Unvd).	Chir-Unvd	Chir-Unvd residents at public meetings.	Construction of a dam; relocation of the village/ resettlement of residents
Problems with water	Chir-Unvd	Chir-Unvd residents at public meeting	Construction of wells
Traditional Way of Life			
No opportunities to live in areas where traditional livelihood activities are practiced.	Nogliki, Venskoye	Elderly women (Nivkhi); resident of Venskoye; Nogliki-based indigenous community group; residents of Nogliki at public meetings.	Construction of seasonal and permanent villages (houses, shops) in places of seasonal fishing (e.g. Nyivo Bay); provision of firewood and fuel for electricity generator (Venskoye); establish conditions for permanent residence for elders in areas where traditional livelihood activities are practiced (Chamgun).
Difficulty in transporting people/goods to traditional fishing grounds (Nyivo) and district centres.	Nogliki, Venskoye	Elderly Nivkh women	
Lack of snow mobiles and spare parts for winter fishing.	Venskoye	Resident of Venskoye	
State Regulation/Legislation			
Absence/lack of fish quotas for subsistence use.	Nogliki, Chir-Unvd	All	
Insufficient time period for legal salmon fishing.	Nogliki, Chir-Unvd	All	

In sum, the consultations revealed that Indigenous Peoples of all ages appear to be concerned primarily with lack of fish resources and lack of employment, while younger people are also concerned about the lack of community cultural and sports facilities. Elderly women are heavily focused on educational opportunities for their children and grandchildren and healthcare issues in general. The majority of middle-aged people would like to receive support in relation to the development of traditional activities and are looking forward to the employment they associate with the Project.

3.2 ASSESSMENT OF ADVERSE EFFECTS

3.2.1 Description and Analysis of Potential Negative Impacts on Sakhalin's Indigenous Minorities

Potential Interference with Subsistence and Commercial Activities

Project-related construction activities are taking place on lands that the Indigenous Minorities consider to be their traditional lands, which are now part of the area affected by the Sakhalin II Project. Most affected are the Uilta and Evenk reindeer herders, as they are the only group actually practicing their main livelihood activities on land either temporarily or permanently allocated for Project-related construction work. In the RAP, the Uilta and Evenk reindeer herders are identified as a “vulnerable group” because they have no State-recognised legal rights to the lands they use on a day-to-day basis for their livelihood activities (for further information, please see the RAP).

Other indigenous groups also still practice traditional subsistence and commercial livelihood activities close to Project sites, including on the north-eastern coastal lagoons (see Annex 8, Table A8-01 for a description of contemporary indigenous subsistence and economic strategies by community)¹⁶. Sakhalin Energy's Indigenous Peoples' Socio-Economic Survey shows that although present-day Indigenous Peoples' food patterns are very different from pre-Soviet and Soviet-era food patterns, traditional food (fish, meat, berries and other plants) obtained from wild resources still comprise 20 to 50% of food consumed in the majority of families. The diet of the Indigenous Peoples now includes vegetables that are grown in garden plots and food products that are exchanged for fish or bought in shops. Most families that were interviewed bought about 60% of their food products in shops (e.g. flour, bread, cereals, salt, and sugar).¹⁷

Sakhalin Energy is aware that subsistence and commercial livelihood activities within the SIMDP Project Area are practiced not only by the indigenous residents of Sakhalin, but also by non-indigenous residents living in the same villages and towns. Efforts have therefore been made not to exclude the non-indigenous population from consultation processes and compensation/supplemental assistance opportunities (for further detail, please see the RAP).

16 The SIMDP Project Area includes areas downstream of rivers crossed by the pipelines where fishing activities might also be affected by Project activities.

17 Source: The Indigenous Peoples' Socio-Economic Survey conducted in 2004-2005 is based on a sample of 242 people - 7.5% of all Sakhalin Indigenous Minorities.

Potential Oil Spill Damage

Sakhalin Energy has completed its Phase 1 Oil Spill Response Plan and it was officially approved in 2003 by regulators, including SakhRybVod, the Ministry of Natural Resources, the Ministry of Emergencies and SakhBASU. This plan is available in the Yuzhno-Sakhalinsk library and in the Nogliki library. The Phase 2 Oil Spill Response Plan is currently under development. Oil Spill Response Plans will be developed for all the Project Assets by the start of operations in 2008.

An oil spill may occur at sea due to a tanker accident or an accident at one of the offshore platforms. Such an event could affect the north-eastern coastal zone, shoreline and the shallow coastal lagoons (bays). Indigenous and non-indigenous residents and enterprises practice fishing in all of the north-eastern coastal lagoons and most of the rivers in the north-eastern area. These areas have been mapped in the Oil Spill Response Plan. Mapping is a sensitive issue, as some resource use takes place on lands or in fishing grounds that are not legally allocated to the users.

The existing Vityaz operation has an Oil Spill Response Vessel on 24 hour standby during the production season and a stockpile of OSR equipment at Nogliki. The land based equipment is designed primarily for protection of lagoon mouths and for operation within the lagoons. Phase 2 operations will have year-round standby vessels and a greatly increased OSR stockpile. This is currently planned for Nogliki and also within the Exxon Neftegaz Ltd (ENL) complex at Chaivo. Additional marine stockpiles will be at Aniva Bay and at Kholmsk.

Spills could also occur onshore as a result of damage to pipelines, including underground leakage and earthquake damage. The Sakhalin II pipeline will have a leak detection system that can identify leaks at less than 1% of the pipeline flow. All active faults are designed to be crossed using below ground techniques. The design envisages the installation of a snaking pipeline within specially designed trenches and protected using foam blocks placed around the pipeline. The maximum strain of the pipeline at the fault crossings has been analysed against the seismic design criteria. Emergency Response Depots will be located along the pipeline route containing equipment for land, river and road spills, small boats and ural-based rapid response packs.

Potential for Inter-Ethnic Conflict

If indigenous communities are seen to be benefiting more than non-indigenous communities from the Project (e.g., through this SIMDP) this may increase resentment on the part of non-indigenous residents, thus exacerbating existing community tensions between those who are indigenous and those who are not. For this reason, some of the sub-components have been made accessible to all community members, both indigenous and non-indigenous alike.

Resentment may also build up on the part of indigenous residents due to unequal employment opportunities (whether real or perceived) with the offshore oil and gas projects. Local indigenous residents are concerned about indigenous workers not having access to the same opportunities as non-indigenous workers due to social factors such as discrimination during hiring, lack of appropriate skills and lack of access to training opportunities. The Indigenous Peoples' CLO disseminates information about training, job and business opportunities with the Project and assists local Indigenous People in making job applications and writing their CVs. The Indigenous Peoples' CLO is also there to resolve grievances related to discrimination in the workplace and transparency of the hiring process.

Potential Conflicts with Project Labour Force, Camps, and Activities

The SIAA reported problems of some Project staff inappropriately trading fish and salmon roe for alcohol with local people, including Indigenous Minorities. In addition,

there have been reports of physical conflicts and discrimination in employment. Indigenous representatives have raised these issues as requiring mitigation by Sakhalin Energy (see Social Issues Mitigation Matrix, Annex 14).

Environmental Deterioration

Local Indigenous Peoples have expressed concerns about their environment and subsistence activities, highlighting the following issues:

- the fish in some local rivers have begun to smell of oil and other chemicals;
- fish are being caught with physical damage (e.g. sores), deformities (e.g. growths on their backs) or are smaller and weaker than normal;
- winter catches of saffron cod have declined considerably;
- rivers are becoming shallower and are silting up; and
- the 1999 mass die-off of herring in Piltun Bay is still a cause for local anxiety, and some claim it has not been adequately explained.

With regards to the herring die-off, an independent Sakhalin-based fisheries scientific institute (SakhNIRO) found that the event was most like a result of natural causes. The operations of the Molikpaq platform are physically remote from the site of the die-off and Sakhalin Energy has detailed records of its activities at the time of concern, none of which could have resulted in the herring die-off. A court case brought against Sakhalin Energy refuted the accusation of causing the herring to die.

These and other concerns submitted to Sakhalin Energy in the course of the SIMDP consultations have been discussed in detail with indigenous representatives and their consultants during a series of meetings between August 2005 and February 2006. A further meeting is planned for late February 2006. The results of these discussions are presented in the SRU Mitigation Matrix (see Section 4.2.1 and Annex 12).

3.2.2 Mitigation Measures Suggested by Potentially Affected Indigenous Residents

The following table lists the measures suggested by indigenous residents to mitigate anticipated Project impacts, together with Sakhalin Energy’s response and references to sections of the SIMDP and other documents where these issues are discussed in more detail.

Table 06: Mitigation Measures Suggested by Indigenous Residents

Suggestion	Summary of Sakhalin Energy Response	Reference
Construction of pipelines above rivers rather than below them, in order to reduce impacts on rivers	Sakhalin Energy believes it is unfeasible to construct pipelines above rivers. This matter has been discussed with indigenous representatives and their consultants and the discussion is summarized in the Mitigation Matrix (Concern No.15) There is also a position paper about this matter on the Sakhalin Energy website	Annex 12

Suggestion	Summary of Sakhalin Energy Response	Reference
Payment to compensate for loss of or damage to natural resources	<p>All compensation matters are addressed in the Resettlement Action Plan. Sakhalin Energy pays compensation according to Russian legislative requirements and to the requirements of World Bank operational directives (under the Supplemental Assistance Programme)</p> <p>Further issues can be addressed on a case-by-case basis via the Grievance Procedure</p>	<p>RAP</p> <p>SIMDP 4.5</p>
Provision of equipment (e.g. for herding and fishing) to compensate for damage to resource base	<p>Provision of compensation and additional equipment and supplies is outlined in the RAP.</p> <p>The SIMDP Traditional Economic Activities Support Programme aims to provide business training and material support to indigenous enterprises.</p>	<p>RAP 4.2.6</p> <p>SIMDP 4.2</p>
Consultation and listening to Indigenous Peoples' opinions	<p>Sakhalin Energy has an ongoing programme of consultation with Indigenous Peoples. This has been enhanced by the SIMDP consultations.</p>	<p>SIA Chapter 6</p> <p>SIAA Chapter 6</p> <p>Public Consultation and Disclosure Plan</p> <p>SIMDP Section 1.3 and 1.4</p>
Establishment of plantations for wild plants that may be affected	<p>The pipeline route is to be re-vegetated. Sakhalin Energy has a soil reclamation and erosion protection plan (SREPP). The Pipelines Team are in discussions with the reindeer herders about types of vegetation to use when re-vegetating the pipeline right-of-way</p> <p>This issue will be reviewed by the Project Documentation Review panel of experts</p>	<p>SREPP</p> <p>Annex 12</p> <p>SIMDP Section 4.1</p>
Education and training to increase Indigenous Peoples' employment opportunities	<p>These issues are addressed in the SIAA for the overall population</p> <p>The Indigenous Peoples' CLO provides indigenous communities with information about training and job opportunities; assists potential workers with writing their CVs and job applications.</p>	<p>SIAA Chapter 3</p> <p>SIAA Chapter 6</p> <p>CLO Organisation</p>

Suggestion	Summary of Sakhalin Energy Response	Reference
		Overview
Indigenous Minorities' hiring quotas for the Project	This is a key performance indicator in the HSESP	HSESAP Part 2, Table 2.10D
Road construction and repair	Sakhalin Energy has an Infrastructure, Projects and Logistics programme (summarized in SRU Mitigation Matrix, Concern No.8)	Annex 12
Road safety measures to minimise road risks	Sakhalin Energy has a road safety campaign	SIAA 4.5.2
Distribution of free condoms to minimise risk of sexually transmitted diseases	Sakhalin Energy makes condoms available free of charge in camps	N/a

Please see Annex 10 for further discussion and details.

3.3 IDENTIFICATION OF DEVELOPMENT OPPORTUNITIES

The first round of SIMDP consultations with Indigenous Minorities held in May/June 2005 focused on identifying priorities for benefit-sharing components. Table 06 below summarises the development priorities identified by participants at these first round SIMDP consultations.

Table 07: Development Priorities Identified by Indigenous Participants during the First Round of SIMDP Consultations (19-22 May 2005)

Community	Development Priorities					
	Education	Traditional Activities/ Employment	Healthcare	Culture	Ecology	Infra-structure
Val	II	III	I	IV	-	-
Nogliki	II	I	V	IV	III	-
Chir-Unvd	IV	I	V	II	-	III
Poronaisk	I	II	III	IV	-	IV
TOTAL	II	I	III	III	V	IV

Note: priorities identified by focus groups were different depending on whether participants were young or elderly, men or women. These differences can be identified in Table 03 above.

From the results of the consultations, Indigenous Minorities of all ages and types appear to be concerned about fish resources, employment and training, housing, transport and infrastructure. Women are particularly focused on education, health and ecology. Young people are particularly interested in employment, training and leisure activities.

Table 07 provides more information about community views on potential Project benefits.

Table 08: Development Priorities Identified by Indigenous Participants during the First Round of SIMDP Consultations (19-22 May 2005)

Priority Level	Development Priorities*						
	Val	Nogliki		Chir-Unvd		Poronaisk	
			*		*		*
I	Healthcare	Traditional activities/ Employment	27	Employment	37	Education	19
II	Education	Education	20	Culture	34	Employment	13
III	Reindeer herding	Ecology	14	Infrastructure	21	Healthcare	4
IV	Culture	Culture	11	Education	16	Infrastructure	3
V	-	Healthcare	10	Healthcare	15	Culture	3

Note: priorities identified by focus-groups were different depending on whether participants were young or elderly, men or women. These differences can be identified in Annex 9, Table A9-01.

*Numbers represent points allocated by participants during voting on priorities.

Overall, employment and traditional subsistence activities were the number one priorities, closely followed by education, with healthcare and culture not far behind. Table 05 provides more detailed information on Indigenous Peoples' views about possible solutions to their concerns.

These suggested solutions will be further assessed by two committees of experts representing Oblast authorities, Indigenous Minorities, civil society, and Sakhalin Energy. The SIMDP Working Group Committees started working in August 2005 and has since been able to further advise the Working Group on potential development opportunities (see Section 1.3 of this SIMDP for a brief description of the participatory process and Annex 11 for description of SIMDP Working Group and Committees).

During preliminary consultations, some social scientist experts expressed the opinion that educational programmes (including training) are probably one of the most sustainable approaches that the SIMDP could take.

3.4 EVALUATION OF RISKS

Sakhalin Energy Investment Company Ltd. in late December 2005 signed a Memorandum of Understanding with the Sakhalin Indigenous Minorities Council wherein Sakhalin Energy pledged to carry out the SIMDP beginning the spring of 2006, with such a pledge not contingent on external lenders' loan approvals. Furthermore, SEIC has also agreed to set up an adequately staffed SIMDP unit within its Indigenous

Peoples Programme which will liaise with other Company departments to ensure full Company support and commitment to carrying out the SIMDP. One risk, however, is the possibility that SEIC will not adequately staff the Indigenous Peoples Programme to carry out the robust reporting and multiple implementation supervision activities the SIMDP anticipates.

Likewise, there has been firm commitment from the Indigenous Peoples' premier organisation on the island, the Sakhalin Indigenous Minorities Council, to help in carrying out the SIMDP. Furthermore, considering the nature of the mitigation measures and development measures set forth in the SIMDP, there should be no contradiction with the enabling legal and policy framework of the country.

The key risk anticipated relates to any weakening of government desire to collaborate with Sakhalin Energy in carrying out the SIMDP. The Social Development Programme is especially dependent on the goodwill and implementation assistance of the various government departments. Maintaining good relations with the senior level authorities of the Oblast Administration will be a critical SEIC Indigenous Peoples Programme priority.

Other risks have also been considered. Detailed implementation planning will detail the mechanisms that will be used to avoid the risks associated with providing financial and material support to public and commercial entities; transparency and accountability in all aspects of SIMDP implementation will be critical counter-measures. Similarly, the SEIC SIMDP unit needs to be aware of the risk of favouring—or appearing to favour—the interests of an individual or group within the community. This is also a potential issue between indigenous and non-indigenous members of a community and SIMDP implementation needs to be sensitive so as not to exacerbate local community inter-ethnic tensions.

4. MITIGATION AND DEVELOPMENT MEASURES

4.1 MITIGATION MEASURES

4.1.1 Overview of Mitigation Issues: Process of Resolution

SEIC worked directly with the Indigenous Minorities of Sakhalin Island, through their representatives on the joint SIMDP Working Group and its Committees as well as their representatives on the Sakhalin Indigenous Minorities Council, to address all Project impact mitigation issues raised in the context of the SIMDP. Throughout the summer and fall of 2005 and continuing into , discussions continued relating to the Indigenous Peoples' concerns about perceived negative effects of the Project as reported in SIMDP Sections 3.1 and 3.2 above and Annexes 9 and 10.

Beginning with Working Group Committee meetings in late August, each mitigation issue was discussed in turn and a process of resolution agreed upon. Six mitigation statuses were defined and assigned to each issue (as summarized in Annexes 12 and 14), ranging from an agreement to research the matter more, to commit Sakhalin Energy to new action, or to simply agree the matter had already been sufficiently taken care of.

In the intervening months, Sakhalin Energy, the Indigenous Peoples, and representatives of the Sakhalin authorities and civil society met to discuss and find ways to mitigate or avoid the real, potential, or perceived harm of each issue. The Mitigation Matrix negotiations will be concluded in May 2006 and a Memorandum of Understanding will be signed between Sakhalin Energy and the Indigenous Peoples' representatives regarding ongoing engagement and provisions for implementation and monitoring of Mitigation Matrix commitments.

The interim Matrices are appended to this SIMDP (see Appendices 12 and 14). At the end of May the Matrices will be updated, and the final versions will be published on the Sakhalin Energy website

4.1.2 Mitigation Issues: Sustainable Resource Use and Environment Protection

The Sustainable Resource Use and Environmental Protection Mitigation Matrix (see Annex 12) has been used as a foundation and framework for discussions between Indigenous Peoples' representatives, their consultants and Sakhalin Energy experts relating to environmental and sustainable resource use issues of concern to the Indigenous Peoples. The SRU Mitigation Matrix was initially compiled on the basis of issues raised by indigenous representatives during early SIMDP consultations (May/June 2005) and issues listed in a letter provided to the Company by the Sakhalin Indigenous Minorities Council (SIMC) chair, dated 8 July 2005. These original concerns are listed in the SIMDP (see Section 3.1.5 Table 05, 3.2.2 Table 06 and Appendices 9 and 10). On 21 January 2006, additional comments and concerns were provided by the director of the local NGO Sakhalin Environment Watch in his capacity as consultant to the Indigenous Peoples (see Annex 12).

The Sustainable Resource Use Committee was established to discuss and address the issues in the SRU Mitigation Matrix. This Committee included three representatives of the SIMC. Two consultants to the Indigenous Peoples also attended SRU Committee meetings. These were the director of Sakhalin Environment Watch and a Green Party activist. In addition, the Company hired an independent fish expert, appointed by the Indigenous Peoples representatives to assist them in assessing Project impacts on fisheries.

The SRU Committee was co-ordinated by an independent consultant to Sakhalin Energy. In addition to the SIMDP Team, Company experts from the following departments also took part in the work of the SRU Committee:

- Social Assessment Group
- Health, Safety, Environment and Security (HSES) Department
- Oil Spill Response (OSR) Team (part of HSES)
- Onshore Pipelines Construction Project (Pipelines Team)
- Health Department (part of HSES)
- Infrastructure Projects and Logistics (IPL) Department

To date, five SRU Committee meetings have taken place, in Yuzhno-Sakhalinsk (on 22-23 August 2005, 25-26 November 2005, 30 January 2006 and 2 March 2006) and in Nogliki (on 17-18 September 2005). In addition, the HSES Team gave a presentation to the Indigenous Peoples' representatives of the Sakhalin-2 Project offshore monitoring programme, incorporating seven years of monitoring results.

The SRU Mitigation Matrix is divided into two sub-matrices

- Sub-Matrix A: No further actions required, including issues that have been resolved, issues that both parties agree are not resolvable in the context of the SIMDP, and issues that both parties 'agree to disagree' on.
- Sub-Matrix B: Further actions required, including issues still to be resolved, issues being addressed by the fish expert, and issues to be addressed as part of the Project Documentation Review.

These two sub-matrices can be found in Annex 12. The ultimate aim is for negotiations to result in all issues being transferred to Sub-Matrix A. Below is a summary of the content of the two sub-Matrices.

Sub-Matrix A: No further actions required

Issues that had been resolved during the SRU committee meetings as of March 2006 are listed below.¹⁸ The SRU Mitigation Matrix (Annex 12) provides details of how these issues were resolved:

¹⁸ Numbers in the issues list refer to the issues/concerns enumeration in Annex 12.

1. Concern about construction access roads leading to increases in poaching and forest fires (resolved in light of Sakhalin Energy's commitments to minimise access and re-cultivate temporary access roads)
2. Concern about access to Chaivo Spit (by road) in case of an oil spill (resolved in light of alternative access options)
3. Disturbance to spawning grounds during oil spill response training exercises (Sakhalin Energy will consult with Indigenous Peoples about future exercises)
4. An incident involving leakage of waste water from the Val construction camp into the local environment (resolution of grievance reported)
5. Local residents' concerns at being insufficiently informed about oil spill response issues (Sakhalin Energy committed to increased measures to inform population)
- 13A. Local reports about orange foam observed on the surface of the water during oil spill response training exercises (agreement on increased information sharing and elementary training in monitoring techniques)
- 14A. Anxiety about possible future impact of Sakhalin-2 Project construction work on potable water in wells on Chaivo Spit
- 14B. Sakhalin Energy's use of World Bank regulations for waste discharge limits (Pipelines Project) in the absence of Russian Federation legislation
17. Anxiety about contamination of spawning streams due to pipeline and infrastructure construction (resolved in light of Sakhalin Energy's monitoring and re-instatement commitments)
- 26A. Incident close to Venskoye Village, where a Sakhalin-2 Project contractor allowed a temporary ice bridge (including logs and soil) to melt into the Malye Veni River in spring, with an apparent impact on local fish resources (Sakhalin Energy agreed to visit the family concerned, resolve the issue as a grievance, carry out surveying and monitoring activities)
- 26A. Troubling situation of Nivkh family living by Nabil' River, close to Sakhalin-2 Project pipeline construction (Sakhalin Energy committed to visiting the family and including them in resource use survey)

By the 30 January meeting, both parties had agreed that one issue was not resolvable in the SIMDP context:

6. Project impacts on the Western Pacific grey whale population

Sub-Matrix B: Further actions required

Concern No.8, relating to Project impacts on local roads, is listed under 'issues still to be resolved', as Company experts and Indigenous Peoples' representatives could not agree on whether this concern could be addressed in the context of the SIMDP (see Matrix for more detail). This matter will be discussed at the next meeting of the Sakhalin Indigenous Minorities' Council and Indigenous Peoples' representatives will return a comment to Sakhalin Energy. It should be noted that indigenous representatives at the Social Development Committee meetings accepted the Sakhalin Energy approach to addressing this issue and listed it as a 'resolved' issue in the SDP Mitigation Matrix.

The most significant group of concerns requiring further action is the group related to impacts on fisheries (questions 7, 15, 16, and 18-26). Those concerns relating to fisheries that could not be resolved immediately were included in the list of 'questions for the fish expert'. These include issues related to discharge of drilling wastes,

construction of pipelines across rivers, and oil spill prevention and response. Several concerns relate to the state of fish health and the impact of declining quality of fish on the health of local people.

In the course of 10 days' work in January 2006, the fish expert appointed by the Indigenous Peoples analyzed Project documentation, consulted with Indigenous Peoples' representatives and their consultants, and held a meeting with a group of indigenous fisherfolk in Nogliki. As a result of the analysis and discussions, the fish expert prepared recommendations for further research into fisheries issues, and monitoring of potential and real Project impacts on fisheries. These recommendations are listed in the appropriate sections of the Mitigation Matrix. The recommendations were discussed at the 3rd March meeting with HSES and Pipelines experts, and some matters were resolved, while others remain unresolved.

A further meeting is to take place between Indigenous Peoples' representatives and the Oil Spill Response Team in April/May 2006. In addition, Sakhalin Energy and Indigenous Peoples representatives will discuss monitoring provisions and opportunities for Indigenous Peoples to take part in monitoring activities.

Indigenous Peoples' representatives and Company experts will report to the Indigenous Peoples Programme Co-ordinator on the results of the above meetings. The results of these meetings will be recorded in a final version of the SRU Mitigation Matrix, which will be published on the Sakhalin Energy website. On the basis of the fish expert's recommendations, an agreed programme of research and monitoring will be put out to tender by SEIC. The Indigenous Peoples' representatives will make recommendations on the choice of contractors who are chosen to implement the programme.

Project Documentation Review.

SRU Mitigation Matrix issues Nos. 9-13B, 27 and 28, relating to impacts on Indigenous Peoples' traditional livelihoods and socio-cultural sphere, will be addressed as part of the work of a *Project Documentation Review Panel*. In late spring (to be confirmed), Sakhalin Energy will invite a panel of experts to review the Project documentation that forms the basis of the SIMDP, in order to evaluate the company's current assessment of impacts on Indigenous Peoples' traditional livelihoods and socio-cultural sphere.

The following Indigenous Peoples' concerns will be assessed as part of the Project Documentation Review:

- Project impacts on traditional natural resource use and land used for traditional natural resource use practices
- Project impacts on forest, reindeer pasture and berry grounds
- Further issues related to reindeer herding (specific issues such as re-vegetation of reindeer pasture are being addressed together with the relevant technical department, including the Social Assessment Group or the Pipelines Team)

The SRU Mitigation Matrix is not a permanent tool for discussion and negotiation. The Grievance Procedure is the main channel for Indigenous Peoples' concerns relating to sustainable natural resource use and environmental protection as they arise in the future. The Indigenous Peoples' CLO and the Indigenous Peoples Programme Co-ordinator will assist Indigenous People in using the Grievance Procedure and addressing their issues and concerns (see also Section 4.5.3 on the Sakhalin Energy Grievance Procedure). Where necessary, further meetings with company experts can be arranged on request via the Indigenous Peoples Programme Co-ordinator. Indigenous Peoples' representatives will be able to take part in monitoring relating to

the implementation of the SIMDP, including monitoring of Project impacts where appropriate and feasible.

Ongoing resolution of environmental and sustainable resource use issues

Sakhalin Energy has made the following provisions for ongoing dialogue between Indigenous Peoples' representatives and Sakhalin Energy experts. These provisions were shared with Indigenous Peoples' representatives and consultants at the SRU Committee meeting of 30th January 2006 and were updated after the meeting on 3rd March 2006.

The main contact for Indigenous Peoples concerns is the **Indigenous Peoples Programme Co-ordinator**. To resolve outstanding questions in the Matrix, the following actions are proposed:

- **March 2006:** Indigenous Peoples representatives and consultants will **provide their comments on the conclusions and recommendations** of Indigenous Peoples-appointed fish expert Mikhail Skopets to the SIMDP Working Group.
- **April/May 2006: Meeting between Indigenous Peoples representatives and OSR Team** to discuss the comments and recommendations in the Matrix
- **Mid-May: Closing meeting between Company experts and SIMDP Working Group** to discuss final Indigenous Peoples' conclusions and recommendations; to clarify Company commitments; and to sign a **Memorandum of Understanding** about future actions. The MoU will include:
 - Agreement on the status of all Mitigation Matrix issues
 - Provisions for implementation and monitoring of commitments established in the Mitigation Matrix

Any agreed programme of further research and/or monitoring based on Indigenous Peoples' recommendations will be put out to tender by Sakhalin Energy. The Indigenous Peoples' representatives will make recommendations on the choice of contractors who are chosen to implement the programme.

- **31st May 2006: Completion of final version of Mitigation Matrix:** The updated Matrix will be submitted to the SIMDP Working Group, the SIMC, the Company, Project lenders, and other stakeholders and will be published on the Sakhalin Energy website.

To resolve further Indigenous Peoples' concerns relating to sustainable natural resource use and environmental protection as they arise in future, the following mechanisms have been established by Sakhalin Energy:

- **Sakhalin Energy Grievance Procedure:** Indigenous Peoples can channel their concerns and resolve issues via the Grievance Procedure (see Section 4.5.3).
- **Indigenous Peoples' CLO:** Sakhalin Energy has a Community Liaison Officer, based in Val, whose responsibility is to engage with issues raised by or problems encountered by members of Sakhalin's indigenous communities (CLO responsibilities are detailed in the Public Consultation and Disclosure Plan, which can be found on the Sakhalin Energy website). This CLO is mandated to liaise with Indigenous Peoples in Nogliki and Tymovsk districts, conduct community open hours and meet with key indigenous representatives and stakeholders in Nogliki and Tymovsk districts on a regular basis.
- **Further meetings with Company experts on request:** In case of important issues arising in relation to impacts on Indigenous Peoples' livelihoods and environment, meetings can be arranged between Indigenous Peoples' representatives and company experts via the Indigenous Peoples Programme Co-

ordinator. Indigenous Peoples' representatives will be able to invite their consultants to these meetings.

- **SIMDP monitoring:** Indigenous Peoples' representatives will be able to take part in monitoring relating to the implementation of the SIMDP, including monitoring of Project impacts where appropriate and feasible.

4.1.3 Mitigation Issues: Social Effects

Similar to the process used in the Sustainable Resource Use Committee, the Social Development Programmes Committee (SDP) Mitigation Matrix (see Annex 14) has been used as a foundation for discussions between Indigenous Peoples' representatives and company experts relating to social issues of concern to the Indigenous Peoples. The SDP Mitigation Matrix was initially compiled on the basis of issues raised by indigenous representatives during early SIMDP consultations (May/June 2005) and issues listed in a letter provided to the Company by the Sakhalin Indigenous Minorities' Council chair, dated 8 July 2005. These original concerns are listed in the SIMDP (see Section 3.1.5 Table 05, 3.2.2 Table 06 and Appendices 9 and 10).

The Social Development Programmes Committee included two representatives of the SIMC (one from Okha and the other from Poronaisk districts), the Indigenous Peoples representative in the Oblast Duma, and two other Indigenous representatives: the director of the Nogliki Museum of Regional Studies and the Head of the Ethnological Department in the State Sakhalin Regional Museum located in Yuzhno-Sakhalinsk.

The SDP Committee was co-ordinated by the Indigenous Peoples Programme Co-ordinator. In addition to the SIMDP Team, Company experts from the following departments took part in the work of the SDP Committee:

- Social Assessment Group
- Health, Safety, Environment and Security (HSES) Department

SDP Committee meetings took place in Yuzhno-Sakhalinsk (on 22-23 August 2005, and 10 February 2006) and in Nogliki (on 17-18 September 2005).

The two SDP Mitigation Sub-Matrices are structurally similar to the ones in the SRU Committee:

- Sub-Matrix A: No further actions required, including issues that have been resolved, issues that both parties agree are not resolvable in the context of the SIMDP, and issues that both parties 'agree to disagree' on.
- Sub-Matrix B: Further actions required, including issues still to be resolved, issues to be addressed by the fish expert, and issues to be addressed as part of the Project Documentation Review.

These two Sub-Matrices can be found in Annex 14. The ultimate aim is for negotiations to result in all issues being transferred to Sub-Matrix A. Below is a summary of the content of the two Sub-Matrices.

Sub-Matrix A: No further actions required

Issues that have been resolved during the Committee meetings are listed below. SDP Sub-Matrix A provides details of how these issues have been resolved:

1. Concern associated with health: predicted increases in sexually transmitted diseases as a result of arrival of large numbers of mainly male new personnel from mainland;

2. Concern about lack of adequate long-term programmes on rehabilitation and adaptation of the Indigenous Minorities to changed conditions as a result of negative affects of Sakhalin II Project development;
3. Concern about lack of employment opportunities for Indigenous Peoples because of discrimination in SEIC operations;
4. Concern about additional load on public roads and increased traffic;
5. Concern associated with violation of sacred sites and ceremonies by Sakhalin-II construction activities;
6. Concern associated with potential for inter-ethnic conflict due to SEIC staff trading alcohol for fish and roe with Indigenous Minorities;

Another concern associated with potential for inter-ethnic conflict and resentment among non-indigenous people because of Indigenous Minorities benefiting from the SIMDP.

The concern about violation of sacred sites as a result of Sakhalin II construction activities (issue 5 in the above list) was resolved and the Treatment Plan for Objects of Cultural Heritage was distributed via e-mail among the members of the SDP and SRU Committees in late September 2005. However, the members of the SDP Committee requested the company to provide a map of sacred sites along the pipeline route. A list and a map of objects of cultural heritage, located in the zone of direct and indirect impact of Sakhalin-2 project will be provided to the SDP Committee members at the next Committee meeting.

Sub-Matrix B: Further actions required

Two other concerns that will require further actions are those relating to the impact of declining quality of fish on the health of local people (questions 1 and 2). These questions could not be resolved immediately and were included in the list of questions for the fish expert, nominated by the Sakhalin Indigenous Minorities' Council and its consultants. These two concerns will be dealt with in the Sustainable Resource Use Committee along with other questions related to fisheries, and the results will be presented to the SIMDP Working Group, and subsequently to the Social Development Programmes Committee.

To resolve further Indigenous Peoples' concerns relating to social issues as they arise in future, Sakhalin Energy established the following measures, common for both Committees (for details please see Section 4.1.2 above):

- Sakhalin Energy Grievance Procedure (for additional details please see Section 4.5.3);
- Indigenous Peoples' Community Liaison Officer;
- Further meetings with Company experts on request; and
- SIMDP monitoring.

4.2 SPECIFIC DEVELOPMENT MEASURES

4.2.1 INTRODUCTION: HOW THE DEVELOPMENT MEASURES WERE SELECTED

The specific development measures for the SIMDP were selected through an extensive consultation process with Indigenous Peoples and technical experts of many kinds. Beginning with the first round of consultations held throughout the island in May/June 2005 and continuing with consultations through January 2006, indigenous communities were polled as to preferences for development measures. These discussions resulted in identifying traditional economic activities,¹⁹ education, health, and culture as the main areas of development interest. To these four, the Working Group (composed of indigenous and company representatives) added capacity-building elements to the plan.

The composition of the sub-components, like the selection of the components, reflects an intensive interaction between Sakhalin's Indigenous Minorities, Sakhalin Energy, and many other engaged participants. Once the main components were selected, consultations began with technical experts from Sakhalin Energy and the Oblast administration, community leaders, businessmen, and non-governmental organizations (NGOs). Community consultations and a call for sub-component proposals from the indigenous community members themselves elicited dozens of proposals (see Annexes 15 for an example of a sub-component proposal form).

The Social Development Programmes Committee members reviewed the sub-component proposals and suggestions (58 proposals in total) and made recommendations to the Working Group as to which of them to support as part of the SIMDP. The proposals submitted to the Sustainable Resource Use Committee for consideration under the Traditional Economic Activities Support Programme (34 proposals in total) have been split into two groups. Those that do not relate to business development activities will be re-submitted to the SIMDP Mini-Grants Fund. With regards to those that do relate to business development, all the enterprises that submitted an application will be invited to take part in the support programme. This will involve an initial needs and capacity assessment, followed by a tailored training programme, including business plan development, and the opportunity to access further business support in the form of specialist training, grants or credit. Funding decisions will be approved by the SIMDP Advisory Board.

4.2.1.1 Pilot Nature of the First Year of the SIMDP

Given the pioneer nature of many of the activities included in the SIMDP as well as the need to test out new structures of oversight and implementation, the Working Group has advised that the first year's sub-component allocations and selections be considered trial runs for the full SIMDP. Thus there will be a need for intensive reflection, evaluation, and revision towards the end of Year One in preparation for Year Two. Planning for that and future years will take into account lessons learned, with full plan evaluation scheduled for the third year during the Mid-term Evaluation (see Section 4.5.2).

¹⁹ This refers to types of economic activity traditionally practiced by Indigenous Peoples, including contemporary forms of these activities.

4.2.2 TRADITIONAL ECONOMIC ACTIVITIES SUPPORT PROGRAMME

4.2.2.1. OVERVIEW

Sakhalin Energy's consultations with Indigenous Peoples have revealed their anxieties over possible impacts of the Sakhalin II Project on their natural resource base, in particular fisheries and reindeer pastures, and their concern that those Indigenous People without the relevant skills will not benefit from employment and business opportunities with the Project. To date, oil company support for Sakhalin's indigenous communities has largely taken the form of grants and donations, which have not resulted in the desired sustainable development outcomes.

At a SIMDP Working Group meeting, Indigenous Peoples' representatives agreed that about half of the SIMDP budget be allocated to support for traditional economic activities. This reflects their desire for assistance to build their own capacity and become more self-sufficient.

The **Traditional Economic Activities Support Programme** (TEAS Programme) has been designed to address issues of Indigenous Peoples' employment and business development as well as concerns about impacts on their natural resource base. Indigenous Peoples' representatives have also emphasised the importance of traditional resource use activities (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 Peoples
- Create employment and business opportunities for Indigenous Peoples based on their current skills and experience
- Build the capacity of indigenous enterprises, including their ability to take advantage of Sakhalin II Project-related business opportunities
- 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 Peoples' enterprises to provide social benefits and support to their local communities
- Encourage successful Indigenous Peoples' enterprises to act as model enterprises for others

The Working Group and Sustainable Resource Use Committee agreed that priority be given to Nogliki District in the implementation of the TEAS Programme during the first year of the plan, in view of the fact that Nogliki District is experiencing the greatest direct impact from the Sakhalin II Project. Other districts will receive appropriate benefits in subsequent years.

4.2.2.2. 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' (*rodovye khoziaistva*). 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 Peoples for subsistence use (100 kg per person per year). At the larger end of the spectrum, a few enterprises use commercial quotas and sell their catches to commercial markets for profit. In between lies a range

of small non-commercial entities, some of which have the potential to become commercial enterprises.

Today there are very 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. Good quality crafts produced by local craftspeople are in great demand from oil company workers, other business visitors, tourists, academic researchers and NGO representatives. Non-indigenous small-scale fishing enterprises in northern Sakhalin are successful: entrepreneurs have their own small processing facilities and use credit to develop their businesses. The full potential for harvesting and processing NTFPs in the northern districts of Sakhalin has to be assessed, but based on past experience and some successful attempts to revive the activity, this could also be a viable business for Indigenous Peoples if properly managed. There is also potential for the development of ethnic tourism on Sakhalin.

During consultations, Indigenous Peoples' representatives have expressed the desire for the SIMDP to provide support to those enterprises that are commercial entities or have the potential to become commercial entities. It is evident from consultations and proposals 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.

The **Traditional Economic Activities Support Programme** 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 outer market economy.

4.2.2.3. PROGRAMME DEVELOPMENT PROCESS

At this stage (as of February 2006) the Traditional Economic Activities Support Programme is in the form of an implementation framework, based around an Enterprise Support Initiative focusing on business training and direct (financial) support. A number of variables still need to be clarified during the preparation of the SIMDP Implementation Plan and during implementation itself, particularly in the early stages.

The design of the Traditional Economic Activities Support Programme has been informed by the following:

- Discussions at meetings of the Working Group and the Sustainable Resource Use Committee from May 2005 to date
- The results of SIMDP consultations from May 2005 to January 2006
- Extensive consultation with external experts, both locally and internationally
- Proposals for business development projects submitted by indigenous enterprises in 2005, and assessments of these proposals by Company representatives and external experts
- A visit by the Sakhalin Energy Indigenous Peoples Programme Team to Nogliki in January 2006 specifically to consult with representatives of local indigenous enterprises, the local administration and other experts about this programme

Of all the project proposals submitted to the SIMDP, two main types of proposal fell into the category of 'traditional economic activities'. These were proposals from individual households or enterprises for (a) pieces of equipment, mostly for fishing activities, and (b) training, both in business skills and in specific technical skills. An exception was provided by the newly formed indigenous community (*obschina*) in

Nogliki that submitted a large proposal for assistance in establishing a fish processing plant for indigenous enterprises of the Nogliki area. The SIMDP Team also received letters of support for the latter proposal, from representatives of Nogliki indigenous enterprises, and from Sakhalin's Vice Governor, Viktor Nagorniy. The proposal itself was reviewed by several internal and external experts, both local and international.

The 'traditional economic activity' proposals have informed the design of the TEAS Programme. Enterprises that have submitted proposals for business development projects will be invited to take part in the **Enterprise Support Initiative** (see below), with the emphasis given to Nogliki enterprises in Year One, for the reasons given above. Those grant proposals that do not relate to business development will be re-considered as proposals for the SIMDP Mini-Grant Fund (see section 4.2.8). The Mini-Grant Fund will be open to business proposals from all over the island, in addition to non-business proposals.

4.2.2.4. PROGRAMME FRAMEWORK

The Traditional Economic Activities Support Programme is made up of three subcomponents (sub-programmes or projects). The main subcomponent is the **Enterprise Support Initiative**, and the other subcomponents integrate with this one. During SIMDP Year One, **Support for Reindeer Herding** is considered separately, as there is an ongoing Sakhalin Energy programme of support to reindeer herding. The proposed **Partnership Projects** will complement and enhance the core Enterprise Support Initiative, but funding for these will not come from the core SIMDP budget. The SIMDP Team aims to seek additional funding from external sources to support the Partnership Projects and additional technical assistance for the Traditional Economic Activities Support Programme.

A. Enterprise Support Initiative

The Enterprise Support Initiative offers training, mentoring and direct (material) support to indigenous enterprises. The Enterprise Support Initiative is a business development initiative. All participating enterprises will undergo a needs and capacity assessment, and be registered in the TEAS Programme enterprise database. Business development experts will work closely with indigenous enterprises that are participating in the initiative and will help them to develop their business skills, access business start-up grants or credit from the SIMDP funds or other source, develop their market access potential and find business partnerships.

The **Enterprise Support Initiative** includes the proposed activities listed below (1-4).

1. **Needs and Capacity Assessments:** (obligatory stage for all participant enterprises) of participating enterprises on the basis of individual consultation. Trainers/mentors will work closely with enterprises to help them realise their objectives based on the needs assessment.
2. **Business Development Training:** As this is a pilot year, the decision to hold business development training will depend on the advice of participants, the training organisation and the TEAS Programme Committee.
3. **Business Start-up Scheme:** The following forms of direct support are possible; there will be strict reporting requirements and a strong focus on transparency and accountability:
 - **Technical Skills Training-** Grants to cover the cost of technical training. Proposals submitted to date include: shoe making, needlework, refrigerating equipment specialists, and fish processing technologists
 - **Direct financial support from SIMDP funds-** The form of this support is to be confirmed. There will be strict reporting requirements and a strong focus on transparency and accountability

4. **Business Development Scheme:** The trainers/mentors will help enterprises to access the following forms of direct support from sources other than the SIMDP::
- Low interest loans
 - Training and preparation for using credit at market prices (including assistance with applications to existing micro-credit facilities and bank schemes)
 - Assistance with development of business projects based on market mechanisms (e.g. lend-lease: a mentoring enterprise would loan equipment to an NTFP harvesting centre or fish processing plant. The local enterprise can use its profits to buy its own equipment.)

Efforts will also be made to link successful entrepreneurs with Sakhalin Energy's Corporate and Project Teams to supply goods and food products on a contract basis to the Project. Enterprises will also be made aware of new business opportunities available in relation to the Project.

The **Enterprise Support Initiative** will require further analysis of the background economic situation (e.g. the state of fishing in northern Sakhalin). In addition the programme will require preparatory work with the indigenous enterprises and communities themselves.

B. Ongoing Support for Reindeer Herding

There is an ongoing Sakhalin Energy programme of support for reindeer herding, some of the activities of which will continue through the Sakhalin-2 project construction period. On the basis of review and assessment of current support activities, and further advice from experts, a further programme of support for reindeer herding may be designed and implemented. From 2007 forward, financing for such further reindeer herding support would come from the SIMDP budget. In any event, herding managers and herding family members wishing to develop their crafts and other businesses will have access to the Enterprise Support Initiative from the SIMDP launch in 2006.

C. Potential Partnership Projects

The Sakhalin Energy Indigenous Peoples Programme, along with the SIMDP Advisory Board, will actively seek co-funding opportunities for partnership projects and additional technical assistance. A number of partnerships are already under consideration. Core SIMDP funds will not be used for the additional partnership activities. Financial and material support for SIMDP partnership activities will be provided in the following ways:

- The partnership organisation provides in-kind support, e.g. contribution of staff time
- The partnership organisation provides financial support secured from another funding body
- The Sakhalin Energy Indigenous Peoples Programme or the SIMDP Advisory Board (see below section 4.4.1.) accesses additional support from another funding body or sponsor
- A commercial partner provides support in the form of business opportunities or direct investment

Potential partnership projects include the following:

- **Crafts enterprise development support:** A Christmas sale of indigenous crafts to Sakhalin Energy employees in 2005 demonstrated that there is potential among indigenous groups to produce crafts to order (and a belief that they can be sold).

Further crafts sales are planned. There may be opportunities for co-funding and sponsorship to support further activities, e.g. marketing initiatives and study trips.

- **Sakhalin Oblast Administration Indigenous Peoples Programme partnership initiatives:** The Sakhalin Energy Indigenous Peoples Programme is open to the idea of working together with the Sakhalin Oblast Administration. As of February 2006, the current Oblast Indigenous Peoples Programme is still awaiting approval. Some aspects of the Oblast Programme may fit with SIMDP activities, in which case they may be incorporated into the core SIMDP activities. In other cases, complementary activities may benefit from a partnership arrangement.
- **Sustainable fisheries initiatives:** There is potential for partnership with current planned Sakhalin Energy supported initiatives. The Sakhalin Energy Indigenous Peoples Programme will keep in close contact with the co-ordinators of these initiatives. Funding for these partnership activities will come from other Sakhalin Energy sources and/or external sources.
- **Potential Partnerships with non-indigenous local entrepreneurs:** The Sakhalin Energy Indigenous Peoples Programme seeks to promote partnerships with local entrepreneurs who can provide jobs, business opportunities and business support for Indigenous Peoples in the sphere of traditional economic activities. This may be tour operators, crafts salespeople, hunters, NTFP business developers or other types of entrepreneur. Support provided to indigenous enterprises will be in the form of business opportunities and investment.

Programme Budget

The total funding expected to be allocated to the TEAS Programme will approach US\$140,000. In subsequent years, the SIMDP Advisory Board (see section 4.4.1) and the Sakhalin Indigenous Minorities' Council will make recommendations regarding the percentage of support that will go to other districts, according to pre-agreed criteria.

The needs and capacity assessments, business development training and technical skills training make up one budget block (Preparation and Training). The Business Start-Up Scheme and Business Development Scheme are covered by another budget block (Direct Support), which also includes support to reindeer herding. The specific allocation of financial support to the latter two schemes and the content of the schemes will be determined for Year 1 during the preparation of the SIMDP Implementation Plan, based on the results of evaluations. The allocation of funds and the content of schemes will be reviewed and modified annually.

Programme Management and Monitoring

The primary decision-making body for this programme will be the **Traditional Enterprise Support Committee**. This body, which will take over the development of this component from the Sustainable Resource Use Committee, will operate as a sub-grouping of the **SIMDP Advisory Board** (see section 4.4.1.) and include representatives of Indigenous Peoples, their consultants, Sakhalin Energy and the key agencies and individuals involved in the implementation of the programme. 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 monitored and evaluated by Sakhalin Energy to assess the success of training and financial schemes, both on an individual enterprise level and at a programme level. Monitoring and evaluation will also be carried out by third party monitoring bodies, including Indigenous Peoples representatives, as described in SIMDP Section 4.6. Regular consultation will take place with participants and implementers, and the results of these will feed back into planning and design of further activities.

Table 09: Traditional Economic Activities Support Programme Activities

Year	A. Enterprise Support Initiative	B. Ongoing Support for Reindeer Herding	C. Partnership Projects
1	<p>Available to all Indigenous Peoples' enterprises:</p> <ol style="list-style-type: none"> 1. Needs and capacity assessments 2. Business training and mentoring <p>Available to all Nogliki District Indigenous Peoples' enterprises:</p> <ol style="list-style-type: none"> 3. Technical skills training 4. Business Start-up Scheme 5. Business Development Scheme 	<ul style="list-style-type: none"> ▪ Completion of 2005 reindeer support project. 	<p>The Sakhalin Energy Indigenous Peoples Programme will actively seek co-funding opportunities for partnership projects and additional technical assistance.</p>
2-5	<p>Available to all Indigenous Peoples' enterprises:</p> <ol style="list-style-type: none"> 1. Needs and capacity assessments 2. Business development training 3. Technical skills training 4. Business Start-up Scheme 5. Business Development Scheme 	<p>Development of further project(s) based on expert recommendations</p>	<p>As above</p>

Table 10: Budget Allocation for the Enterprise Support Initiative in the Traditional Economic Activities Support Programme (See also 4.7.1. Cost Table)

Year	Training and Preparation	Direct Support
1	<p style="text-align: center;">Maximum of 50,000 USD subject to costing evaluations and approval by Working Group</p> <p>Available to all Indigenous Peoples' enterprises, Island-wide (including Nogliki District):</p> <ul style="list-style-type: none"> 0. Preliminary seminars and workshops 1. Needs and capacity assessments 2. Business training and mentoring <hr/> <ul style="list-style-type: none"> 3. Technical skills training (Nogliki District enterprises only, up to 10,000 USD) 	<p style="text-align: center;">Minimum of 90,000 USD subject to costing evaluations and approval by Working Group</p> <p>Available to all Nogliki District Indigenous Peoples' enterprises:</p> <ul style="list-style-type: none"> 4. Business Start-up Scheme 5. Business Development Scheme
2-5	<p style="text-align: center;">% to be agreed upon by SIMDP Advisory Group and Sakhalin Energy Indigenous Peoples Programme after Year 1 review</p> <p>Available to all Indigenous Peoples' enterprises, Island-wide:</p> <ul style="list-style-type: none"> 1. Needs and capacity assessments 2. Business training and mentoring 3. Technical skills training 	<p style="text-align: center;">% to be agreed upon by SIMDP Advisory Group and Sakhalin Energy Indigenous Peoples Programme after Year 1 review</p> <p>Available to all Indigenous Peoples' enterprises, Island-wide:</p> <ul style="list-style-type: none"> 4. Business Start-up Scheme 5. Business Development Scheme <p>Available to Val reindeer herding enterprise(s):</p> <ul style="list-style-type: none"> ▪ Funding support based on expert recommendations

4.2.3. Social Development Programme

Overview

As described above, an extensive consultation process with the indigenous population resulted in identifying education, health, and culture as the main areas of social development support. At a SIMDP Working Group meeting a capacity-building element was added as the fourth component. The SIMDP Working Group decided that about half of the SIMDP budget will be allocated to support traditional economic activities and the other half will be allocated to support the Social Development Programme.

Community consultations and a call for sub-component proposals from the indigenous community members themselves resulted in about 60 social proposals submitted. Once the proposals were received, the Indigenous Peoples representative in the Oblast Duma, as the member of the SIMDP Working Group and the Social Development Programmes Committee, appealed to the heads of the Departments of Health, Education and Culture asking to nominate their experts to advise on selection of the sub-components. The heads of the departments expressed their interest in cooperating with the SIMDP Social Development Programme by nominating the experts.

Once separate meetings with the experts were held, the Social Development Programmes Committee reviewed and selected the sub-component proposals and suggestions, taking into consideration the experts' advice, and made recommendations to the Working Group. The composition of the sub-components, like the selection of the components, thus reflects an intensive interaction between Sakhalin's Indigenous Minorities, Sakhalin Energy, and Sakhalin Oblast authorities. Regular consultations with the appointed experts will be held at the stage of development of the Implementation Plan, to discuss in further detail opportunities for co-implementation and co-monitoring of the selected programmes.

The implementation of the Social Development Programme will be monitored and evaluated by Sakhalin Energy and third party monitoring bodies, including Indigenous Peoples representatives, as described in Section 4.6.

The Working Group, and its successor the SIMDP Advisory Board, will seek additional funding from external sources to support the Social Development Programme, particularly in training and capacity building areas.

Programme Framework

Below are brief descriptions of sub-component proposals within the four components of the Social Development Programme selected for financing in 2006 by the Social Development Programmes Committee and approved by the Working Group. Those proposals that were not selected for support in 2006 will be re-considered as proposals for the SIMDP Mini-Grant Fund (see section 4.2.8) and for future years of financing.

4.2.4. Health Care Component

Alcoholism treatment (\$7, 000)

The experts as well as local Indigenous Minorities see alcoholism as one of the major problems of indigenous communities. This sub-component provides for the provision of specialized medical care through Central District Hospitals (CDH). Contracts will be signed with medical officers of CDH for provision of medical care services. The details

will be further discussed with the Department of Health. The sub-component will have regional coverage, with about 30 people targeted in the first pilot year.

Treatment for Anaemia (\$11, 000)

According to health specialists, many Indigenous Peoples, including children, develop anaemia due to a number of factors, including malnutrition. This sub-component aims at prevention and treatment of anaemia among indigenous children and adults at the regional level.

Prosthodontics (\$8, 000)

Dental problems are common among Sakhalin's Indigenous Minorities. Although the Oblast Administration's Social Support Fund maintains a prosthodontics programme, additional funding is needed to target more Indigenous Peoples at the regional level.

Treatment of Vision Disorders (\$3, 500)

The programme will be implemented in cooperation with the sole Ophthalmologic Department on the island, in the Sakhalin Regional Hospital, targeting elderly people who need eye surgery.

Purchase of Equipment for a Mobile Dental Station (\$11, 000)

This sub-component will target Indigenous Peoples in the isolated communities of Viakhtu and Trambaus, in the Aleksandrovsk-Sakhalinskiy district, who have no access to dental services.

Training of Medical Personnel (\$3, 000)

The programme was proposed by the experts from the Department of Health and provides for support of the education of three Indigenous young people in medical colleges in Yuzhno-Sakhalinsk or Aleksandrovsk-Sakhalinskiy. This will include payment for school fees, including dormitory charges, board, and stipends. It is planned that the graduates will come back to their home communities to work in the local medical stations for a contracted time period.

Mother and Child Welfare (\$3, 000)

Support to indigenous others during the first year of their child's life. The support will be in the form of kits for children, the composition of which will be determined during further consultations with indigenous mothers and health specialists.

4.2.5. Education Component

Professional / Re-qualification/ Advanced training (\$6, 000)

The training will target unemployed Indigenous People in different communities around the island and is aimed at helping them find employment. The details of the programme, including types and number of jobs demanded, will be further discussed with the Department of Education and the Centre for Vocational Training. Professional training related to traditional economic activities will be supported via the Traditional Economic Activities Support Programme.

Tuition Scholarships and Stipends for Students from Low-income Families (\$27, 000)

The programme will cover tuition fees for all indigenous students in higher and professional training institutions on Sakhalin Island and elsewhere in Russia. This will also include payment of stipends to students from low-income families.

Incentive Scholarships (\$3, 000)

An incentive (merit) scholarship will be paid to indigenous students in higher and professional training institutions upon demonstration of excellent academic records at the end of the school year.

Support of Targeted Education (\$5, 500)

The programme is aimed at supporting targeted education to train individuals from indigenous clan enterprises or Indigenous Peoples organizations to gain certain professional skills. Graduates will be expected to return to their sponsoring enterprise or organization for a contracted period minimum.

Playroom Equipment for Nekrasovka Boarding School (\$3, 000)

Playroom equipment for pre-school children of the boarding school in Nekrasovka settlement (Okha district). The project will serve all children (both indigenous and non-indigenous) attending the school.

Playroom Equipment for Poronaisk Technological Lyceum of Traditional Crafts (\$2, 000)

Playroom equipment will be provided for a the boarding school of the Poronaisk Technological Lyceum of Traditional Crafts. The project will target both the indigenous and non-indigenous children attending the school.

4.2.6. Culture Component**Publication of an Art Album on Traditional Clothes and Shoe making (\$5, 000)**

Publication of a colour art album of a Nivkhi craftswoman about traditional Nivkhi ways of making shoes and clothes (with descriptions of style, tailoring, application of national ornaments). The book will be distributed free to indigenous craftspeople, IPOs, schools and libraries.

Support for an Indigenous Artist's Exhibition (\$1, 000)

Support for an exhibition in the Yuzhno-Sakhalinsk Art Museum of a Nivkhi artist teaching at the Nekrasovka boarding school in Okha district.

Establishing an Information Centre in the Library of Trambaus Settlement (\$3, 000)

The library is located in an indigenous settlement of Trambaus in the Aleksandrovsk-Sakhalinskiy District. The residents feel that they suffer from an information vacuum due to the isolation of the settlement. Purchase of computer equipment and payment for internet access will be covered under this project. All residents (both indigenous and non-indigenous) of the community will have access to the Information Centre.

Support to a Children and Youth Club in Chir-Unvd Settlement (\$500)

The *Severyanochka* Children and Youth Club is located in the library of the indigenous community of Chir-Unvd in Tymovskiy District. The aim of the club is to preserve and promote ethnic culture among young people. As part of this project, basic stationary and materials for making crafts will be provided to the club.

Repair of the Nogliki District Museum of Local Studies (\$9, 000)

The Nogliki District Museum of Local Studies serves as the cultural and information centre for Indigenous Peoples in Nogliki. All indigenous community meetings are held in the museum. The building requires structural repairs.

Support to Nogliki Indigenous Peoples Organisation (\$1, 500)

Support in buying computer equipment for the Nogliki indigenous organisation *Enlyauk*. The project aims at enabling the exchange of information with other Indigenous Peoples Organisations on Sakhalin and beyond. It will also help low-income Indigenous Peoples in Nogliki gain access to computer services.

4.2.7. Training Capacity / Building Component**Legal Seminar for Indigenous Leaders (\$4, 000)**

The seminar will target leaders in Indigenous Peoples' Organisations and indigenous community activists around the island. Focus will be on general Russian Federation legislation and Indigenous Peoples legislation, as well as accounting in non-profit organizations and other important issues. RAIPON Training Centre will be consulted to help devise the programme of the seminar.

Purchase of Computer Equipment for Indigenous Peoples' Organisations (\$10, 000)

Purchase of computer equipment for Indigenous Peoples NGOs in 6 districts where Indigenous Peoples live (1 set of equipment per district).

IPO Leadership Training (\$5, 000)

The SIMC has requested leadership training in a number of areas such as program administration, "bureaucratic paperwork," budgeting, planning, negotiation skills, conflict resolution, craftsmanship, monitoring and evaluation, and learning about Indigenous Peoples' issues in other regions of Russia and in other countries. This sub-component would fund a series of such training opportunities for the SIMC and other island IPOs.

Budget Allocation for the Social Development Programme (See also 4.7.1. Cost Table)

Following the recommendation of the Social Development Programmes Committee, the Working Group approved the allocation of the budget for social components, shown in the table below. The budget is defined for year 2006; it will be adjusted for each component in the following years.

Year	HEALTH CARE COMPONENT	EDUCATION COMPONENT	CULTURE COMPONENT	TRAINING/CAPACITY BUILDING COMPONENT
1	\$47,000	\$47,000	\$20,000	\$19,000
2	\$47,000 (+/- \$7,000)	\$47,000 (+/- \$7,000)	\$20,000 (+/- \$7,000)	\$16,000
3	\$47,000 (+/- \$7,000)	\$47,000 (+/- \$7,000)	\$20,000 (+/- \$7,000)	\$15,000
4	\$47,000 (+/- \$7,000)	\$47,000 (+/- \$7,000)	\$20,000 (+/- \$7,000)	\$15,000
5	\$47,000 (+/- \$7,000)	\$47,000 (+/- \$7,000)	\$20,000 (+/- \$7,000)	\$15,000

4.2.8. Sakhalin Indigenous Minorities Mini-Grant Fund

Purpose. A Sakhalin Indigenous Minorities Mini-Grant Fund (SIMMGF) will be established with three aims in mind:

- To meet the needs of Indigenous Minorities applicants for support
- To initiate a process and pilot a structure of indigenous control over this and similar development funds
- To raise the capacity of Sakhalin's Indigenous Minorities to manage such funds

Budget. \$30,000 of the SIMDP budget will be set aside annually for this Mini-Grant Fund.

Grants. All Indigenous Peoples from Sakhalin, whether individuals or groups, will be able to apply for a mini-grant of between US\$1000-5000 (with a target distribution of two \$5000, four \$2,500, and ten \$1000 grants). These grants could be used for any social development purpose that is broadly within the spirit of similar Sakhalin Energy social programmes.

Supervisory Board. Five indigenous representatives from Sakhalin IPOs (most prominently the Sakhalin Indigenous Minorities Council) will serve on a Supervisory Board to oversee the Fund. They will decide annually on award of the grants by a majority vote and will set grant criteria. The Sakhalin Energy Indigenous Peoples Programme Coordinator, the Indigenous Peoples representative to the Sakhalin Duma, and a representative of the SOA Indigenous Peoples Department will be invited to serve as non-voting members of the committee. Advisors (e.g., on sustainable development or accounting issues) will be invited or appointed as necessary.

Selection of Supervisory Board Members. Three of the five spots on the Board will be selected by Sakhalin's pre-eminent indigenous organization, the SIMC. The two other seats will be filled by representatives of two other IPOs, appointed by SEIC in consultation with the SIMC, the SOA Indigenous Peoples Department, and the Indigenous Peoples Representative to the Sakhalin Duma., Board members should be chosen with the principle of geographic and ethnic inclusion in mind.

Terms of Supervisory Board Members. Supervisory Board Members will serve for a term of two years. Although all members may be re-appointed, rotation of some members would be advisable to expand familiarity with the SIMDP and its structure and operations.

Conflict of Interest. If Supervisory Board Members, or members of their family, have a personal stake in any grant proposals coming before the Mini-Grant Fund Supervisory Board, they will absent themselves from any discussion or voting on the issue.

Sustainable Development. Sustainable development will be an emerging theme for the SIMMGF. Although it is anticipated that the majority of grants awarded might not be considered sustainable, particularly in the SIMMGF's first few years, it is anticipated that the percentage of grants awarded that fit sustainability criteria will rise over the life of the SIMDP.

Prior to deciding on the award of grants for Year One (summer 2006), the Supervisory Board members should meet with SEIC's sustainable development advisors. The purpose of such meetings would be to raise the awareness of Supervisory Board members as to the national and international discussions on sustainability and to determine appropriate application of such concepts to Sakhalin and the SIMMGF.

Outreach Materials: A brochure outlining the types of projects which could be supported by the SIMMGF and explaining how to apply for the grants, along with deadlines, should be prepared and widely distributed at least 60 days before the deadline. For 2006, however, this window should be reduced to 45 days prior to the deadline. This would make sense given the reality that many projects have already been referred to the SIMMGF through the general SIMDP preparation process during the winter 05-06.

4.3 ROLE OF THE IMPLEMENTING AGENCIES

4.3.1 Role of Government Agencies in Implementing the SIMDP

Oblast and municipal level government administration support will be critical to SIMDP success, particularly with the social development programmes. The SIMDP Implementation Plan will need to carefully detail collaborative approaches. Table 4.3.1 lays out initial thinking regarding SIMDP-government interaction.

Table 11: Dependence of SIMDP Program Implementation on Government Support

Component	Sub-Component	Role of Government
Traditional Economic Activities Support Programme	A. Enterprise Support Initiative B. Ongoing Support for Reindeer Herding	<ul style="list-style-type: none"> ▪ District Administrations can provide advice on enterprise development in local districts ▪ Oblast Administration experts can also provide advice on enterprise development, as well as advice on sustainable resource use matters (e.g. the state of fisheries in northern Sakhalin)
		<ul style="list-style-type: none"> ▪ Nogliki District Administration and Val Village Council can provide advice on support to reindeer herding
Health	<ul style="list-style-type: none"> ▪ Alcoholism treatment ▪ Treatment for Anaemia ▪ Prosthodontics ▪ Treatment of Vision Disorders ▪ Purchase of Equipment for a Mobile Dental Station ▪ Training of Medical Personnel ▪ Mother and Child Welfare 	<ul style="list-style-type: none"> ▪ Departments of Culture, Education, and Health as well as the Oblast Administration as a whole, can provide advice and assistance in implementing and monitoring of projects ▪ District administrations can also provide advice and assistance in implementing and monitoring of projects
	<ul style="list-style-type: none"> ▪ Professional / Re-qualification/ Advanced training ▪ Tuition Scholarships and Stipends for Students from Low-income Families ▪ Incentive Scholarships ▪ Support of Targeted Education ▪ Playroom Equipment for Nekrasovka Boarding School ▪ Playroom Equipment for Poronaisk Technological Lyceum of Traditional Crafts 	
Education		

Component	Sub-Component	Role of Government
Culture	<ul style="list-style-type: none"> ▪ Publication of an Art Album on Traditional Clothes and Shoe making ▪ Support for an Indigenous Artist's Exhibition ▪ Establishing an Information Centre in the Library of Trambaus Settlement ▪ Support to a Children and Youth Club in Chir-Unvd Settlement ▪ Repair of the Nogliki District Museum of Local Studies ▪ Support to Nogliki Indigenous Peoples Organisation 	
Capacity building	<ul style="list-style-type: none"> ▪ Legal Seminar for Indigenous Leaders ▪ Purchase of Computer Equipment for Indigenous Peoples' Organisations ▪ IPO Leadership Training 	

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

The Sakhalin Indigenous Minorities Council has been the key partner to SEIC in devising the SIMDP. Such collaboration will continue with the SIMDP's implementation through joint monitoring and evaluation and participation in grievance mechanisms. In addition, the SIMC and partner IPOs will take primary responsibility for managing the Sakhalin Indigenous Minorities Mini-Grant Fund.

Overarching all of the above mechanisms for participation will be indigenous participation in the SIMDP Advisory Board that will oversee SIMDP implementation (see section 4.4).

To bolster the capacity of these IPOs to implement the SIMDP, a series of trainings and advisory services will be made available to the IPO leadership, including:

- A sustainable development advisor to bring international best practice experiences to the committee overseeing the SIMMGF
- A sustainable development advisor to bring Russian and Sakhalin best practice experiences to the committee overseeing the SIMMGF
- A series of business management workshops for IPOs to provide organizational management training
- Training for IPOs and indigenous activists in monitoring (section 4.6.2)
- Training for IPOs and indigenous activities in grievance procedures (section 4.5.3)

Furthermore, a number of targeted programs for IPO capacity-building has also been approved for Year One of the SIMDP (section 4.2.7).

4.3.3 SEIC STRATEGY OF ENGAGEMENT WITH IPOS AND LOCAL GOVERNMENTS TO PROMOTE INDIGENOUS DEVELOPMENT

In January of 2005 SEIC entered into a three-way partnership with the Indigenous People and the Sakhalin Oblast Administration to promote Indigenous Development on the Island (as discussed in section 2.2.5 above). Since then it has worked particularly closely with the representatives of the Indigenous Peoples, including both the Sakhalin Indigenous Minorities Council and the Indigenous Representative to the Sakhalin Duma, to design this SIMDP and has kept the Oblast Administration updated on planning progress. Such collaboration will continue during the implementation of this program and more broadly as well, as Administration experts have indicated a willingness to collaborate on subcomponent implementation. Furthermore, the Company also entered into discussions as of January 2006 with the prominent international NGO Living Earth to add awareness of Indigenous Minorities issues to its ongoing seminar series with local district governmental personnel.

One key initiative beyond the SIMDP is Company support for a Project Document Review process which will invite environmental and social science experts to review the documentation produced for the SIMDP and to report back in a public forum their findings. It is anticipated that this discussion will lead to a consideration of broad-range development strategies for the long-term development trajectory of the island's Indigenous Peoples. This is planned for the spring of 2006.

The Company has also engaged an international Indigenous Peoples expert to simultaneously serve as external consultant to both the Sakhalin Indigenous

Minorities Council and to the Company. Discussions with the Indigenous Peoples' representatives are held confidentially and have and will continue to include broad development guidelines for future programs and strategies.

4.4 STRATEGY FOR INDIGENOUS PARTICIPATION IN SIMDP IMPLEMENTATION

4.4.1 SIMDP Governance Structure

The Indigenous Peoples Programme of SEIC will coordinate SIMDP implementation. The Coordinator of the Program will also serve as SIMDP Coordinator and will be responsible for oversight of the SIMDP components and sub-components.

Throughout the period of SIMDP preparation a close collaboration was established with the Indigenous Minorities of the island through the Working Group structure (see Annex 11). The Working Group oversaw the preparation and writing of the SIMDP and served as an advisory body to the Company's Indigenous Peoples Program Coordinator. To continue this format into the implementation phase, an SIMDP Advisory Board (SAB) will be set up.

The SIMDP Advisory Board will meet as needed (according to a process to be determined by the Advisory Board itself), but no less frequently than four times a year. Its charge is to:

- Review with the SIMDP Coordinator the progress of the SIMDP
- Raise issues relevant to the successful implementation of and planning of later stages of the SIMDP
- Review reports on SIMDP progress as provided by the Company
- Meet with the External Monitor who will be charged with providing an independent review of the SIMDP implementation progress
- Review reports on SIMDP progress as prepared by the External Monitor
- Meet with project lenders' Sakhalin II project supervisory missions, as appropriate
- Advise SEIC on matters related to the development, broadly defined, of Indigenous Minorities on Sakhalin
- 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 components.

The following people will comprise the SAB:

- The SEIC SIMDP Coordinator
- The Head of the SEIC External Affairs Unit (or a designated representative)
- Three Sakhalin Indigenous Minorities Council representatives
- Two representatives of other Sakhalin Island IPOs selected by SEIC in consultation with the SIMC, the SOA Indigenous Peoples Department, and the Indigenous Peoples Representative to the Sakhalin Duma
- Two Sakhalin Government representatives (Administration and Duma), to be proposed by the relevant authorities within the Administration and Duma
- A representative of RAIPON, the national Indigenous Peoples organization, to be appointed by the RAIPON president in consultation with the SIMC

The SIMDP Advisory Board will meet soon after the SIMDP is formally launched in May 2006 to elect a chair and to establish its own operating procedures.

Board Committees. The TEAS Program will be guided by an Advisory Board TEAS Committee. The other components of the SIMDP will be overseen by an SAB Social Development committee.

Terms of Office. Members will serve for two year terms. Although all members may be re-selected, rotation of some members would be advisable to expand familiarity with the SIMDP and its structure and operations.

Conflict of Interest. If Advisory Board or Advisory Board committee members or members of their family have a personal stake in any funding or grant proposals coming before the SIMDP Advisory Board and its committees, they will absent themselves from any discussion or voting on the issue.

Executive Committee. An Advisory Board Executive Committee (EC) will help carry out implementation of the SIMDP in accordance with Advisory Board supervisory guidance and the SIMDP Implementation Plan (SIP). This EC will be composed of four members including the two SEIC Board members and two other members selected by the Board.

4.4.2 STRATEGY FOR PARTICIPATION

A. SIMDP Participation Principles

The SIMDP has been formulated in partnership with the Indigenous Minorities of Sakhalin Island 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 and sequencing of activities in meetings, including the setting of convening times, the sitting order and the sequence for offering comments, the meaning of certain words and the use of silence. The enumeration and understanding of these practices is useful in identifying most suitable participatory approaches and in the design of specific consultations for the Indigenous Minorities of Sakhalin.
- **Recognize the need for community consensus-building**
Those responsible for community liaison work with Sakhalin's Indigenous Minorities recognize 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. Values regarding participation will establish the weight attached to the agreements achieved in a consultation process and their likely longevity.
- **Recognize that consensus-building takes time**
Preparations for the SIMDP and plans for its implementation recognize 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**
Existing social and organizational structures for participation define the way in which different social groups can participate or are marginalized in discussions

and decision-making depending on the type of leadership, political status, age, or gender. In approaching SIMDP project preparation and implementation, attentiveness to ethnic, geographic, age, social, organizational, and gender inclusivity is and will continue to be critical.

- **Emphasize transparency**

To aid the process of inclusion, preparation and implementation of the SIMDP both rely on an open process of discussion and disclosure. The Working Group and its committees have 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 consultation 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. Each project sub-component of the SIMDP defines 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 SEIC goal in this SIMDP. All efforts, including a strong capacity-building dimension, aim at establishing the foundation for eventual indigenous self-management of this SIMDP and its successors.

B. SIMDP Participation Mechanisms

SIMDP Planning and Preparation

A Working Group composed of two representatives from the Sakhalin Indigenous Minorities Council and the indigenous representative to the Sakhalin Duma along with company and external members planned out and contributed to the development of the SIMDP from its start. So too were the two committees which worked on mitigation measures and project development, the Sustainable Resources Use and Social Issues Committees, co-peopled by indigenous, company, and external representatives.

SIMDP Implementation

Indigenous participation in the oversight of the SIMDP is anticipated through the establishment of the SIMDP Advisory Board (successor to the Working Group referred to above) and in the implementation of various sub-components. For each sub-component project a Beneficiaries Participation Framework will be prepared jointly by indigenous representatives and SEIC Indigenous Peoples Programme staff who will consult with sub-component proponents if necessary to determine the universe of stakeholders and their roles in sub-component activities (see section 4.4 C).

SIMDP Monitoring and Evaluation

A vigorous program of indigenous participation in the SIMDP monitoring and evaluation efforts is planned (see sections 4.5.3, 4.6.2, and 4.6.4, respectively).

C. SIMDP Sub-Component Implementation Framework (BPF)

[N.B.: For each sub-component (project) proposed, a BPF will be prepared.]

_____ **Component**

_____ **Sub-Component**

_____ **Planning Horizon (e.g. 6 months, 1 year, duration of Plan)**

Framework Element:	Comments
a. Identify Stakeholders	
b. Types of Activities Specified	With timetable for implementation
c. Extent/Nature of Participation	Of stakeholders in activities
d. Participatory Selection Strategy: communities (if relevant)	Village selection criteria; actual village selection
e. Participatory Selection Strategy: households (if relevant)	Household selection criteria; actual household selection
f. Indigenous/local monitoring indicators (how should "success" be assessed?)	Co-agency monitoring?
g. Participatory monitoring mechanism (Indigenous Peoples representatives and participants)	
h. Feedback mechanism to influence implementation	Monitoring used to influence design/ implementation changes
i. Information dissemination mechanisms	
j. Beneficiary participation in evaluation	
k. Financial arrangements	
l. Implementers : Responsible parties	Written agreement necessary? Y/N Terms agreed upon? Y/N Completed? Y/N
m. Timeline with implementation steps	

4.5 IMPLEMENTATION MECHANISMS, GRIEVANCE PROCEDURE, AND SCHEDULES

4.5.1 Implementation Schedule and Implementing Parties

The SIMDP will be launched during 2nd Quarter 2006, with funds disbursement expected to begin during the same period. Each plan year will begin with the 2nd Quarter and thus the concluding SIMDP quarter will be the 1st Quarter 2011. Phase Two SIMDP (2011-2015) will commence at that point. For year by year allocation of funding by sub-component, see section 4.7.1.

Responsibilities for sub-component implementation are distributed as shown in Table 4.5.1 below. Discussions and consultations will be held with relevant organisations and authorities to further define the co-implementation strategy. A special effort will be made to design a prominent role for Russia's pre-eminent Indigenous Peoples organization, RAIPON, in training and related activities.

Table 12: Summary of Primary Responsibilities for SIMDP Implementation

Component	Sub-Component	Primary Responsibility for Implementation
Traditional Economic Activities Support Programme	A. Enterprise Support Initiative	<ul style="list-style-type: none"> ▪ SEIC ▪ Sakhalin Indigenous Minorities Council ▪ Business training provider ▪ District Administrations
	B. Ongoing Support for Reindeer Herding	<ul style="list-style-type: none"> ▪ SEIC ▪ Sakhalin Indigenous Minorities Council ▪ Business training provider ▪ Nogliki District Administration ▪ Val Village Council
	C. Potential Partnership Projects	<ul style="list-style-type: none"> ▪ SEIC ▪ Sakhalin Indigenous Minorities Council ▪ Potential partners
Health	<ul style="list-style-type: none"> ▪ Alcoholism treatment ▪ Treatment for Anaemia ▪ Prosthodontics ▪ Treatment of Vision Disorders ▪ Purchase of Equipment for a Mobile Dental Station ▪ Training of Medical Personnel ▪ Mother and Child Welfare 	<ul style="list-style-type: none"> ▪ SEIC ▪ Sakhalin Indigenous Minorities Council ▪ Department of Health ▪ District administrations ▪ District hospitals and/or community paramedic stations
Education	<ul style="list-style-type: none"> ▪ Professional / Re-qualification/ Advanced training ▪ Tuition Scholarships and Stipends for Students from Low-income Families ▪ Incentive Scholarships ▪ Support of Targeted Education ▪ Playroom Equipment for Nekrasovka Boarding School ▪ Playroom Equipment for Poronaisk Technological Lyceum of Traditional Crafts 	<ul style="list-style-type: none"> ▪ SEIC ▪ Sakhalin Indigenous Minorities Council ▪ Department of Education ▪ Oblast administration ▪ District administrations ▪ Administration of a target organisation

Component	Sub-Component	Primary Responsibility for Implementation
Culture	<ul style="list-style-type: none"> ▪ Publication of an Art Album on Traditional Clothes and Shoe making ▪ Support for an Indigenous Artist's Exhibition ▪ Establishing an Information Centre in the Library of Trambaus Settlement ▪ Support to a Children and Youth Club in Chir-Unvd Settlement ▪ Repair of the Nogliki District Museum of Local Studies ▪ Support to Nogliki Indigenous Peoples Organisation 	<ul style="list-style-type: none"> ▪ SEIC ▪ Sakhalin Indigenous Minorities Council ▪ Department of Culture ▪ District administrations ▪ Administration of a target organisation
Capacity building	<ul style="list-style-type: none"> ▪ Legal Seminar for Indigenous Leaders ▪ Purchase of Computer Equipment for Indigenous Peoples' Organisations ▪ IPO Leadership Training 	<ul style="list-style-type: none"> ▪ SEIC ▪ Sakhalin Indigenous Minorities Council ▪ RAIPON

4.5.2 Mechanisms for Periodic Review and Adjustment of the SIMDP

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, SEIC plans:

- To establish an SIMDP Advisory Board (SAB) composed of Indigenous Minorities and others to oversee SIMDP implementation and recommend changes as necessary (see SIMDP section 4.4.1)
- To schedule an annual planning period (two weeks per year) devoted to 'lessons learned' and a reassessment of SIMDP proposed activities and budget allocations in the light of lessons learned
- To hold an annual meeting of the SAB during which the coming year's plan will be approved
- To monitor the SIMDP as part of its customary social program review mechanisms (see SIMDP section 4.6.2.)
- To engage an independent third party External Monitor to make periodic assessments of plan progress at six-month intervals through 2008 and yearly thereafter (see SIMDP section 4.6.3.)
- To conduct formal evaluations of the plan at mid-term and completion (the latter to be used to inform preparation of SIMDP Phase Two [2011-2016]; see SIMDP section 4.6.4.)
- To make arrangements for tripartite review by the senior management of the cooperating government implementing agencies, the Sakhalin Indigenous Minorities Council, and SEIC of SAB recommendations, and the other reports listed above, annually or as necessary
- To move promptly on Indigenous Peoples' complaints and concerns about SIMDP implementation and, if necessary, make modifications to the SIMDP

4.5.3 SEIC Grievance Procedure

The Company response to community grievances relating to the SIMDP will be the same as the response to any other community grievances (see Annex 13). This procedure is detailed in the corporate document "Community Grievance Procedure" (0000-S-90-01-P-0026-00-E). The process of submitting grievances is explained to community residents in the Public Grievance Leaflet (Appendix 1, Whistle Blowing Procedure, Company Document 0000-S-90-01-P-0097-00-E). Grievances are submitted in any of the following ways:

- By sending a completed Grievance Form (found as Attachment 1 in Public Grievance Leaflet [see SIMDP Annex 13]) to the address on the back of the form
- By contacting the local Community Liaison Office (CLO). A list of CLO contacts is provided at the end of the Public Grievance Leaflet
- By calling Sakhalin Energy directly on a confidential phone line at: +7 4242 66 2440
- By sending an email to: Grievancereport@sakhalinenergy.ru
- By reporting concerns via a confidential and anonymous website at: www.seicconfidential.com

Non-urgent grievances can be report by leaving a Grievance Form in a CLO box. CLO boxes are found in local libraries in Project-affected communities and are emptied regularly but not on a daily basis.

The Company External Affaires Department will acknowledge it within 10 working days and the recipient CLO will ensure continuity of communication through the resolution of the grievance. It is recommended that grievances be resolved within 20 working days from the receipt of the grievance, in particular if the grievance is low-level. A Grievance Owner is allocated to resolve the grievance and this person will make sure that the complainant receives a written progress report every 20 working days. When a grievance is resolved, the complainant is expected to sign a Statement of Satisfaction with the grievance resolution.

The Grievance Procedure was updated in 2005 and the new procedure is being 'rolled out' to local communities as of early 2006. This involves consultations in local communities with the aim of raising awareness about the Grievance Procedure and clarifying the ways that people can submit their grievances. In addition Company experts will elicit feedback from local communities about the Procedure, its accessibility and usability.

4.5.3.1 SIMDP Grievance Procedure Adjustments for Indigenous Peoples

During preparation of the SIMDP, indigenous representatives were asked to comment on the accessibility and usability of the current Grievance Procedure, and to give their opinion of how grievances have been resolved in the past. The following comments were made:

- Indigenous People living in outlying communities or homesteads find it particularly difficult to report grievances; this was demonstrated during the Mitigation Matrix negotiations, when cases of Project impacts on outlying indigenous communities were discussed
- Some Indigenous People do not have access to a telephone; most do not have access to the Internet; some may also find it difficult or be unwilling to write a letter to the Company, especially if they have no confidence in the outcome
- CLO "Open Hours" are not used by Indigenous People
- People do not understand that without a recorded grievance it is difficult for a CLO to resolve issues within the Company; this makes the work of the CLOs more difficult
- Some Indigenous People are reluctant to talk directly to a Company representative
- Indigenous People tend only to talk about their problems at public meetings that the Indigenous People hold themselves
- Sometimes incidents occur but by the time the Company has been informed or responds there is no longer visual evidence of the incident

The following recommendations have been suggested to address the above issues:

- Provide information, awareness-raising, and training activities in local indigenous communities during the roll-out of the Grievance Procedure; Indigenous Peoples'

representatives should provide advice on the format of the roll-out consultations in indigenous communities

- Distribute Public Grievance Leaflets via Indigenous Peoples' channels (e.g. via SIMC representatives and other indigenous activists); encourage discussion of Grievance Procedure at Indigenous Peoples' meetings
- Encourage indigenous residents to call the Indigenous Peoples' CLO or Indigenous Peoples Programme Co-ordinator for assistance in making grievances
- Design a simpler Grievance Form that is easier for Indigenous People to fill out, if considered necessary based on the consultations with Indigenous Peoples and their feedback on the existing form.
- Make a list of local indigenous activists in Project-affected communities who are willing to assist others in communicating their grievances to the Company; involve these people in information and training sessions
- Make efforts to involve local institutions such as regulatory organs and the militia in resolving grievances, starting by including them in the process of information and awareness-raising.
- Provide a rapid Company response when an incident is reported; explore opportunities to set up contracts with local enterprises to provide a rapid reaction service to respond to ecological incidents
- Provide training in elementary ecological response techniques to the clan enterprises that are fishing in the northeastern bays

On the basis of the above recommendations, Sakhalin Energy will take the following steps:

- Consultations will be carried out in indigenous communities during the 'roll out' of the Grievance Procedure. Suitable locations, times and a format for these meetings will be agreed with the Sakhalin Indigenous Peoples' Council.
- During consultations Indigenous Peoples will be informed of telephone numbers of the Indigenous Peoples' Programme Co-ordinator and Indigenous Peoples CLO, who can be contacted to provide assistance in dealing with a grievance.
- As part of the leadership training programme, Sakhalin Energy will provide training to representatives of the Indigenous Peoples' Council and community activists relating to management and resolution of community grievances.
- Sakhalin Energy will invite additional indigenous activists to join the Grievance Procedure training and will discuss with them the possibility of drawing up contact lists in local communities. If the activists themselves agree with the idea, Sakhalin Energy will involve them in the roll-out and training related to the Grievance Procedure
- Sakhalin Energy will discuss the design of the Grievance Form with indigenous representatives and will consider producing a simpler form, if considered necessary based on the consultations with Indigenous Peoples and their feedback on the existing form.
- Representatives of local administrations have been invited to take part in the 'roll out' consultations.
- At a meeting scheduled for late February 2006 between the Sakhalin Energy Oil Spill Response Team and Indigenous Peoples' representatives, agreed on as part of the Sustainable Resource Use Mitigation Matrix negotiations, Company experts

will discuss with indigenous representatives the feasibility of various rapid response options, including training for clan enterprises in elementary monitoring and response techniques; the results of these discussions will be recorded in the final version of the Mitigation Matrix.

4.5.4 Long-term Sustainability Measures

Sustainability of the SIMDP measures is critical to enabling the SIMDP to influence positively the long-term development of Indigenous Minorities on Sakhalin. To that end, the SIMDP has been prepared with a heavy emphasis on capacity building at the individual, community, and organizational levels. Recognizing both community assets and deficits, this approach introduces sustainability as a principle in the plan's first year and expands on it as a sub-component requirement in the plan's later years.

As a key component of the SIMDP, the Traditional Economic Activities Support Programme is designed similarly to introduce the principle of sustainability. Key aspects of the programme that reflect this include the following:

- There will be a strong emphasis on training and preparation: direct support will only be provided to enterprises in the context of the business development training and mentoring, particularly in the early stages of the programme implementation
- The sustainable natural resource use component of the business training courses will be obligatory, in order to promote awareness and good practice in sustainable use of natural resources
- Programme co-ordinators will seek opportunities for partnership with environmental protection programmes such as the Sakhalin Energy Biodiversity Action Plan
- Efforts will be made to assist indigenous enterprises to become self-sustaining, including training and assistance in making the shift from grants and subsidies to use of market tools including credit
- The programme will also seek to assist indigenous enterprises in providing social benefits and support to their own communities
- The programme will assist indigenous enterprises in finding opportunities outside the programme for business development, e.g. setting up supply contracts with the Sakhalin-2 project and other projects, or establishing partnerships with external partners such as tour firms and souvenir outlets
- There will be a strong emphasis on transparency, accountability, and learning from lessons; there will be strict reporting requirements, and the results of ongoing monitoring and consultation will feed directly into review and modification of the programme

Recognising the fact that many of the projects in the Social Development Programme are of a more social investment nature, the Programme is designed with elements of sustainability primarily in education and capacity building components. Opportunities for partnership with Indigenous Peoples Organisations and other agencies will be sought to strengthen education and capacity building programmes/projects.

Indigenous representatives comment that support to social programmes is viewed by them as primarily a government responsibility and that SIMDP funds could be better

used to support traditional economic activities which can help the island's Indigenous Peoples be more independent and self-reliant. At the same time, however, they also understand that given the severe budgetary constraints that the Oblast administration and federal government are having, additional funding is needed to support indigenous projects in the areas of culture, health and education.

It is anticipated that the SIMDP Phase Two (2011-2015) will build on the experience garnered during this Phase One. Management of this phase's Sakhalin Indigenous Minorities Mini-Grant Fund (SIMMGF) along with expected heightened responsibilities in the management of the SIMDP as a whole during its concluding years should prepare indigenous representatives to take a far more proactive leadership role in Phase Two preparation and implementation.

4.6 REPORTING, MONITORING, EVALUATION, AND DISCLOSURE

SEIC is required to monitor the implementation, outcomes, and effects of the SIMDP. These monitoring activities will result in a series of reports and evaluations (see Figure 4.6) which will serve two major functions. First, it allows the Project to identify issues/changes needed in program implementation. Second, it allows assessment of whether the SIMDP is achieving its stated goals and objectives. In both cases, the information gathered will allow the Project to adapt program design and implementation in a timely manner.

4.6.1 REPORTING REQUIREMENTS

Implementers of the various components of the SIMDP will be requested to provide quarterly and semi-annual reports to the SEIC Indigenous Peoples Programme. Where necessary, SEIC will provide training in the reporting mechanisms and procedures. The SEIC Indigenous Peoples Programme will be responsible for the review of the quarterly reports from project implementers and the preparation of the semi-annual progress reports. The reports will be summarised in SEIC reports as detailed below.

- Quarterly Reports. Produced as part of the daily implementation of the SIMDP; an internal overview of the SIMDP implementation process overseen by the SEIC Indigenous Peoples Programme and SIMDP Coordinator
- Semi-Annual Progress Reports. A report of project implementation progress and challenges encountered, including activities conducted and monies disbursed. Such reports will be delivered to both the Lenders and the External Monitor and disclosed publicly.
- Midterm Implementation Report. Produced midway through the SIMDP during the third year of Phase One. This will be the Company's main input into the Midterm Evaluation Report and will be based on both quarterly and semi-annual reports. Delivered to both the Lenders and the External Monitor and disclosed publicly.
- Plan Completion Report (PCR). Produced at the conclusion of the Plan in the last half of SIMDP Year Five. This will be based on last year monitoring and semi-annual reports as well as a final survey of socioeconomic and other indicators. Final adjustment of the PCR will take place in the 1st Quarter of SIMDP Phase Two Year One. Delivered to both the Lenders and the External Monitor and disclosed publicly.

Figure 4.6 : Reporting, Monitoring, and Evaluation

Project Activities	YEAR 1				YEAR 2				YEAR 3				YEAR 4				YEAR 5				YEAR 6
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1
4.6.1 Reporting Requirements	4.6.1				4.6.1				4.6.1				4.6.1				4.6.1				4.6.1
<u>Quarterly Reports</u>	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	
<u>Semi-Annual Progress Reports</u>		■		■		■		■		■		■		■		■		■		■	
<u>Midterm Implementation Report</u>										■											
<u>Plan Completion Report</u>																			■		■
4.6.2 Internal (SEIC) Monitoring	4.6.2				4.6.2				4.6.2				4.6.2				4.6.2				4.6.2
<u>SEIC monitoring of the SIMDP (Continuous)</u>	■																				
4.6.3 External Monitoring	4.6.3				4.6.3				4.6.3				4.6.3				4.6.3				4.6.3

SIMDP Third Party External Monitoring																				
4.6.4 Project Evaluations	4.6.4			4.6.4			4.6.4			4.6.4			4.6.4			4.6.4				
4.6.4.1 Mid-term Evaluation																				
4.6.4.1 Completion Evaluation																				
4.6.5 Tripartite Review	4.6.5			4.6.5			4.6.5			4.6.5			4.6.5			4.6.5				
Cooperating government implementing agencies, the SIMC, and SEIC																				
4.8 Future SIMDP Phases	4.8			4.8			4.8			4.8			4.8			4.8				
4.8.1 . Planning																				
Launch SIMDP Phase Two																				

4.6.2 INTERNAL (SEIC) MONITORING

SEIC monitoring of the SIMDP

Arrangements for the monitoring of indigenous peoples' issues are described in the Health, Safety, Environmental and Social Action Plan (HSESAP). The following objectives for impact mitigation are stated in the HSESAP Part 2, Table 2.10D - Impact on Indigenous Peoples:

- To identify and mitigate all potential adverse Project impacts on Indigenous Peoples
- To ensure that all Project-affected Indigenous Peoples have access to positive social and economic benefits from the Project

The HSESAP table lists the following indicators for monitoring the effectiveness of measures to mitigate impacts on indigenous communities:

- Compensation and resettlement indicators for Indigenous Peoples related to pre-construction land compensation (see Resettlement Action Plan and associate HSESAP table)
- Compensation and (if necessary) resettlement assistance (including supplemental assistance) provided to Indigenous Peoples as a result of project impacts other than pre-construction
- Number of Indigenous People employed on the Project against total employees
- Number of Indigenous People involved in Project-related training programmes (including programmes developed as part of the SIMDP)
- Number of Indigenous People who have received other actual benefits from the Project (including participating in SIMDP health, education, training, culture, capacity building and traditional economy support programmes)
- General socio-economic indicators for Indigenous Peoples
- Consultation indicators
- Grievance indicators for activity related to Indigenous Peoples
- Lost Project days due to community-led disturbance provoked by Project impacts on indigenous communities

The list of indicators in the HSESAP Table also includes the item 'Indicators to be developed and agreed by Indigenous People in the preparation of the SIMDP' (see below).

The above list of indicators will be monitored according to a Company-wide standardised HSESAP monitoring programme, which is currently under development. As outlined in the HSESAP table, the following monitoring activities will be carried out by CLOs, the Social Assessment Team and the Indigenous Peoples Programme:

- Monthly consultation with indigenous representatives
- Quarterly monitoring of Project-affected Indigenous Peoples' communities
- Monitoring and resolution of public grievances via the Grievance Procedure
- Review of Contractor reports
- Monitoring of Indigenous Peoples' employment and training figures

In addition to monthly consultations with indigenous representatives (as fixed in the HSESAP), the Indigenous Peoples' Programme will carry out annual public consultations in selected indigenous communities that will serve as another channel for feedback relating to Project impacts, mitigation measures and the effectiveness of the SIMDP implementation.

Folk indicators of effectiveness and success

- **Folk indicators of effectiveness of Project impact mitigation measures**

During SIMDP consultations, indigenous representatives did not suggest any further criteria for monitoring the effectiveness of Project impact mitigation measures. However, during the development of the implementation plan, the SIMDP Team will consult further with Indigenous Peoples' representatives on ways to monitor Project impact measures.

- **Folk indicators of SIMDP success**

Similarly, during development of the SIMDP Implementation Plan the SEIC Indigenous Peoples Programme will consult further with the Indigenous Peoples' representatives (the Working Group, Committee members and other representatives of the SIMC) on the specific provisions for monitoring the SIMDP activities against the development goals of the Indigenous Peoples themselves. However, discussions have already begun successfully. During the consultations held on the Island, Indigenous Peoples proposed their own indicators of project success, and these will be added to the more standard monitoring indicators.

Table 13: Indigenous Peoples Comments interpreted as Folk Indicators

The following table illustrates how the SIMDP Team have interpreted Indigenous Peoples' comments as measurable folk indicators.

<i>Indigenous Comment</i>	<i>Folk Indicator</i>
"We hear from the bulk of the people that the program is good"	Of those aware of the SIMDP, the % of indigenous population with a positive view of the program
"The plan helps create conditions for sustainable development, particularly viable economic opportunities"	Number of jobs and other economic activities supported/encouraged by SIMDP
"People receive reliable social assistance through the Program"	Of those aware of the SIMDP, the % of Indigenous People who believe that the programme delivers positive benefits to the community

Monitoring by Indigenous Peoples

Company experts will involve Indigenous Peoples' representatives in the internal SEIC monitoring program as well as during the mid-term and completion evaluations for each SIMDP phase (i.e., each Five Year Plan). In particular, local indigenous representatives will be able to assist in gathering feedback from local communities about the SIMDP implementation. Training in monitoring techniques will be provided as part of the Indigenous Peoples' leadership training. In some cases monitoring of SIMDP implementation could be carried out by Sakhalin Indigenous Minorities Council members or by indigenous community activists.

4.6.3 EXTERNAL MONITORING

In addition to internal Company monitoring, a third party external auditor will be engaged to review implementation of the SIMDP. Such external monitoring will provide the Company and other interested parties with independent verification of Project compliance with the SIMDP, provide periodic objective assessments of SIMDP program implementation and their outcomes and impacts, and identify issues so that the Project can develop corrective actions.

The External Monitor will be a social science professional with extensive international experience in Indigenous Peoples project development and supervision. The External Monitor will be selected by SEIC after consultation with indigenous representatives.

The External Monitor will be contracted to:

- 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 quarterly reports submitted by implementers of SIMDP subcomponents and semi-annual reports submitted by SEIC

- 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 Peoples' grievances during each monitoring visit so as to assess all unresolved Indigenous Peoples grievances.
- Discuss with SEIC Indigenous Peoples Program staff SIMDP implementation and make suggestions, as appropriate
- Interview a cross-section of SIMDP stakeholders, including affected households, and meet with the Sakhalin Indigenous Minorities Council
- Take part as an observer in annual meetings of the SIMDP Advisory Board
- Assess overall compliance with international standards
- Conduct an SIMDP External Monitoring Review according to the schedule laid out in Figure 4.6
- Prepare an External Monitoring Report upon the conclusion of each External Monitoring Review which will be sent to the Lenders and to SEIC and disclosed publicly
- Work with a team of SEIC, Indigenous Peoples, and other interested parties to conduct an SIMDP Mid-term Evaluation during the latter half of year three of the SIMDP implementation and a Plan Completion Evaluation during the latter half of the concluding year (see section 4.6.4.)
- Be available for ad hoc consultation visits to the island, if necessary, as determined by SEIC in consultation with the SIMC and the Lenders

4.6.4 PROJECT EVALUATIONS

Mid-term and Completion Evaluations

Two formal Project Evaluations will be conducted: a Mid-term Evaluation to be conducted during the latter half of the third year of Plan implementation and a Plan Completion Evaluation to be held during the latter half of the concluding fifth year. These evaluations will be based on External Monitor Reports, internal Company Monitoring and Implementation Reports, on-site visits to the island and other data sources as appropriate.

The Mid-term Evaluation Report's recommendations will lead to SIMDP adjustments during the Plan's final two years while the Plan Completion Evaluation will influence planning for SIMDP Phase Two.

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 both the Lenders and SEIC and will be made available publicly.

Indigenous Input into the Evaluations

Mechanisms for including Indigenous Peoples' input into project evaluations include:

- Having the SIMC designate a representative from Sakhalin's Indigenous Minorities to be a member of the 3-person Evaluation Team
- Surveying and holding focus groups with a sample of the indigenous population to ascertain their assessment of the SIMDP as part of the regular SEIC monitoring of the SIMDP and as part of the yearly public consultations with Indigenous Peoples to be held by the SEIC Indigenous Peoples Programme.

4.6.5 TRIPARTITE REVIEW

Annually, or more frequently if necessary, SIMDP implementation progress will be reviewed jointly by the senior management of the cooperating government implementing agencies, the Sakhalin Indigenous Minorities Council, and SEIC. This review will consider all Company semi-annual reports along with reports from the External Monitor and the Evaluation Team. Such review will serve to better coordinate SIMDP implementation efforts.

4.6.6 DISCLOSURE

SEIC will disclose to the public:

- SEIC Semi-annual Progress Reports
- SEIC Midterm Implementation and Plan Completion Reports
- External Monitor Semi-Annual Reports
- Mid-term and Project Completion Evaluation Reports

4.7 COST ESTIMATES AND FINANCING PLAN

COST ESTIMATES

FIGURE 4.7.1.

Benefits Components	Budget by Year				
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
4.2.3.1 Traditional Economic Activities Support Programme: Notes 1, 2	\$140,000	\$140,000 (+/- \$7,000)	\$140,000 (+/- \$7,000)	\$140,000 (+/- \$7,000)	\$140,000 (+/- \$7,000)
Training and Preparation	50,000	140,000	140,000	140,000	140,000
Direct Support	90,000				
Reindeer Herding Support	0				
4.2.3.2 Health Care Projects	\$47,000	\$47,000 (+/- \$7,000)	\$47,000 (+/- \$7,000)	\$47,000 (+/- \$7,000)	\$47,000 (+/- \$7,000)
Alcoholism Treatment	7,000	47,000	47,000	47,000	47,000
Treatment for Anaemia	11,000				
Prostodontics	8,000				
Treatment of Vision Disorders	3,500				
Mobile Dental Station Equipment	11,000				
Training of Medical Personnel	3,000				
Mother and Child Welfare	3,000				

4.2.3.3 Education Projects	\$47,000	\$47,000 (+/- \$7,000)	\$47,000 (+/- \$7,000)	\$47,000 (+/- \$7,000)	\$47,000 (+/- \$7,000)
Professional / Re-qualification / Advanced Training	6,000	47,000	47,000	47,000	47,000
Tuition Scholarships and Stipends	27,000				
Incentive Scholarships	3,000				
Support of Targeted Education	5,500				
Playroom Equipment for Nekrasovka Boarding School	3,000				
Playroom Equipment for Poronaisk Lyceum of Traditional Crafts	2,000				
4.2.3.4 Culture Projects	\$20,000	\$20,000 (+/- \$7,000)	\$20,000 (+/- \$7,000)	\$20,000 (+/- \$7,000)	\$20,000 (+/- \$7,000)
Publication of an Art Album on Traditional Clothes and Shoe Making	5,000	20,000	20,000	20,000	20,000
Support for an Indigenous Artist's Exhibition	1,000				
Establishing an Information Centre in the Library of Trambaus Settlement	3,000				
Support to a Children and Youth Club in Chir-Unvd Settlement	500				
Repair of the Nogliki District Museum of Local Studies	9,000				

Support Noogliki Indigenous Peoples Organization	1,500				
4.2.3.5 Training/Capacity Building Projects	\$19,000	\$16,000	\$15,000	\$15,000	\$15,000
Legal Seminar for Indigenous Leaders	4,000				
Purchase of Computer Equipment for Indigenous Peoples' Organisations	10,000	16,000	16,000	16,000	16,000
IPO Leadership Training	5,000				
4.2.3.6 Sakhalin Indigenous Minorities Mini-Grant Fund	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Total	\$303,000	\$300,000	\$299,000	\$299,000	\$299,000

Note 1: All the costs are subject to (a) an initial costs evaluation and subsequent approval by the SIMDP Advisory Board (Year 1); and (b) annual year end review of previous year (Years 2-5)

Note 2: For explanation of division between "Training and Preparation" and "Direct Support", see section 4.2.2.6.

Note 3: Numbers may not add up to column total due to rounding and currency conversions

FINANCING PLAN

A. SEIC CONTRIBUTIONS

The Sakhalin Energy Investment Company will:

- Contribute on average US\$300,000 for five years to support the SIMDP
- Provide the following cash and in-kind supports to the SIMDP²⁰
 - Management of the SIMDP is the responsibility of the Indigenous peoples Programme Coordinator, a full time role. The Company's Indigenous Peoples CLO will be reassigned to report to the Coordinator and will work on community-level implementation of the SIMDP. This team sits within the Issues Management 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. This latter role will play a significant role in developing and administering the project subcomponents.
 - Internal and external monitoring and evaluation of the SIMDP
 - Logistical and financial support to enable meetings and tasks of the SIMDP Advisory Board, its committees, the SIMMGF, and the Tripartite Review meetings
 - Capacity-building as necessary for Indigenous Peoples to co-manage and co-implement the SIMDP
 - Annual public consultations with selected Indigenous Peoples communities
- Organize and fund an SIMDP Project Launch Symposium²¹, which will bring together all SIMDP stakeholders and other interested parties on Sakhalin and in Russia to discuss oil industry and Indigenous Peoples collaboration for development

B. OBLAST ADMINISTRATION CONTRIBUTIONS

Initial discussions with the Culture, Education, and Health Departments of the Sakhalin Oblast Administration have indicated an interest in co-implementing, co-monitoring, and co-funding some of the SIMDP sub-components. To this end, the Administration will provide advice and possibly office and expert services support to the SIMDP. It is also hoped that similar in-kind support will be forthcoming from the Economics Department and some local municipal administrations and local department divisions.

C. THIRD PARTY CONTRIBUTIONS

The Sakhalin Energy Indigenous Peoples Programme will actively seek co-funding opportunities for partnership projects and additional technical assistance and will work to enlist the support of the SIMDP Advisory Board in this endeavour as well. A number of partnerships are already under consideration. As core SIMDP funds will not be used for the additional partnership activities, financial and material support for SIMDP partnership activities will be provided in the following ways:

- The partnership organisation provides in-kind support, e.g. contribution of staff time

²⁰ With funds not derived from the SIMDP

²¹ With funds not derived from the SIMDP

- The partnership organisation provides financial support secured from another funding body
- The Sakhalin Energy Indigenous Peoples Programme accesses additional support from another funding body or sponsor to match with the SIMDP funds
- A commercial partner provides support in the form of business opportunities or direct investment

4.8 FUTURE SIMDPS

The design of future SIMDPS—beginning with the SIMDP Phase Two (2006-2010)--will heavily depend on the lessons taken from the SIMDP Phase One in terms of implementation and budgeting. Consulting the data provided in Plan reports and evaluations will allow future SIMDPS to be streamlined and their overall efficacy hopefully improved.

4.8.1 PLANNING

Inputs for subsequent SIMDP planning will derive from the SEIC Reports, the Mid-term and Completion Evaluations, and the External Monitor Reviews generated during the first SIMDP. These will all be considered during the planning process for the SIMDP Phase Two so as to learn from the successes and failures encountered during the First SIMDP. Planning for the Second SIMDP will begin in earnest during Quarter 3 of the First SIMDP's Year Five (2010).

4.8.2 FINANCING

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 the SIMDP Phase Two will be determined in consultation with the Lenders and based on the results of Plan evaluations and the reports of the External Auditor.

Annex 1: Round 1 Indigenous Communities' Consultation Handout**SAKHALIN II: DRAFT****SAKHALIN INDIGENOUS MINORITIES DEVELOPMENT PLAN (SIMDP) OUTLINE**

- 1. OBJECTIVES**
- 2. SAKHALIN II PROJECT OVERVIEW**
- 3. BASELINE DATA ON SAKHALIN INDIGENOUS MINORITIES (history, current situation, existing legislation, etc.)**
- 4. SAKHALIN II PROJECT IMPACTS**
- 5. MITIGATION MEASURES**
- 6. SAKHALIN II PROJECT BENEFITS**
- 7. INDIGENOUS MINORITIES CONSULTATIONS / PARTICIPATION IN THE SIMDP PREPARATION**
- 8. GRIEVANCE PROCEDURE/ MONITORING OF SAKHALIN II PROJECT IMPACTS**
- 9. PLAN IMPLEMENTATION TIMELINE/ FINANCING OF DEVELOPMENT PROGRAMMES**

Main Steps in Preparing the Sakhalin Indigenous Minorities Development Plan

1. Round 1 consultations with Sakhalin Indigenous Minorities in order to present the draft SIMDP outline; discuss further interaction of Sakhalin Energy and representatives of the Indigenous Minorities, and their participation in the preparation of the development programmes.
2. Analysis by specialists and experts of the ideas, suggestions and comments made by the representatives of the Indigenous Minorities in the course of the meetings, preliminary preparation of the development programmes based on the information obtained.
3. Round 1 consultation with Sakhalin Indigenous Minorities and discussion of the proposed development programmes.
4. Approval of development programmes and the final version of the SIMDP.
5. Implementation of development programmes.

Thank you for your participation in the meeting. We look forward to further cooperation.

If you would like us to contact you to discuss your ideas, please leave your contact information (name, telephone number):

If you have any ideas, questions or comments, please contact the representatives of Sakhalin Energy:

Community Liaison Officer, including Indigenous Minorities Community Liaison Officer

Lina Z.

Tel. in Val: (8244) 95 199

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Indigenous Peoples Programme Co-ordinator

Lara K.

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Annex 2: Indigenous Peoples' Projects Supported by Sakhalin Energy in 2004

Table A2-01: Indigenous People's Projects Supported by Sakhalin Energy in 2004

Projects supported by Sakhalin Energy	Involved Parties	Amount \$	Outcome
<i>Regional Holiday of Indigenous Peoples of the North</i>			
This activity contributes to the preservation and sustainability of local indigenous culture.	Indigenous Peoples of the North; Dept of National Policies; Dept of Culture	3,000	Supported holiday celebrations
Indigenous Peoples' Children's Sports Holiday.	Indigenous Peoples of the North; Dept of National Policies; Dept of Culture	2,300	Supported holiday celebrations
<i>Indigenous Students Scholarships and Education Programmes</i>			
A programme designed to assist indigenous students to gain further education, which increases their opportunities to secure good employment.	Indigenous Peoples students; Dept of National Policies; Indigenous Peoples Association of Sakhalin Oblast	8,000	Scholarships awarded to indigenous minority students
<i>Development and Support of Indigenous Peoples Associations</i>			
Indigenous Peoples Associations are key organisations, which represent the rights and interests of Indigenous Peoples on Sakhalin, e.g. Sakhalin Energy	Indigenous Peoples Association in five Sakhalin	3,000	Subsidised conference

Projects supported by Sakhalin Energy	Involved Parties	Amount \$	Outcome
supported financially Indigenous Peoples' conferences.	districts		
<i>Small Grants / Big Deeds Programme</i>			
Programme of initiatives for community organisations aimed at implementation of social, cultural and environmental projects.	Initiatives by indigenous groups	3,000	Two Indigenous Peoples grants awarded
<i>Media Programme</i>			
A programme of initiatives for community organisations in the area of media development.	Indigenous books	2,000	Grant awarded for Indigenous Peoples book support.
<i>RAIPON Co-ordinating Council Meeting Support</i>			
Joint meeting of the RAIPON Co-ordinating Council and the Advisory Board on Indigenous Peoples Issues of the Authorised Representative of the Russian Federation President in the Far Eastern Federal District.	Indigenous Peoples Association of Sakhalin Oblast; RAIPON; Sakhalin Oblast Administration	5,200	
<i>Support for 5th Congress of Indigenous Peoples Association of Sakhalin Oblast</i>			
Congress of the Indigenous Peoples Association of Sakhalin Oblast, held once every four years.	Indigenous Peoples Association of Sakhalin Oblast; Sakhalin Oblast Administration	1,700	

Annex 3: Legal Status of Indigenous Peoples According to Federal and Oblast Legislation

PART 1: THE RUSSIAN FEDERATION

Overview of the Federal Legal Situation

The Constitution of the Russian Federation (or the “**RF**”) states that the “protection of the primordial environment and traditional way of life of small ethnic groups” is a joint responsibility of the Russian Federation and Subjects (regions) of the Russian Federation (Article 72).

The most important federal law among those in effect, which defines the rights of Indigenous Peoples, is the **RF Federal Law of April the 30th, 1999, No. 82-FZ “On the guarantees of rights of Indigenous Peoples”** (See no. 4 in the list below for a brief description). This law states (Articles 5-7) that the Russian Federation, the regions of the Russian Federation and local authorities “may” and “have the right” to protect the interests, traditions, environment and economy of Indigenous Peoples. This, though, is not obligatory and the law needs additional clarification from executive authorities. The law does not guarantee Indigenous Peoples’ rights; it only permits executive authorities to protect their interests and rights, as described above.

The set of normative and legislative acts dates back to the **RF Presidential Decree of April the 22nd, 1992, No. 397 “On urgent measures to protect residence and economic activities areas of the Indigenous Peoples of the North”** (see no. 13 below), which provided for the formation of the traditional nature use territories, and the prohibition on using such territories for industrial or other opening up without the prior approval of such peoples by the federal and the RF Subjects’ executive authorities.

This Decree was then reinforced by the **Federal Law of May the 7th, 2001, No. 49-FZ “On the territories of traditional nature use of Indigenous Peoples of the North, Siberia and the Far East of the Russian Federation”** (see no. 5 below). However, the required normative acts to implement the provisions of this law have not yet been approved, thus leaving the act effectively handicapped. This law is a framework act, which needs further clarification by executive authorities. The Government has not yet approved a practical document regulating the creation of traditional living territories for Indigenous Peoples.

Principles of organisation, structure and functioning of ethnic communities of Indigenous Peoples are laid down in the **Federal Law of July the 20th, 2000, No. 104-FZ “On general principles of organisation of ethnic communities of Indigenous Peoples”** (see no. 3 below). However, the law does not specify the benefits expected to accrue to such organisation.

Rights of the Indigenous Peoples in respect of the environment, nature-use, land-use, culture and traditional economic activities and traditional trades can also be found in other below-quoted and summarised acts.

Detailed List of the RF Statutory and other Normative Acts and Regulating Issues Pertaining to Indigenous Peoples:

1. Constitution of the RF of December 12, 1993

The RF Constitution, in its Article 69, provides that the “Russian Federation guarantees rights of Indigenous Peoples in accordance with universally received principles and regulations of international law and international agreements of Russian Federation.”

In its Article 72-(m), nominating responsible parties, the RF Constitution further provides that both Federation (i.e. Federal Government and hence the respective Ministries) and Subjects of the Federation (i.e. in the case of the Sakhalin region, the Sakhalin Oblast Administration and respective Departments) are jointly responsible for the “protection of aboriginal environment and traditional way of life of ethnical communities”.

2. Federal Law of January 10, 2002, No. 7-FZ “On protection of the environment”

The law, being the principal federal statute for environmental protection and related issues, in its Article 4, Section 3, specifically provides that “aboriginal areas of residence and economic activities of Indigenous Peoples” are subject to special protection.

3. Federal Law of July 20, 2000, No. 104-FZ “On general principles of organisation of ethnic communities of Indigenous Peoples” (as amended on March 21st, 2002)

The law defines the general principles of organisation of indigenous communities. In accordance with Article 2 of this law, “The present Federal Law regulates relations in the area of organisation, activities, re-organisation and liquidation of ethnic communities of Indigenous Peoples”.

4. Federal Law of April 30, 1999, No. 82-FZ “On the guarantees of rights of Indigenous Peoples”

This law is effective in respect of Indigenous Peoples, the federal and regional agencies of the RF and in some cases in respect of persons permanently residing on the lands of Indigenous Peoples. It also contains general provisions on the organisation of the communities in question and refers to their rights and privileges as stated in other federal legislative acts.

Article 2 of the law indicates that “the RF legislation on the guarantees of rights of Indigenous Peoples is based on the respective rules of the RF Constitution and is composed of the present federal law, other federal laws and other legal normative acts of the RF and the laws and other legal normative acts of the RF Subjects”.

Articles 5, 6 and 7 list the rights of the Russian Federation, its Subjects and the local self-governing authorities, respectively, in relation to protection of environment, way of life and trades of Indigenous Peoples.

Article 8 lists the rights of Indigenous Peoples:

In accordance with subsection 1.1), Indigenous Peoples are entitled to “possess and use gratuitously the lands of different categories in the areas of their traditional residence and economic activities, which are necessary for their economic activities and traditional trades, and also omnipresent natural fossils, in the order established by the legislation of the Russian Federation and its Subjects”.

Subsections 1.2) and 1.3) state the right of Indigenous Peoples to participate in control over the use of their lands and over the laws of the RF regulating protection of the environment in places of traditional residence of such peoples.

Subsection 1.4) of the Article confers the right “to receive from the state authority bodies of the Russian Federation, local self-government authorities and any form of ownership entities... and natural persons material and financial means necessary for socio-economic and cultural development of Indigenous Peoples and protection of their traditional environment, traditional way of life, economic activities and trades”.

Subsection 1.6) provides that the aforesaid peoples are entitled to “participate in conducting environmental and ethnological expert reviews in relation to the development of federal and regional government programmes in connection with the opening up of natural resources and environmental protection in areas of traditional residence and economic activities of Indigenous Peoples”.

Subsection 1.8) cites Indigenous Peoples’ right to be compensated for damage caused as a result of harm to their traditional environment.

Corresponding rights are given in Section 2 of Article 8 and its subsections to individuals that belong to the aforesaid communities, including the right to “compensation for damage inflicted on them as a result of harm to the traditional environment by the economic activities of any form of ownership entities or natural persons”(subsection 2.2)).

Article 14 provides for a legal remedy for the rights of Indigenous Peoples. Thus, according to Article 14, “persons belonging to communities of Indigenous Peoples, and also associations of Indigenous Peoples, are entitled to defend in court their traditional environment, way of life, economic activities and trades”, which is to be carried forward according to the order established by federal laws. Upon trial of such lawsuits in which individuals belonging to Indigenous Peoples stand as plaintiffs, defendants, complainants or accused, traditions and customs of such indigenous communities may be taken into consideration if they do not contradict federal laws and the laws of the Subjects of the RF.

5. Federal Law of May 7, 2001, No. 49-FZ “On the territories of traditional nature use of Indigenous Peoples of the North, Siberia and the Far East of the Russian Federation”

The present law sets the legal foundations of formation, protection and use of the traditional nature use territories of Indigenous Peoples of the North, Siberia and the Far East. Chapter II specifies the rules on formation and organisation of different types of territories. Chapter III specifies the legal status of such territories. According to Article 11, the legal status of such territories is defined by the statutes of said territories, as approved by responsible governmental or local authorities. Chapter IV relates to protection of the environment within the mentioned territories.

It appears from the Federation Council resolution of September the 24th, 2003, No. 256-SF that no action has so far been taken to implement provisions of the law and proposals are constantly submitted to revise its provisions. Thus, this law is effectively handicapped.

6. Federal Law of April 24, 1995, No. 52-FZ “On wildlife” (as amended on November 11th)

The law states in Article 9 that Indigenous Peoples, if their traditional environment and way of life are connected with wildlife, do enjoy some special rights in that respect. According to Article 49, Indigenous Peoples, ethnic communities, citizens belonging to such population groups and their organisations, if their way of life is connected with traditional use of wildlife, enjoy priority rights in relation to use of wildlife such as: the right of prior choice of the lands; exclusive right to procure certain objects of wildlife; etc.

7. Federal Law “On languages of the peoples of Russia” of October the 25th, 1991, No. 1807-I (as amended)

This law acknowledges the existence of languages of Indigenous Peoples and specifically provides in Article 9 that: “the State renders support to representatives of Indigenous Peoples and ethnic groups in the organisation of different forms of their upbringing and education in their mother tongue, irrespective of their number, and in accordance with their needs.”

8. Federal Law of November 30, 1995, No. 187-FZ “On the continental shelf of the Russian Federation”

This law, in its Article 6, Section 3, specifically provides that federal bodies of State power, with respect to the RF continental shelf, are in charge of the following: “defining the strategy of study, exploration and development of mineral resources; protection of the marine environment, mineral and living resources on the basis of the federal strategy; programmes and plans, taking into account conclusions of the State environmental expert review; and specially considering economic interests of Indigenous Peoples and ethnic communities of the North and the Far East of the RF”.

9. Federal Law of December 30, 1995, No. 225-FZ “On production sharing agreements” (as amended)

This law contains provisions with regards to safeguarding the rights of Indigenous Peoples when a production sharing agreement is concluded and is being performed.

10. The RF Land Code of October 25, 2001, No. 136-FZ (as amended)

This code specifies in its Article 7, Section 3 that in the territories of traditional residence and economic activities of Indigenous Peoples there may be set a special regimen of land-use.

According to Article 31, Section 3, when there is a planned land allocation (in order to transfer land plots for the State or municipal needs or for purposes of construction) where areas of traditional residence of Indigenous Peoples are concerned, referendums and meetings might be held in that respect. Bodies of executive power or local self-governing bodies take decisions while considering the results of such referendums and meetings.

According to Article 95, territories of traditional nature use of Indigenous Peoples are considered as “the lands of specially protected territories”. This category of lands may be in federal, regional or municipal ownership.

11. RF Government Regulation of January 11, 1993, No. 22 (as amended on October 7th, 2003 and January 23rd, 2000) “On the areas of residence of Indigenous Peoples of the North”

For Sakhalin, this regulation lists 10 areas where Indigenous Peoples reside.

12. RF Government Regulation of March 24th, 2000, No. 255 “On a unified index of Indigenous Peoples in the RF” (as amended on September 30th, 2000)

This regulation contains an index of 45 groups of Indigenous Peoples, with 4 groups listed as residing in the Sakhalin region.

13. RF Presidential Decree of April 22, 1992, No. 397 “On urgent measures to protect residence and economic activities areas of the Indigenous Peoples of the North” (as amended on February 25th, 2003)

This decree prescribes the executive authority organs of the regions and autonomous districts where the Indigenous Peoples reside, defining the territories of traditional nature use which cannot be used for industrial or other opening up without the prior approval of such Indigenous Peoples.

14. Federal special programme “Economic and social development of Indigenous Peoples of the North up to 2011” adopted by the RF Government Decree of July 27th, 2001, No. 564 (as amended)

This programme may serve as evidence of the RF Government adherence to a policy of creating favourable conditions to realisation of economic and social rights of Indigenous Peoples, and putting into practice certain of the above stated provisions of the Constitution and the Federal Law.

PART 2: SAKHALIN OBLAST ADMINISTRATION

Detailed List of the Regional (Sakhalin Oblast) Acts Pertaining to Indigenous Peoples:

1. Law of the Sakhalin Oblast of July 9, 2001, No. 270, “The Byelaws of the Sakhalin Oblast” (as amended)

These byelaws provide that State Authorities of the Sakhalin Oblast make decisions on the establishment of areas for traditional use of natural resources upon consultancy with associations of Indigenous Peoples residing in the Oblast. They also directly authorise a representative of Indigenous Peoples under Oblast Duma (the legislature) to initiate bills on issues related to such indigenous communities.

2. Law of the Sakhalin Oblast of October 2, 2000, No. 214 “On development of environmentally protected sensitive nature territories of the Sakhalin Oblast” (as amended)

This law describes different types of areas of and powers of Oblast and Municipal Authorities with respect to establishment, operation (including financing) and liquidation of environmentally protected and sensitive areas which may be established in the Oblast, including areas for traditional use of natural resources by Indigenous Peoples. It describes the purposes of creation of such areas as protection of traditional lifestyle, original culture and biological diversity. The law vests the issues of legal status of protected areas of traditional use of nature to regulations on such areas, which are to be approved by the Sakhalin Oblast Administration and Municipal Authorities with the participation of representatives of Indigenous Peoples.

3. Law of the Sakhalin Oblast of December 31, 2003, No. 463 “On a representative of Indigenous Peoples at the Sakhalin Oblast Duma”

This law describes legal status, powers, election and displacement procedure with respect to, and functioning of, a representative of Indigenous Peoples under the Sakhalin Oblast Duma whose purpose is to represent interests of Indigenous Peoples on issues related to their socio-economical and cultural development, the protection of their living environment, traditional lifestyle, economy and cropping.

The representative is elected by a council of Indigenous Peoples for a period of not more than four years. He/she should be displaced, in particular, in cases of loss of Russian citizenship, relocation from the Oblast, declaration of not being *sui juris*, the bringing into effect of a judgment of conviction, or if recalled by a council of Indigenous Peoples.

The representative is generally obligated to consider petitions and issues related to Indigenous Peoples, and to carry out regular meetings with their members. The representative is authorised to initiate Oblast bills and issues for consideration of the Duma, liaise with

other State Authorities, and acquire documents on Indigenous Peoples from any entity, agency or individual on the territory of the Oblast. All activities of the representative are financed from the Oblast budget.

4. Law of the Sakhalin Oblast of April 16, 1999, No. 107 “On fishing and commercial fishing activities in the Sakhalin Oblast”

This law provides that, in cases where the living environment and traditional lifestyle of representatives of Indigenous Peoples are connected to the usage of certain species of water biological resources, such representatives are authorised to have prioritised usage of such resources in the areas of their traditional settlement, and to use traditional catching methods, provided that procurement of these species does not directly or implicitly affect biological diversity, reduce the population and/or the sustainable reproduction of water biological resources, or constitute a danger for human beings. The named right to prioritised usage of resources cannot be transferred to persons (entities or individuals), which do not relate to Indigenous Peoples. The law also provides that quotas for catching water biological resources in the Oblast should be allocated with respect to the needs of Indigenous Peoples.

5. Law of the Sakhalin Oblast of September 12, 2000, “On preservation and development of folk artistic crafts of Indigenous Peoples of the North residing in the territory of the Sakhalin Oblast”

This law describes in general the legal status of folk artistic crafts of Indigenous Peoples. It provides for the establishment of the Expert Artistic Council of Sakhalin Oblast, which is to confederate representatives of State agencies as well as independent artists, art critics, creative teams and other specialists whose activities concern protection of cultural heritage and development of folk artistic crafts of Indigenous Peoples. The Council is to categorise certain pieces of work as belonging to folk artistic crafts of Indigenous Peoples on the basis of a procedure to be adopted by the Oblast Governor, provided that all such pieces of work correspond with methods of manufacture and folk artistic craft groups approved in accordance with federal legislation.

The law also declares miscellaneous types of support to be provided by Oblast State Authorities to entities and individuals involved in folk artistic crafts, such as budget investment, crediting, providing compensation for travel expenses, development of staff and networks of educational institutions engaged in folk artistic crafts of Indigenous Peoples etc.

Annex 4: Standards Comparison of Sakhalin II Project vs. World Bank OD 4.20

Table A4-01: Standards Comparison: Sakhalin II Project vs. World Bank OD 4.20

PARA.	KEY PROVISIONS OF OD 4.20	SAKHALIN II PROJECT SPECIFICATION
1-9	Introduction and Definitions	The OD advises using national legislation as a basis for determining who falls under the category of 'indigenous'. Sakhalin Energy follows Russian Federation ("RF") legislation — and World Bank Export Credit Agencies practice — in its definition of "Indigenous Peoples" or ("Indigenous Minorities"). Sakhalin Energy is developing an Indigenous Peoples' plan (the Sakhalin Indigenous Minorities' Development Plan or SIMDP) according to OD 4.20 standards and phasing in compliance with OP 4.10. The SIMDP will be completed during 2005.
6	<p>Respect for Dignity, Human Rights and Cultural Uniqueness of Indigenous Peoples.</p> <p>Indigenous Peoples Should Not Suffer Adverse Effects, and Should Receive Appropriate Socio-Economic Benefits.</p> <p><i>OD text:</i> "The Bank's broad objective towards indigenous people, as for all the people in its member countries, is to ensure that the development process fosters full respect for their dignity, human rights, and cultural uniqueness. More specifically, the objective at the centre of this directive is to ensure that indigenous peoples do not suffer adverse effects during the development process, particularly from Bank-financed projects, and that they receive</p>	<p>A specific programme of assistance is being developed for the indigenous reindeer herders whose lands are being used for Project construction activities. This programme is being developed in consultation with the herders, their families and local administration representatives (see the SIA, Chapter 14 on Uilta Reindeer Herding and the SIAA, Chapter 6 on Indigenous Peoples).</p> <p>Directly affected Indigenous Peoples are eligible to receive compensation according to Russian Federation legislation and supplemental assistance according to Sakhalin Energy's Supplemental Assistance Programme (in compliance with OD</p>

PARA.	KEY PROVISIONS OF OD 4.20	SAKHALIN II PROJECT SPECIFICATION
	culturally compatible social and economic benefits”.	<p>4.30 on Involuntary Resettlement). In the SIMDP, mitigation measures will ensure that all Indigenous Peoples’ groups whose subsistence activities are impacted by the Project are appropriately compensated.</p> <p>Indigenous Peoples receive benefits via the Social Investment Programme. The SIMDP will target further social benefits to Sakhalin Indigenous Peoples. The SIMDP framework defines the Project Affected Indigenous Peoples as all Indigenous Peoples of Sakhalin. Thus social programmes and other project benefit sharing initiatives will be open to all Indigenous Peoples on the Island.</p>
8	<p>Informed Participation, Consultation, Incorporation of Indigenous Knowledge and Use of Indigenous Peoples Specialists.</p> <p><i>OD text:</i> “The Bank’s policy is that the strategy for addressing the issues pertaining to indigenous peoples must be based on the <i>informed participation</i> of the indigenous people themselves.”</p>	<p>Consultations were carried out for the SIA with Indigenous Peoples from local administrations, Indigenous Peoples enterprises, organisations and households (see SIA, Chapter 6 – Indigenous Peoples Consultation Programme, especially Table 6-02). Indigenous Peoples also participated in general consultations, including oil spill response consultations.</p> <p>Focused consultations have been held regularly with reindeer herders since 2004, including discussion of pipeline re-routing, re-vegetation of pipeline right-of-way and distribution of compensation for use of lands (paid to district administration).</p> <p>A series of three rounds of consultations with Indigenous Peoples of the entire Island (involving elected representatives and community members) was initiated in May 2005 to invite suggestions for SIMDP design and implementation. This has led to the direct involvement of the Sakhalin SIMC and the</p>

PARA.	KEY PROVISIONS OF OD 4.20	SAKHALIN II PROJECT SPECIFICATION
		<p>Indigenous Peoples representative from the Sakhalin Regional Duma in the SIMDP design team (the “Working Group”).</p> <p>One indigenous Community Liaison Officer has been hired from the Val community. Three additional Indigenous Peoples experts have been employed on the Project to assist with Indigenous Peoples’ issues (one local Russian ethnographer, one international World Bank/Asia Development Bank expert and one international consultant — all knowledgeable about Sakhalin Indigenous Peoples’ issues).</p>
9	<p>Benefits to Indigenous Peoples from Development Investments</p> <p><i>Partial OD text:</i> “... In sum, a full range of positive actions by the borrower must ensure that indigenous people benefit from development investments.”</p>	<p>As stated above, Indigenous Peoples receive benefits via the Social Investment Programme (see the SIAA for detail about specific projects supported via the Social Investment Programme).</p> <p>The SIMDP will target further social benefits to Sakhalin Indigenous Peoples. The SIMDP framework defines the Indigenous Project Affected People as all Indigenous Peoples of Sakhalin. Thus social programmes and other project benefit sharing initiatives will be open to all Indigenous Peoples on the Island.</p>
10-13	<p>5.1.2.1.1 Bank Role</p>	<p>Sakhalin Energy has applied for Project financing to the European Bank for Reconstruction and Development and other international financial institutions. These banks have requested as a condition of their loans that Sakhalin Energy follows OD 4.20, amongst the other World Bank/IFC standards set out in Annex A of the Health, Safety, Environmental, and Social Action Plan (HSESAP).</p>

PARA.	KEY PROVISIONS OF OD 4.20	SAKHALIN II PROJECT SPECIFICATION
10	<p>5.1.2.1.2 Indigenous Peoples Issues Addressed Through Environmental and Social Impact Assessment Processes</p> <p><i>Partial OD text:</i> "Issues related to indigenous peoples are commonly identified through the environmental assessment or social impact assessment processes, and appropriate measures should be taken under environmental mitigation actions".</p>	<p>The Phase 2 Social Impact Assessment identifies and assesses impacts on Indigenous Peoples communities. Household surveys have been undertaken and resource use areas have been mapped, including oil spill sensitivity mapping. Directly impacted Indigenous Peoples have been identified.</p> <p>The SIMDP will assess the EIA and SIA, identify gaps in these documents and address these through development of mitigation measures and benefit sharing programmes.</p>

PARA.	KEY PROVISIONS OF OD 4.20	SAKHALIN II PROJECT SPECIFICATION
13-15	<p>Indigenous Peoples Development Plan</p> <p><i>Partial OD text:</i> “For an investment project that affects indigenous peoples, the borrower should prepare an indigenous peoples’ development plan that is consistent with the Bank’s policy. Any project that affects indigenous peoples is expected to include components or provisions that incorporate such a plan.”</p>	<p>Sakhalin Energy has committed to completing an Indigenous Peoples development plan (known as the Sakhalin Indigenous Minorities’ Development Plan or SIMDP), by the end of 2005. This will be developed according to OD 4.20 standards and phasing in compliance with OP 4.10. The SIMDP framework, as set out in this document, will be made available during the potential public disclosure period.</p>
16-20	<p>Project Processing and Documentation</p>	<p>The SIMDP framework includes Sakhalin Energy’s commitment to implement the plan.</p>
16	<p>Identification</p> <p><i>Partial OD text:</i> “During project identification, the borrower should be informed of the Bank’s policy for indigenous peoples. The approximate number of potentially affected people and their location should be determined and shown on maps of the project area. The legal status of any affected groups should also be discussed”.</p>	<p>The approximate number and location of potentially affected Indigenous Peoples is provided in the SIMDP.</p> <p>Local Indigenous Peoples households, enterprises and experts have been surveyed as part of the Phase 2 SIA. They are being further surveyed for the SIMDP.</p>
17	<p>Preparation</p> <p><i>Partial OD text:</i> “If it is agreed ... that special action is needed, the indigenous peoples development plan or project component should be developed during project preparation. As necessary, the Bank should assist the borrower in preparing terms of reference and should provide specialised technical assistance. Early involvement of anthropologists and local NGOs with expertise in matters related to indigenous peoples is a useful way to identify mechanisms for effective participation and local development opportunities. In a project that involves the land rights of indigenous peoples, the Bank</p>	<p>As noted above, local Indigenous Peoples experts and NGOs are participating in development of the SIMDP.</p> <p>The SIMDP addresses issues of land tenure and customary land use, aside from those issues that have already been addressed in the SIA and the Resettlement Action Plan.</p>

PARA.	KEY PROVISIONS OF OD 4.20	SAKHALIN II PROJECT SPECIFICATION
	should work with the borrower to clarify the steps needed for putting land tenure on a regular footing as early as possible, since land disputes frequently lead to delays in executing measures that are contingent on proper land titles”.	

Annex 5: Comparison Table of World Bank OD 4.20 vs. Russian Federation Legislation

Table A5-01: Comparison Table World Bank OD 4.20 vs. Russian Federation Legislation

	WORLD BANK OD 4.20	RF LEGISLATION
Definition of Indigenous Peoples:	<p>Clause 3: “indigenous peoples” (or “indigenous ethnic minorities”, “tribal groups”, “scheduled tribes”) are defined as “social groups with a social and cultural identity distinct from the dominant society that makes them vulnerable to being disadvantaged in the development process”.</p> <p>Clause 5: indigenous people “can be identified by ... the following characteristics:</p> <ul style="list-style-type: none"> • close attachment to ancestral territories and to the natural resources in the areas; • self-identification and identification by others as members of a distinct cultural group; • indigenous language often different from the national language; • presence of customary and 	<p>Federal Law of April 30th 1999, No. 82-FZ “On the guarantees of rights of indigenous exiguous peoples”, Article 1:</p> <p>Indigenous exiguous peoples are:</p> <p>“Peoples residing on the territories of traditional settlement of their ancestors, holding to traditional way of life, economic activities and trades, numbering in the Russian Federation less than 50 (fifty) thousand people and perceiving themselves as distinct ethnic communities.”</p> <p>Traditional way of life is further defined as: “historically developed way of subsisting of exiguous peoples, based on historical experience of their ancestors with regards to nature use, original social organisation, original culture, holding to customs and beliefs.”</p> <p>Federal Law “On languages of peoples of Russia” of October 25, 1991, No. 1807-I (as amended) acknowledges the existence of languages of indigenous exiguous peoples and specifically provides in article 9 that: “the State renders support to representatives of exiguous peoples and ethnic groups in organisation of different forms of their upbringing and education in their mother tongue irrespective of their number and in accordance with their needs.”</p> <p>RF Government regulation of January 11, 1993, No. 22 (as amended) “On the areas of residence of exiguous peoples of the North” further lists 10 areas of residence of indigenous exiguous peoples in the Sakhalin Oblast, those being:</p> <ul style="list-style-type: none"> • Alexandrovsk-Sakhalinskiy district (Viakhtinsky and Hoensky communities); • Nogliki district; • Okha district;

	WORLD BANK OD 4.20	RF LEGISLATION
	<p>political institutions; and</p> <ul style="list-style-type: none"> • primarily subsistence-oriented production.” 	<ul style="list-style-type: none"> • Poronaisk district; • Poronaisk district; • City of Okha; • City of Poronaisk; • City of Alexandrovsk-Skhalinsky; • Smirnikhovskiy district (Buyukli village); and • Timovsky district (Chir-Unvdsky community). <p>RF Government regulation of March 24, 2000, No. 255 “On unified index of indigenous exiguous peoples in the RF” (as amended) lists the index of 45 Indigenous Peoples, 4 of which are residing in the Sakhalin Oblast, those being:</p> <ul style="list-style-type: none"> • Nanaitsis; • Nivkhis; • Orokis (Ultas); and • Evenkis.
<p>Comment: As it follows from this comparison of the definition of Indigenous Peoples, it is evident that all (a) – (e) characteristics mentioned in OD 4.20 are expressly named in the RF legislation. In addition to this, the RF legislation also:</p> <ul style="list-style-type: none"> • imposes a quantitative restriction for people to qualify as indigenous exiguous peoples, namely that their number should be less than 50 thousand; • specifically provides for areas of residence of indigenous exiguous peoples, including those in the Sakhalin region; and • specifically provides for an index of all indigenous exiguous peoples in Russia, including those in the Sakhalin region. 		
Policy and (Regulation) Objectives:	Clause 6: “to ensure that the development process fosters full respect for their dignity, human	Constitution of the RF of December the 12th, 1993 in its Article 69 provides that the “Russian Federation guarantees rights of indigenous exiguous peoples in accordance with universally received principles and regulations of international law

	WORLD BANK OD 4.20	RF LEGISLATION
	<p>rights, and cultural uniqueness... that indigenous people do not suffer adverse effects during their development process... and that they receive culturally compatible social and economic benefits”.</p> <p>Clause 8: “... the strategy for addressing the issues pertaining to indigenous peoples must be based on the informed participation of the indigenous peoples themselves ... identifying local preferences through direct consultation, incorporation of indigenous knowledge into project approaches, and appropriate early use of experienced specialists are core activities for any project that affects indigenous peoples and their rights to natural and economic resources”.</p> <p>Clause 9: “a full range of positive actions [by the borrower] must ensure that indigenous people benefit from development investments”.</p>	<p>and international agreements of the Russian Federation.”</p> <p>In its Article 72 – m), nominating responsible parties, the RF Constitution further provides that both Federation (i.e. Federal Government, and hence the respective Ministries) and Subjects of Federation (i.e. in the case of Sakhalin Oblast – Sakhalin region Administration and respective departments) are jointly responsible for “protection of aboriginal environment and traditional way of life of exiguous ethnical communities”.</p> <p>Federal Law of January 10, 2002, No. 7-FZ “On protection of environment”, being the principal Federal Statute for environmental protection and related issues, in its Article 4, Section 3, specifically provides that: “aboriginal areas of residence and economic activities of indigenous exiguous peoples” are subject to special protection.</p> <p>Federal Law of April 24, 1995, No. 52-FZ “On wildlife” (as amended) vests in Indigenous Peoples special rights with regards to wildlife:</p> <p>Article 48 of the said law guarantees Indigenous Peoples their use of traditional methods of procuring wild life objects (i.e. fishing, hunting, etc.) if those methods are compatible with sustainable development principles;</p> <p>Article 49 of the said law gives Indigenous Peoples priority right of use of wild life objects (i.e. with regards to choice of hunting grounds, time periods, exclusive right to produce certain wild life objects).</p> <p>Federal Law of April 30^t 1999 ,No. 82-FZ “On the guarantees of rights of indigenous exiguous peoples” in its Articles 8, 9, 10 and 14 list principal rights of indigenous exiguous peoples. The most important ones are as follows:</p> <p>Article 8 provides the:</p> <ul style="list-style-type: none"> • right to possess and use gratuitously the lands of different categories in the areas of their traditional residence and economic activities;

	WORLD BANK OD 4.20	RF LEGISLATION
		<ul style="list-style-type: none"> • right to participate in control over the use of the lands used by such peoples and over the laws of the RF regulating protection of the environment in the places of traditional residence; • right to receive from the state authority bodies, local self-government authorities and any legal entities... and natural persons material and financial means necessary for socio-economic and cultural development and protection of traditional environment, way of life, economic activities and trades; • right to participate through authorised representatives in preparation and adopting of decisions by the state and local authority bodies on issues of protecting aboriginal environment, traditional way of life, economic activities and trades; • right to participate in conducting of environmental and ethnological expert reviews in connection with the development of federal and regional government programmes of opening up of natural resources and environmental protection in areas of traditional residence and economic activities of exiguous peoples; • right to delegate authorised representatives to representative councils at executive power bodies in the Subjects of the RF, as well as at local authority bodies; • right to receive compensation for damage inflicted on them as a result of harm to the traditional environment by economic activities of any legal entities (irrespective of the form of ownership) or individuals; and • right to receive support from the State to reform the child-raising and educational system. <p>Individuals forming part of indigenous exiguous peoples are entitled to the same rights as above and in addition, according to Article 8, Section 2, are more specifically entitled to:</p>

	WORLD BANK OD 4.20	RF LEGISLATION
		<ul style="list-style-type: none"> • benefits with regards to land use; • priority with job offers in the traditional economy field; and • a right to receive medical treatment free of charge. <p>Article 10 provides the:</p> <ul style="list-style-type: none"> • right to hold to and to develop indigenous languages; • right to establish public organisations, centres of culture, development funds, etc; • right to receive and distribute information in indigenous languages, to found mass media; • right to observe traditional and religious rites (provided such rites don't contradict federal/regional laws), and to keep and to protect places of worship; and • right to develop relations with other Indigenous Peoples in other regions and abroad. <p>Article 14 provides a legal remedy for the rights of Indigenous Peoples. According to this article: "persons belonging to the exiguous peoples ... are entitled to defend in court their traditional environment, way of life, economic activities and trades". Upon trial of such lawsuits in which individuals belonging to exiguous peoples stand as plaintiffs, defendants, complainants or accused, traditions and customs of such peoples may be taken into consideration if they do not contradict the federal laws and the laws of the Subjects of the RF.</p> <p>Federal Law of December 30, 1995, No. 225-FZ "On production sharing agreements" (as amended) contains provisions with regards to safeguarding rights of indigenous exiguous peoples when a production sharing agreement is concluded and is being performed:</p> <p>Article 2, Section 3 of this law provides that the lots of subsoil may be included into the lists of subsoil lots admitted for conclusion of a production sharing agreement only after a decision is made by a legislative (representative body) of a Subject of</p>

	WORLD BANK OD 4.20	RF LEGISLATION
		<p>the Federation, which takes into account the interests of indigenous exiguous peoples.</p> <p>Article 6, Section 1 of this law provides that when there is an auction (for conclusion of a PSA) with respect to a lot of subsoil situated on the territories of traditional residence of indigenous exiguous peoples, conditions of that auction must provide for compensation to said people for use of this lot (i.e. for breach of regimen of traditional nature-use).</p> <p>Article 6, Section 3 of the above law provides that the development of conditions of subsoil use, the drafting of a PSA, and negotiations with investors in respect to lots of subsoil are to be performed by a special commission composed of representatives of federal and regional executive power bodies. In case the subsoil lots concerned are situated on the territories of traditional residence of indigenous exiguous peoples, the commission shall also include: a) representatives of the federal body for issues relating to social and economic development of the northern territories; b) a representative of the respective local self-government bodies; and c) representatives of scientific organisations and experts (when relevant).</p> <p>Article 7, Section 3 of the above law, dealing with conditions of performing works under the agreed upon PSA, provides that when performing works on the territories of traditional residence of indigenous exiguous peoples, the investor needs to take measures provided for in the RF legislation with respect to protection of the aboriginal environment and traditional way of life and provide for payment of compensations in cases, and in accordance with procedures, set by the RF Government.</p> <p>Article 13, Section 2 of the above law provides among the payments required of investors while performing works under the PSA the need to pay compensation to indigenous exiguous peoples for any damage done while performing works in the territories of their traditional residence.</p>

	WORLD BANK OD 4.20	RF LEGISLATION
		<p>Federal Special Programme “Economic and social development of indigenous exiguous peoples of the North up to 2011” adopted by the RF Government Decree of July 27, 2001, No. 564 (as amended) may serve as evidence of the RF Government’s adherence to a policy of creating favourable conditions for the realisation of economic and social rights of Indigenous Peoples, and to putting into practice the above stated provisions of the Constitution and the Federal Law.</p> <p>The principal objectives of the said programme are to: “[1] create conditions for sustainable development of indigenous exiguous peoples on the principles of self-sufficiency and on the basis of complex development of branches of [their] economy, resource and production base, as well as their spiritual and national culture development, and to improve their level of education, professional training and health treatment; [2] re-activate traditional economic activities coupled with maintaining environmental balance; [3] social rehabilitation, national culture development and increasing the role of the said peoples in economic and social processes; [4] improving quality of life, creating a system of meeting vital needs of the said peoples; [5] activation of investment and commercial activities... and integration into regional economy”.</p> <p>The principal aims of the said programme include <i>inter alia</i>: (i) development of a resource and production-technology base for traditional economy and transition to innovative development techniques; (ii) creation of trading stations (factories) and development of factory trade; (iii) providing transportation accessibility and development of environmentally friendly means of transportation; (iv) development of investment, finance and information infrastructure in the regions of residence of the said peoples; and (v) reforming and increasing the efficiency of the State support mechanisms.</p> <p>Another important aim mentioned elsewhere in the Federal Special Programme is the reforming and filling of gaps in legislation/regulations concerning indigenous exiguous peoples, particularly in relation to ongoing oil and gas projects</p>

	WORLD BANK OD 4.20	RF LEGISLATION
		development and such related subjects as subsoil use, laying of pipelines, general construction works, etc.
<p>Comment: As it follows from the cited provisions of the RF Law, there is a State policy to provide for the rights of Indigenous Peoples, their dignity and their cultural uniqueness. There are specific provisions enabling such people to be informed of, and to participate in, social and economic processes. There are also specific provisions for compensations and benefits to Indigenous Peoples. Furthermore, in evidence of existing governmental policy is the Special Federal Programme (mentioned above) directed at the gradual improvement and development of opportunities, and at the involvement and realisation of rights of Indigenous Peoples.</p>		
<p>Environmental Impact Assessment/Social Impact Assessment/Ethnological expert review</p>	<p>Clause 10: “Issues related to indigenous peoples are commonly identified through the environmental assessment or social impact assessment process, and appropriate measures are taken under environmental mitigation measures.”</p>	<p>Federal Law of November 23, 1995, No. 174-FZ “On environmental expert review” does not contain any specific provisions with regards to Indigenous Peoples.</p> <p>Federal Law of April the 30th, 1999 No. 82-FZ “On the guarantees of rights of indigenous exiguous peoples” in its Article 8, Section 6 specifically provides that: “Indigenous Peoples and unions of Indigenous Peoples with an aim to protect aboriginal areas of residence, traditional ways of life, economic activities and trades are entitled to take part in environmental and ethnological expert reviews while elaborating on federal and regional state programmes of natural resources development and environment protection in the traditional areas of residence and economic activities of Indigenous Peoples.”</p> <p>Federal Law of November 30, 1995, No. 187-FZ “On continental shelf of the Russian Federation” in its Article 6, Section 3, specifically provides that: Federal bodies of state power with respect to the RF continental shelf are in charge of the following: “defining a strategy of study, exploration and development of mineral resources; protection of the marine environment and mineral and living resources on the basis of the federal strategy; programmes and plans taking into account conclusions of the State environmental expert review; and particularly considering the economic interests of indigenous exiguous peoples and ethnic</p>

	WORLD BANK OD 4.20	RF LEGISLATION
		communities of the North and the Far East of the RF...”
<p>Comment: Although there are no specific statutory provisions in the RF law that environmental expert determination must deal with Indigenous Peoples’ issues, there are other provisions indicating this requirement, as well as indicating the right of Indigenous Peoples to take part in such environmental and ethnological expert review.</p>		
<p>Indigenous Peoples Development Plan</p>	<p>Clause 13: “For an investment project that affects indigenous peoples, the borrower should prepare an indigenous peoples development plan ... consistent with the Bank’s policy.” (Prerequisites and contents developed in clauses 14 and 15).</p>	<p>No specific provisions in the federal law.</p>
<p>Comment: Unlike the World Bank’s OD 4.20, the RF legislation does not expressly require the preparation of an “Indigenous peoples development plan”.</p>		
<p>Project Processing and Documentation</p>	<p>Clauses 16 – 20 on: project identification, preparation, appraisal, implementation and supervision and documentation.</p>	<p>Not relevant to regulation of Indigenous Peoples under the RF Law.</p>
<p>Comment: Part of OD 4.20 in effect imposes World Bank requirements with regards to documents and procedures necessary to effectuate the World Bank’s investments (loans). Those requirements, although not specifically provided for in the RF law, will be considered valid and normal as a part of contractual/loan-credit relationships.</p>		

Annex 6: The Indigenous Peoples' Socio-Economic Survey

A preliminary contact list of Indigenous Peoples' representatives in Nogliki and Tymovsk districts was drawn up. Several categories of respondents living in different settlements located in the vicinity of Sakhalin II Project construction areas and in different ethnic groups were selected as follows:

- separate families engaged in harvesting traditional foodstuffs from natural resources;
- families whose members are engaged in non-traditional industries;
- households (of all patterns) engaged in traditional economic industries;
- families living in the immediate vicinity of the construction areas of the Sakhalin II Project; and
- families living at a considerable distance from the Project construction area.

Table A6-01: People Surveyed Using the Questionnaire (for 2003)

Settlement	Total Questionnaires Completed	No. Families Surveyed	No. Clan Enterprises	Total People Surveyed
Val	20	18	2	84
Chayvo	2	2	-	2
Venskoye	1	1	1	5
Nogliki	30	25	5	136
Katangli	3	3	-	8
Chir-Unvd	4	3	1	9
TOTAL	60	52	9	244

This is about 24% of the Indigenous Minorities of two surveyed districts and 7.5% of all Sakhalin Indigenous Minorities.

Table A6-02: Sex-Age Structure of Surveyed People

Settlement	No. men	No. women	Total adults	Among them pensioners	Children of 0-18 years
Val	32	28	60	7	26
Chayvo	1	1	2	2	-
Venskoye	2	3	5	4	-
Nogliki	44	47	91	11	34
Katangli	4	4	8	2	-
Chir-Unvd	4	5	9	3	3
Total	87	88	175	29	63

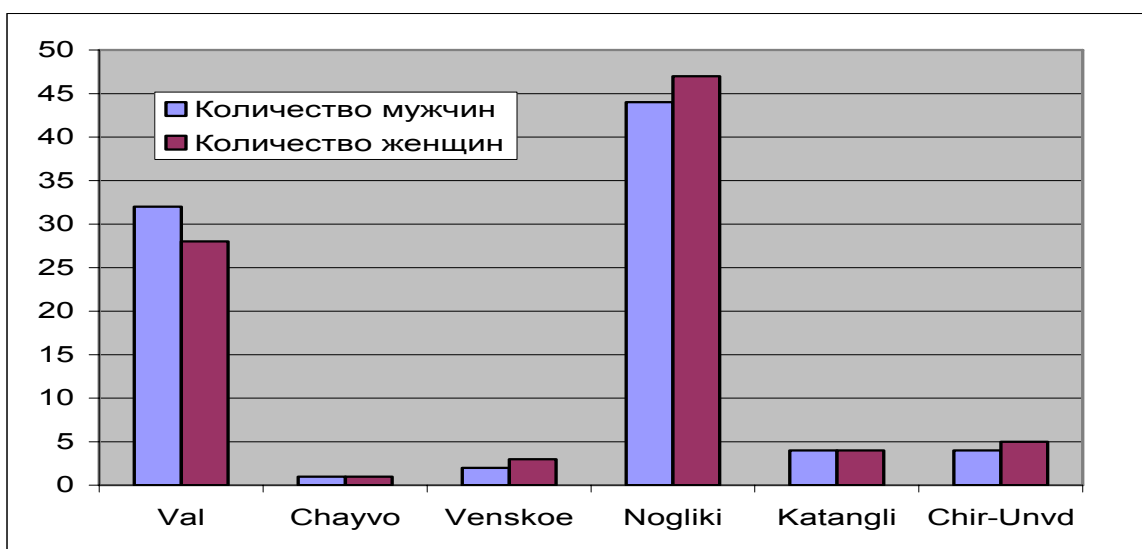
Note: 6 students above 18 years are not indicated in the table

Approximately 175 adults took part in the questionnaire survey, amongst whom 153 persons were of active working age — the number of men and women being almost equal — and

12% of surveyed people are pensioners. (1.8% of Nogliki district inhabitants took part in the questionnaire survey).

The equal number of Indigenous Minorities of both sexes who participated in the surveys points to the equal share of engagement in economic activities of families dealing with traditional types of economy, such as fishing and gathering.

Figure A6-01: Comparative Diagram of Participation of Men and Women in Interviewing, 2003



The questionnaire survey and interviewing were conducted based on the ethnic identity of the participants — among Nivkhi families living in the settlements of Nogliki, Venskoye, Chayvo, Katangli, Chir-Unvd, Val, and among Uilta and Evenki living in Val.

The questionnaire survey and interviewing were conducted among indigenous fishermen and reindeer herders, and also among Indigenous Peoples working in productive industries and services sector in Nogliki and Tymovsk districts.

Annex 7: Facilitated Workshops with Reindeer Herders

In 2004, besides other regular consultations, it was decided to meet with Val reindeer herders, their families and members of local (Val) territorial self-government (*territorial'noe obschestvennoe samoupravlenie*) by way of facilitated workshops. During this period, four facilitated workshops with reindeer herders initiated by Sakhalin Energy were held (see Table A7-01 below). Reindeer herders and their families, representatives from Nogliki Administration, Sakhalin Energy, Exxon Neftegas Limited, the Val community and Nogliki Hunting Department participated in these workshops.

During the meetings, the following goals were achieved:

- to inform the reindeer herders about the schedules of Sakhalin II Project construction work in the areas where they live;
- to discuss and consult with reindeer herders concerning potential and perceived Project-related impacts on their activity; and
- to consult on reindeer herder's needs and potential programmes to be supported by sustainable development and social investment programmes.

Table A7-01: Facilitated Workshops with the Reindeer Herders (2004-2005)

Date	Location	Number of Participants				
		Total	Reindeer herders, family members, Val community reps.	Sakhalin Energy	Exxon	Nogliki District Administration
15 – 16 May, 2004	Garomay River	33	20	8	2	3*
28 – 29 Aug, 2004	Diamus River, Piltun	32	20	9	1	2
15 – 16 Jan, 2005	Val	35	19	13**	1	2
9 – 10 June, 2005	Garomay River	32	21	9	1	1

* including a representative from the Hunting Department

** including 2 representatives of Starstroi (Sakhalin II contractor), 2 representatives of SMU-4 (Sakhalin II subcontractor)

Annex 8: Contemporary Indigenous Subsistence and Economic Strategies

Table A8-01: Districts and Settlements with Indigenous Populations as of 2005 and Sakhalin Indigenous Peoples' Livelihood Activities

Districts	Settlements	Main Ethnic Groups	Indigenous Population	Brief Description of Livelihood ²²
Okha (the majority of Indigenous Peoples live in this district)	Okha, Nekrasovka, Rybnoye,	Nivkhi (1215),	1,325	Herders use summer pastures in this district and migrate to near the southern end of Piltun Bay, where a Nivkhi clan enterprise is also located (on the southern shores). Eight clan enterprises are registered in Okha District.
	Rybnovsk, Moskalvo	Evenki (65)		
Nogliki	Nogliki, Val, Venskoye	Nivkhi (857), Uilta (166), Evenki (100)	1,134 (7% of the Nogliki District population)	<p>Three Nivkhi clan enterprises own land (lifetime ownership with inheritance rights) and commercial fishing and hunting grounds here. Twelve clan enterprises have usufruct rights to land without ownership rights. Several clan and family households live on the shores of Nyivo Bay. Other Nivkhi families visit this area in summer.</p> <p>Five to seven families (representing about 30 Uilta and Evenki herders) are involved in reindeer herding in Nogliki District. They live in the forest in winter and on the shores of the eastern bays in summer. About 15 Nivkhi and one Russian live permanently on the shores of the Okhotsk Sea and north-eastern bays and depend on fishing for their livelihoods.</p> <p>There are three clan enterprises in the district.</p>

22 Data obtained during baseline data collection in 2001-2002 (see SIA Chapters 4, 6, and 14 for more detail), Indigenous Peoples' Socio-Economic Survey of 2003-2005, and official statistics as of 2005.

Districts	Settlements	Main Ethnic Groups	Indigenous Population	Brief Description of Livelihood ²²
Aleksandrovs k	Aleksandrovs k-Sakhalinskiy, Viakhtu, Trambaus	Nivkhi (116), Evenki (66)	188	In Aleksandrovs District, the only village with a concentrated indigenous population is Viakhtu. The principal activity is fishing.
Tymovsk	Tymovsk, Chir-Unvd	Nivkhi (256)	280	In Tymovsk District, the only village with a concentrated indigenous population is Chir-Unvd (pop. 209). There are 5 – 7 clan enterprises in the village, specialising in fishing and fur trapping. An indigenous agricultural enterprise specialises in cattle breeding and vegetable growing . There is an indigenous dance troupe, and indigenous craftspeople make boats, instruments, birch bark objects and embroidery. A few indigenous students study in the district centre, Tymovsk.
Poronaisk	Poronaisk	Uilta (196), Nanaisy (116), Nivkhi (205), Evenki (29)	463	In Poronaisk District, the district centre, Poronaisk, has 453 indigenous residents (13.6%). Clan enterprises, based on the coast, specialise in fishing, marine mammal hunting and souvenir making. There is a branch of the Association of Indigenous Peoples, local museum, a college of traditional Indigenous Peoples' industries, and a dance and folklore group.
Smirnykh	Buyukly, Pilvo	Uilta (20), Nanaisy (6)	33	There is a very small indigenous population of Uilta in the village of Buyukly in Smirnykh District. Indigenous residents practice fishing and gathering.
Yuzhno-Sakhalinsk	Yuzhno-Sakhalinsk	Nivkhi, Uilta, Nanaisy, others	200	Substantially assimilated Indigenous Peoples

Districts	Settlements	Main Ethnic Groups	Indigenous Population	Brief Description of Livelihood ²²
Total	N/A	N/A	3,713²³	

23 Yuzhno-Sakhalinsk is not in the official list of districts with a concentration of Indigenous residents (Decree No.22 of the RF Government, 1993). The official number of Indigenous Peoples in six districts is 3513 (data reported by Oblast Administration for January 1, 2005).

Annex 9: List of Sakhalin II Project Impacts Provided by Sakhalin SIMC

Regional Council of Authorised Representatives of Indigenous Minority Peoples of the North of Sakhalin

245b-Mira Ave, Yuzhno-Sakhalinsk 693000, Russia Tel/fax: 55-44-28

Reg. No. 08, Dated July 08, 2005

Preliminary List of The Facts of Negative Impact on Traditional Ways of Life and Nature Resource use by Indigenous Minorities of the North-Eastern Shore of Sakhalin from the Date of Early Development of Shelf Projects under Sakhalin II Project

- Drilling wastes disposal, Sakhalin II PTD;
- Death of several thousands of herring in the late 90s in Piltun Bay area;
- Drastic reduction in presence of saffron cod and other species in fishing areas;
- Continued depression state of Siberian salmon, silver salmon, stripped flounder, in spite of industrial fishing ban for more than 10 years;
- Deterioration of fish quality (bad smell) used raw by the Nivkhi for food (historically the genetic food substance) which causes increase in many serious diseases;
- Change in the quality of potable water in wells on the Chaivo Spit;
- Construction of pipelines, roads and infrastructure crossing the spawning streams results in the streams' contamination; deer feeding and other grounds historically used by Indigenous Peoples are withdrawn and reduced;
- Construction noise background makes the hunted and domesticated animals migrate to the other distant areas traditionally used by Indigenous Peoples;
- High percentage of abortions among the domestic deer (she-deer);
- Use of the construction's approach roads by poachers, which causes more frequent forest fires;
- Potential hazard of environmental disasters in areas where Indigenous Peoples traditionally live and practice economic activities as a result of oil and toxic components' spills caused by poor construction technology;
- Construction under the Sakhalin II Project supersedes tribal enterprises and creates obstacles for traditional nature use in the historical and tribal areas in which the Indigenous Peoples see their preservation and perspectives for sustainable development and where they are eager to return after the forced resettlement as a result of the political repressions in Soviet times;
- Violation of sacred sites and cemeteries by digging and constructing of warehouses by the workers of the Sakhalin II Project, which is a rude infliction of moral damage to the Nivkhi cultural and spiritual traditions;
- Lack of an adequate long-term programme on rehabilitation and adaptation of the Indigenous Peoples to the changed conditions as a result of the negative impact of the Sakhalin II Project development; and

- As a result of reduction of resource and territorial base for the Indigenous People's life support, conditions were created which make it impossible to practice traditional nature use effectively, which is the root of unemployment, alcoholism, diseases and high mortality rate among Indigenous Peoples.

<signed>

Alexei Limanzo, Council Chairman

Annex 10: Opinion of the Population Regarding Negative Impacts of Sakhalin II Project

Indigenous Peoples' main concerns in respect to the Project's socio-economic impact on towns and settlements are described in Chapters 6, 12, and 14 of the ESHIA. The Company has developed mitigation measures (policies and procedures) to minimise possible adverse impacts. One major concern of the Indigenous Minorities of the North of Sakhalin Oblast is the potential for negative environmental, social and economic impacts of the Project on their traditional natural resource use activities (especially related to fisheries).

Table A10-01 below summarises the major concerns of Indigenous Peoples and suggested mitigation measures divided by category of impact. The far right column summarises the experts' opinion collected during consultations in 2001-2005.

Sakhalin Energy's response to all these concerns can be found in the Mitigation Matrixes (Annexes 12 and 13)..

Table A10-01: Local Indigenous Peoples' Opinion Regarding Negative Impact of the Sakhalin II Project

Category of Impact	Population Opinion	Major Population Category Effected	Mitigation Measures Suggested by Population	Experts' Opinion
Environment				
Impact on fish reserves	With commissioning of Molikpaq production platform and Onshore Processing Facility (OPF) in Lunskeye Bay the quality of fish will worsen.	Nogliki District Nivkh people, including both men and women of different ages	To liquidate existing facilities and to stop construction of the new ones.	<p><i>Local community:</i> change in the water's chemical composition was observed long before the installation of platforms, and possibly is associated with industrial activities of Russian enterprises. Yet pollution incidents (oil spots) have admittedly been detected in the upper reaches of rivers and lakes.</p> <p><i>Oblast Fish resources inspection authorities:</i></p> <ul style="list-style-type: none"> • Temporary construction-related
	Fish stocks in bays decrease, namely because of pipeline construction, and the Project will have an overall negative effect on quantity of fish due to disruption of spawning in river crossing areas.	Adult Nivkh people from Nogliki	Use elevated crossings to span the watercourse in construction of onshore pipelines.	

Category of Impact	Population Opinion	Major Population Category Effected	Mitigation Measures Suggested by Population	Experts` Opinion
	Fish stocks decrease because of construction of facilities in bays, resulting in accelerated deterioration of water environments.	Nivkh men from Nogliki town, some men and women of Val and some young people from Chir-Unvd.	To pay compensation for damaged fish stocks. To meet the need in fish, and to provide fishing equipment free of charge.	impacts cause less damage than does poaching of salmon fish caviar in the upriver; <ul style="list-style-type: none"> Fires in 1989, 1998 resulted in destruction of coastal wood, land erosion of rivers` banks and bays` coasts that resulted in shallower bays.
Impact on reindeer feeding grounds	Construction operations during Sakhalin I and Sakhalin II Projects result in decreases in number of reindeer.	Reindeer herders, their families from Val settlement	To compensate death of reindeers.	Reindeer herders` opinion: Cause of death can be improper care.
	Reindeer poaching will increase because of open access through construction of access roads to Sakhalin I and Sakhalin II Projects.	Reindeer herders and their families from Val settlement	<ul style="list-style-type: none"> To compensate death of reindeers; To provide herders with video-surveillance equipment for monitoring and detecting poaching activities; and Arrangement of guard stations at access roads. 	

Category of Impact	Population Opinion	Major Population Category Effected	Mitigation Measures Suggested by Population	Experts` Opinion
	Sakhalin I and Sakhalin II pipelines can injure the greenwood remaining after fires of the '70s and late '90s- the territory of spring-summer feeding grounds.	Reindeer herders from Val settlement	Listening to the advice and taking into account reindeer herders' opinions.	
	Pipeline trenches can cause death of animals, including domestic reindeer flocks (not confirmed through practice).	1 resident of Val settlement	Setting up national enterprise to rescue reindeers.	<i>Reindeer herders:</i> Pipeline trench stays open for rather short period; the likelihood of animal death is insignificant.
Impact on traditional wild plant gathering areas	Pipeline route can injure berry fields.	Women from Val, Chir-Unvd settlements	Planting and plantation growing of wild-growing plants, berries, wild leek, wild garlic.	<i>Population:</i> In Nogliki and Tym Districts, the pipeline is routed through territories previously exposed by fires. The main plant impacted by pipeline construction is the red bilberry, which is easily re-cultivated. Rare berries and wild plants (generic bilberries, the Kamchatka Bilberry, currants, etc.) grow primarily at rivers` upper courses, where construction works are not conducted.
Impact on grey whale habitat	Molikpaq production platform has an adverse impact on the grey whale habitat and reduces its number.	Single statements	-	<i>Reindeer herders:</i> Operators of Sakhalin I and II Projects and independent environmental protection companies ensure ongoing monitoring of grey whales` populations and their behaviour. Number of whales within sight from Piltun coast (traditional reindeers` summer

Category of Impact	Population Opinion	Major Population Category Effected	Mitigation Measures Suggested by Population	Experts` Opinion
				feeding grounds) remains constant.

Category of Impact	Population Opinion	Major Population Category Effected	Mitigation Measures Suggested by Population	Experts` Opinion
Impact on local freshwater water bodies	Wastewaters from construction camp located in Val pollute local pond.	Single addresses from Val	Close builders` camp. Make information about camp open for public.	<i>Contractor and subcontractor ecologist:</i> Equipment on biological treatment works without failure. <i>Russian sanitation and epidemiological authority (Nogliki Div.) inspection act:</i> chemical and biological composition of wastewaters complies with sanitation norms.
Community				
Employment of local communities` representatives in organisations working under Sakhalin II Project	Indigenous Peoples` representatives are not employed because of reasons of discrimination.	Val residents at initial stage of construction works, single addresses (Nogliki)	<ul style="list-style-type: none"> • Preferential employment as compared to other nationalities to the project organisations. • Training of local population representatives in gas and oil works and accompanying jobs. • Student support (payment for education, scholarship and transport fees). 	<p><i>Subcontractors:</i> Employment procedure is unbiased and does not involve nationality matters. There are representatives from local communities which do not have enough qualification or required experience. The reasons of employment are professional and have to do with applicant`s working expertise.</p> <p><i>Local community:</i> Some residents of Val and Nogliki sometimes damage public opinion by non-compliance with discipline at work.</p>
Transport impact	Sakhalin I and II transport:	All	<ul style="list-style-type: none"> • Road construction 	<i>Local community:</i> Defects in construction

Category of Impact	Population Opinion	Major Population Category Affected	Mitigation Measures Suggested by Population	Experts` Opinion
	<ul style="list-style-type: none"> Creates additional load on public roads, which leads to destruction of road pavement. Increased traffic and non-abeyance of traffic rules result in increase of road accidents. 		and repair. <ul style="list-style-type: none"> Asphalt pavement renovation. Installation of prohibiting signs. 	and repair of roads is the responsibility of Sakhalin Oblast road maintenance services. Size and scale of road construction works indicate that financial support under companies commitments are provided on time.
Health care impact	Arrival of large number of new personnel from mainland (mainly male) and their long staying without families increases the risk of sexually-transmitted diseases.	Medical personnel	Distribution of free condoms at pipeline builders` camps as well as to local population.	
	Drilling waste get into fish that are eaten by local people, increasing the risk of oncological diseases.	Val, Nogliki residents	Provide financial support to health care clinics.	

Annex 11: SIMDP Working Group Committees

Background and Purpose of Committees

In order to develop recommendations on components and sub-components of the SIMDP, the SIMDP Working Group established committees to promote dialogue between Sakhalin Energy, Indigenous Peoples, the Oblast authorities (Duma and Administration), and their respective consultants.

The Working Group set up two committees:

- (1) Sustainable Resource Use; and
- (2) Social Development Programmes.

The Indigenous Peoples concerns and recommendations laid out in Section 3.1 (especially tables 03 and 05), Section 3.2 (including Table 06) and Section 3.3 (including Table 07) were allocated to the two Committees for discussion in terms of Project impact mitigation measures or potential development programmes.

Committee Membership

All three parties collaborating in line with the principles of the Tripartite Agreement (Sakhalin Energy, the SOA and the SIMC) can propose up to 4 participants each for these committees. On the part of Sakhalin Energy, these will be experts who are able to respond to Indigenous Peoples and Government issues, although some questions may have to be referred to upper management and some other experts may need to participate as necessary to respond adequately to committee requests for information.

Committee Coordination

Larisa Korablinova (staff of Sakhalin Energy) – management and co-ordination of committee operation on behalf of the Working Group; convenor/chair of Social Development Committee

Gregory Guldin (Consultant to Sakhalin Energy) – advisor and overall coordinator of the Working Group/Committee process

Emma Wilson (Consultant to Sakhalin Energy – convenor/chair of Sustainable Resource Use Committee

Committee Participants

SRU Committee:

Indigenous Peoples' representatives

Alexei Limanzo (Sakhalin Indigenous Minorities' Council representative)

Viktor Tanvin (Sakhalin Indigenous Minorities' Council)

Albina Khatmulina (Sakhalin Indigenous Minorities' Council)

Dmitry Lisitsyn (Sakhalin Environment Watch; consultant to Sakhalin Indigenous Minorities' Council)

Aleksandr Markov (Green Party; consultant to Sakhalin Indigenous Minorities' Council)

Misha Skopets (independent fish expert; consultant to Sakhalin Indigenous Minorities' Council)

Sakhalin Energy

Lorraine Dallmeier (Environment Department, Department of Health, Safety, Environment and Safety, HSES)

Humberto Barrera (Environment Department, HSES)

Elena Vorontsova-Kasumyan (Environment Department, HSES)

Paul Mowatt (Environment Department, HSES)

Additional participation of the following Sakhalin Energy staff:

Paul Boelens (Health Department, HSES)

Olga Brouk (Infrastructure Projects and Logistics)

Valentina Andreeva (Environment Department, HSES)

Social Development Programmes Committee

Indigenous Peoples' representatives

Ekaterina Koroleva (Indigenous Peoples representative in the Oblast Duma)

Zoya Ronik (Sakhalin Indigenous Minorities' Council representative)

Alla Kavozg (Head of the Nogliki District Museum)

Elena Nitkuk (Head of the Ethnographic Department in the State Sakhalin Regional Museum)

Anna Minato (Sakhalin Indigenous Minorities' Council representative)

Sakhalin Energy

Leena Zhamyanova (Indigenous Peoples Community Liaison Officer, EA)

Marina Ee (Head of Social Assessment Group, EA)

Olga Shubina (Project Archaeologist, HSE)

For results of Committee meetings, please see Annexes 12 and 14.

ANNEX 12: SUSTAINABLE RESOURCE USE AND ENVIRONMENTAL PROTECTION MITIGATION ISSUES MATRIX

Provisions for ongoing dialogue between Indigenous Peoples' representatives and Sakhalin Energy experts

The **Indigenous Peoples Programme Co-ordinator** can be contacted at: **(4242) 662000**

To resolve outstanding questions in the Mitigation Matrix, the following actions are being implemented:

- **May 2006: Meeting with OSR Team** to discuss the comments and recommendations in the Matrix
- **10th May: Closing meeting between Company experts and SIMDP Working Group** to discuss final Indigenous Peoples' conclusions and recommendations; to clarify Company commitments; and to sign a **Memorandum of Understanding** about future actions. The MoU will include agreement on the status of all Mitigation Matrix issues and provisions for implementation and monitoring of Mitigation Matrix commitments.
Any agreed programme of further research/monitoring based on Indigenous Peoples' recommendations will be put out to tender by Sakhalin Energy. Indigenous Peoples' representatives will make recommendations on the choice of contractors to implement the programme.
- **31st May 2006: Completion of final version of Mitigation Matrix:** The updated Matrix will be submitted to the SIMDP Working Group, the Indigenous Peoples Council, the Company, Project lenders, and other stakeholders and will be published on the Sakhalin Energy website.

Ongoing measures for engagement, monitoring and mitigation:

To resolve further Indigenous Peoples concerns relating to sustainable natural resource use and environmental protection as they arise in future, the following measures have been established by the Company:

- **Sakhalin Energy Grievance Procedure:** Indigenous Peoples can channel their concerns and resolve issues via the Sakhalin Energy Grievance Procedure. The Grievance Procedure Public Information Leaflet is available from the Indigenous Peoples' Programme Co-ordinator on request.
- **Indigenous Peoples' CLO:** The Indigenous Peoples Programme Co-ordinator can provide contact details.
- **Further meetings with Company experts on request:** In case of important issues arising in relation to impacts on Indigenous Peoples' livelihoods and environment, meetings can be arranged between Indigenous Peoples' representatives and Company experts via the Indigenous Peoples Programme Co-ordinator. Indigenous Peoples' representatives will be able to invite their consultants to these meetings.
- **SIMDP monitoring:** Indigenous Peoples representatives will be able to take part in monitoring relating to the implementation of the SIMDP, including monitoring of project impacts where appropriate and feasible (as detailed in the Mitigation Matrix).

Key to Matrixes

Status of concerns:

- A.** Resolved: no further measures
- B.** Resolved: non-SIMDP measures
- C.** Resolved: new/expanded SIMDP measures (SIMDP Section 4.1)
- D.** Not yet resolved: steps for resolution
- E.** Not resolvable in the SIMDP context
- F.** Not yet resolved: questions for fish expert or experts carrying out the Project Documentation Review

Concerns are taken from the following sources:

- SIMDP Section 3.2.1 (adverse affects assessment)
- SIMDP Section 3.2.2 (mitigation measures suggested by Indigenous Peoples)
- Indigenous Peoples' Council list of concerns (SIMDP Annex 9)
- Indigenous Peoples' consultations (SIMDP Annex 10)
- SRU Committee meetings 22-23 August, 17-18 September, 25-26 November 2005, 30 January 2006 and 2nd March 2006

Department with ownership of given issues

- Soc – Social Assessment Group
- HSES– Health, Safety, Environment and Security
- PDP – Onshore Pipelines Construction Project
- OSR – Oil Spill Response Team, HSES
- Health – Health Department, HSES
- IPL – Infrastructure Projects and Logistics Department

NOTE ON READING THE MATRIXES: Please note in the last two columns of the Matrixes, the Sakhalin Energy and Indigenous Peoples' commentaries form a dialogue, which passes back and forth between the columns.

SUB-MATRIX A: NO FURTHER ACTIONS REQUIRED

№	Dept.	Concerns	Status	Sakhalin Energy Commentary	Indigenous Peoples' Commentary
<i>Resolved issues (Status A and B)</i>					
1	Soc	<p>Use of construction access roads by poachers, which also results in more frequent forest fires</p> <p>Reindeer poaching will increase because of open access through construction of access roads to Sakhalin I and Sakhalin II projects</p>	A	<p>To the extent practicable, Sakhalin Energy will remove any temporary access roads post-construction. Legal public access roads will be treated according to the conditions of the permit issued by local authorities.</p> <p>To the extent practicable, Sakhalin Energy will:</p> <ul style="list-style-type: none"> • Avoid constructing new roads and try to use old roads as much as possible • Close access roads newly constructed by Sakhalin Energy near spring and summer pastures • Restrict access of strangers and open the access roads for the reindeer herders • Re-cultivate temporary access roads after construction is completed 	This issue is resolved, as long as Sakhalin Energy fulfils its commitments
2	OSR	Poor quality road leading to Chaivo spit makes it difficult to access in case of an oil spill	A	Chaivo Spit can be accessed via helicopter or by boat from the Sakhalin Energy base in Nogliki or the Exxon Neftegaz Ltd. (ENL) base at Chaivo. The various routes have been developed during the annual training courses carried out by Ecoshef under the supervision of Sakhalin Energy.	Issue closed

№	Dept.	Concerns	Status	Sakhalin Energy Commentary	Indigenous Peoples' Commentary
3	OSR	Air-cushioned boats navigating in bays during spawning time interferes with fish spawning	B	Issue resolved at the Aug 22-23 SRU Committee meeting. Every year the dates of the training courses on the rivers and bays are agreed with the Nogliki fisheries inspectorate. In future Sakhalin Energy will consult with Indigenous Peoples representatives on the times of the practical exercises and the routes taken.	Issue resolved at the Aug 22-23 Committee meeting. In future Sakhalin Energy will consult with Indigenous Peoples representatives on the times of the practical exercises and the routes taken.
4	HSES/ PDP	Impact of construction work on local water supplies (1) Wastewaters from Val construction camp pollute local pond See also No.7 below (now No.14A)	B	<p>Wastewater discharge limits, including water quality are established by Russian environmental protection organs in accordance with Russian legislation. [Amended in response to IP consultant D. Lisitsyn's comment, see concern No.14B.]</p> <p>The Val CLO and Company experts have investigated this matter and identified subcontractor errors. Wastewater of the pipeline construction camp at Val is handled in the following way:</p> <ul style="list-style-type: none"> • 10 m3/day is trucked to the local wastewater treatment facilities at Val, company "Raizhilkomxoz" • 50 m3/day is treated at the sewer treatment facility (Stell-100) at the pipeline construction camp Val and disposed on the surface. <p>Permits are available and disposal is within the permit conditions.</p> <p>Unfortunately a small amount of the treated liquid (50m3/day) disposed to the surface, from the sewer treatment facility at Val, was</p>	<p>This issue was resolved by mutual agreement of Indigenous Peoples and Company representatives at SRU Committee meeting of 22-23 August.</p> <p>Questions were raised by IP consultant Dmitry Lisitsyn relating to waste water discharge limits before the SRU Committee meeting of 30 January 2006. At this meeting it was agreed that this concern (No.4) is resolved, but that there would be further discussion about discharge limits at the next meeting with HSES and the Pipelines Team (2nd March 2006) (See Concern No. 14B).</p>

№	Dept.	Concerns	Status	Sakhalin Energy Commentary	Indigenous Peoples' Commentary
				<p>leaking into the nearby river for approx one week in June 2005, in violation of the permit. Once discovered, immediate actions were taken to stop leaking of treated sewer water to the nearby river. The situation is being monitored to ensure no repeat violations. In future cases of impacts on local water sources, Indigenous Peoples can channel their concerns and resolve issues via the Sakhalin Energy Grievance Procedure. As part of the SIMDP process, the Grievance Procedure is being reviewed for its accessibility and usability, particularly for those Indigenous People living in outlying communities.</p>	
5	OSR	<p>Local population feels insufficiently informed about matters related to oil spill response</p> <p>See also No.20 below</p>	B	<p>The OSR Team meets with Indigenous Peoples representatives and their consultants to discuss specific OSR questions (see 13A and 20). In November 2005 Sakhalin Energy held an 'Open Doors Day,' which the OSR Team took part in. In future Sakhalin Energy will carry out such events on a regular basis.</p> <p>In 2006 the OSR Team will prepare summaries of their technical background papers (for marine and land based OSR issues) in accessible language for general distribution.</p> <p><u>OSR Team response to IP consultant (next column):</u></p> <p>The figure of 28.3 tonnes of oil products spilled at the Vityaz complex in 2004 is inaccurate. This total figure mistakenly includes the oil spilled from the "Kristoforo Kolumbo" incident, which was a third party spill.</p>	<p>Information on pipeline construction and oil spill response should be shared: a) technical for Indigenous Peoples consultants b) in lay terms for common people. [See Sakhalin Energy response in column 5.]</p> <p><u>IP consultant Dmitry Lisitsyn:</u></p> <p>Comment: The Open Doors Day did not succeed in better informing the indigenous population, as the Company did not provide them with information about past oil spills. [See Sakhalin Energy response, column 5.]</p> <p>In particular, nothing was said about the total of 28.3 tonnes of oil products, which, according to government statistics was spilled at the Vityaz complex during the course of 2004. Nor was anything said about the spill of oil products from Molikpaq on 11 August 2005 and recorded by Indigenous Peoples Council member Viktor Tanvin. Therefore insufficient information of the</p>

№	Dept.	Concerns	Status	Sakhalin Energy Commentary	Indigenous Peoples' Commentary
				<p>On 11 August 2005 an incident was recorded. At 14.07 a sheen was first observed on the surface of the water. The estimated volume of the spill was 0.05 litres (5ml). As the oil extracted by Molikpaq is very light and quickly evaporates, such a small film of oil remains on the surface of the water a very short time (less than an hour). Together with this evaporation, the oil is broken up by the energy of the waves and mixes together with the water. Therefore small spills do not reach the shore. This is supported by the results of modelling of the oil trajectory carried out for the Molikpaq Oil Spill Response Plan and exploratory drilling.</p> <p>The Company regularly provides a list of Sakhalin-2 Project oil spills to the relevant state organs according to Russian legislative requirements. In addition, during the OSR specialist's presentation at the Sakhalin Energy "Open Doors Day" a table of spills was presented with information about spills from Molikpaq during 2004.</p> <p>It was agreed at the SRU Committee meeting of 30th January 2006 that the Company will provide the list of spills to Indigenous Peoples representatives. IP representatives can contact the IP Programme co-ordinator with a request for this information. OSR experts can provide an explanation about each spill from Sakhalin-2 project facilities.</p> <p>The OSR Team believes that it is a good idea to provide more information in a more accessible way. The team proposes to prepare information about the OSR equipment used in Nogliki and</p>	<p>population remains an open issue. [See Sakhalin Energy response in column 5.]</p> <p>Recommendation: The Company should inform the indigenous representatives and clan enterprises about all oil spills that happen in the area where they practice their traditional livelihood activities. It is essential that Sakhalin Energy takes responsibility to immediately provide information about spills of oil and oil products at any facility to the Indigenous Peoples Council and enterprises/ obschinas engaged in fishing activities in the area of the incident. Non-disclosure of information about oil spills to IP, as is practiced at present, is unacceptable. During public meetings dedicated to oil spill response issues, the Company should give account of all incidents, specific emergency response measures and their effectiveness. [See Sakhalin Energy response in column 5.]</p> <p><u>IP-appointed fish expert Mikhail Skopets:</u></p> <p>Recommendation: Find out whether these spills took place, when, where the oil could have reached given the ocean currents, and whether there is any information about the oil hitting the shoreline. [See Sakhalin Energy response in column 5.]</p> <p><u>30th January 2006 Meeting</u></p> <p>The Indigenous Peoples' representatives were satisfied with the Company's agreement to provide a list of oil spills.</p> <p>At the next meeting with OSR experts (May 2006), the Indigenous Peoples' representatives</p>

№	Dept.	Concerns	Status	Sakhalin Energy Commentary	Indigenous Peoples' Commentary
				<p>how it works. The team also requested suggestions about other information that they could include in public information packages.</p> <p>The OSR Team would also like more feedback about the "Open Doors Day". If people feel they did not get much out of it, please could they provide recommendations on how to improve the format and content.</p> <p>This question is now resolved. Further questions relating to oil spill response will be discussed at the meeting arranged with OSR experts in May 2006.</p>	<p>will provide feedback from the Open Doors Day and ideas about what kind of information needs to be presented in a more accessible way.</p> <p>This question is now resolved. Further questions relating to oil spill response will be discussed at the next meeting with OSR experts in May 2006.</p>

№	Dept.	Concerns	Status	Sakhalin Energy Commentary	Indigenous Peoples' Commentary
13A	OSR	Local indigenous residents have observed an orange foam on the surface of the water after oil spill response training, and report that chemicals have been used in these practices.	B	<p>The OSR Team have discussed this matter with Ekoshelf and others who were present at the exercises. OSR experts are certain that there was no leak from an outboard motor during the training. And categorically there were no chemicals used in the exercises. OSR experts confirm that no chemicals are used in OSR training.</p> <p>This orange foam is observed every year in virtually all bays during the blooming of the zosteria seagrass, which grows in large areas of the bays. The appearance of the orange foam is observed in all bays and in the coastal waters, whether or not OSR training is carried out. When booms for catching spilled oil are used in the training, they catch the orange foam, demonstrating the effectiveness of the booms.</p> <p>Company experts can take samples of this foam (with local observers) and carry out analysis of the substance. Local residents are not recommended to take samples for analysis, as this requires strict observation of methods of sampling and cleanness of the container the sample is taken in.</p> <p>It is worth noting that chemical dispersants in water turn a milky white colour; they do not create foam. When mixed with dispersants in water, oil looks initially like milky coffee then breaks down.</p> <p>[continued on following page]</p>	<p><u>IP Consultant Dmitry Lisitsyn:</u></p> <p>Recommendation: It is necessary to provide comprehensive information on training and chemicals used, to the Indigenous Peoples Council. In addition, it is necessary to carry out a survey among local Indigenous Peoples residents as part of incident examination in order to collect information. [See Sakhalin Energy response in column 5.]</p> <p><u>IP-appointed fish expert Mikhail Skopets:</u></p> <p>Recommendation: Need to determine what chemicals have been used in the practices and in what quantities. [See Sakhalin Energy response in column 5.]</p> <p><u>30th January 2006 Meeting</u></p> <p>IP consultant suggested if the local indigenous residents observe anything like this, they should take samples and send to Sakhalin Energy for analysis. [See Sakhalin Energy response in column 5.]</p> <p>The fish expert advised that the best way to recognise if something is bacterial film or oil is to break water surface with a stick – oil will not break down, while bacterial film breaks like glass.</p> <p>[continued on following page]</p>

№	Dept.	Concerns	Status	Sakhalin Energy Commentary	Indigenous Peoples' Commentary
				<p>The OSR Team is organising research related to the visual identification of oil spilled onto the surface of water in comparison to other organic and chemical substances. A methodological manual will be prepared based on the results of this research.</p> <p>This issue is now resolved. Further questions relating to oil spill response will be discussed at the OSR meeting in May 2006.</p>	<p>IP representatives suggested producing an informational booklet to help local people recognise oil and natural phenomena and approve of the idea of bring forward the preparation of the shoreline manual. [See Sakhalin Energy response in column 5.]</p> <p>IP representatives agreed this issue is now resolved.</p>
14A (7)	HSES/ PDP	<p>Impact of construction work on local water supplies (2)</p> <p>Change in the quality of potable water in wells on the Chaivo Spit</p>	B	<p>Deterioration in water quality was noted before Sakhalin Energy undertook any works on Chaivo Spit. Therefore, Sakhalin Energy deems it unlikely that the Company has contributed to any changes in water quality.</p> <p>On Chaivo Spit, Sakhalin Energy will be carrying out monitoring of the hydrological regime of surface water bodies and the state of sub-surface waters.</p> <p><u>Sakhalin Energy response to IP consultant commentary (next column):</u></p> <p>Sakhalin Energy cannot take responsibility for or compensate for damages caused by another company. The request to provide water supply is unacceptable unless the IP Council suggests it as a development programme under the SIMDP.</p> <p>The only activities that Sakhalin Energy has so far undertaken on Chaivo Spit are preparatory works for the pipeline right of</p>	<p>At the SRU Committee meeting on 22-23 August 2006, committee members agreed that this is not a SIMDP issue.</p> <p>Indigenous Peoples representatives agreed to write a letter to Sakhalin Energy, requesting that the Company takes samples and carries out monitoring before, during and after construction work in the Chaivo Bay area.</p> <p><u>IP consultant Dmitry Lisitsyn:</u></p> <p>Comment: Vasily Mikhailovich Sanghi and other Nivkh representatives living on the spit, in the bay mouth area, are among the few indigenous minority peoples, keeping traditional way of living on ancestral territories, practicing traditional livelihood activities, such as fishing, marine habitats hunting, and gathering. They do not have other sources of potable water other than wells on the sandspit. In my opinion, the most likely reason of water quality deterioration (came out only from 2004) is the activities carried out by Exxon Neftegaz Ltd. under Sakhalin 1 Project.</p>

№	Dept.	Concerns	Status	Sakhalin Energy Commentary	Indigenous Peoples' Commentary
				<p>way in December 2005. Sakhalin Energy will ensure that all present and any future activities meet all Russian Federation regulations and any other standards to which the Company subscribes, to make sure that there is no impact on local water supplies. The Company will also monitor its activities as required.</p> <p>HSES and Pipelines experts are happy to meet Indigenous Peoples representatives and their consultants to further discuss these comments. To assist these discussions the Company would like to have more information on the specific changes in the water quality.</p> <p>If it is demonstrated that the Sakhalin II Project has an impact on local indigenous residents, their property or their livelihood activities, then the Company would have an obligation to mitigate appropriately. As such an impact has not been demonstrated, it does not constitute a 'gap' in Company coverage of impacts on the Indigenous Peoples community. However, company experts agree that further meetings to clarify environmental monitoring provisions for this area would be helpful, and therefore agree to placing this concern in the list of concerns to be addressed by the fish expert.</p> <p>In such cases of impacts on local water sources, Indigenous Peoples can channel their concerns and resolve issues via the Sakhalin</p>	<p>However, it is not to be said that this problem refers to unsolvable issues within SIMDP. In the current year, Sakhalin Energy is planning to commence construction of four pipelines in the same Chayvo spit area (oil and gas pipelines from the Molikpaq platform). The problem of these pipelines construction through the Chayvo spit and their impact on potable water sources should be included both to the Matrix and SIMDP. There is a serious concern that since one Exxon pipeline had caused such deterioration of water quality in wells, four additional pipelines might aggravate this influence. This problem can be resolved and should be resolved within the SIMDP framework [see Sakhalin Energy response in column 5].</p> <p>Recommendation: The Matrix and SIMDP should be completed with the Company commitments to carry out regular water sampling and analysis with respect to all possible pollutants and health status that should be held with mandatory engagement of Indigenous Peoples representatives, as the users of these wells and minimum one representative of the Regional Council of Authorized Representatives of Indigenous Peoples of the Sakhalin Oblast. Water sampling should take place PRIOR TO, DURING and AFTER completion of pipelines construction. All data received from scientific laboratories should be submitted to Indigenous Peoples representatives (the IP Council and local communities). An identical approach should be implemented to all other wells or other water supply sources both subsurface or surface</p>

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				<p>Energy Grievance Procedure. As part of the SIMDP process, the Grievance Procedure will be reviewed for its accessibility and usability, particularly for those indigenous people living in the more outlying communities.</p> <p><u>2nd March 2006 Meetings</u></p> <p>The Pipelines Team emphasised that Sakhalin Energy activity in the Chaivo Spit area will be very different from current activities of the other operator in this area. Sakhalin Energy will have pipelines and block valves, not operations facilities. There will be a minimal impact.</p> <p>Preventive measures include:</p> <ul style="list-style-type: none"> • Oil spill response and avoidance procedures for pipeline construction (not operations), including swift localisation and clean up (spills are very minor as there is no oil passing through the pipeline) • Measures for avoiding oil spills in the operations period were established during the project design phase, and include: thicker pipeline walls than prescribed by regulations; the pipeline will be equipped with a system of block valves to cover the pipe at the point of leakage; and will also 	<p>located in the potentially affected area²⁴. [See Sakhalin Energy response in column 5.]</p> <p>The Company should make a commitment to provide assistance in arrangement of stable water supply to the Nivkh people living in the Chayvo spit within SIMDP already at this stage. SIMDP is obliged to provide help to these Indigenous Peoples representatives. This might be done as installation of new wells with water intake from deeper subsurface horizons where quality is still acceptable. [See Sakhalin Energy response in column 5.]</p> <p><u>IP-appointed fish expert:</u></p> <p>Recommendation: Need to consider including this question in the Sakhalin Energy plan for long-term monitoring of environmental parameters around Sakhalin II project facilities. [See Sakhalin Energy response in column 5.]</p> <p><u>2nd March 2006 Meetings</u></p> <p>Indigenous Peoples representatives stated that if one operator has already had an impact on water quality in the area, then there is very great concern about the future work of Sakhalin Energy.</p> <p>The IP-appointed fish expert Mikhail Skopets stated that while he does not think the current impacts can be blamed on Sakhalin Energy, he nonetheless recommends carrying out</p>

²⁴ In this case "potentially affected area" is subject to clarification during further negotiations between representatives of the Regional Council and Sakhalin Energy, but in any case it should encapsulate, *inter alia*, the areas of surfaces and subsurface water sources feeding and associated horizons and territories.

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				<p>have an electronic system of leak detection. In addition, there will be monthly aerial surveys along the whole pipeline route.</p> <p>It was agreed that water contamination could be discussed only when there is a clear evidence of such contamination and cannot be based on verbal characteristics. Therefore water from the wells is to be analysed according to RF standards in the licensed laboratory.</p> <p>Further questions related to oil spill response should be directed to the Oil Spill Response Team.</p> <p>The Pipelines Team confirmed that 9 wells in the Chaivo Bay area, including the wells under discussion here, are included in the Pipelines Groundwater Quality Monitoring Programme. Pre-construction monitoring has already taken place, and results show evidence of some oil already in the wells. Monitoring will continue during and after construction work.</p> <p>Pipelines experts agreed to do the following:</p> <ul style="list-style-type: none"> • Confirm whether the wells are being monitored according to Russian Federation standards for potable water • Seek senior management permission to provide the results of pre-construction monitoring to Indigenous Peoples' representatives 	<p>preventive water sampling.</p> <p>Indigenous Peoples' representatives requested the following:</p> <ul style="list-style-type: none"> • Include the Chaivo Spit wells under discussion into the Pipelines Monitoring Programme [this is already being done, see Sakhalin Energy comment in column 5] • Provide the pre-construction monitoring results for the 9 wells included in the monitoring [See Sakhalin Energy comment in column 5] • Confirm what parameters are being measured in the monitoring – i.e. is the monitoring based on Russian Federation potable water standards? [See Sakhalin Energy comment in column 5] <p>SIMDP co-ordinator Greg Guldin suggested that the Pipelines Team make a list of relevant documents that are provided to the Sakhalin authorities, so that Indigenous Peoples' representatives will be able to submit a request to the authorities for access to this information if necessary. [See Sakhalin Energy response in column 5.]</p> <p>After discussion it was agreed to close this issue, providing that Sakhalin Energy keeps to its stated commitments and provides the additional information requested.</p>

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				<ul style="list-style-type: none"> • List the relevant documents that are provided to the Sakhalin authorities, so that Indigenous Peoples' representatives may submit a request to the authorities for access to this documentation if necessary. • Provide information about what kinds of impacts the pipelines and block valve construction work could have on Chaivo Spit and the wells. <p>After discussion it was agreed to close this issue, pending provision of the requested information.</p>	
14B (4)	PDP	<p><u>IP Consultant Dmitry Lisitsyn:</u></p> <p>Sakhalin Energy response original response to concern No.4 stated that effluents limitations were implemented pursuant to the current World Bank regulations. However, it is known that, compared to the current RF regulations, the World Bank regulations are less stringent with regard to many characteristics of harmful substances content in industrial and domestic effluents. Thus, implementation of the World Bank regulations in cases when they are less strict than those of those acting in the RF, is a violation of the Russian legislation.</p>	B	<p>Wastewater discharge limits, including water quality are established by Russian environmental protection organs in accordance with Russian legislation. At present the pipeline contractor has permission to discharge treated domestic wastewater from the construction camps onto land-based storage.</p> <p>During hydro-testing of the pipelines the company will also receive all the necessary permissions from Russian environmental protection organs.</p> <p>The Pipelines Team has provided an information sheet with more detailed information about wastewater management.</p> <p>This issue is now closed.</p>	<p><u>IP Consultant Dmitry Lisitsyn:</u></p> <p>Recommendation: The Company should make a commitment to apply the RF limitations to all types of contaminants, unless World Bank regulations are more rigid. Such an approach was repeatedly declared by Sakhalin Energy in other documents, for instance, in EIA (Volume 7, Technical and Economic Substantiation of Construction), it will be also appropriate in the Matrix and SIMDP.</p> <p><u>2nd March 2006 Meeting</u></p> <p>It was agreed to close this issue, pending provision of the requested information.</p> <p>The information has now been provided and the issue closed.</p>

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17	IPL/PDP	Construction of roads and infrastructure crossing the spawning streams results in the streams' contamination.	B	<p>There will be no construction on Sakhryvod-agreed salmon rivers during the salmon spawning season.</p> <p>Preventive measures against erosion and river contamination will be implemented during the road construction.</p> <p><u>2nd March 2006 Meeting</u></p> <p>It was agreed that this concern is resolved in view of Sakhalin Energy monitoring and reinstatement programmes (see concern 1 and concern 15 below).</p> <p>Regarding induced access contributing to increased poaching, Sakhalin Energy will reinstate all temporary access roads after use (see concern 1). If there are any concerns related to Sakhalin Energy's performance in this area, the Indigenous People will be able to use the Grievance Procedure.</p>	<p><u>IP Consultant, Dmitry Lisitsyn</u></p> <p>Comments: In this item, the Indigenous Peoples representatives directly indicated the problem of the impact inflicted on the river not only by the pipeline crossings alone, but also by the construction of the corresponding infrastructure—both outside and inside the pipeline routes. However, in the Matrix this issue is addressed only by mentioning that construction works would not be conducted during the spawning period on the rivers determined by Sakhryvod as salmon containing rivers, as well as that measures would be taken to prevent river pollution.</p> <p>At the same time, the reply to Issue No. 15 says that Sakhalin Energy does not conduct any pipeline routing at all, neither during the spawning period nor in the period of fish migration. Serious discrepancies are visible in the replies to these two problems. [Please note the Sakhalin Energy comment to concern No.15 has now been changed to 'salmon spawning season' only.]</p> <p>See comments and recommendations for issue No. 15. [See also Sakhalin Energy response for concerns Nos. 1 and 15]</p> <p><u>IP-appointed fish expert Mikhail Skopets:</u></p> <p>Conclusion: The impact of access roads leading to river crossings, and indeed to all areas withdrawn for the pipeline, will be more obvious in coming years of pipeline construction and in the first years of pipeline operation – up</p>

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					<p>to the point of complete regeneration of the vegetation cover. Serious attention should be paid to the programme for monitoring water quality, and also the state of the salmon spawning grounds in the rivers that have been crossed by the pipelines. Road construction is also a major threat to salmon ecosystems in terms of the increase access to rivers by poachers.</p> <p>Recommendations: Further research into impacts of pipeline river crossings. [See concerns Nos. 15,16,18 below.] During the spawning season it is necessary to organise watch-posts on the roads, together with the local fish inspectorate and local authorities.</p> <p><u>2nd March 2006 Meeting</u></p> <p>Indigenous representatives agreed that this issue is now resolved, in view of the scope of the Sakhalin Energy monitoring and re-instatement programme.</p> <p>With regards to poaching, indigenous peoples were satisfied with Sakhalin Energy's commitment to reinstate temporary access roads after the construction period, and use of the Grievance Procedure to address any incidents that may arise in relation to poaching and unwanted access. [See also concern No.1]</p>

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26A	Soc/PDP	<p><u>IP consultant, Dmitry Lisitsyn:</u></p> <p>Venskoye village: Lidia Mufchik, head of a clan enterprise reports that after pipeline construction work across Malye Veni river in Winter of 2003-2004 and in 2005, in the estuary of the river that flows into Nyivo Bay, the quantity of fish has drastically declined (including smelt, krasnoperka, golets, saffron cod and others). Members of the clan enterprise now have to walk to fishing grounds much further from the house to the Bolshie Veni river, as in the traditional fishing grounds on Malye Veni it is almost impossible to catch anything since the pipeline construction work.</p> <p>Recommendation: Include this case in the Mitigation Matrix and investigate the impact on the river, the fish resources and the livelihoods of the indigenous resource users. The assessment should include calculation of damages and payment of compensation to the impacted parties.</p>	B	<p>The Company is aware of this case, although no actual complaint was sent to the Company via official channels (Grievance Procedure). The grievance was brought to the attention of the Company by NGO Sakhalin Environment Watch (Dmitry Lisitsyn).</p> <p>In the Winter of 2004-5, a temporary crossing was constructed by one of the Sakhalin II project subcontractors. This was an ice bridge – the iced-over river was sprayed with water to create an ice bridge, then logs and soil were laid on top, in order to allow technical machinery to cross. However, in Spring the soil and logs were not removed and as the ice melted they fell into the river.</p> <p>The river was inspected by Company experts on 23.06.05 at the point in question (KP 98.6). As a result of this inspection the following was found out: the pipeline right of way (ROW) is cleared and comes to the riverbanks from both sides. The river crossing wasn't performed, the activities were left until the winter period - 2005-2006.</p> <p>The banks of the river are covered with natural vegetation. Neither domestic garbage nor construction debris was revealed. The water surface has a genuine natural look. Thus, the conclusion of the inspection was that no construction-related impact was observed.</p> <p>[continued on following page]</p>	<p><u>IP-appointed fish expert Mikhail Skopets:</u></p> <p>Comment: According to existing information, crossing of one branch of the pipeline across Malye Veni took place in January 2006. It needs to be clarified what work was carried out by Sakhalin Energy in the Winter of 2003-4.</p> <p>Recommendation: In similar cases, it would be necessary to carry out operational fieldwork to make an assessment of the situation (water quality, river bed gravel samples and hydrobiotas and if necessary fish catches). This matter should be included in the monitoring plan for future years (Summer-Autumn 2006, Winter 2006-7) [See Sakhalin Energy response in column 5.]</p> <p><u>2nd March 2006 Meeting</u></p> <p>Indigenous Peoples' representatives requested the results of the pre-construction monitoring of the Malaya and Bolshaya Veni rivers.</p> <p>Indigenous Peoples' representatives agreed that this issue is now resolved, as long as the Company carries out the proposed steps.</p>

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				<p><u>2nd March 2006 Meeting</u></p> <p>Company experts acknowledge that a member of the Venskoye community should have been present when the above inspection was carried out.</p> <p>Company experts also acknowledge that this case demonstrates that there are some problems with the Grievance Procedure. At the meeting, the Pipelines CLO manager provided the new Public Grievance Procedure Leaflet to the IP representatives and committee members discussed the suggested ways to make the GP more accessible to Indigenous Peoples. These suggestions are already in the SIMDP (Section 4.5.3).</p> <p>The Malaya Veni and Bolshaya Veni rivers have both been crossed now.</p> <p>Company experts proposed the following steps to resolve the current issue:</p> <ol style="list-style-type: none"> 1. Since 2002 the Social Assessment Group has commissioned annual surveys of Indigenous Peoples' fish resource use. This survey includes the village of Venskoye. The next set of interviews will be covering fish catches for 2005. <p>[continued on following page]</p>	

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				<p>2. The IP CLO will visit Lidia Mufchik to talk to her about the incident in 2005 and to discuss the Company response. The Company will make an apology to Lidia Mufchik for not talking to her in person when the incident was first reported. She will be offered the option of submitting a grievance to the Company and any assistance in this matter will be provided. Updated information about the Grievance Procedure will be provided to the residents of Venskoye, including suggested ways to make it more effective and accessible.</p> <p>3. Pre-construction monitoring was carried out before the crossing of the Malaya Veni river, which was before the incident took place. The Pipelines Team can make this available to the Indigenous Peoples' representatives. They should request it via the IP Programme Co-ordinator. The post-construction monitoring will assess the impact of the river crossing on these rivers.</p> <p>This concern is now closed pending completion of proposed activities.</p>	

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26B	Soc/PDP	<p><u>IP Consultant Dmitry Lisitsyn:</u></p> <p>The Nivkh family living on the lower reaches of the Nabil' river, headed by Nadezhda Ekzain, reports that the situation there is very similar to the one reported above on the Malye Veni river. After the winter pipeline construction work across the river, in spring the quantity of fish has drastically dropped in comparison with the amount there was before the construction.</p>	B	<p>Sakhalin Energy has not constructed a pipeline across Nabil River, but preparatory work has taken place.</p> <p>The Company is aware of the circumstances of the Ekzain family. To date, however, Sakhalin Energy has not received any formal complaint letters from the Ekzain family. No actual Project impacts have been reported, although Mrs. Vovkuk (the Indigenous Peoples representative in Nogliki administration) expressed some general concerns regarding this family's condition in a letter to the Company.</p> <p>A similar ice bridge of the type described in 26A above was constructed across the Nabil' River. However, the family's problems do not appear to be related to direct impacts of Project construction work.</p> <p>On 13 October 2004 interviews were conducted by an Sakhalin Energy Approvals Engineer with Mrs. Nadezhda Mahanaeva (Ekzain). The social status of the family was clarified. The family is engaged in fishing, hunting and berry picking. Some products go for sale. This is the only source of income for the family. The family lives all year round on the Nabil river bank. There is no other real estate in their ownership. Their son lives in Nogliki and their 12-year old daughter lives her aunty in Katangli in Winter.</p> <p>[continued on following page]</p>	<p><u>IP-appointed fish expert Mikhail Skopets:</u></p> <p>Comment: According to existing information the construction of both pipelines across Nabil River are only in the planning stage.</p> <p>Recommendation: Determine whether any work was carried out on this river (for example, construction of river crossings for transportation of technical equipment)</p> <p><u>2nd March 2006 Meeting</u></p> <p>Indigenous Peoples' representatives agreed that this issue is now resolved, as long as the Company carries out the proposed steps.</p>

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				<p>Mrs. Mahanaeva was born at Nabil river side and lived there till 1981 than went to the mainland and came back in 1991. Mrs. Mahanaeva has not provided any land ownership documentation. However the clan enterprise is registered – the documents are at the Nogliki Administration.</p> <p>During archaeological monitoring at Nabil river (2004-2005) it was reported that the family was in very poor condition due to a quarrel with local visitors who used to provide food, cigarettes, and fuel for the boat. The company cultural heritage expert reports that there is no direct impact from pipeline construction on the Ekzain family, however, being located close to the pipeline right of way, there is a potential risk of oil spills.</p> <p>Further actions will be carried out by the Approvals, Pipelines and External Affairs departments, to clarify: the actual Project impacts on the family; their specific concerns and problems; their eligibility to receive supplemental assistance under the Sakhalin Energy Supplemental Assistance Programme; and to determine further actions to address the concerns of the family, the Nogliki Administration and NGOs. Consultation and monitoring of the situation will be ongoing, taking into consideration difficulties due to the family's remote location and the difficulty in accessing their homestead in some seasons.</p> <p>[continued on following page]</p> <p>[continued on following page]</p>	

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				<p><u>2nd March 2006 Meeting</u></p> <p>It was reported that Mrs Mahanaeva had recently died leaving her husband living alone. It is not clear whether he will stay there alone or move away. Company experts will do the following:</p> <ol style="list-style-type: none"> 1. CLO will meet with Mr Ekzain when the weather improves to allow access. 2. The family will be included into the ongoing natural resource use survey <p>This issue is closed pending completion of the proposed actions.</p>	
<i>Issues not resolvable in the SIMDP context (Status E)</i>					
6	HSES	Molikpaq production platform has an adverse impact on gray whale habitat and reduces its number	E	<p>The results of monitoring carried out since 1998 demonstrate that even at a distance of 250 metres from the Molikpaq platform there were no negative changes either in the water environment on the sea-bed. Therefore the platform could not have had a negative impact on the environment in the grey whale feeding grounds.</p> <p>Acoustic research carried out as part of the grey whale monitoring programme has not revealed any negative impact of noise on the grey whales. The results of monitoring of the grey whale population itself have also demonstrated no negative impacts on the grey whales.</p>	At the 22-23 August SRU Committee meeting, Committee members agreed that this is not a SIMDP issue.

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<i>Issues that both parties «agree to disagree» on</i>					

SUB-MATRIX B: FURTHER ACTIONS REQUIRED

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<i>Not yet resolved (Status D)</i>					
8	IPL/PDP	Sakhalin I and II transport creates additional load on public roads, which damage roads: need road construction and repair	D	<p>Sakhalin Energy is upgrading the main federal road Yuzhno-Sakhalinsk - Okha - Moskalvo in accordance with a programme (to 2007) agreed with the Sakhalin Oblast Administration (SOA). Responsibility for upgrading the stretch between Nogliki and Val is shared with Exxon Neftegaz Ltd. (ENL), while ENL is responsible for the road between Val and Okha. The Sakhalin Energy Annual Report contains details of the stretches of road south of Nogliki upgraded by SE each year.</p> <p>Regular maintenance of the federal road is also undertaken.</p> <p>The road through Val village was not in the original plan but was upgraded after a public consultation where local people complained at the state of this road. The costs of this upgrade were shared with ENL.</p> <p>From 2008, a number of access roads will be upgraded to the pipelines and block valves for maintenance work, while the remaining access roads will be reinstated (see Concern No. 1).</p> <p>If Indigenous People have any specific concerns about damage to a particular stretch of road and the impact of this on their livelihood activities, they can contact the Company via official channels, including the Sakhalin Energy</p>	<p><u>IP Consultant Dmitry Lisitsyn:</u></p> <p>Comments: Sakhalin Energy comments that the Company is conducting repair and upgrading of the main road "Yuzhno-Sakhalinsk-Okha" and that if there are any special concerns, the indigenous people should address the Company through the official access channels, providing complete reasoning for their requests. Such an approach cannot be recognized as sufficient and well-grounded, and we cannot agree to it. Since 2003, Sakhalin Energy has been using common-use roads to transport its loads, breaking them and deteriorating their quality, making their use more difficult, including by the Indigenous Peoples representatives. The impact exerted on the roads and, consequently, on the indigenous people during more than two recent years can be neither prevented nor minimized or reduced—this has already been done. Repair and upgrading of the main road "Yuzhno-Sakhalinsk-Okha" started much later than the destruction of the road with heavy-duty trucks of the Sakhalin Energy contractors. Even when the repair started, in many cases it did not compensate its deterioration. In particular, in 2004 and in 2005, Sakhalin Energy had ignored the traditional spring restrictions for the traffic of trucks, which had been imposed for dozens of years in Sakhalin to preserve ground roads during the period from May to June, when due</p>

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				<p>Grievance Procedure, together with a full justification for the request. As part of the SIMDP process, the Grievance Procedure will be reviewed for its accessibility and usability, particularly for those indigenous people living in the more outlying communities.</p> <p><u>Response to IP consultant comments:</u></p> <p>This is an issue that affects the non-indigenous as much as the indigenous population and cannot be addressed as part of the SIMDP as the necessary mitigation measures are not SIMDP-specific.</p> <p>Individual cases will be considered as grievances, if it can be demonstrated that the state of the roads has a direct impact on Indigenous Peoples' property or livelihoods. Compensation would be provided via the Grievance Procedure in individual cases.</p> <p>The IPL team will consider any grievances about specific impacts on Indigenous Peoples' livelihoods or property caused by damage to roads or the infrastructure upgrade programme. However, in order to do this, they need specific information about the location and nature of the impact.</p>	<p>to snow melting ground roads are very vulnerable for any loads. As a result, in a number of road sectors (in particular, in the Nogliki-Nysh sector in early June 2005), the traffic of vehicles was often made difficult, and sometimes just impossible, especially for cars. The Indigenous Peoples representatives, just like the other local people, found themselves exposed to significant impact, so far not defined and not compensated by anyone.</p> <p>Recommendations: It is necessary to include this kind of impact into the Matrix and the Plan and to analyze it for a detailed description and further compensation. The interviews with the Indigenous Peoples representatives, who regularly use these roads affected by the Sakhalin II machinery, should become one of the methods to be used in this analysis. At that, further road repair cannot be used as a reason for excluding the road sectors or the periods of their use from the above analysis. That is, those periods and road sections should be exposed to the analysis that were actually deteriorated, with people still having to use them, no matter whether the repair was later conducted or not. Another method of analysis may be collecting information on road condition for the local road maintenance services, the road police, and the local authorities. [See Sakhalin Energy comment in column 5.]</p> <p>The Indigenous Peoples' Council will discuss this question and provide a final comment.</p>

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<i>Issues still to be resolved: questions for the fish expert (Status F)</i>					
14	HSES/ PDP	Contribution of Sakhalin II project activities to general decline in fish health and fish populations	F	See comments below	<p>Invite an expert in fish issues as an independent consultant to work with Company experts on issues of concern to Indigenous Peoples representatives.</p> <p><u>General comments from IP-appointed fish expert, Mikhail Skopets:</u></p> <p>It should be noted that most baseline studies of environmental parameters in the area of possible impact from Sakhalin II Project facilities took place between 1998 and 2002. During the past three years several of the listed parameters may have changed. This mostly relates to such questions as the concentrations of pollutants and the state of fish populations.</p>

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15	PDP	<p>Concern about the impact of river crossings on local rivers and fisheries</p> <p>Construction of pipeline will contribute to the decline in riparian fish resources (silting up of rivers, logging of riverbank forests, noise in the pipeline)</p>	F	<p>Sakhalin Energy undertakes its pipeline construction outside of spawning season, in order to avoid impacting sensitive fish resources. However, preparatory activities may take place in the spawning season. According to Russian Federation legislation, all spawning rivers must be crossed outside the spawning season, i.e. between Oct/Nov and May/April. Each river has its own window, depending on the species of fish that use the river.</p> <p>Terpenia river and Bolotny stream were crossed in 2005 outside the Sakhalin Energy river crossing strategy, but within Russian Federation regulations. These were undertaken with the agreement of the authorities and before new river crossing procedures were put in place.</p> <p>All river crossings, together with the dates they were crossed, are listed on the Sakhalin Energy website at:</p> <p>http://www.sakhalinenergy.com/en/project.asp?p=rc_list</p> <p>Pipeline installation affects only a local area of the river. If the erosion control measures and all the riverbank and riverbed reinstatement after the construction period are undertaken, the impact on rivers and fisheries will be minimal.</p> <p>Sakhalin Energy has chosen the choice of crossing technique based on the least potential impact to fish, and ensuring that the chosen crossing technique meets erosion and pipeline protection requirements. The method for river crossings has been selected with fisheries</p>	<p><u>IP Consultant, Dmitry Lisitsyn</u></p> <p>Comments: The following reply is provided in the Matrix: "<i>Sakhalin Energy does not route the trunk pipeline in the period of fish spawning and migration, in order to prevent damage to the fish resources.</i>" However, this is not true. We know for sure that the pipeline crossing was conducted over the Handusa River (not only over its main bed but also over its main left tributary) and over the Hoyambusibin River in the flood period (in particular, the Handusa River was crossed in early May 2005), at the time of downstream migration of the salmon young.</p> <p>[IP-appointed fish expert Mikhail Skopets: The Handusa River was crossed on 14 December 2004 and the Hoyambusibin River has not been crossed yet.] [See also Sakhalin Energy commentary in column 5.]</p> <p>[Lisitsyn comments ctd.] According to our information, in the majority of cases, the parameters of the impact that crossings construction and auxiliary works have on rivers were significantly violated and are being violated now. For example, the increased amount of suspended substances is found in much larger downstream sections of the rivers than those 100–500 meter sections, which were determined by the Company as exhaustive impact areas. Consequently, a significantly larger spawning area is exposed to the impact, than it was taken to calculate the damage to be inflicted on water biological resources. In a</p>

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				<p>regulatory bodies, as appropriate.</p> <p><u>Pipelines Team preliminary responses to IP consultant's comments:</u></p> <ul style="list-style-type: none"> • The Handuza river was crossed in December 2004 and the Khayambusibin river is not crossed yet. • During winter 2005-6, we have much more focus on the river crossings, including a whole team of external observers monitoring the crossing, and Shell Engineers dedicated to river crossings • Bridges to cross the rivers for the machinery were foreseen in the project and are part of the license. • The impact of tributaries is taken into account by the updated strategy. Tributaries that are of high hydrogeomorphological sensitivity and that flow into sensitive rivers, will be crossed in the winter as well. All other tributaries are constructed in accordance with the Russian regulations (and for tributaries flowing into sensitive rivers this normally means that construction should take place outside the spawning season) • In line with Russian legislation, work in the Water Protection Zone is executed as indicated by the license. • At the moment a re-calculation of the fish damage compensation is being undertaken. This takes into account that rivers are not crossed simultaneously. 	<p>number of cases, erosion control measures are insufficient or are being used ineffectively.</p> <p>It is often the case that such impact types are observed, which had not provided for by the Project and are thus unexpected by Sakhalin Energy. To take an example, in most cases, the Company had not planned building any bridges across water obstacles along the pipeline route. As a result, the subcontractors had to build bridges in their own fashion, wherever and whenever it was needed. This resulted in cases of shifting river banks by builders with bulldozers right into the river bed, building up ground on ice and leveling the road to allow the machines to cross the river. Sometimes logs were first put onto ice. At least two cases are known, when on two spawning rivers, very important for the indigenous people (Malye Veni and Nabil), such "crossings" were just flushed away by the spring flood, which inflicted serious damage on the rivers and many fish species. [See concerns 26A and 26B]</p> <p>Sakhalin Energy has by far failed to estimate the impact on the rivers and on the fish reserves of any works on minor streams, in which fish does not necessarily live in the areas of the route crossings but which are tributaries of the spawning rivers or in which fish reserves are found in the downstream sections. Meanwhile, even small streams, even though being temporary water passages, become significant sources of pollution for the spawning rivers. This occurs all the time, although provided for neither by EIA nor by the</p>

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				<ul style="list-style-type: none"> • A comprehensive Erosion Control and Reinstatement plan will be implemented to prevent undue siltation of rivers in spring. To prevent this, last year the Taskforce "Installation of Temporary Erosion Controls (ITEC)" was established. A similar effort will be done this year. • Drilling mud from horizontal directional drilling is not toxic and will be treated in line with Russian legislation. Drilling mud with no additives is inert, natural and may be used as soil enhancer for ground reinstatement • According to the Sakhalin Energy website, the Tapauna River was crossed on 17th and 20th January 2005 (see IP consultant Dmitry Lisitsyn's comment from 30th January meeting). <p>As discussed at the 30th January meeting, the difference in reported dates of river crossings is probably because Indigenous Peoples' representatives observed, or heard reports about, some activity close to these rivers on the dates that they stated. This was probably preparation work, and was in any case not the actual river crossing work. All dates of river crossings are stated on the Sakhalin Energy website. Indigenous Peoples' representatives can check all river crossing dates on the website, which is regularly updated.</p> <p>If Indigenous Peoples observe activity close to a river that is due to be crossed, and they have questions associated with this activity, they can</p>	<p>Development Plan.</p> <p>Recommendations: Sakhalin Energy should recognize (and include it into its Matrix) that in some cases construction was conducted in the period of fish migration. [Original statement amended, see top of column 5.] Impact and damage from such cases should be assessed, and corresponding compensatory measures should be determined in the Development Plan.</p> <p>Sakhalin Energy should include into its Matrix and the Development Plan an obligation to conduct additional assessment of impact on the spawning areas inflicted by the turbidity of rivers during the auxiliary works (not only caused directly by pipeline crossing). In all cases, it is necessary to determine, by way of field observation, the minimum distance covered by the increased amount of suspended substances for each river exposed to the said impact. Field observations should not be limited to the points 500 meters downstream from the crossing but should cover all the river bed exposed. For those rivers for which field observations are no longer reasonable, as the impact was inflicted quite a long time ago, it is necessary to estimate the impact based on the data obtained for similar rivers and for similar construction conditions and the amounts of work done.</p> <p>Additional assessment of impact on rivers and fish reserves should also include the impact of the construction of temporary bridges on the pipeline route, of unlawful ice passages using ground and logs (as it was the case with the</p>

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				<p>contact the Sakhalin Energy Indigenous Peoples' Programme co-ordinator directly, or contact a CLO. In cases of non-compliance or impact on Indigenous Peoples' property or livelihoods, the Sakhalin Energy Grievance Procedure can be invoked.</p> <p><u>2nd March 2006 Meeting</u></p> <p>On the company website Sakhalin Energy publishes bi-monthly reports about progress on the river crossings. These reports contain information about how the river crossings have been carried out and other developments relating to implementation and monitoring of the river crossings programme. These reports can be found at:</p> <p>http://www.sakhalinenergy.com/en/project.asp?p=rc_winter_crossing</p> <p>The Pipelines Team's head of HSES noted that non-compliances are published on the Sakhalin Energy website (see observer checklists for individual river crossings at http://www.sakhalinenergy.com/en/project.asp?p=rc_list). The Pipelines Team can also provide a list of non-compliances to the Indigenous Peoples' representatives. These will eventually be published in the 2005 Year-End Report, including information on the date, the nature of the incident and the location.</p> <p>The Pipelines Project has:</p> <ul style="list-style-type: none"> • an Inspection Team for inspection and monitoring • a Response Team that provides immediate 	<p>Malye Veni and Nabil rivers), of the machinery traffic across the rivers and of the works in the water protection zone, as well as of the impact on the spawning rivers caused by violating the normal flow of small and temporary streams.</p> <p>It is also necessary to include the long-term impact of erosions on the rivers, which is expected to develop on the slopes on the pipeline route. For those places, for which erosion reduction activities are provided, Sakhalin Energy is to undertake to ensure subsequent evaluation of the effectiveness of the above activities by performing regular field observations. Should discrepancy be revealed between the effect of anti-erosion measures and the parameters set, the Company will have to assess the impact not prevented.</p> <p>In all the cases of additional, inflicted/being inflicted but not assessed impact, calculation of the damage to be inflicted to the water biological resources is to be made and compensatory measures are to be provided.</p> <p>All this should be included into the Matrix and the Indigenous Peoples Development Plan. A fishing consultant should consider these issues.</p> <p><u>IP-appointed fish expert Mikhail Skopets:</u></p> <p>Conclusion: An objective assessment is needed of the actual impact of the Sakhalin II Project, which must be isolated from other negative factors influencing the state of the environment in north-eastern Sakhalin.</p> <p><u>30th January 2006 Meeting</u></p>

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				<p>response to incidents caused by Pipeline construction work</p> <p>Many questions will be addressed by post-construction monitoring. The Pipelines Team will take into consideration the recommendations of IP-appointed fish expert Mikhail Skopets.</p> <p>A report detailing the results of post-construction monitoring will be published annually on the Sakhalin Energy website starting at the end of 2006 (results of 2005-6 winter monitoring and 2006 summer monitoring).</p> <p>Pipelines experts noted that they will only be able to assess actual impacts on salmon a few years' time. However, 2005 spring and summer surveys of benthos demonstrate that it is quickly returning to baseline levels.</p> <p>The first results from the winter 2005-6 monitoring programme are already available.</p> <p>The spring/summer 2006 monitoring programme is currently being designed by Pipelines and corporate HSES experts. The experts will incorporate a number of recommendations of the IP-appointed fish expert.</p> <p>Monitoring will cover the impacts of auxiliary works as well as the actual river crossing construction works.</p> <p>The Pipelines experts emphasised the importance of the Grievance Procedure as a further way that Indigenous Peoples can feed into the Pipelines Project monitoring.</p>	<p>IP Consultant Dmitry Lisitsyn reported that on August 25 2005 the Category 2 river Tapauna was crossed. Therefore he challenged the Company's claim that it has not crossed rivers in spawning time.</p> <p>Further questions that the IP representatives wish to discuss at the meeting on 20th February include:</p> <ul style="list-style-type: none"> • The question of preparatory work before actual river crossings • Rivers already crossed (before improvements in river crossing practices) • The Pipelines monitoring programme • Crossing of seismically active faults [this was raised during discussion of OSR issues under Concern No.20]. Russian legislation demands that crossing of active faults requires above-ground crossing of these faults. The State Ecological Expert review notes that the crossings go against Russian legislation, but the Company got special permissions for these crossings. • See also Concern No.28 relating to impacts on berry fields and recultivation of land <p><u>2nd March 2006 Meeting</u></p> <p>The Indigenous Peoples' Council chair Alexei Limanzo asked:</p> <ul style="list-style-type: none"> • to what extent Sakhalin Energy informs the public if negative impacts exceed expectations

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				<p>Indigenous People should use the Grievance Procedure if they observe or hear a report about any case of non-compliance, or if any Sakhalin II Project activities have a direct impact on their property or livelihood activities.</p> <p>In relation to reinstatement work, Sakhalin Energy will produce three documents:</p> <ul style="list-style-type: none"> • Land Management Statement (public) • Monitoring and Contingency Plan (not public) • Implementation Plan (not public) <p>The company will be monitoring the state of the riverbanks to make sure the vegetation has established. The most vulnerable period is after construction. There will be regular monitoring and there will be maintenance teams who will work on areas where vegetation does not establish itself so well. The company will also report on the re-instatement programme and there will be monthly reports (published on the website).</p> <p>Pipelines experts estimate that construction will be over by the end of the first quarter of 2008. However, by this time the impacts will be much less, as the work will mostly consist of testing of pipelines and block-valves (with water) and re-instatement work.</p> <p>The Pipelines Project is currently slightly behind schedule (mostly with non-river pipeline construction), but this does not alter the river crossings strategy and will not affect the impact. The project hope to complete all river</p>	<ul style="list-style-type: none"> • how many cases of non-compliance with regulations have been noted • when the Pipelines experts expect the impact from construction to be over • whether the Pipelines Project is behind schedule at the moment <p>The Indigenous Peoples' representatives are satisfied with the nature of their participation in the Pipelines monitoring programme, i.e. Mikhail Skopets will present his recommendations to the IP Council and they will approve those recommendations before submitting them to Sakhalin Energy.</p> <p>The Indigenous Peoples' representatives requested clarification about fisheries compensation payments, how the compensation money will be spent (e.g. where the hatcheries will be located), and how the process can be influenced.</p>

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				<p>crossings this winter, but some may be completed in winter 2006-7.</p> <p>With regards to compensation, Pipelines experts explained that there is a four-party agreement including the Russian Federation and Sakhalin Oblast administrations, according to which fisheries compensation will be used to construct fish hatcheries. Company experts agreed to confirm the total compensation to be paid, according to current calculations (it will be \$11 million USD). It is likely that there will be a re-calculation of the compensation sum because some rivers will now be crossed twice (oil and gas pipelines separately). Sakhrybvod will decide where the hatcheries will be located.</p> <p>External Affairs experts agreed to discuss the fish compensation/hatcheries internally.</p> <p>Preliminary company response to Mikhail Skopets' research proposal:</p> <p>IP-appointed fish expert M. Skopets drafted a proposal for further research into this and other issues (concerns Nos. 16, 19, 21, 22, 24) [see document appended to the end of this sub-matrix]. On reviewing the draft proposal, company experts recommended that Dr Skopets read further company documentation, which already covers some of the areas he suggested for his research. On the basis of this, Dr Skopets revised his proposal and submitted the revised proposal to the IP Council.</p> <p>On 27 April 2006 company experts received confirmation from IP representatives that they had approved Dr Skopets' original, full</p>	<p>Mikhail Skopets' research proposal: Mikhail Skopets submitted a proposal for a programme of further research, entitled: "Evaluation of the key elements of aquatic ecosystems of northeastern Sakhalin and their role in the life of the indigenous population of Tymovsk and Nogliki districts - in connection with the construction of the Sakhalin-2 Project pipelines." [See document appended to the end of this sub-matrix.]</p> <p>At a meeting on 21.04.06 the IP Council confirmed their recommendation that the company adopt M. Skopets' entire research programme.</p> <p>These recommendations will be discussed with company experts on 10th May 2006. Mikhail Skopets' recommendations will be included together with the company response in the updated Matrix for publication on the company website. Agreed measures will be included into a Memorandum of Understanding to be signed by both parties on 25th May 2006.</p>

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				<p>programme of scientific research. Company experts are now considering this proposal and preparing a full response with reference to existing project documentation, and focusing on actual project impacts.</p> <p>This will be discussed with IP representatives at the 10th May meeting. The results of these discussions will be published on the Sakhalin Energy website. Agreed measures will be included into a Memorandum of Understanding to be signed on 25th May 2006.</p>	

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16	PDP	<p>Fish resources are expected to decline as a result of trench river crossings and directional drilling.</p> <p>Pipelines need to be laid above rivers and not below them.</p>	F	<p>Whilst some of the sections of the pipelines could cross the streams or marshy areas using elevated crossings, Sakhalin Energy's position is that due to security, public safety, environmental and visual impact reasons overhead construction methods will not be used. This is important to ensure that there is no opportunity for third parties to cause damage to the pipelines, particularly the oil pipeline, which has the greatest potential environmental impact in the event of damage.</p> <p>The dry trench method will not be used for river crossings – only wet trench and horizontal directional drilling (HDD) will be used. With HDD we drill under the riverbed, so not harming the riverbed at all and thus not harming the fish resources. However, HDD is expensive and not possible everywhere. HDD is only selected for 8 rivers, but for one of these it is technically not feasible.</p> <p>The wet cut method might have impact on fish resources. Impact on salmon rivers will be minimised by crossing in winter (with low flow and outside the spawning season), minimising construction time and implementation of sediment control measures like silt fence. However, damage will be unavoidable and therefore fish damage compensation will be paid.</p> <p><u>2nd March 2006 Meeting</u></p> <p>The riverbed profile is expected to be returned to its original state. For fish sensitive rivers, the top layer will consist of gravel, to improve the</p>	<p><u>IP-appointed fish expert Mikhail Skopets:</u></p> <p>Conclusion: I agree with the conclusions of Sakhalin Energy about the superiority of the trench method of river crossings compared to above-ground river crossings – considering the relative security of underground crossings during the future operation of the pipeline. Construction of pipelines over rivers is much more dangerous in Sakhalin's socio-economic and natural conditions, with regards to possible oil leaks into the watercourses. In addition, the construction of supports, which are essential to support pipelines when they cross over rivers, could in many cases result in a more considerable impact on the riparian ecosystem than the temporary construction impact of an underground pipeline river crossing.</p> <p>An objective assessment is needed of the actual impact of the Sakhalin II Project, which must be isolated from other negative factors influencing the state of the environment in north-eastern Sakhalin.</p> <p>Recommendation: Research proposal, see Concern No.15.</p> <p><u>2nd March 2006 Meeting</u></p> <p>IP Council chair Alexei Limanzo expressed concern that the riverbed profile is returned to its original state to preserve spawning conditions. Alexei Limanzo asked what % of rivers to be crossed are spawning rivers.</p>

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				<p>area for spawning.</p> <p>Out of 1100 watercourses that will be crossed, around 180 rivers have known spawning habitats in the river. It is currently estimated that between 0.38% and 1.34% of the total amount of spawning grounds of rivers to be crossed could be impacted.</p> <p>Mikhail Skopets' research proposal will be discussed on May 10th [see concern No.15].</p>	
18	PDP	Fish stocks in bays will decrease as a result of pipeline construction.	F	<p>Sakhalin Energy will cross Chaivo Bay by horizontal directional drilling, which will not impact upon the fish stocks in the bay. River crossings through spawning rivers will be implemented in the winter period and with compliance to the measures preventing contamination and siltation of the rivers.</p> <p>Experts from the Pipelines Team will consider the IP consultant comments and will respond at the meeting on the 20th February.</p> <p><u>Preliminary responses to IP consultant comments:</u></p> <p>Horizontal drilling will result in no toxic waste. The material used is bentonite, which is often used as a soil enhancer.</p> <p>The Law No. 52-FZ 0 1995 (in several articles) and Article No.32 of Resolution 997 describe what should be done if a crossing of spawning area can take place. Phase II Pipelines Project has passed all approvals and State Environmental Expert Review (<i>ekologicheskaya expertiza</i>), as required by this Law, including</p>	<p><u>IP Consultant, Dmitry Lisitsyn:</u></p> <p>Comments: The Sakhalin Energy reply has it that in the Chayvo Bay crossing is to be conducted by the method of directed drilling, which is not to affect fish in the bay. However, the following concern results from this: how will the toxic drilling waste be utilized, which is formed, considering the extension of the horizontal well under the bay, in the amount of at least a thousand tons? Where will this waste be disposed?</p> <p>Recommendation: Sakhalin Energy is to include into the Matrix and the Development Plan an obligation of immediate removal of the resulting drilling waste to the landfill facilities. Even temporary placement of this waste in the open sludge collectors in the Chayvo spit is totally unacceptable. Only the above mentioned approach may be considered sufficient to prevent such a negative impact</p> <p><u>IP-appointed fish expert Mikhail Skopets:</u></p> <p>Conclusion: The impact of the Sakhalin II</p>

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				<p>expert review of the Fish Damage Calculation for the crossing of the spawning areas and compensation payment procedure.</p> <p>Pipelines experts can provide an estimated date of crossing the Malaya and Bolshaya Veni rivers to Indigenous Peoples consultants as soon as possible.</p> <p><u>2nd March 2006 Meeting</u></p> <p>The pipeline river-crossing monitoring programme was discussed. The Team will take into consideration the recommendations made by Mikhail Skopets (see Concern No.15).</p> <p>The Malaya Veni river was crossed on 1/12/05 and 09/12/05, as reported on the Sakhalin Energy website. Bolshaya Veni was crossed on 19 March 2006 (gas pipeline) and 25 March (oil pipeline).</p>	<p>Project on the ichthyofauna of eastern Sakhalin's bays has to date been negligible. However, after the start of construction of pipeline river crossings this impact has risen noticeably. An illustration of this is the situation with the possible negative impact on the estuaries of the Malaya Veni and Nabil' rivers (see the Indigenous Peoples' commentaries to concerns No. 15, 26A/B)</p> <p>Comments: See also reply to No.15</p> <p><u>30th January 2006 Meeting</u></p> <p>Russian legislation forbids crossing of spawning rivers at any time in the areas of spawning grounds. Despite this prohibition, Sakhalin Energy is still crossing the rivers in spawning ground areas.</p> <p>IP consultant raised the following questions:</p> <ul style="list-style-type: none"> • In the monitoring programme are numbers of young fish used as indicators? • When will Bolshaya and Malaya Veni be crossed? • Will the people living in Veni hamlet be involved in observation of the preparation work? • How will bridges be constructed across the Malaya and Bolshaya Veni rivers?
19	HSES	<p>Concern over impact of construction of Project facilities in offshore and coastal areas</p> <p>After commissioning of Molikpaq</p>	F	<p>The results of monitoring carried out since 1998 demonstrate that even at a distance of 250 metres from the Molikpaq platform there were no negative changes either in the water</p>	<p><u>IP-appointed fish expert Mikhail Skopets:</u></p> <p>Conclusions: There is no evidence of any impact of the Molikpaq platform on the ichthyofauna of Sakhalin's eastern bays, and in</p>

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		<p>construction platform and OPF in Lunskeye Bay the quality of fish is getting worse</p> <p>Erection of oil and gas platforms in the Lunskeye Bay area will kill the fish</p>		<p>environment on the sea-bed. It is anticipated that any future offshore activities will be managed to the same high standard.</p> <p>The OPF has not been commissioned yet. It is located 7km from the shore and has no impact on local hydrological systems.</p> <p><u>2nd March 2006 Meeting</u></p> <p>On 4th March 2006, HSES experts gave a presentation on the results of the Sakhalin Energy offshore monitoring programme at an extended meeting of the SIMDP working group, including IP Council representatives in order to provide additional information.</p> <p>Company experts are currently waiting for the IP representatives' response to M. Skopets' conclusions about the influence of Molikpaq.</p> <p>Mikhail Skopets' research proposal will be discussed at the 10th May meeting.</p>	<p>my opinion, there has been no such impact. This can be demonstrated by the absence of any oil pollution in those parts of the sea that are close to the bays, and in the parts of the bays lying closest to the sea. The oil pollution that has been observed in the bays comes from inland, and is related to the river estuaries. The channels that link the bays with the Okhotsk Sea are much cleaner than areas of the estuaries of rivers that flow into the bays. Several areas of the bays and the fish that live in them are polluted with oil hydrocarbons, but this is related to natural leaks of oil as well as to the activities of the onshore oil industry.</p> <p>Recommendations: The work of Sakhalin Energy subcontractors relating to the ichthyofauna of the bays took place between 1998 and 2002.</p> <p>Research proposal, see Concern No.15.</p> <p><u>2nd March 2006 Meeting</u></p> <p>IP-appointed fish expert Mikhail Skopets made the suggestion to invite a specialist in marine biology and toxicology (preferably from Vladivostok academic institutes – Institute of Marine Biology or Pacific Institute of Geography) to provide an independent assessment of Molikpaq's influence on fish quality in lagoons.</p> <p>IP Council chair Alexei Limanzo stated that he needs to discuss this issue and Mikhail Skopets' conclusions at the next meeting of the IP</p>

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					<p>Council.</p> <p><u>4th March 2006</u></p> <p>IP representatives of the Working Group and the IP Council were given a presentation of the results of the offshore monitoring programme.</p> <p><u>5th March 2006</u></p> <p>An IP Council meeting took place, but a decision was not made on whether or not to accept M. Skopets' conclusions about this issue.</p>
20	OSR	<p>Concern about the impact of oil and other spills and the reliability of construction technology</p> <p>Potential hazard of the environmental disaster in the areas where Indigenous Peoples traditionally live and practice economic activities, as a result of oil and toxic components' spills caused by poor construction technology</p> <p>See also No.5 above</p>	F	<p>Sakhalin Energy has completed its Phase 1 Oil Spill Response Plan and it was officially approved in 2003 by regulators, including Sakhryvod, MNR, MChS and SakhBASU. This plan is available in the Yuzhno-Sakhalinsk library and in the Nogliki library. The Phase 2 Oil Spill Response Plans are currently under development. Oil Spill Response Plans will be developed for all the Project Assets by the start of operations in 2008.</p> <p>The company has designed measures to protect all the project facilities from possible accidents including oil spills. Thus the pipeline will have a leak detection system that can identify volumes of less than 1% of the pipeline flow. Furthermore, all crossings of active faults are designed to be crossed using new below ground techniques. The design envisages the installation of a snaking pipeline within specially designed trenches and protected using foam blocks placed around the pipeline. The maximum strain of the pipeline at the fault crossings has been analysed to an earthquake of 9 on the Richter Scale.</p>	<p><u>Indigenous Peoples' recommendations</u></p> <ol style="list-style-type: none"> 1) Sensitivity Zones Maps with indication of fishing grounds used by traditional enterprises should be updated 2) Company can consider establishing Oil Spill Response Teams on the Bays comprising of members of traditional fishing enterprises <p><u>IP-appointed fish expert Mikhailin Skopets:</u></p> <ol style="list-style-type: none"> 1) This kind of map is essential to make decisions relating to question 27 <p><u>30th January 2006 Meeting</u></p> <p>IP Council leader, Aleksei Limanzo noted that indigenous residents continue to fish in areas where they have traditionally fished – it is the just the regulations that have changed and made their activities into 'poaching'. He added that there are no secret areas where IP fish – in general they fish in the Bays and river estuaries.</p> <p>Indigenous Peoples' representatives are interested in working with the OSR Team on the</p>

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				<p>Sensitivity maps for northeastern Sakhalin have already been developed. At the moment maps are being developed for the pipeline and Aniva Bay. Sakhalin Energy field teams have been doing site surveys for OSR throughout 2004 and 2005. Aerial surveys were done in 2005. There is a programme to continue in 2006 and onwards. The OSR Team would like to meet with Indigenous Peoples representatives to get information about areas used for traditional resource use for these maps.</p> <p>The OSR Team will carry out Indigenous Peoples consultation as part of their planned social surveys.</p> <p>The Company can provide OSR training to Indigenous Peoples as is currently done through 'Ekoshelf'. The OSR Team will be happy to discuss this further with Indigenous Peoples representatives at the proposed meeting.</p> <p>The Company would like to discuss these collaboration options at a further meeting in April/May 2006.</p>	<p>survey and mapping work, and are willing to discuss this at a further meeting with OSR experts (April/May 2006).</p> <p>IP consultant Dmitry Lisitsyn raised the issue of crossing of seismically active faults. Russian legislation demands that crossing of active faults requires above-ground crossing of these faults. The State Ecological Expert review notes that the crossings go against Russian legislation, but the Company got special permissions for these crossings.</p>
21	HSES	Drastic reduction in appearance of saffron cod and other species (including Winter fishing for Far Eastern saffron cod)	F	<p>An independent Sakhalin-based fisheries scientific institute (SakhNIRO) conducted research into this topic in 2004 and concluded that there are two reasons for saffron cod (navaga) reduction during recent years in the north eastern bays of Sakhalin:</p> <ol style="list-style-type: none"> 1. Natural mutation of population due to intense commercial fishing during the 1970-1980s 2. Inadequate fishing statistics, which 	<p><u>IP-appointed fish expert Mikhail Skopets:</u></p> <p>Conclusion: The impact of the Sakhalin II Project on the ichthyofauna of eastern Sakhalin's bays has to date been negligible. However, after the start of construction of pipeline river crossings this impact has risen noticeably. An illustration of this is the situation with the possible negative impact on the estuaries of the Malaya Veni and Nabil' rivers (see the Indigenous Peoples' commentaries to</p>

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				<p>influences calculations.</p> <p>The existing practice of saffron cod commercial fishing in the north eastern bays of Sakhalin causes severe damage to biological resources.</p> <p>Until now Sakhalin Energy have not carried out any onshore activities that could lead to any impact on the lagoons. Sakhalin Energy's long-term environmental monitoring programme and other numerous scientific investigations, including the state monitoring programme, have confirmed that contamination of the northeastern shelf of Sakhalin Island has not occurred since commencement of Sakhalin Energy's activities.</p> <p>SakhNIRO considers that the present population of saffron cod in the Piltun area is stable, albeit at historically low levels when compared with the population levels of the pre-1990s, before which time Sakhalin Energy was not yet active on Sakhalin Island.</p> <p><u>2nd March 2006 Meeting</u></p> <p>With regards to drilling wastes disposal, the results of monitoring demonstrated that even very close to the platform there are no changes in the chemical make-up of the sea-bed.</p> <p>On 4th March Sakhalin Energy experts provided a presentation of these results for Working Group and IP Council representatives.</p> <p>Company experts are now waiting for a conclusion about this concern from the Indigenous Peoples' representatives.</p>	<p>concerns No. 15, 26A and 26B)</p> <p>The decrease in the catches of saffron cod in Sakhalin bays can be explained by the combined impact of natural causes (the multi-year population cycles) and over-fishing in the 1980s and 1990s.</p> <p>Recommendation: Research proposal, see Concern No.15.</p> <p><u>2nd March 2006 Meeting</u></p> <p>IP-appointed fish expert Mikhail Skopets agreed that Sakhalin Energy has enough baseline information, but this is more of an academic baseline, and more applied research is needed.</p> <p>IP Council chair Alexei Limanzo stated that they need more information about the period when Molikpaq was discharging drilling wastes (1999-2000) and requested the results of the offshore monitoring programme.</p> <p>When asked by company experts whether the Indigenous Peoples trust Sakhalin Energy's monitoring results, Alexei Limanzo responded that they do not because they feel that there have been impacts on their fish resources that mean they cannot carry out their traditional livelihood activities in the way they used to. The Indigenous Peoples are concerned about being able to continue catching fish in the future.</p> <p>The Indigenous Peoples feel that all the negative impacts on the area should be assessed and guilty parties identified.</p> <p>Alexei Limanzo acknowledged that not all</p>

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				<p>Mikhail Skopets' research proposal will be discussed at the meeting on 10th May [see concern No. 15].</p>	<p>negative impacts are the fault of Sakhalin Energy. The Indigenous Peoples are glad to have the opportunity to discuss the work of Sakhalin Energy with company experts.</p> <p>Alexei Limanzo stated that he needs to discuss this issue and Mikhail Skopets' conclusions at the next meeting of the IP Council.</p> <p><u>4th March 2006</u></p> <p>IP representatives of the Working Group and the IP Council were given a presentation of the results of the offshore monitoring programme.</p> <p><u>5th March 2006</u></p> <p>An IP Council meeting took place, but a decision was not made on whether or not to accept M. Skopets' conclusions about this issue.</p>
22	HSES	Continued depression state of chum salmon, silver salmon, taimen, in spite of industrial fishing ban for more than 10 years	F	<p>Environmental factors, including over-fishing, environmental degradation and climate change may have affected these fish populations over the last decade. Sakhalin Energy does not consider that its activities have led to a decline in these populations, but will to monitor its impacts and determine required mitigation measures.</p> <p><u>MISHA'S RECOMMENDATIONS</u></p> <p>Company experts are waiting for a conclusion about this concern from the Indigenous Peoples' representatives.</p>	<p><u>IP-appointed fish expert Mikhail Skopets:</u></p> <p>Conclusion: The depressed state of the populations of the given species of fish has no relation to the activities of Sakhalin Energy, as their numbers declined long before the Sakhalin II Project started up. Nonetheless, an additional impact on these populations from construction of pipeline river crossings cannot be ruled out.</p> <p>Recommendation: Research proposal, see Concern No.15.</p> <p><u>2nd March 2006 Meeting</u></p> <p>IP-appointed fish expert Mikhail Skopets noted that more illegal fishing takes place in these areas than legal fishing. Therefore the ban on commercial fishing would not have resolved the</p>

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					<p>problem.</p> <p>IP Council chair Alexei Limanzo stated that he needs to discuss this issue and Mikhail Skopets' conclusions at the next meeting of the IP Council.</p> <p><u>5th March 2006</u></p> <p>An IP Council meeting took place, but a decision was not made on whether or not to accept M. Skopets' conclusions about this issue.</p>
23	HSES	Demise of several thousands of herring in the late 90s in Pil'tun bay area	F	<p>An independent Sakhalin-based fisheries scientific institute (SakhNIRO) found that the event was most like a result of natural causes. The amount of herring entering the Bay was larger than usual. It led to higher density of herring and, therefore, higher oxygen consumption. Furthermore, the opening of Piltun Bay was blocked with ice (ice-thickness reached 1.5 m). The herring were temporarily confined within the limited area of water and herring being salt-water fish, cannot enter most of the freshwater bay. Insufficient water circulation between the sea and Piltun Bay and low water oxygen content probably caused the herring die-off.</p> <p>In 1999, further similar incidents occurred which are far less publicized and cannot be explained due to lack of initial data: anchovy, shrimp and hornbill kill at the South Kurils and on Hokkaido, spawning herring kill on West Kamchatka.</p> <p>In addition, it is worth noting that oil extraction from Molikpaq started in summer 1999 and the</p>	<p>Indigenous Peoples representatives and the Company have long been unable to find agreement on this question. Therefore, at the Sustainable Resource Use Committee meeting of 22 August 2005 participants 'agreed to disagree' on the issue.</p> <p>However, at a subsequent meeting of the SRU Committee on 25 November 2005, the initial agreement was challenged and it was decided to include this issue in the list of questions to be addressed by the fish expert.</p> <p><u>IP-appointed fish expert Mikhail Skopets:</u></p> <p>Comment: The death of the herring took place in Spring 1999. The volume of dead fish totaled, according to various estimates, from several tens of tonnes (SakhNIRO) to 'between 907.2 and 11,167' tonnes (Sakhalinrybvod). The latter figures appear to be unrealistic (according to the Investigation Act of the Okha district fish inspectorate the quantity of dead fish amounted to up to 3,328 per square metre (!) of the</p>

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				<p>largest spill during the time Molikpaq has been functioning occurred on 28 September 1999. The dead herring were discovered in May of that year. It should also be noted that the operations of the Molikpaq platform are physically remote from the site of the die-off and Sakhalin Energy has detailed records of its activities at the time of concern, none of which could have resulted in the herring die-off. It should also be noted that a court case brought against Sakhalin Energy refuted the accusation of causing the herring kill.</p> <p><u>2nd March 2006 Meeting</u></p> <p>Sakhalin Energy stands by its position on the Piltun herring question, based on the SakhNIRO investigation, the conclusions of nature protection organs, and the results of the court process.</p>	<p>shoreline)</p> <p>Recommendation: Research proposal, see Concern No.15.</p> <p><u>2nd March 2006 Meeting</u></p> <p>IP Council chair Alexei Limanzo asked company experts why Sakhalin Energy did not take seriously the Sakhalin Environment Watch (SEW) report on the Piltun herring.</p> <p>The IP-appointed fish expert Mikhail Skopets responded that the Piltun herring analysis used by SEW could be interpreted in different ways to support opposing arguments and therefore could not be relied upon to provide an answer.</p> <p>Alexei Limanzo stated that he needs to discuss this issue and Mikhail Skopets' conclusions at the next meeting of the IP Council.</p> <p><u>5th March 2006</u></p> <p>An IP Council meeting took place, but a decision was not made on whether or not to accept M. Skopets' conclusions about this issue.</p>
24	HSES	Deterioration of fish quality (bad smell, poor health of fish, etc.)		<p>Baseline studies conducted during 1998 to 2001 showed that the majority of Nogliki district rivers have high concentration of hydrocarbons and phenol, and that there are also water-logged areas polluted with oil. This pollution is caused by both natural causes (leakage of thermal waters) and human activity (onshore hydrocarbon production).</p> <p><u>2nd March 2006 Meeting</u></p> <p>The issue of rapid response teams was</p>	<p><u>IP-appointed fish expert Mikhail Skopets:</u></p> <p>Conclusions: The observed deterioration in the taste of the fish is probably related to oil pollution from onshore sources (see conclusions to No.19).</p> <p>Recommendation: Research proposal, see Concern No.15.</p> <p><u>2nd March 2006 Meeting</u></p>

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				<p>discussed to respond to incidents such as a future mass die-off of fish. It was agreed that this is a matter to be discussed further with the Oil Spill Response and Pipelines teams (see response from pipelines above). A meeting with the OSR Team will take place in April/May 2006.</p> <p>Sakhalin Energy experts advised the Indigenous Peoples' representatives to contact the Sanitary-Epidemiological Station in Nogliki about their concerns, and in future cases where fish are found smelling bad or in poor health. The company understands the potential difficulty of making contact with this station, but advised that this was the proper channel for their concerns.</p> <p>Mikhail Skopets' research proposal will be discussed at the meeting on 10th May.</p>	<p>IP Council chair Alexei Limanzo noted that has been difficult to get a response from the Sanitary-Epidemiological Station about this issue.</p> <p>The issue of rapid response teams will be discussed further with the Oil Spill Response Team at the proposed meeting in April/May 2005.</p> <p>Alexei Limanzo stated that he needs to discuss this issue and Mikhail Skopets' conclusions at the next meeting of the IP Council.</p> <p><u>5th March 2006</u></p> <p>An IP Council meeting took place, but a decision was not made on whether or not to accept M. Skopets' conclusions about this issue.</p>
25	Health/ HSES	Impact on health due to the decrease in quantity of fish and due to the effects of pollution	F	<p>The status of people's health is significantly influenced by lifestyle factors. Important well-recognised lifestyle factors which have a negative impact on health are: smoking, diet habits, alcohol and drug abuse and lack of physical activities.</p> <p><u>2nd March 2006 Meeting</u></p> <p>Company experts suggested that the Indigenous Peoples should address in an official way to both Chief Doctor of Nogliki Hospital and Regional Health Department to get records of medical diagnoses given for the increased sicknesses and to monitor the likely causes of the illnesses. Only with analysis of actual specialist diagnoses can any conclusions be</p>	<p>Indigenous Peoples representatives propose lab analysis of fish samples from different districts.</p> <p><u>IP-appointed fish expert Mikhail Skopets:</u></p> <p>Conclusions: The observed deterioration in the taste of the fish is related to oil pollution from onshore sources (see conclusions to No.19).</p> <p><u>2nd March 2006 Meeting</u></p> <p>See Concern 24 above.</p>

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				made about the links between people's health and the quality of the fish.	
26	Health/ HSES	<p>Concern over impact of drilling waste discharge on local fisheries</p> <p>Perceived increased risk of cancer due to drilling wastes getting into the fish that is consumed by local residents</p>	F	<p>No changes in the environment as a result of operations in the Vityaz complex were detected during Phase I, based on the validated results of an environmental effect monitoring programme.</p> <p>Since 2004, drilling waste has been re-injected into a cuttings re-injection well and is no longer discharged. During the period Sakhalin Energy was discharging drilling waste, it was operating in accordance with Russian Federation regulations as detailed in the Company's Water Use Licence. Prior to the commencement of re-injection, components of drilling mud were selected so that discharges had a minimal environmental effect and low-toxicity alternatives were chosen where available and appropriate. During Phase II of the project, only the first well will be disposed of, all other drilling wastes will be re-injected.</p> <p>See health-related comments above.</p> <p>HSES experts are happy to give a presentation to the Indigenous Peoples on the results of the Sakhalin Energy offshore monitoring programme. This includes the results of seven years of monitoring activity.</p> <p><u>2nd March 2006 Meeting</u></p> <p>See Concerns 24 and 25 above.</p>	<p>Indigenous Peoples' representatives proposed independent monitoring programmes for (a) fish health,</p> <p>and (b) Indigenous Peoples' health (including gastrointestinal disturbances, cancer, TB)</p> <p><u>IP-appointed fish expert Mikhail Skopets:</u></p> <p>a) See comment to No.24</p> <p>b) This is a question for experts at the Sanitary Epidemiological Station.</p> <p><u>2nd March 2006 Meeting</u></p> <p>See Concerns 24 and 25 above.</p>

Questions for the Document Review Panel (Status F)

№	Dept.	Concerns	Status	Sakhalin Energy Commentary	Indigenous Peoples' Commentary
27	Soc	<p>Actual and potential impacts on traditional forms of natural resource use.</p> <p>Construction under the Sakhalin II Project supersedes tribal enterprises and creates obstacles for traditional nature use in the historical and tribal areas in which the Indigenous Peoples see their preservation and perspectives for sustainable development and where they are eager to return after the forced resettlement as a result of the political repressions in the Soviet times</p> <p>As a result of reduction of resource and territorial base for the Indigenous People life support, conditions were created which make it impossible to practice traditional nature use effectively, which is the root of unemployment, alcoholism, diseases and high mortality rate among Indigenous Peoples.</p>	F	<p>The Company will invite a panel of experts to review the Project documentation that forms the basis of the SIMDP, in order to evaluate the Company's current assessment of impacts on Indigenous Peoples' livelihoods, culture and way of life.</p>	<p>This is a question related to land use and the potential creation of territories of traditional natural resource use.</p> <p><u>IP-appointed fish expert Mikhail Skopets:</u></p> <p>It is necessary to think about the question of creating a Territory of Traditional Natural Resource Use (TTP) in Nogliki District. On this territory economic activity would have to be limited, but indigenous peoples' traditional natural resource use would be supported. It is necessary to get information about the historical and traditional (clan) places and considering the above make a choice of territory to situate the given TTP. The creation of the TTP will also facilitate the improvement of the state of the populations of valuable commercial fish (Chum & silver salmon) and rare and protected salmon species (e.g. Sakhalin taimen')</p>

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28	PDP	<p>Sakhalin I and Sakhalin II pipelines can injure the greenwood remaining after fires of the '70s and '90s; the territory of spring-summer feeding grounds</p> <p>Pipeline route can damage berry fields</p>	F	<p>The only forest area that is to be cleared for the project is the pipeline right-of-way (ROW). The pipeline will only cross summer pasture areas and areas burnt during the forests fires of 1989 and 1998.</p> <p>The pipeline route, to the extent possible, follows existing footprints, avoiding populated areas, active faults, mineral deposits, archaeological sites and other protected areas of heritage.</p> <p>The Company has not received any public grievances relating to impacts on berry fields.</p> <p>The original pipeline route is to be re-vegetated. The Company has a Land Recultivation Plan.</p>	<p>At the meeting of the SRU Committee on 25-26 November 2005, Indigenous Peoples representatives requested:</p> <ul style="list-style-type: none"> • A copy of the Company Land Recultivation Plan • Inclusion of this matter in the list of issues to be addressed by the Document Review Panel <p>At a meeting in Nogliki on 17-18 September 2005, Indigenous Peoples representatives expressed their belief that the impact of the Sakhalin II Project on berry fields is minimal.</p> <p><u>IP-appointed fish expert Mikhail Skopets:</u></p> <p>This is a question for a forestry expert</p>
9	Soc	Deer feeding and other grounds historically used by Indigenous Peoples are withdrawn and reduced	D	<p>Construction and operations of the Sakhalin II Project will affect a small portion (less than 1%) of the area of spring and summer pastures used by Uilta and Evenki reindeer herders from Val.</p> <p>Pipeline construction will occur between 1 Jan 2006 and 1 May 2006, and only at this time will spring and summer grazing areas be impacted.</p> <p>Representatives of the Company and Contractors have made a commitment to make every effort to ensure the safety of reindeer herds if they are close to construction site (see SIA).</p> <p>Contractors have a special Notification Procedure for providing information to herders about construction activities and schedules.</p>	<p>Indigenous Peoples' representatives have different opinions about the sufficiency of current measures to mitigate impacts. It is proposed to have further consultation with Aleksandr Borisov and other reindeer herding experts.</p> <p>Indigenous Peoples' representatives suggest inviting a reindeer herding expert for consultation on the economic viability of reindeer herding and potential projects to support herding, including:</p> <ul style="list-style-type: none"> ▪ Analysis of the factors that have caused changes in the herds ▪ Development of specific measures for

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				<p>Over the next few months, the Pipelines Team will be holding discussions with the herders to determine the best types of vegetation to be used in the re-vegetation programme.</p> <p>Consultation with the reindeer herders has been ongoing since 2001 (see SIA). Since 2004 Sakhalin Energy has been holding regular quarterly workshops with the reindeer herders (see SIMDP Appendix 7) with the purpose of:</p> <ul style="list-style-type: none"> ▪ Informing the herders about construction schedules ▪ Discussing potential impacts on the herders' activities ▪ Consultation about herders' needs and support for potential development programmes <p>Compensation for acquisition of pasture lands was made by the Company in 2003/2004 in the form of a payment of over 3 million roubles to the Nogliki District budget. On the basis of discussions held with the herders and other community representatives, this money was spent on herders' and community needs.</p> <p>The reindeer herders are also among the beneficiaries of the Sakhalin Energy Supplemental Assistance Programme, adopted by the Company in 2002 specifically to provide compensation to people and households who may not be eligible under Russian Law, but who need to be compensated in order to comply with World Bank OD 4.30.</p> <p>As a result of workshops in May and August 2004,</p>	<p>increasing the herds</p> <ul style="list-style-type: none"> ▪ Clarification of the question of insurance for the reindeer <p><u>30th January 2006 Meeting</u></p> <p>IP Council leader Aleksei Limanzo suggested separating the assessment of the impact on reindeer herding from the development plan in the above recommendations.</p> <p>IP representatives/consultants suggested inviting a reindeer expert as one of the Project Document Review Panel.</p> <p>Oleg Mikhailuv was recommended as an expert on industrial impacts on reindeer pastures.</p>

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				<p>a programme of support to reindeer herders was established, to provide fuel and radio stations to the reindeer herders. This support programme is due to run to the end of the construction period.</p> <p>In subsequent consultations, herders have expressed their satisfaction with this process.</p> <p>In 2005 a further development programme for reindeer herding was planned, which focuses on revival of reindeer herds. However, the manager of the reindeer herding collective was unable to work on the programme in 2005, and it will be implemented in 2006 instead.</p> <p>The reindeer herders have been consulted by the Company with regards to the proposed research into sustainability of herding and impacts of the oil and gas industry. They have expressed their desire not to have this research carried out.</p> <p><u>30th January 2006 Meeting</u></p> <p>A reindeer expert will be included in the Project Document Review</p>	

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10	Soc	Construction background noise makes the hunted and domesticated animals migrate to the other distant areas traditionally used by the Indigenous Peoples	D	<p>The specific concerns 10-13 have been discussed extensively with the reindeer herders at regular workshops and consultations (see above). There have been no specific complaints relating to actual occurrences of the given concerns. The herders believe that these potential impacts are possible but unlikely. Most of them consider that these potential impacts are not likely if the herds are properly supervised when passing construction areas, and if the Company and Contractors keep to their commitment to make every possible effort to ensure the safety of the herds if they are close to construction sites.</p> <p><u>30th January 2006 Meeting</u></p> <p>A reindeer expert will be included in the Project Document Review</p>	<p><u>30th January 2006 Meeting</u></p> <p>IP representatives/consultants suggest inviting a reindeer expert as one of the Project Document Review Panel.</p>
11	Soc	High percentage of the still-births among the domestic deer (she-deer)	D	See above	<p><u>30th January 2006 Meeting</u></p> <p>IP representatives/consultants suggest inviting a reindeer expert as one of the Project Document Review Panel.</p>
12	Soc	Construction operations during Sakhalin I and Sakhalin II resulted in decreases in number of reindeer	D	See above	See above
13	Soc	Pipeline trenches can cause death of animals, including domestic reindeer herds (not confirmed through practice)	D	See above	See above

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13B	Soc	<p><u>IP Consultant Dmitry Lisitsyn:</u></p> <p>The "Concerns" section of the Matrix deals with not only domesticated reindeer and the related reindeer pastures but also with the hunting areas and animals. However, the answers provided by Sakhalin Energy contain information only about domesticated reindeer and reindeer-raising. Thus, the concerns related to the impact on hunting animals, like fox, otter, sable, ermine, squirrel, hare, wild reindeer, and bear, have undoubtedly been made and are being made by pipeline and OPF construction in the Lunsky Bay area. All these species are traditionally viewed as the indigenous peoples' hunting animals and a part of their ethnic culture. Construction directly destroyed part of their habits and the feeding areas, and a certain part of these animals was driven from even larger territories due to disturbance and noise.</p>	D	<p>According to Sakhalin Energy consultations, very few indigenous residents are engaged in commercial hunting in areas affected by Project construction. No grievances have been received by the Company in relation to Project impacts on hunting grounds used by Indigenous Peoples.</p> <p><u>30th January 2006 Meeting</u></p> <p>Environmental survey data has been gathered by HSES over the last seven years, including flora and fauna surveys. These can be discussed with HSES experts on 20th February, together with provisions for ongoing and future monitoring of wild animal species.</p> <p>The Company could include hunting in the SIMDP development programme. This could include proposals to help Indigenous Peoples get more involved in hunting.</p> <p>This issue will be included in the list of issues to be considered by a herding and hunting expert as part of the Project Documentation Review Panel.</p>	<p><u>IP consultant Dmitry Lisitsyn:</u></p> <p>Recommendations: Provide in the Matrix and SIMDP an evaluation of impact already made on hunting animals along the pipeline route/OPF site. There are methods of such evaluation in Russia, also allowing evaluation of damage to resource users due to reduction of the number of hunting animals in the impact area. Based on the evaluation of impact/damage, compensation measures should be included into the SIMDP. Sakhalin Energy should take responsibility now, i.e. evaluation would be conducted and compensation offered.</p> <p><u>IP-appointed fish expert Mikhail Skopets:</u></p> <p>Recommendation: Consider including this issue in long-term environmental monitoring plan for Sakhalin 2 project facilities.</p> <p><u>30th January 2006 Meeting</u></p> <p>IP Council leader, Aleksei Limanzo: There has been a drop in Indigenous Peoples' hunting activity. If the Company has an impact on the animals, this may hinder the hunters getting back into hunting. Should include in the list of issues to be considered by a herding/ hunting expert as part of the Project Documentation Review Panel.</p>

Annex 12 Addendum: Survey Proposals Substantiation

Mikhail Skopets, independent fisheries expert

Evaluation of the key elements of aquatic ecosystems of the North-Eastern Sakhalin and their role in the life of indigenous human population of the Tymovski and Noglikski districts of the island - in connection with the construction of the Sakhalin 2 Project pipelines

The works will be conducted during 12 month (June 2006 - May 2007) in the following main directions:

1. Condition of the aquatic environment, physical and chemical characteristics of natural waters of the study area: water and bottom sediments of the streams and marine bays

1.1. General condition of the aquatic environment and its correspondence with requirements to fishery water bodies

1.2. Granulometric analysis of the bottom sediments of the spawning streams

1.3. Content of oil hydrocarbons in bottom sediments of the rivers and marine bays

2. Hydrobiological characteristic and condition of the salmon rivers and streams of the survey area

2.1. Periphyton analysis of the main salmon rivers

2.2. Analysis of the fauna and population of invertebrates in salmon streams

3. Present condition of populations of the main commercial fish species of the bays of North-Eastern Sakhalin

3.1. Analysis of the condition of stocks of the main commercial fish species

3.2. Content of oil hydrocarbons in the tissues of the main commercial fish species

3.3. Analysis of fish illnesses and development deviations in waters of the study area

4. Social and economic questions. Role and importance of the fish populations in the life of native indigenous peoples of the North-Eastern Sakhalin: ration, forming of the money income, support of traditional way of living

4.1. Analysis of the questioning materials of the native indigenous peoples of the North-Eastern Sakhalin

4.2. Analysis of the role of fish stocks in the life of the native indigenous peoples of the North-Eastern Sakhalin during last 50 years

The above items present the structure of the final report
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B. Substantiation of the survey proposals:

1. Condition of aquatic environment, physical and chemical characteristics of natural waters of the study area: water and bottom sediments of the streams and marine bays

1.1. General condition of the aquatic environment and its correspondence with requirements to fishery water bodies

a) general condition of the surface water quality of the study area

б) background information on the TSS content

в) main sources of the anthropogenic pollution of the waters with TSS (analysis of existing information)

г) natural and anthropogenic background of the oil contamination of waters and bottom sediments; main sources of oil pollution

Task: Analysis of background and collected data will allow creating a database of the condition of aquatic environment and bottom sediments of the Noglikski and Tymovski districts of Sakhalin region in the frames of probable impact of the Sakhalin 2 Project

1.2. Granulometric analysis of the bottom sediments of the spawning streams

Sampling points on this parameter should be connected with the pipeline route (comparison of the areas above and below the crossing)

Task: Detection of evaluated concentrations of fine sediments in bottom grounds of salmon streams will allow gathering reliable information on present condition of the spawning grounds, and objective estimation of the pipelines construction impact

1.3. Content of oil hydrocarbons and vanadium* in bottom sediments of the rivers and marine bays

* Vanadium is a reliable indicator of oil contamination

Task: Ecological condition of aquatic ecosystems of the survey area on these critical parameters. Use of the "fingerprinting" methods will allow allocating contaminated areas to specific sources of oil pollution

2. Hydrobiological characteristic and condition of the salmon rivers and streams of the survey area

2.1. Periphyton analysis of the main salmon rivers

2.2. Analysis of the fauna and population of invertebrates in salmon streams

Task: At the basis of materials on unicellular algae and zoobenthos an ecological express method will be developed. This method will be a simple tool for evaluation of the main negative factors impacting aquatic ecosystems, and will be used for estimation of present conditions of the main salmon streams of the study area in the vicinity of the crossings

3. Present condition of populations of the main commercial fish species of the bays of North-Eastern Sakhalin

3.1. Analysis of the condition of stocks of the main commercial fish species

The main fisheries research objects in the bays will be saffron cod, estuarine forms of herring, rainbow smelt, pond smelts, and some other species. Fisheries research will be conducted both in summer and winter (in the areas of the commercial ice-fishing). It is necessary to obtain quantitative data on the fish stocks, including density and numbers. Interpretation of this information with consideration of multi-annual data on numbers and structure of populations will allow coming up with recommendations for efficient and sustainable fisheries in the bays of North-Eastern Sakhalin.

Summer works will be conducted together with sampling according the items 1.3, 3.2, and 3.3 of the current program.

Task: Evaluation of the current status of the stocks of the main fish species, on which the commercial and subsistence fishing of local population is based. Fisheries recommendations and rational catch limits will be presented

3.2. Content of oil hydrocarbons in the tissues of the main commercial fish species, including pink salmon, saffron cod, estuarine forms of herring, rainbow smelt, pond smelts, flounder, and sea sculpins

Task: Information on the problem of decrease of food quality and commodity value of fish in the main waters of the study area (rivers, bays). Use of the "fingerprinting" methods will allow finding out the source of contamination - specific areas of oil pollution

3.3. Analysis of fish illnesses and development deviations in waters of the study area

Task: Evaluation of the main negative factors effecting fish stocks of the study area

4. Social and economic questions. Importance of the fish populations in the life of native indigenous peoples of the North-Eastern Sakhalin: ration, forming of the money income, support of traditional way of living

4.1. Analysis of the questioning materials of the native indigenous peoples of the North-Eastern Sakhalin (aspects concerning environmental and fisheries questions)

4.2. Analysis of the role of fish stocks in the life of the native indigenous peoples of the North-Eastern Sakhalin during last 50 years

Work schedule

Month & Year	Works description
June 2006	Preparation of contracts, personnel selection, fieldworks preparation, background data analysis
July 2006	Fieldworks - 1.1, 1.2, 1,3, 2.1, 2,2, 3.1, 3.2, 3.3
August 2006	Fieldworks - 1.1, 1.2, 1,3, 3.1, 3.2
September 2006	Fieldworks - 1.1, 1.2, 1,3, 2.1, 2,2, 3.1, 3.2, 3.3
October & November 2006	Data processing on items 1, 2, 3, and 4.1
December 2006 - March 2007	Fieldworks in the bays - 3.1, 3.2; data processing
April 2007	Report preparation
May 1, 2007	Presentation of preliminary report
May 10, 2007	Comments of the customer
June 1, 2007	Final report deadline

Senior scientist of the Institute of Biological Problems of the North, Magadan (Rus. Acad. Sci.)

M.Skopets

Annex 13: SEIC Grievance Procedure Public Information Leaflet

ABOUT THIS LEAFLET

Large and complex projects, such as the Sakhalin II Project, can sometimes cause problems and/or difficulties for those living within or adjacent to the project area. We want to hear about any concerns (also known as 'grievances') that might have been caused by our activities or business practices so that we can do our best to try and resolve them in a timely manner.

This leaflet tells you how you can inform us of a grievance. It also sets out the steps that we will take to address your concerns.

WHAT KINDS OF GRIEVANCES CAN I RAISE?

Anyone²⁵ can raise a grievance with Sakhalin Energy if they believe the Company's business practices or development of the Sakhalin II Project is having a detrimental impact on the community, the environment or on their quality of life. Examples of this may include:

- Negative impacts on yourself or community, e.g. financial loss, physical harm, nuisance from traffic or dust;
- Dangers to Health & Safety or the environment;
- Failure to comply with standards or legal obligations;
- Harassment of any nature;
- Criminal activity;
- Improper conduct or unethical behaviour;
- Financial malpractice or impropriety or fraud;
- Attempts to conceal any of these.

We will look into all grievances that we receive. Sometimes we may find that a grievance is not connected to our activity or that we are working within the applicable Russian and international standards (e.g. noise standards). In these cases we will explain this in writing to you. In all other cases we will investigate whether we have failed to work to our intended standard and, if we have, identify measures which might be taken to protect against the incident occurring again.

HOW DO I REPORT A GRIEVANCE?

There are several ways you can report a grievance:

- Send a completed Grievance Form (given at the end of this leaflet) to the address on the back of the form;
- Contact your local Community Liaison Officer (CLO). A list of CLO contacts is also provided at the end of this leaflet;
- Send an email to the following address Grievancereport@Sakhalinenergy.ru
- Call Sakhalin Energy directly on a confidential phone line at **+7 4242 66 2440**. (For security reasons, there are no recorders or caller identification devices attached. If the phone is not answered, please call back);

²⁵ Examples may include members of communities, SEIC contractors and sub-contractor employees, NGOs and other 3rd Parties.

- Or report your concerns via a confidential website www.seicconfidential.com which is completely anonymous.

It is also possible for you to leave your completed Grievance Form in one of the CLO boxes, but please note that it may take longer for us to respond to you as these boxes are not cleared on a daily basis. If your grievance is urgent we advise you to follow one of the above steps instead.

WHAT HAPPENS ONCE I HAVE FILED A GRIEVANCE?

In some instances, for example when you have contacted one of our CLOs and they are able to act immediately, it may be possible to resolve your grievance straight away. Where this is not possible we will work through the steps shown below:

Step 1: Receive Complaint

- Once we receive your completed form or get notification of your problem, we will assign someone to be responsible for resolving your grievance.

Step 2: Acknowledgement

- We will acknowledge receipt of your grievance by letter within 10 working days of having received the grievance.
- Our acknowledgement will specify a contact person, their reference indicator and an anticipated target date for resolution.

Step 3: Investigation

- We will work to understand the cause of your grievance. We may need to contact you during this time.

Step 4: Resolution

- Once we have investigated your grievance, we will write to you with the results of the investigation and of our proposed course of action, should we believe any to be necessary.
- If you consider the grievance to be satisfactorily resolved we would appreciate your sharing that with us by signing a Statement of Satisfaction.
- If the grievance remains unresolved it will be reassessed and we will have further dialogue with you to discuss if there are any further steps which may be taken.

Step 5: Follow Up

- If you are happy for us to do so, Sakhalin Energy may contact you at a later stage to ensure that our activities continue to pose no further problems.
- All grievances shall be monitored by the SEIC Compliance Department, who will be responsible for ensuring that a plan is developed and internally approved by SEIC senior management (and if appropriate discussed with the claimant) as soon as reasonably practicable for any unresolved grievances. The plan's objective will be to bring unresolved grievances to a swift and fair resolution.

CONFIDENTIALITY AND ANONYMITY

You may wish to raise a concern in confidence under this procedure. If you ask Sakhalin Energy to protect your identity, it will not be disclosed without your consent. Details of submissions and allegations will remain secure within the team responsible for investigating your concerns. However, the situation may arise where it will not be possible to resolve the matter without revealing your identity (for instance where you are required to give evidence in court). The investigative team will discuss with you whether and how best to proceed.

You may also choose to raise a concern anonymously. However, remember that if you do not tell Sakhalin Energy who you are it may make it more difficult to look into the matter, to protect your position or to give you feedback. Accordingly, while Sakhalin Energy will consider anonymous reports, they are not encouraged. If you do insist on raising a concern anonymously, you will need to provide sufficient facts and data to enable the investigative team to look into the matter without your assistance.

Sakhalin Energy Public Grievance Form

SEIC Reference No:	
Full Name	
Contact Information Please mark how you wish to be contacted (mail, telephone, e-mail).	<input type="checkbox"/> Address: _____ _____ _____ <input type="checkbox"/> Telephone: _____ <input type="checkbox"/> E-mail _____
Preferred Language for communication (Please mark how you wish to be contacted)	<input type="checkbox"/> Russian <input type="checkbox"/> Japanese <input type="checkbox"/> English
Passport Number (this is required by Russian law to be registered as an official grievance)*	<input type="checkbox"/> Russian _____ <input type="checkbox"/> Japanese _____ <input type="checkbox"/> Other _____
* In the event a passport number is not provided, SEIC will still investigate, though unofficially.	
Description of Incident or Grievance:	What happened? Where did it happen? Who did it happen to? What is the result of the problem?
Date of Incident/Grievance	
	<input type="checkbox"/> One time incident/grievance (date _____) <input type="checkbox"/> Happened more than once (how many times? _____) <input type="checkbox"/> On-going (currently experiencing problem)
What would you like to see happen to resolve the problem?	

Signature: _____

Date: _____

Please return this form to: The Compliance Dept, attention Whistleblowing Focal Point, Sakhalin Energy Investment Company Ltd, 35 Dzerzhinskogo St., Yuzhno-Sakhalinsk 693020, Russian Federation

How you can contact Community Liaison Officers:

District	Town/ Settlement	Contact telephone (type of dialling)		
		International 7 4242 +	Russia code 8 4242 +	Sakhalin code 8 22 +
Noglikskiy	Nogliki	29 40 45 29 44 08	29 40 45 29 44 08	29 40 45 29 44 08
	Val	29 42 08	29 42 08	29 42 08
Tymovskiy	Tymovsk	29 44 08	29 44 08	29 44 08
Smirnykhovskiy	Smirnykh	29 40 88	29 40 88	29 40 88
Poronaiskiy	Poronaisk	29 40 18	29 40 18	29 40 18
Makarovskiy	Makarov	29 40 18	29 40 18	29 40 18
Dolinskiy	Dolinsk	29 41 85 29 44 84	29 41 85 29 44 84	29 41 85 29 44 84
		29 41 85 29 44 84	29 41 85 29 44 84	29 41 85 29 44 84
Yuzhno-Sakhalinsk		29 41 85 29 44 84	29 41 85 29 44 84	29 41 85 29 44 84
Kholmanskiy	kholmnsk	29 41 85	29 41 85	29 41 85
Anivskiy	Aniva	29 41 85 29 44 84	29 41 85 29 44 84	29 41 85 29 44 84
		29 41 85 29 44 84	29 41 85 29 44 84	29 41 85 29 44 84
Korsakovskiy	Korsakov	29 09 93	29 09 93	29 09 93

ANNEX 14. SOCIAL ISSUES MITIGATION MATRIX

Status of concerns:

- A.** Resolved: no further measures
- B.** Resolved: non-SIMDP measures
- C.** Resolved: new/expanded SIMDP measures (SIMDP Section 4.1)
- D.** Not yet resolved: steps for resolution
- E.** Not resolvable in the SIMDP context
- F.** Not yet resolved: concerns will be considered by fish expert and document review panel

Concerns are taken from the following sources:

- SIMDP Section 3.2.1 (adverse affects assessment)
- SIMDP Section 3.2.2 (IP suggested mitigation measures)
- SIMC list of concerns (SIMDP Annex 9)
- IP consultations (SIMDP Annex 10)
- SDP Committee meetings 22-23 August, 17-18 September 2005

SUB-MATRIX A: NO FURTHER ACTIONS REQUIRED

№	Category	Concerns	Status	SEIC Commentary	IP Commentary
<i>Resolved issues (Status A, B and C)</i>					
1	Health	Predicted increases in sexually transmitted diseases; arrival of large numbers of mainly male new personnel from mainland; should distribute free condoms	A	SEIC conducts stringent medical screening of its employees.	Issue resolved.
2	Social development	Lack of adequate long-term programmes on rehabilitation and adaptation of the Indigenous Minorities to changed conditions as a result of negative affects of Sakhalin II Project development	C	SIMDP to meet mitigation and social development responsibilities. Performance of SIMDP will be monitored on regular basis, both internally and externally. Indigenous Peoples will participate in the SIMDP monitoring process.	Issue resolved.
3	Employment	Indigenous Peoples are not employed because of discrimination in SEIC operations	B, C	Indigenous Peoples can channel their concerns and resolve issues via the SEIC Grievance Procedure. As part of the SIMDP process, the Grievance Procedure will be reviewed for its accessibility and usability, particularly for those Indigenous Peoples living in the more outlying communities. Grievance Procedure will be distributed annually to the SIMC and community members. Training for Indigenous Peoples will be conducted to raise their employment	Issue resolved. Committee members agreed that there is no discrimination in SEIC operations. There are also many examples of Indigenous Peoples employed on Sakhalin-2 project.

№	Category	Concerns	Status	SEIC Commentary	IP Commentary
				opportunities.	
4	Roads	Sakhalin I and II transport (a) create additional load on public roads, which damage roads: need road construction and repair, and (b) increased traffic and violation of traffic rules result in increase of road accidents: need road safety measures	B	<p>To the extent practicable, Sakhalin Energy will remove any temporary access roads post-construction. Legal public access roads will be treated according to the conditions of the permit issued by local authorities. To the extent practicable, Sakhalin Energy will:</p> <ul style="list-style-type: none"> • Avoid constructing new roads and try to use old roads as much as possible • Close access roads newly constructed by Sakhalin Energy near spring and summer pastures • Restrict access of strangers and open the access roads for the reindeer herders • Re-cultivate temporary access roads after construction is completed 	Issue resolved.
5	Cultural heritage and sacred sites	Violation of sacred sites and ceremonies by digging and construction of the warehouses by the workers of the Sakhalin II Project which is a serious infliction of moral damage to Nivkhi cultural and spiritual traditions	C	<p>SEIC developed Treatment Plan for Objects of Cultural Heritage.</p> <p>Treatment Plan was distributed among the SDP Committee members for review.</p> <p>Further concerns can be channelled via the SEIC Grievance Procedure.</p> <p>A list and a map of objects of cultural heritage, located in the zone of direct and indirect impact of Sakhalin-2 project will be provided to the SDP Committee members at the next Committee meeting.</p>	<p>Issue resolved.</p> <p>However, a map of sacred sites along the pipeline route should be distributed among the Committee members.</p>

№	Category	Concerns	Status	SEIC Commentary	IP Commentary
6	Potential for inter-ethnic conflict	SEIC staff trading alcohol for fish and roe with Indigenous Minorities	A	<p>Indigenous Peoples can channel their concerns and resolve issues via the SEIC Grievance Procedure.</p> <p>As part of the SIMDP process, the Grievance Procedure will be reviewed for its accessibility and usability, particularly for those Indigenous Peoples living in the more outlying communities.</p> <p>Grievance Procedure will be distributed annually to the SIMC and community members</p>	<p>Issue resolved.</p> <p>Committee members did not consider this an SIMDP-related or extensive problem. If grievances occur, each case should be resolved individually.</p>
7	Potential for inter-ethnic conflict	Indigenous Minorities benefiting from SIMDP causes resentment among non-indigenous	C	SIMDP sub-components will be devised so as not to cause invidious distinctions between beneficiary recipients	Issue resolved.

SUB-MATRIX B: FURTHER ACTIONS REQUIRED

№	Category	Concerns	Status	SEIC Commentary	IP Commentary
<i>Not yet resolved (Status D, E and F)</i>					
1	Health	Diseased fish eaten raw by the Nivkhi for food (customary food substance) leads to health problems; decline in fish quality, quantity, and consumption negative affects on indigenous health	F	Issue will be considered by fish expert nominated by the Sakhalin Indigenous Minorities Council.	Issue will be considered by the Sustainable Natural Resources Use Committee. The results will be presented to the SIMDP Working Group and shared with the Social Development Programmes Committee.
2	Health	Drilling wastes in fish that are eaten by local people increases risk of cancers	F	Same as above.	Same as above.

Annex 15: SIMDP Sub-Component Proposal Form**Health/ Education (Capacity Building)/ Culture/ Traditional Activities/ [Select One]**

Title: _____

Brief Description
Level (Oblast, community, etc.)
Need/Value of Proposal for IP
Intended beneficiaries (communities, groups)
Potential Cost (per year) / Co-funding?
Sponsor/Contact/Consultants