

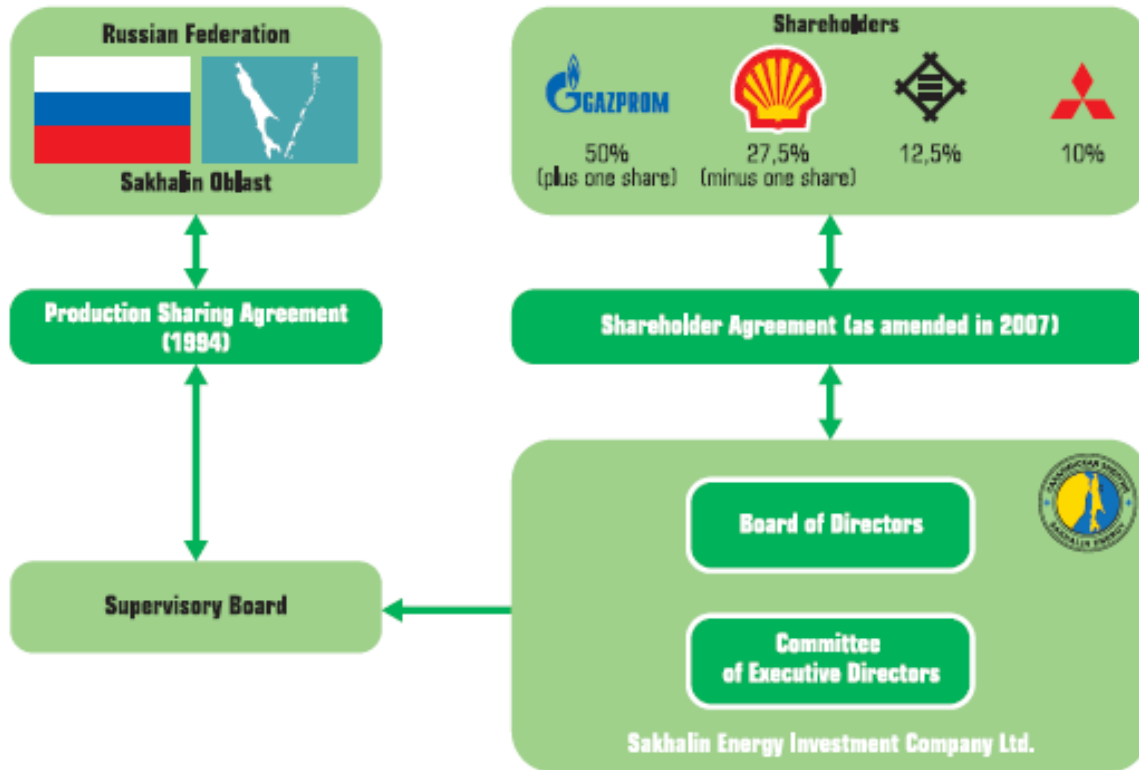


Sakhalin Energy: Operating on Indigenous Island

Public-Private Joint Efforts Towards Rio+20

**Rome
27 October 2011**

Sakhalin Energy



- Investor and operator of the multibillion Sakhalin-2 Project
- Established in 1994 to develop Lunskoye and Piltun-Astokhskoye Fields offshore Sakhalin in the Sea of Okhotsk
- Proactive approach in implementing business and human rights in its corporate management system and practices
- Compliance with the highest international CSR standards



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Sakhalin Island and Sakhalin-2 Project

- Film about the Project



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Project Benefits

- Financial proceeds from taxes and royalties (so far over US \$1.8 billion) to the Russian budget.
- Sakhalin public infrastructure upgrade
- Sustainable development and social investments projects
- Business opportunities for Russian companies
- Employment opportunities
- Transfer of knowledge and skills
- Provision of gas supply opportunity to the region and beyond
- Enhanced energy security for the Asia-Pacific



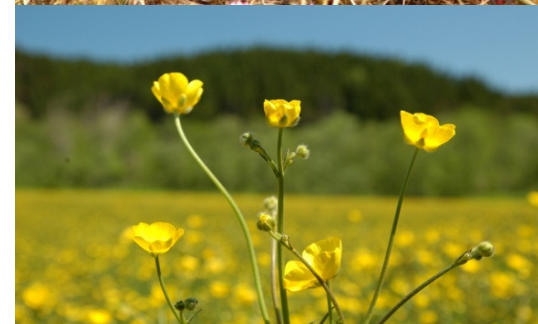
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Company CSR Strategy



- Integrated impact assessment
- Mitigation measures
- Social and environmental monitoring
- Stakeholder engagement: unique three-level communication system
 - Company
 - CLO
 - Information Centers



- Our HSE and social commitments are integrated into– HSESAP (Health, Safety, Environmental and Social Action Plan), incorporated into Company's Management System and agreed with Project lenders

Indigenous Peoples of Sakhalin

- App. 4,000 Indigenous Peoples live in Sakhalin
 - Seven districts of traditional residence
 - Four major ethnic groups: Nivkh, Nanai, Uilta, Evenki
 - Traditional IP activities: fishing, hunting, herding, gathering
-
- Late 1990s: intensive exploration of Sakhalin shelf
 - 2005: IP protest action against oil and gas projects
 - Sakhalin Energy was the only company agreed to cooperate



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Engagement with Indigenous People

- Sakhalin Energy started to engage with IP in 1994 and worked with reindeers herders (directly affected by the Project)
- In 2005 the Company elaborated a new mechanism of engagement:
 - Establishment of Indigenous People Group
 - Allocation of US\$1.5M for IP programmes' implementation
 - Arrangement of internal /external monitoring
 - Conduction of public consultations in IP communities
 - Expert/logistical/financial support
- Commitment to implement IP development plans over the life of the Sakhalin-2 Project

2006: Signing tripartite agreement regarding **SIMDP 1** implementation



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SIMDP: Building Trust

- Mitigation Matrix
- Grievance Procedure
- Transparency:
 - www.simdp.ru
 - Information boards in IP communities
 - Regular information leaflets
 - Regular consultations/information tours
 - Information Centres
 - Etc.



- Community Grievance Procedure of Sakhalin Energy was called “a best practice” by UN experts in the process of testing the Ruggie Guiding Principles.



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SIMDP 1: 2006-2010

- > 300 projects proposed and supported by indigenous people:
 - traditional economic activities
 - social development
 - culture (special attention to IP languages' preservation)
- Active participation of indigenous people in SIMDP management
- Collective decision-making
- Capacity building – one of key directions
- Appreciation by indigenous communities



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Final Evaluation Results

- Minimal negative environmental impacts
- Real benefits to IP, esp. health, education, culture, capacity-building, rodoviye obschina, IP life in general
- Important contribution: Plan stimulated growth of “rodoviye hozaitsva” and “obschini”
- Plan aids capacity-building:

“In the course of SIMDP implementation, the mindset of indigenous individuals started to change. They want to preserve their traditions and culture, they envisage growth of their clan enterprises and communities, and they’ve begun to develop a vision for the future”. O.Kapkaun, Independent IP Representative



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SIMDP 2

- 2010
 - Establishment of Working Group (six out of eight members were indigenous)
 - Development on the basis of SIMDP 1 lessons learnt and results of consultations
 - Two rounds of consultations in all Sakhalin IP districts, > 500 participants
 - Special IP Conference to get consent of delegates elected from each district
 - Signing of Tripartite Agreement between the Regional Council, Sakhalin Energy and Sakhalin Oblast Government
- 2011
 - Start of SIMDP 2 implementation



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FPIC

WG

- Equal partnership
- 6 out of 8 members - indigenous

1st Round of Consultations

- Held in all IP communities
- Receiving suggestions

SIMDP 1 Final Evaluation

- Performed by External Monitor and independent IP representative
- Supplemented by Public Opinion Survey

2nd Round of Consultations

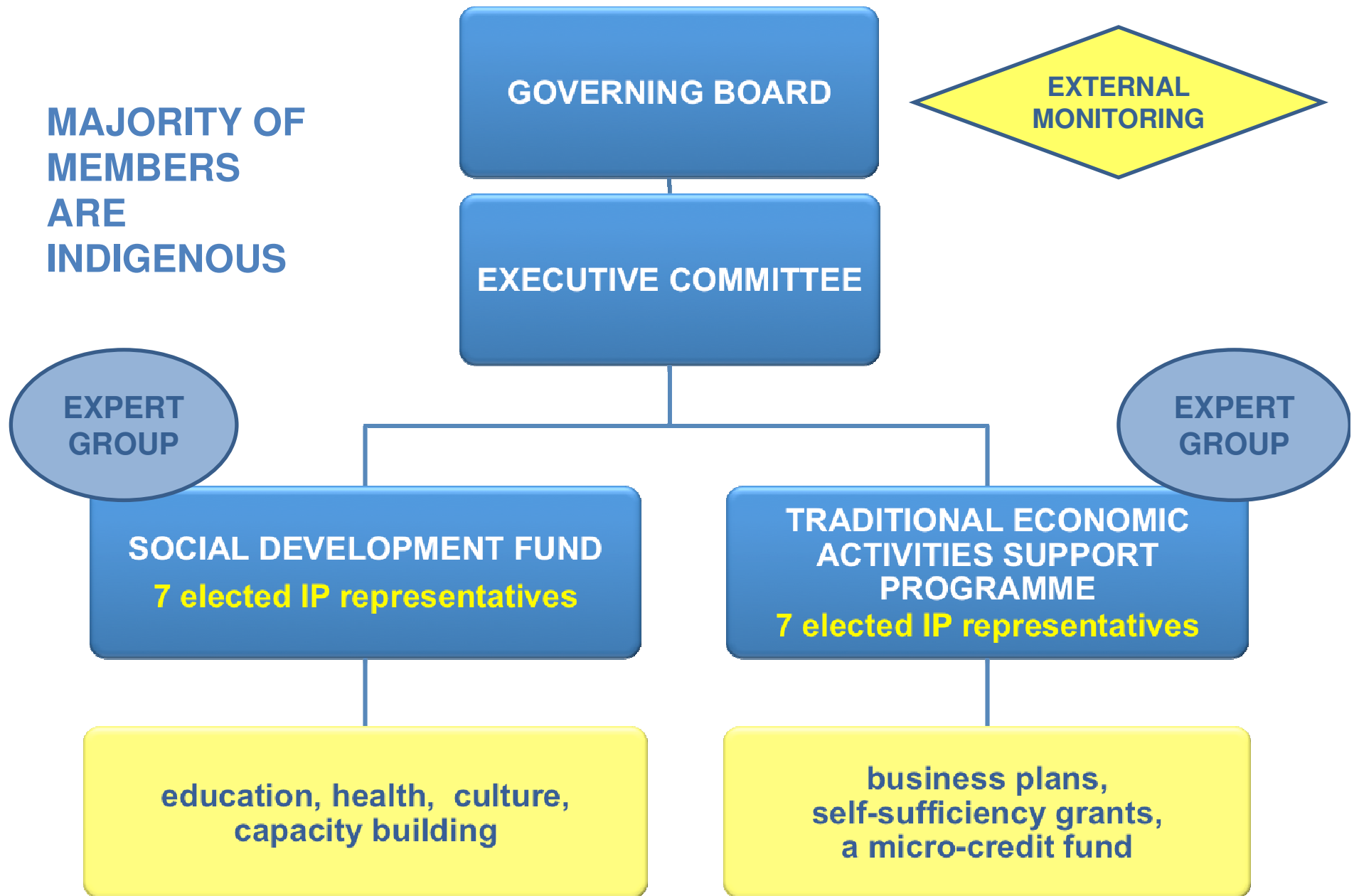
- Presentation of draft SIMDP in all IP communities
- Receiving comments

Special IP Conference

- 62 delegates formally elected in IP districts
- Discussion of updated draft SIMDP, receiving comments

**STATEMENT
OF
CONSENT IS
SIGNED**

SIMDP Governance Structure



SIMDP Key Objectives

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



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SIMDP: Results & Lessons Learnt

- SIMDP – CONSTANT LEARNING & FLEXIBILITY
- External monitoring – VERY important (especially at early stages of partnership establishment)
- Maximum transparency
- Maximum involvement of Indigenous Peoples
- Emphasize Indigenous Peoples' capacity building
- True IP-business-government partnership – IT WORKS!
- Development and testing of engagement mechanism complying with RF legislation and the best international standards
- **MOST IMPORTANT: it is trusted by people!**



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SIMDP: Experience Sharing



IP Permanent Forum on
Indigenous Issues, May
2011



The international conference «UN GC in
RF: Business and Indigenous People»,
September 2011

LEAD: Proposed TASK FORCE on Engagement with Indigenous Peoples

JOIN!



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Thank you for your attention!

