



The report on implementation of environmental
and social action plan by LLC “Irkutsk Oil
Company” in 2009

IRKUTSK, 2010

Irkutsk Oil Company (IOC) has taken on additional obligations regarding the management of environmental and social issues as a result of the European Bank for Reconstruction and Development (EBRD) taking an equity stake in the business. ENVIRON, a leading international environmental consulting company, was invited as an independent environmental advisor for further development of comprehensive Environmental and Social Actions Plan, sustainable use of natural resources and mitigation of environmental impacts.

The Company has created an Environmental Committee chaired by the CEO of IOC, which considers the issues related to health, safety, environment and industrial aspects on a weekly basis.

The report on implementation of environmental and social action plan (hereinafter the Plan) included 49 actions, of which:

- 23 actions are completely implemented;
- Works are carried out on a permanent basis on 25 actions. Deadlines for implementation of some actions are changed.
 - Work is not started on 1 action connected with reclamation of the land on sites of completed works as work on all objects of the company is not completed yet;
INK spent about 30 million rubles for environmental activities in 2009
The following activities implemented by the Company are considered as a priority:
 - Development and implementation of an environmental management system compliant with relevant international standards such as ISO 14001:2004 and OHSAS 18001.
 - Environmental policy of LLC "Irkutsk Oil Company" was approved, the policy is applicable to all subsidiaries.
 - New version of Statute on Customer's requirements for OHS, Industrial and Environmental Safety has been developed and approved which has been embedded into agreements with contractors (at the moment 88 contractor organizations have already signed agreements with contractors with new version of requirements, agreements with contractors are in a stage of the coordination with 8 organizations). During a year compliance inspections in the area of a labour safety, industrial and ecological safety are carried out repeatedly. Penalty are applied to infringers.
 - 49 Company's representatives have been trained in environmental safety issues in 2009, of which 36 specialists passed through the program "Environmental safety in waste management", 12 specialists - "Training of company officials on environmental security", 1 - within the program "Environmental safety for heads of organizations and specialists responsible for environmental control".
 - Conducting the environmental monitoring at all fields of the Company, involving scientific institutes of Irkutsk research center of Siberian branch of Russian Academy of Sciences, in addition the natural baseline investigations for rare and endangered species (including birds) at the Yarkta oil and gas field have been carried out. No habitats of rare and endangered species have been revealed during investigations.
 - Development of the project design documentation, obtaining of positive conclusions of state environmental review for a domestic solid waste landfill in the area of Verhnamarkovo village. After commissioning of the landfill, both Company wastes and domestic wastes from Verhnamarkovo village will be disposed there. The landfilling of domestic wastes from the village residents will be free of charge.

- The incinerator at Markovo field (KTO-50K20) was commissioned. The agreement with CJSC "Safe technologies" was concluded for development of design documentation and manufacture of incinerator for Yarakta field, applicable for utilizing of both solid domestic wastes and oil sludge. The commissioning of incinerator at Yarakta field is planned for 3rd quarter of 2010.

- The procedure of waste paper collection in the offices of IOC was approved.
- Mulching machine for utilization of logging residue and wood wastes was purchased.
- Areas with a waterproof paving are provided for placement of containers for separate collection of waste (household waste, spent oils, oily rags) at all facilities. Waste is transported by special truck to the disposal place (solid waste landfill) or to the incinerator KTO-50 at Markovo field. . Special areas for collection and temporary accumulation of ferrous and non-ferrous scrap are prepared with following transportation this waste for recycling

- Wastewater treatment facilities (KOU-50and KOU-20) were installed and commissioned with startup-setup operations at Oil Treatment Facility and in residential camp of Yarakta field. All domestic wastewaters from residential camp are treated at installed treatment facilities.

The project on re-injection of associated gas at the Yarakta field is of special importance to Irkutsk Oil Company. Its implementation will almost completely eliminate all routine flaring of associated gas and considerably reduce atmospheric air pollution.

In the process of setting the production goals the Company has open dialogue with all stakeholders concerning environmental safety and protection activities and never forgets that environmental protection and the health and safety of both employees and residents is of paramount importance.

ENVIRON, the international environmental advisor, completed a review of IOC's corporate Environmental and Social Action Plans (ESAP) as part of an initial environmental review. The findings are summarized in the table 1 and Figure 1 below.

At definition of the industrial purposes the Company carries on open dialogue with all interested parties(sides) on questions of nature protection activity and ecological safety and remembers, that the nature and health of the future inhabitants of native edge(territory) in our hands and does(makes) for this purpose all necessary.

The status column of the table classifies actions as either:

Not Started	Work not yet started on task (0 points)
Ongoing	Work underway on task (1 or 2 –points depending on progress in implementation of the task)
Completed	Task completed, and evidence supplied to the satisfaction of EBRD (3 points)
Not applicable	Not applicable to the Task at this stage (not accounted in the analysis of implementation status)

ENVIRON has confirmed ongoing works at facilities are sufficient and has agreed with change of timeframes for implementation of some actions in the ESAP as evidences of significant progress in implementation of these actions have been provided.

Table 1. The assessment of company's Environmental and Social Action Plan Implementation

№	Action	Expected effect	Recommended timeframe for implementation	Status	Comments
1. General issues of corporate environmental, health and safety management					
1.1	Developed detailed plans including resource allocation and timing for the upgrading of Environmental Management capabilities of the company.	Allow further development of the system/ capabilities to be factored into overall company plans and budgets	Plan to be developed and agreed with EBRD by time of final Review	Completed	
1.2	Retain an Independent External Advisor to assist the company in development and implementation of the Environmental management System. This Advisor while the day to day reporting will be to INK, there will be a direct reporting line to EBRD Environmental Department also for our tracking of progress on implementation of this ESAP.	To provide INK the international expertise required to comply with EBRD Environmental Policy requirements and to keep EBRD updated on progress of ESAP implementation.	ToR must be agreed with EBRD by time before final consideration. Contract executed and advisor mobilized within three months of signing investment agreement	Completed	Independent External Advisor, ENVIRON-UK, is invited.
1.3	Develop and introduce an integrated EHS management system on the basis of standards such as ISO 14001 and OHSAS 18001	Compliance with the requirements of ISO 14001 and OHSAS 18001; Efficient environmental management, improving of the Company's reputation and ability to implement EBRD Environmental Policy Requirements	End of 3 rd quarter of 2010	Ongoing	ENVIRON assists in development and implementation of an integrated EHS management system. The work is planned to be completed on the 3Q of 2010

№	Action	Expected effect	Recommended timeframe for implementation	Status	Comments
1.4	Strengthen the staff of the environmental protection service of the Company; allocate in a well defined way the responsibilities for environmental recording and reporting, as well as supervision over environmental compliance between specific officials in the head office and in the fields. Ensure that the new EMS incorporates requirements of EBRD Environmental Policy, and provide internal training on what these requirements mean on the ground.	Improved efficiency of the internal supervision system	Immediately and key positions to be filled within three months of signing investment agreement	Completed	Environmental and land-use department has been created. Two new employees were hired. Department of Production's Environmental Control has been created. Permanent environmental control under the activities of subsidiaries and contractors is carried out. Position of deputy director is filled
1.5	Ensure objective calculation of environmental pollution charges in the Irkutsk Oil Company and its subsidiaries, as well as timely payment of pollution charges	Prevention of fines that might be imposed by the RF tax agency for non-compliance with the timeframe for payments and sanctions for the arrears.	On a permanent basis	Completed	Specialist is contracted for calculations on quarterly basis of payments for negative impact to the environment.
1.6	Carry out training of the Company's officials in environmental safety issues in external specialized training centers and organize periodic training of the Company's employees involved in operation of field facilities.	Higher level of responsibility of specialists for non-compliance with the legislation. Involvement of the operating personnel in environmental protection activities.	On a permanent basis	Ongoing	Ongoing on permanent basis. 49 Company's representatives have been trained in environmental safety issues in 2009, of which 36 specialists passed through the program "Environmental safety in waste management", 12 specialists

№	Action	Expected effect	Recommended timeframe for implementation	Status	Comments
					- "Training of company officials on environmental security", 1 - within the program "Environmental safety for heads of organizations and specialists responsible for environmental control".
1.7	Improve periodic internal monitoring of compliance with the EHS requirements at industrial facilities; register the findings and develop corrective action plans.	Compliance with the environmental and industrial safety requirements. Elimination of risk of sanctions that might be imposed on the Company by the supervisory agencies.	At least once per quarter of a year	Ongoing	Monitoring is carried out in accordance with the approved schedule.
1.8	Ensure continuous monitoring of the contractors' compliance with the EHS requirements; register the findings and develop corrective action plans.	Supervision over contractors' compliance with the legislative requirements. Elimination of risk of sanction to be imposed on the Company through the contractors' fault.	At least once per quarter of a year	Ongoing	Corporate standard in the sphere of labor protection, industrial safety, and environment protection has been implemented and embedded into agreements with contractors. Inspections are carried out on a permanent basis.
2. Emergency response planning					
2.1	Update the oil spill response plans on a regular basis in the course of the field development and commissioning of new facilities.	Compliance with the environmental and industrial safety requirements.	As required	Ongoing	Oil spill response plans are developed for all new facilities. Oil spill response plans are amended for acting facilities if needed.

№	Action	Expected effect	Recommended timeframe for implementation	Status	Comments
2.2	Ensure development of an oil spill response plan for potential accidents in the process of oil product transportation by contractors by tank trucks and ensure preparedness of the personnel and technical means.	Compliance with the environmental and industrial safety requirements in the process of oil	2008, within three months of signing the investment agreement	Ongoing	Completed, renewed on as needed basis. An oil spill response plan for potential accidents in the process of oil products transportation by contractors dealing with oil and oil products transportation has been developed. It is a part of documentation for the contractors.
3. Dialogue with internal and external interested parties					
3.1	Organize continuous informing of the local communities and external stakeholders about environmental aspects of the Company's operations and issues relating to exploitation of oil and gas reserves and construction of field facilities.	Elimination of risk of sanctions that might be imposed by the authorities, including even withdrawal of the rights for use of land plots	On a permanent basis	Ongoing	All company's projects are reviewed through the process of public hearings and consultations. Information on forthcoming public consultations is placed on the corporate web-site and in the media on time. The company officers take part in live TV programs answering to viewers' questions and hold press-conferences for the media on regular basis.
3.2	Introduce a procedure for collection of proposals and complaints from the employees (with due confidentiality)	Improvement of the feedback between the Company's management and the operating personnel of the	On a permanent basis	Completed	Completed. The instruction "About the processing of public complaints and requests in Irkutsk Oil Company LLC" was approved by

№	Action	Expected effect	Recommended timeframe for implementation	Status	Comments
		Company's facilities.			the resolution №137/00-p of July 31, 2008. Complaints and requests are recorded in the register.
3.3.	Clarify in detail the issue of ancestral lands used by the indigenous ethnic minorities within the outlines of oil fields and license areas, and in case of the presence of any such land establish proper relations with the communities / individuals and ensure that their interests are taken into account and protected in compliance with the applicable legislation and the common world practice and EBRD requirements.	Assessment of the risks of the Company's liability associated with the presence of land traditionally used by the indigenous ethnic minorities	Immediately	Completed	<p>The special study aimed at determination of cultural heritage sites at the territory of Yarakta field (natural, architectural, ethnographic and archeological objects) has been performed in accordance with schedule. The agreement with Mr. M. Turov (the associate professor of archeology, ethnology and ancient world history in Irkutsk State University) has been prepared.</p> <p>Hunting areas of native minorities' communities are mapped.</p> <p>Information on the registered associations of the northern native minorities has been acquired from authoritative bodies. Consultations on the company's planned activities with associations of northern native minorities started. Charity agreements with associations of northern native minorities were executed.</p>

№	Action	Expected effect	Recommended timeframe for implementation	Status	Comments
4. General issues relating to land use					
4.1	Complete the preparation of the title documents for the land plots in all license areas.	Elimination of risk of sanctions that might be imposed by the authorities, including even withdrawal of the rights for use of land plots	2008	Ongoing	It is carried out on a constant basis. The work is carried out as scheduled.
4.2	Have approved by the supervisory agencies the position of the boundaries of sanitary protection zones (SPZ) of industrial sites of the Company's subsidiaries located in the vicinity (up to 1 km) of residential areas; develop and have approved appropriate SPZ designs.	Identification and subsequent elimination of risks associated with the SPZ status	The 2 nd quarter of 2009	Ongoing	Requirements satisfied and work ongoing The design documentation for sanitary protection zone was developed by a specialized organization for Markovo field. The documentation is in process of approval by sanitary authorities. A program of field studies (pollutant concentration and noise level at the border of the SPZ) with the aim of justification of SPZ length. This program is agreed with sanitary authorities (Rosпотребнадзор). Currently samples of air at the border of SPZ are taken at the monthly basis. Full set of required documents will be ready in December 2010 and after this the design documentation for SPZ will

№	Action	Expected effect	Recommended timeframe for implementation	Status	Comments
					be considered by sanitary authorities.
5. Water requirement and water supply sources					
5.1	Carry out an inventory of all existing water wells, equip in due manner the sanitary protection zones around the water wells and ensure compliance with their status.	Compliance with the water conservation legislation	Quarters of 2009 r	Completed	Existing water wells have been accounted. Zones of sanitary protection for water wells are fenced.
5.2	Organize primary recording of water consumption and preparation of required reporting at industrial facilities.	Compliance with the water conservation legislation	Quarters 4 of 2008	Completed	Water meters are set up at water wells, water extraction is registered.
5.3	Conclude agreements for use of water from surface water bodies for hydraulic testing of pipelines	Compliance with the water conservation legislation	Until the next pipeline testing	Completed	Water from surface water bodies was not used in 2009, thus no agreements were required.
5.4	Obtain Resolutions for allocation of surface water bodies for location and construction of linear facilities in relation to the existing and planned road and trunk pipeline routes in accordance with the prescribed procedure	Compliance with the water conservation legislation	2008	Ongoing	Ongoing on permanent basis with regard of new linear facilities. Supervising bodies are consulted on river crossings prior to construction and development of design documents. Rosprirodnadzor clarification has been acquired on the matter of cable-stayed bridges for the interfiled oil transportation system crossing the water bodies: no specific approvals for surface water

№	Action	Expected effect	Recommended timeframe for implementation	Status	Comments
					bodies' use are required. Inventory of existing intrafield on-land beam bridges and underground crossings. For bridge crossings of interfield and intrafield roads no approval is required due to subordination of these roads and facilities on them to the Irkutsk oblast Ministry of Forestry.
5.5	Carry out an inventory of industrial facilities located within water protection zones of water courses; have approved by the supervisory agencies the environmental action plans for operation of such facilities in water protection zones.	Compliance with the water conservation legislation	2008	Completed	Existing facilities of Yarakta, Markovo, and Danilovo fields have been examined. Information on the absence of unaccounted facilities has been reported by the responsible officers of the company to EBRD representatives in the framework of the Steering Committee in July 2008.
6. Wastewater removal and treatment					
6.1	Develop, have approved by the supervisory agencies and implement a program for monitoring the chemical composition of wastewater removed from the Company's facilities to water courses or to the ground. Based on the findings carry out adequate corrective	Prevention of penalties and sanctions for non-compliance with the norms for discharge of chemical substances	On a permanent basis	Completed	Item no longer applicable as there are no wastewater discharges to surface water or to the ground. Monitoring of chemical and microbiological composition of treated wastewater at wastewater treatment installations KOU-12 and KOU-50 at Yarakta field is carried out by specialized laboratories of

№	Action	Expected effect	Recommended timeframe for implementation	Status	Comments
	measures.				Rostachnadzor (ZLATI) and Rospotrebnadzor. Cleaned-up wastewater is injected into the wells for support of shut-in reservoir pressure.
6.2	Develop document specifying the maximum permissible pollutants discharge limits (PDS document) for existing facilities with discharge of sanitary wastewater, storm water runoff and industrial effluents to the environment; obtain Permits for wastewater discharge.	Compliance with the legislation relating to soil, underground and surface water protection	2008	Completed	Item no longer applicable as there are no waste water discharges to surface water or relief. Sanitary wastewater is sent for treatment wastewater at wastewater treatment installations KOU-12 at Yarakta field. Cleaned-up wastewater is injected into the wells for support of shut in reservoir pressure.
6.3	Carry out reclamation of cesspools and install septic tanks with proper lining or biotoilets along the pipeline route and at field facilities, where operating personnel is present permanently (during the period prior to commissioning of wastewater treatment facilities in the fields).	Compliance with the legislation relating to soil, underground and surface water protection	2008	Ongoing	The construction of hydraulically insulated cesspools is ongoing. The construction at the sites of Markovo, Danilovo, Yarakta (1 st stage), Ayan fields has been completed. Wastewaters at construction sites are collected and removed to the modular wastewater treatment facility.
6.4	Install local treatment facilities for treating sanitary wastewater in accommodation camps; ensure	Compliance with the legislation relating to soil, underground and surface	As soon as possible	Completed	The modular wastewater treatment plants KOU-12 are installed at the site of OTF for

№	Action	Expected effect	Recommended timeframe for implementation	Status	Comments
	collection of sanitary wastewater from the individual sites without their own sewerage systems and its delivery to the treatment facilities.	water protection			<p>treatment of sanitary wastewater from the OTF units. The installation of the modular wastewater treatment plants KOU-50 was also performed for treatment of wastewater from residential camp (dormitory unit, cafeteria, bath house, guest house).</p> <p>Treated wastewater will be used in injection system for reservoir pressure maintenance or released to the ground upon obtaining of all necessary approvals.</p>
6.5	Ensure hydroinsulating lining of industrial sites / areas used for storage of fuel, lubricants and chemicals in accordance with the respective designs; install storm water runoff drainage systems and oil traps.	Compliance with the legislation relating to soil, underground and surface water protection	As soon as possible, to be initiated during the summer of 2008 and to be standard on all new facilities	Completed	Completed for all existing facilities and incorporated into design requirements for any new facility. Ground cover, bunding and fencing are provided at all areas used to store fuels or other hazardous materials.
7. Atmospheric air protection					

№	Action	Expected effect	Recommended timeframe for implementation	Status	Comments
	Develop a plan for gas utilization and have the plan approved by EBRD. This plan must rely on in field use and re-injection and avoid routine flaring.			Completed	Positive conclusion of Glavgoexpertise has been obtained for design documentation for the project "Development of Yarakta OGCF. Gas part". Currently constructions of first stage of first start-up complex of gas processing facility is started. The installation is planned to be commissioned in 2010.
7.1	Develop and have approved documents specifying the maximum permissible air emissions (PDV document) for all operating facilities. Obtain Air Emission Permits (including those for construction and exploration contractors working in license areas).	Compliance with the requirements of the Law "On Atmospheric Air Protection"	First half of 2008	Completed	PDV documents are being elaborated, including those for activities of construction contractors.
7.2	Update the existing PDV documents to take into account all existing air emission sources and ways of impact on ambient air.	Compliance with the requirements of the Law "On Atmospheric Air Protection"	Quarters 4 of 2008	Completed	Completed for operating facilities, renewed on as needed basis PDV documents for production facilities are amended permanently if needed.
7.3	Carry out on a regular basis and to the full extent monitoring of air emissions and ambient air quality in zones impacted by the Company in accordance with time schedules	Compliance with the air emission norms and ambient air quality at the SPZ boundaries	On a permanent basis	Ongoing	Requirements satisfied and work ongoing. Environmental monitoring is carried out in accordance with the

№	Action	Expected effect	Recommended timeframe for implementation	Status	Comments
	and program of sanitary hygienic monitoring approved by Rostekhnadzor.				monitoring schedule.
7.4	Ensure objective calculation of annual gross emissions based both on the monitoring results and the actual balance of fuel consumption / associated gas flaring.	Compliance with the requirements of the Law "On Atmospheric Air Protection"	On a permanent basis	Ongoing	Requirements satisfied and work ongoing. Monitoring data is used at calculation of gross emissions.
8. Hazardous materials					
8.1	Ensure compliance with the sanitary and environmental safety requirements in the process of onsite storage of hazardous materials (storage in special rooms, under shelters, trays for spill containment).	Compliance with the environmental and sanitary legislation	Starting from 2008	Ongoing	Requirements satisfied and work ongoing. Work on inventory of hazardous materials' storage places has been done. The monitoring of storage places is being carried out. The site of well pads No.15 and No.4 are paved with waterproof paving to prevent the migration of chemicals spills into soil. The sites are bunded to prevent the migration of run-offs to the surrounding areas. At the site of well pad No.4 there is weather protection shed mounted. All sites are supplied with

№	Action	Expected effect	Recommended timeframe for implementation	Status	Comments
					emergency response equipment and materials..
9. Waste management and handling of highly hazardous substances					
9.1	Obtain a License for handling of hazardous waste	Compliance with the requirements of the environmental legislation	Starting from 2008	Completed	The license is obtained in 2008
9.2	Develop an Integrated Waste Management Plan for all subsidiaries focusing on minimization, reduction and re-use. This plan should also look for infrastructure sharing with the local communities	To minimize risks associated with waste disposal.	Agree internally and with EBRD a detailed plan for the development and Implementation of this Waste Management Plan during 2008. Tasks to be implemented in accordance with the overall plan and over several years..	Ongoing	The works along with EMS development will be performed with assistance of environmental consultant "ENVIRON" in the 3 rd quarter of 2010.
9.3	Develop a document specifying the waste generation norms and permitted waste disposal limits (WGWDL) and obtain the approved limits for waste disposal in 2008 for all operating facilities; collect data referring to existing WGWDL documents in	Compliance with the requirements of the Law "On Industrial and Domestic Waste"	Starting from 2008	Completed	Completed for IOC and for all subsidiaries, ongoing for new subsidiaries. WGWDL is developed for Irkutsk Oil Company LLC. The work on waste passportization for subsidiaries has begun.

№	Action	Expected effect	Recommended timeframe for implementation	Status	Comments
	contractor organizations (contractors performing construction, drilling and other operations); ensure proper reporting by contractors and implementation of measures approved by supervisory agencies.				
9.4	Update the existing WGWDL documents and approved waste disposal limits to ensure compliance of the operations with the approved documents.	Compliance with the requirements of the Law "On Industrial and Domestic Waste"	Starting from 2008	Completed	Updating of WGWDL projects and corresponding waste disposal limits is carried out annually.
9.5	Develop appropriate designs and construct landfills for waste disposal in the fields / purchase incinerators for environmentally safe waste disposal.	Compliance with the requirements of the Law "On Industrial and Domestic Waste"	Starting from 2008 Stop practice of trench disposal of oily waste in trench prior to EBRD Final Review.	Ongoing	Adequate action has been implemented to date, including the provision of the incinerator and plans for landfill in Markovo. The incinerator at Markovo field has been commissioned. The incinerator at Yarakta field is currently being designed and will be commissioned in the 3 rd quarter of 2010. Positive conclusion of state environmental review is obtained and the construction is started.

№	Action	Expected effect	Recommended timeframe for implementation	Status	Comments
					After commissioning waste from local settlement V. Markovo will be also disposed there in addition to Company's wastes.
9.6	Equip the areas used for short-term waste storage in compliance with the regulations; conclude agreements for supply of hazardous wastes to specialist organizations.	Compliance with the requirements of the environmental and sanitary legislation	Starting from 2008	Completed	At all sites the special areas covered with impermeable materials are provided for waste collection in containers (the different waste types, such as household wastes, oil wastes, oily rags are collected separately). Upon the filling of containers the wastes are removed by dumptrucks to the solid waste landfill or incinerator – 50 of Markovo field
9.7	Carry out an inventory of asbestos / asbestos-containing materials available at the Company's facilities. Develop an instruction for safe handling of ACMs. Bring the areas where asbestos is used into compliance with the sanitary norms applicable in the RF.	Specify the scale of the use of hazardous substances. Compliance with the requirements of the sanitary legislation.	Starting from 2008	Completed	Inventory completed and further works is ongoing. Inventory of asbestos asbestoscontaining materials is carried out. Asbestos and asbestos-containing materials are not used in construction of new facilities.
9.8	Carry out radiological survey of all fields and license areas.	Compliance with the requirements of the environmental and sanitary	Starting from 2008 Further tests on drinking water to	Ongoing	Requirements satisfied and work ongoing. Radiological survey of existing fields is carried out at engineering

№	Action	Expected effect	Recommended timeframe for implementation	Status	Comments
		legislation	evaluate previous results indicating levels in excess of standards prior to EBRD final review. Начиная с 2008 г.		and environmental research.
10. Soils and groundwater					
10.1	Organize land reclamation in areas where the work has been completed (in accordance with the respective designs).	Restoration of the initial condition of land	Starting from 2008 on a permanent basis	Not started	Currently not applicable , and not applicable for the foreseeable future. No lands were transferred to the State in 2009, thus no reclamation was conducted.
10.2	Carry out detailed investigation of soils and groundwater in areas of potential contamination to assess the actual level of historic pollution of the industrial sites and determine the need for land remediation.	Compliance with the Russian and international requirements	Начиная с 2008 г.	Ongoing	Requirements satisfied and work ongoing. Regular monitoring is carried out by Limnological Institute of Siberian branch of Russian Academy of Sciences as a part of annual monitoring of facilities of the Company.
10.3	Carry out remediation of contaminated soils if the contamination level exceeds the criteria for remediation applied in the RF.	Compliance with the requirements relating to land	2009 – 2010	Ongoing	Requirements satisfied and work ongoing. Remediation of polluted land plots

№	Action	Expected effect	Recommended timeframe for implementation	Status	Comments
		and groundwater protection			(waste pits at Yarakta and Markovo fields) has been mostly completed in 2008. Remediation of other plots will be conducted as needed while in the process of preparing data for detailed research or if polluted plots after construction works are found.
11. OHS performance					
11.1	Strengthen primary and periodic training of managers in occupational health issues.	More stringent responsibility of managers for violation of the requirements of the labor legislation	From the beginning of 2008	Completed	All necessary trainings and instructions are carried out in conformity to National Standards. Occupational training was performed for 44 employees Working safety knowledge assessment was performed for 559 employees Attestation for industrial safety by Rostekhnadzor was performed for 21 employees Attestation for industrial safety by IOC committee was performed for 145 engineers and technicians
11.2	Complete attestation of workplaces to assess	Compliance with the sanitary	2008	Ongoing	Requirements satisfied and work

№	Action	Expected effect	Recommended timeframe for implementation	Status	Comments
	their compliance with the sanitary regulations. Based on the findings take corrective measures to improve the working conditions.	regulations at workplaces			ongoing. 240 work places have been attested in the period of 2007-2008.
12. Sound use natural resources					
12.1	Implement projects on associated and natural gas injection into the respective formation in the Yarakta field. Consider the possibility of implementation of injection operations in the Markovo and other fields.	Abatement of the impact on the atmospheric air. Greenhouse gas emission reduction. Improvement of the environmental reputation of the Company	2008-2011	Ongoing	Requirements satisfied and work ongoing. Positive conclusion of Glavgoexpertize has been obtained for design documentation for the project "Development of Yarakta OGCF. Gas part". Currently construction of first stage of first start-up complex of gas processing facility is started. The installation is planned to be commissioned in 2010. In line with design documentation all associated gas will be utilized to 2012. Technical and economic calculations have been carried out for similar project at Markovo field.
12.2	Develop engineering designs and take measures to ensure produced water	Compliance with the requirements of the license agreements.	2008-2009	Ongoing	Requirements satisfied and work ongoing.

№	Action	Expected effect	Recommended timeframe for implementation	Status	Comments
	injection into a collector stratum in the fields.	Reduction in the impact on surface and underground waters. Improvement of the environmental reputation of the Company.			The program for investigation of compatibility of all waters intended for re-injection is developed and approved by Irkutsknedra. The agreement for investigation was executed with contractor. The water samples from different wells were sent to institute, investigations were conducted, as a result fine-grained sediment was observed, the investigations are ongoing.
13. Key Ongoing Environmental Requirements					
13.1	Complete Environmental Audit prior to acquisition of any new asset, facility or license area and provide audit report to EBRD Environmental team	Early identification of possible environmental risks and liabilities	To begin immediately and to run through the investment period	Ongoing	Requirements satisfied and work ongoing. There was no necessity for such audit in 2009.
13.2	Complete Environmental and Social Impact Assessment (including public consultation and collection and verification of site specific baseline data) in accordance with EBRD Environmental Policy prior to development of any existing fields (including Yarakta field). The report	To ensure possible impacts are avoided, minimized or mitigated.	To be implemented immediately and run through the investment period.	Completed	Environmental and Social Impact Assessment (including public consultation and collection and verification of site specific baseline data) in accordance with EBRD Environmental Policy prior to development have been carried out and provided to EBRD.

№	Action	Expected effect	Recommended timeframe for implementation	Status	Comments
	must be provided to EBRD for review and approval at least six weeks prior to start of development activities.				<p>Environmental and Social analysis of consequences of construction of oil pipeline Yarakta oil field- pump station №7 of WSPO has been carried out and provided to EBRD in a timely manner.</p> <p>Public consultation and information disclosure have been implemented in a timely manner and in a full amount.</p>
13.3	Periodical visits/audits by EBRD Environmental Team or their designated representatives. Company is to assist on logistics for such visits and to ensure propose access to information and site facilities.	To monitor compliance with this EAP	No more than once per year	Ongoing	<p>Requirements satisfied and work ongoing.</p> <p>EBRD officers' transportation to the fields has been assisted in 2009.</p> <p>Посещения осуществлены в июле 2008 и августе 2009, запланирован визит летом 2010.</p>

The conclusion on results of environmental estimation, made by Environ UK.

Taking into consideration, that the Company currently has not implemented the formal environmental management system, the general management of environmental issues, seems to be good.

With regard of environmental legal aspects it is possible to state, that the Company has all permits and licenses required for its activities.

With regard of ecological management it is possible to state, that the Company deals with environmental issues, according to the legislative and regulative requirements of the Russian Federation. The Company has not introduced the environmental management system in accordance with the relevant international standards such as ISO 14001 or other similar standards. The Company has been aiming at development and implementation of an integrated EHS management system on the basis of such standards as ISO 14001 and OHSAS 18001.

With regard of the environmental aspects are concerned which the company has to deal it is possible to assert, that the Company supervises the environmental issues connected with its activity, and observes the legislative requirements.

With regard of the hazards and the risks connected in the area of OHS it is possible to state that the Company controls the main risks connected with its activity, and the activity of the Company is in accordance with the legislative requirements.

Concerning the social aspects it is possible to assert, that the activity of the Company is in accordance with the requirements of the environmental and social policy of the EBRD.

The environmental management system.

The management of the Company gives the top priority to the environmental problems of the company, allocates necessary resources and improves the environmental management system. The environmental policy of LLC "Irkutsk Oil Company" was developed and signed by the top management of the Company.

The management and the personnel of the Company, which responsible for the environmental protection, are aware of environmental issues. They are informed about changes in normative legal requirements and responsibly carry out their duties.

Major functions and responsibilities of the management are clearly defined, functions and responsibilities of personnel with environmental functions are clearly defined.

The company establishes and maintains the general procedures of the environmental planning, including the determination of significant aspects and impacts, environmental parameters, development of programs, however the system of the current and strategic environmental protection activity planning at the level of a fields and whole Company requires improvement.

The environmental management system of the Company has procedures now which take into account requirements of normative legal base. Separate elements of system mainly meet the requirements of standard ISO 14001«The environmental management system. Requirements and

guidelines for implementation», however, the row of elements of the EMS are necessary for developing and implementing by the end of 2010.

Responsible person for development, introduction, preparation for certification of the system and the responsibility for its maintains in the future (now this functions are assigned to the deputy director of Environmental Department, this position at the moment of carrying out of environmental estimation was vacant) is necessary to appoint in purposes of carry out the EMS according to the requirements of standards ISO 14001.

Responsible person should to be partially liberated from other duties at a stage of the development and implementation of the environmental management system, in view of that it will demand the considerable time expenditures connected to development of formalized row procedures.

It is necessary to involve representatives of environmental protection service in discussion and development of plans and projects of perspective development of the company.

IOC has procedures necessary for implementation of its activity in conformity with the requirements of ISO 14001 standard for main elements of EMS.

Generalization of procedures, addition with their necessary elements and representing in the corresponding documentation is a priority.

The description of the EMS elements is represented in special «The environmental management manual». Though standard ISO does not require its obligatory development, the summary document of the EMS according to recommendations of standard ISO 14004 facilitates implementation of the environmental management system, and makes more accessible all documents connected with the environmental management and allows to demonstrate more successfully implementation of all environmental management elements.

The special documentation is advisably to develop preferably by the form of the EMS procedure or the Company's standard on separate elements of EMS, especially regarding those elements which are a requirement of obligatory witness documentary (for example, item 4.4.1. «Structure and the responsibility») or that elements which are most significant for the Company (item 4.3.1. «Environmental issues»).

The decision about advisability of development and introduction of the integrated EHS management system simultaneously is accepted, taking into account recommendations of standard ISO 14004 concerning expediency integration of the environmental management system with others administration managerial control systems and, first of all, with management system of the OHS of the personnel, and considering, that EMS according to standard ISO 14001 adheres to the same structure and philosophy, as well management system of the EHS according to standard OHSAS 18001.

Both systems will be integrated into the one management system only with one set of the documentation to avoid workload in operational separate management system of the OHS and separate the EMS.

Conformity of Company's activity to requirements environmental protection legislations.

On a basis of interview with management and employees of the Company and industrial subdivision, analysis of presented documents and visual observation the following conclusions about compliance of the Company's activities with requirements environmental protection legislations can be made:

- The Company has carried out inventory of air emission sources and the Company has projected norms of maximum permissible emissions (PDV document) of polluting substances in an atmosphere for the basic industrial subdivision .
- The Company has air emission permits for the main industrial divisions in 2009.
- Actual air emissions do not exceed authorized in PDV documents.
- The Company has the main and contractual documents in the field of water supply and water removals.
- All necessary statistical reporting on the environment protection is made in full and it is sent to the state statistical and environmental authorities according in a timely manner.
- The environmental monitoring is conducted according to requirements of the environmental protection and sanitary authorities.
- The Company has all necessary licenses connected to the environmental protection .
- The system of the production's environmental control is organized in the Company.
- The Company implements a Waste Management Plan which should also look for infrastructure sharing and industrial subdivision.
- Use, storage, handling and transportation of hazardous substances are according to legislative requirements.
- Inspection notes are implemented in a timely manner.
- The system of the current and strategic environmental protection activity's planning is needed to improvement;
- The Company has no debts on the environmental payments.
- The Company has the insurance policy covering risk of the environment damage and health of people.
- The company has developed detailed «Regulations about the order of carrying out of meetings of an Environmental Committee of LLS« Irkutsk Oil Company».
- Sessions of an Environmental Committee are carried out weekly and properly documented.

So, for last year the Company has essentially improved environmental protection activity and activity of the company, overall, is according to legislative requirements. Environmental and land-use department is informed about lacks during audit and plans actions on their elimination.

Conformity of Company's activity to requirements of social policy of the European Bank for Reconstruction and Development

On the basis of analysis of the documents, interview with management of the company and industrial subdivision, experts of IOC and its subsidiaries the following conclusions about company's compliance with requirements of social policy of the EBRD have been made:

- Social issues are supervised by the assistant to the General director on public relations. In particular, he is responsible for duly informing mass-media of a regional level on Company's activities, and also on preparation and implementation of Company's programs.
- Public hearings on design documentation for planned activities are constant practice of the Company. For last year practice of public hearings have been essentially improved and included the main requirements of the EBRD.
- The company hold active charities in the field areas, hold the regular work on interaction with stakeholders, including representatives to indigenous ethnic communities and the public environmental protection organizations.
- The system of scheduling on social aspects is conducted on 7 directions and, totally, is in limr with requirements of environmental and social policy of the EBRD.
- The detailed plan of work with the community interaction is developed for 2009, in which the work on 7 basic directions is detailed.
- Although the formal plan of development to indigenous ethnic communities is not developed by the Company, the work under socio-economic agreement between IOC and administration of area provides measures on minimization, mitigation and indemnifications of adverse consequences for traditional use of resources of the radical peoples living in areas of projects actions of IOC.
- Environment protection's issues and the social responsibility are on a regular basis considered in sections of a Company's corporate web portal in news.
- The Company has a distinct journal of complaints which provides immediate and effective consideration of problem issues.