

# **A Comprehensive Report**

## **to better understand the Shwe Project**

**Shwe Project**  
**for the development of the Blocks A-1 and A-3**  
**Offshore, Myanmar**

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## Foreword

Daewoo International Corporation (“Daewoo”) is not only a major force in Korea but holds a pre-eminent position in the global arena, dedicated to trading and investing in diverse markets globally. As an international brand, we understand the importance of basic ethical business practices but crucially we incorporate such ethical considerations and their associated responsibilities to both local and global society. As a result, we do our utmost to conduct business in a socially responsible and ethical manner wherever we operate, strictly adhering to global standards at all times.

Since we began operations in Myanmar in the 1980s, Daewoo has been committed to abiding by such global standards and we are determined to grow together with local and international communities respecting international standards in all our operations. Our adherence to global, social and ethical standards is reflected in the approach we took after discovering natural gas off the West coast of Myanmar. The policies that we put into action ensured that the development of this international project met all the technical, social and environmental challenges that we were up against and as a result the project was carefully and flawlessly implemented.

Nevertheless, despite our rigorous approach to ensuring that we fulfilled our social, economic and environmental obligations, some negative allegations have arisen in relation to the handling of this project. We believe that such allegations are the result of a misunderstanding based upon a lack of clarity in relation to the facts that underpin this project.

The purpose of this report is to provide full transparency in relation to the Myanmar natural gas development project in the hope that we will allay the fears of those that have not had access to all the facts. We believe that this report will highlight that the approach we have taken in Myanmar meets and goes beyond what are the generally accepted international standards in fulfilling our corporate social responsibility to the people of Myanmar.

## 1. Project Overview

**The Shwe Project** refers to the production of petroleum and the offshore transportation of natural gas developed pursuant to the Shwe, Shwe Phyu and Mya gas fields. The Shwe and Shwe Phyu gas fields are located in Block A-1 and the Mya gas field is located in Block A-3, off the coast of Rakhine State, the Republic of the Union of Myanmar.

Petroleum exploration commenced on 4 August 2000 when Daewoo signed a Production Sharing Contract (“PSC”)<sup>1</sup> in relation to Block A-1 with Myanmar Oil and Gas Enterprise (“MOGE”)<sup>2</sup>. The PSC in relation to Block A-3, which is adjacent to Block A-1, was obtained by Daewoo on 18 February 2004.

Daewoo is the operator responsible for carrying out the petroleum operations in these blocks (the “Operator”) and is partnered with ONGC Videsh Limited, GAIL (India) Limited, Korea Gas Corporation and MOGE. Daewoo and the partners are collectively known as the “Shwe Consortium”.

Petroleum production in the Shwe and Mya gas fields is to begin in May 2013. Gas that is produced will be routed from the central processing offshore platform via an offshore and onshore pipeline to an Onshore Gas Terminal (“OGT”). The offshore pipeline is approximately 100 km in length and will arrive to the landfall, southwest of Kyauk Phyu, Ramree Island. The onshore pipeline will then cover a distance of approximately 5 km to the OGT at which point the responsibilities of the Shwe Consortium end.

The export and domestic gas sales agreements were signed respectively with a Chinese buyer and MOGE. The purchased gas will be delivered via an overland pipeline to China and to Myanmar at various domestic offtake points.

The overland pipeline will run approximately 792 km from the OGT to the border between Myanmar and China, which will follow almost the same route as the Myanmar-China crude oil pipeline. This is referred to as the Myanmar China Gas Pipeline Project and South-East Asia Gas Pipeline Company (“SEAGP”)<sup>3</sup> is in charge of the design, installation and gas transportation.

Although the Shwe Consortium owns a minority share in SEAGP, the installation and operation of the overland pipeline is not part of the Shwe Project on account of the difference in the nature of the business and the investment structure.

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<sup>1</sup> **Production Sharing Contract (PSC)** is a common type of contract signed between a government and a resource extraction company (or group of companies) concerning how much of the resource extracted from the country each will receive. It is used in almost 60 countries mainly in the Middle East and Central Asia.

<sup>2</sup> **Myanmar Oil and Gas Enterprise (MOGE)** is the national oil and gas company of Myanmar. The company, established in 1963, is the sole operator of oil and gas exploration and production in Myanmar after nationalization of the petroleum industry

<sup>3</sup> **SEAGP** is a joint capital company founded in Hong Kong on 25 June 2010 for the construction of the gas pipeline within Myanmar. Daewoo has about a 25% interest in SEAGP.

## 2. Ethical Business Conduct

The Shwe Project aims to develop resources for the future while respecting human rights and leaving a positive legacy. Hence, the Shwe Consortium pursues high ethical standards, institutional integrity and effective corporate governance in every facet of the project. A policy is in place to ensure that business practices throughout the project are consistently effective, responsive and highly principled. These policies strive to ensure employee safety, respect human rights, safeguard the environment and promote positive, mutually beneficial outcomes in the Shwe Consortium's business activities.

The Shwe Consortium actively promotes the principles of ethical behavior and enforces its Code of Corporate Conduct and Ethics ("Code of Conduct") to guide its employees in the operating methods and procedures of their day-to-day activities. Daewoo as the Operator of the Shwe Project established its Code of Conduct in November 2007.

The Code of Conduct sets forth the values underpinning the philosophy, guidelines and standards with which the management and employees of the Operator are expected to comply in conducting all aspects of its business. The Operator recognizes that any breach can seriously damage its favorable reputation, and therefore all employees, including management and consultants of the company, are committed to strictly following the Code of Conduct and supporting its implementation throughout the organization.

### **Responsibility for health, safety and the environment:**

To be responsible for minimizing any adverse impacts on health, safety and the environment given due consideration to any relevant international agreements, principles, objectives and standards, and generally aspiring to conduct operations in a manner contributing to the wider goal of sustainable development

### **Responsibility in employment:**

To maximize the satisfaction, motivation, integrity and competence of all employees

### **Responsibility to local communities:**

To take responsibility for local development in order to ensure that local communities benefit from the project.

### **Responsibility to the host country:**

To share a common goal of promoting international standards and together with the host country as the resource owner, preserving sustainable development

### **Responsibility to one another:**

To reflect the fundamental principles of honesty, integrity and trust, in the view that these are vital in strengthening and maintaining a positive working environment benefiting both individual employees and corporate entities

<sup>4</sup> **Health Safety and Environmental (HSE) Standard** is the commitment of Daewoo to address environmental matters through all project phases and operations and to keep its personnel aware of them. In order to achieve this, Daewoo has developed a series of HSE Standards to ensure compliance with laws/standards and good industry practices.

## b. Social Impact Assessment

The Social Impact Assessment (“SIA”) was conducted between March 2009 and June 2010. The key objective of the SIA was to facilitate a broader understanding of the social environment of the project area including a profiling of the existing infrastructure and services and how the project might bring about changes to this existing social environment. The SIA was also aimed at identifying and defining any potential socio-economic impacts requiring mitigation and management for the project.

The SIA report draws on the information gathered and analyzed from two in-country research programs, stakeholder interviews, household surveys and an impact analysis. Within the villages of Gone Chwein, Mala Kyun and Lei Kha Maw, the households were selected according to a statistical sampling procedure, which ensured that the households were representative of the entire population in the potentially affected villages.

The following issues were considered while conducting the SIA:

- Socio-economic impacts
- Protection of cultural property and heritage
- Labor issues and occupational health and safety
- Land acquisition and involuntary resettlement
- Impacts on affected communities, and disadvantaged and vulnerable groups
- Impacts on indigenous peoples, and their unique cultural systems and values
- Cumulative impacts of existing, proposed, and anticipated future projects
- Issues associated with gender
- Efficient production, delivery and use of energy

In its findings the SIA established that residual social risks will be of **negligible to minor significance** generally with moderate risks relating to human rights or land acquisition. It also however, identified several major positive impacts benefiting the community relating to the procurement of goods and the potential improvement in the existing infrastructure.

To mitigate any adverse impact of the Shwe Project and to maximize any positive socio-economic impact, the Shwe Consortium developed, implemented and strictly monitors a human rights policy for all employees and contractors that work directly or indirectly in the Shwe Project. Furthermore the Shwe Consortium has been implementing the Socio Economic Program since 2006 in order to improve social infrastructure and directly communicate with the local communities.

## 4. Issues

As with the majority of large-scale natural resource projects, the Shwe Project has been subject to criticism from those that believe that it has had a negative impact on the local and nationwide population, and in particular in relation to human rights, land acquisition and the environment. The Shwe Consortium welcomes and has listened closely to such criticism and has endeavored to avoid or mitigate any negative impact on the local population, and this is on top of its willingness to carry out its business in accordance with internationally accepted standards. However what we have found is that often such criticism was based upon factual errors, distorted information, unjustified assumptions and in some few cases, driven by malevolent intent. This report therefore seeks to disturb the factual foundations on which such criticism has been based so as to provide those critics with a clearer understanding on the matter in the hope that they will reassess their views.

The Shwe Project areas are located in a unique regional environment that calls into play complex socio-ethnic political factors. Firstly the people in the Rakhine State are well known for their strong attachment to their ethnic identity<sup>5</sup>, and as in other parts of the world, this often leads to dissatisfaction towards any projects initiated at a national level. A concern is therefore that the accusations brought against the Shwe Project are in fact, in most cases, motivated by political factors and are in no way related to the project.

Secondly, given the geographical benefits of Kyauk Phyu it has become a center for various development projects and thus the local population living in the project area has difficulty differentiating one project from another in this region. As of the middle of 2011, it is known that the following projects, amongst others, are currently underway: a local runway expansion project, a jetty installation project, a new water dam project, a harbor rehabilitation project, and a crude oil tank installation project.<sup>6</sup> Having no clear picture of the complexity of the ongoing development works in the area, the local population tends to point out the Shwe Project, as a landmark project among others, as responsible for any issues that have arisen around the region.

Carrying out business in an ethical and transparent manner is the highest priority of the Shwe Consortium. Bearing that in mind, the Shwe Consortium is committed to listening to and acting on any allegation made in good faith relating to the project.

### a. Land Acquisition

The Shwe Project requires the establishment of offshore field facilities and an onshore natural gas transportation system for the supply of natural gas to the OGT. To accommodate the onshore operations, the acquisition of land in the areas near Ngapyitaung, Gone Chwein Village Tract, Kyauk Phyu Township in Ramree Island together with the OGT was necessary. The acquisition of additional areas was also required for the disposal of soil at a designated plot and the construction of an alternate road to facilitate the construction works.

The Shwe Consortium regarded the land acquisitions as an extremely sensitive and crucial issue, as it directly affects the livelihood of the people and the communities within the proposed project area.

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<sup>5</sup> In Kyauk Phyu Township, Rakhine people constitute more than 95% of the population.

<sup>6</sup> To cope with this issue, the Shwe Consortium published and distributed a booklet in Myanmar language whereby the indigenous people can obtain the information of the Shwe Project.



In response, the Shwe Consortium set clear objectives in relation to the land acquisition implementation so as to alleviate the impact of the Shwe Project and prevent damage to the local population's livelihood. Their objectives are as follows:

- To minimize the impact of the activities associated with the pipeline and other onshore facilities.
- To minimize the land area required in accordance with natural gas industry practices
- To ensure that compensation is awarded directly and immediately to those individuals owning, leasing, cultivating or using the land in some other manner.
- To ensure any local inhabitant who loses the right to his land is fairly and justly awarded an amount of compensation that is more than satisfactory.

### Land Acquisition Area

The placement of the pipeline corridor and the other onshore facilities was carefully reviewed and adjusted in order to ensure that the number of affected land occupiers was kept to an absolute minimum. As a result, the main project facilities were located away from populated areas, not only in consideration of affecting the least number of people but also in the knowledge that such an arrangement would bring improved infrastructure to the region.

### Land Acquisition Organization

The Shwe Consortium organized the Land Acquisition Team ("LAQ Team") which consisted of personnel from Daewoo, including local staff and representatives from MOGE who were assigned with conducting an efficient and objective acquisition of land. Crucially officials from the Land Records Department ("LRD") and village representatives also assisted in this process and ensured that the process was conducted objectively.

### Land Acquisition Procedure

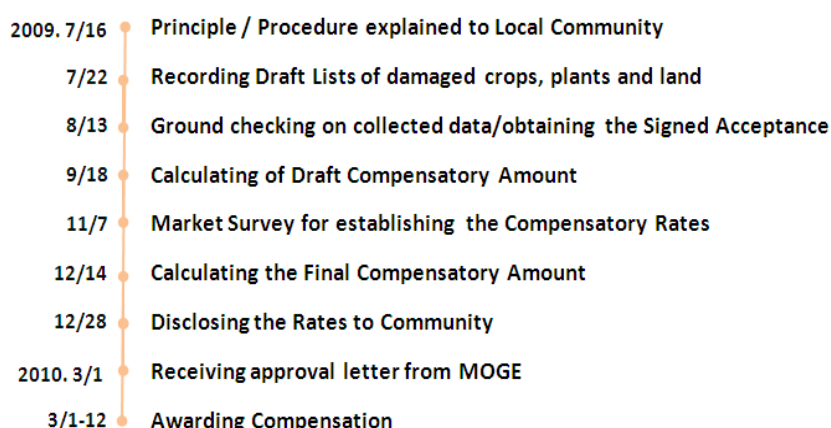
The land acquisition plan was carefully designed to minimize any sudden change to or result in any adverse impact on resettlements. To facilitate this, the LAQ Team was in constant dialogue with the affected land occupiers and ensured that the land acquisition procedure including the process for determining compensation was fully explained to those affected. The compensation awarded was based on various factors including the size of the land, the crop yield and the applicable market rate of the relevant crop.

### Acquisition Process Performed

In accordance with the timeline of the development works, the land acquisition was conducted in two parts (Phase 1 and Phase 2). Phase 1 included the acquisition of the land for the pipeline corridor (Right of Way, "ROW") and the OGT, and Phase 2 for the soil disposal and alternate road areas.

#### 1) Phase 1

The following illustrates the land acquisition process carried out in relation to Phase 1.



As soon as the compensatory principle and the LAQ Team were established, presentations concerning the process of land acquisition<sup>7</sup> and the compensation plan were made vis-à-vis to the local community from 16th July 2009 to 21st July 2009. During these presentations the team fully explained, in Myanmar language, the necessity of the land acquisition and the compensation procedures and schedule involved. Following the presentations, the team obtained the local people's consent after they had agreed to the compensation plan.



Further meetings were arranged in order to record a draft list of crops or plants that were to be damaged in the land acquisition process together with the land. The Shwe Consortium carried out several site surveys: the preliminary survey, the site survey with the LAQ team and a detailed demarcation survey with FUKKEN, a geotechnical consulting firm in Myanmar. Such surveys were carried out to ensure that an accurate assessment was carried out and to ensure the appropriate amount of compensation was distributed to

any affected party. After this process, the LAQ team undertook a final check with land occupiers based on the collected data and obtained signed acceptances from the land occupiers.

Based on the records they collected, the LAQ team calculated the compensation that was to be distributed and through local market surveys.

Compensation for land occupiers was calculated on an individual basis based on:

- type of land
- location of land
- type of crop cultivated
- yield potential
- prevailing local market value for the crops.
- existing condition of building and wells.

As soon as the final compensatory amount and rates were fixed, the LAQ team disclosed the information to the community on 28 January 2010 and every land occupier was satisfied with it. Subsequently, the Shwe Consortium went through MOGE's approval process, and received a letter of approval letter on 1 March 2010.

The compensation was awarded to those affected on 4 March 2010. Each and every affected household who was listed in the compensatory list was hand delivered a compensatory cheque from the Myanmar Economic Bank in Kyauk Phyu. After this procedure was finalized, an approval letter issued by the Township Peace and Development Council Chairman for commencing construction works was received on 19 March 2010.

The land and crop compensation was successfully completed in March 2010. Within the 91.9 acres of Ramree Island, 110 households were affected, and the LAQ team interacted, during the process, with each of these households about 4 to 6 times. Owing to such comprehensive



<sup>7</sup> Under the Myanmar Law, no lands are owned by the individuals with rare exceptions but are leased to them. The lands acquired for the Shwe Project have not been under ownership of individuals.

procedures, it took almost 8 months from the first meeting with those affected to the final compensation award date.

A follow-up survey was conducted in order to determine whether the individuals were satisfied with the compensation they had received. The survey established that most of the land occupiers were pleased with the compensatory rate but two requested a recalculation of the area of their paddy fields on which the compensation was based. As a result a further assessment was carried out in the presence of the landowners, the village heads, the village chairman and other villagers on 6th March 2010 and 9th March 2010 respectively. They affirmed that the land plot dimension was not different from the measurement recorded by the LRD and the land occupiers were satisfied with the clarification.

## **2) Phase 2**

During the construction phase, the acquisition of additional land was required in order to dispose of soil and build an alternate road. The acquired area was approximately 56 acres and 30 households were affected.

The land compensation process for Phase 2 was just as rigorous as Phase 1 and the whole process was completed in November 2010.

## **b. Human Rights**

The Code of Conduct, which has been implemented and rigorously monitored, comprehensively sets out the Shwe Consortium's human rights policy. Furthermore, the Shwe Consortium employees as well as the suppliers and contractors are under strict instructions to follow and practice all agreed international guidelines and accept the Health Safety and Environmental (HSE) Standards when performing works.

### **Military Involvement**

It has been argued that large-scale natural resource projects in Myanmar including that of the Shwe Project has resulted in an increased military and police presence in the construction areas.

The Shwe Consortium is aware of the presence of three Myanmar Army battalions near the onshore project area. However, the aforementioned battalions were stationed in this area long before the Shwe Project commenced<sup>8</sup>. Consequently there is no causal connection between the project and the presence of the Army, and the Shwe Consortium has in no way needed the assistance of the Army.

As to the security of the project facility during the development period, most of the project area is being monitored by CCTV and the project area is protected by fencing. The offices and supply base which stores the materials for the construction of the project facility are secured by a local contractor. Once construction is complete, a new arrangement will be put in place. However, the area along the pipeline route will not require any security arrangements since the pipeline will be buried 3 meters underground.

### **Forced Labor**

Forced labor is one of the most common allegations made against the Shwe Project. However, those who raise such allegations do not have any grounds to explain what could possibly motivate the Shwe Consortium to perpetrate any form of forced labor. We are very mindful of the reports of forced labor and human rights violations associated with the Yadana pipeline project and understand people's concerns, and as a result the Shwe Consortium has implemented safeguards to ensure that no similar labor issues can occur.

The Shwe Consortium is not only committed to complying with the principles embedded in its Code of Conduct including the human rights protection, but also set out the relevant procedures to implement such principles. As mentioned above, the Shwe Consortium has conducted and strictly monitors a human rights policy within the framework of its Code of Conduct for all employees and contractors who work directly or indirectly on the Shwe Project, any of the Socio-Economic Program initiatives and any supporting activities. Also the Shwe Consortium has been monitoring all contractors to ensure adherence to international labor laws in respect of human rights and forced and child labor. The Shwe Consortium takes any breaches of such labor laws and human rights violations very seriously.

During the course of the Shwe Project, the Shwe Consortium has been screening for all forms of forced or compulsory labor and ensuring every employee is fully paid. To encourage employment and training opportunities, economic diversification and ease the dependence on natural resources for income, local inhabitants are sought as providers of goods and services to the

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<sup>8</sup> To the best of our knowledge, three battalions are located in Kyauk Phyu area. One has been stationed there for more than 40 years and the other two for over 15 years.

project. It is ensured that those looking for employment are not subject to discrimination based upon employment history or occupation. The development and implementation of a human rights policy, rigorous monitoring of the policy and heavy penalties for non-compliance reduces the severity of this impact.

## c. Environment

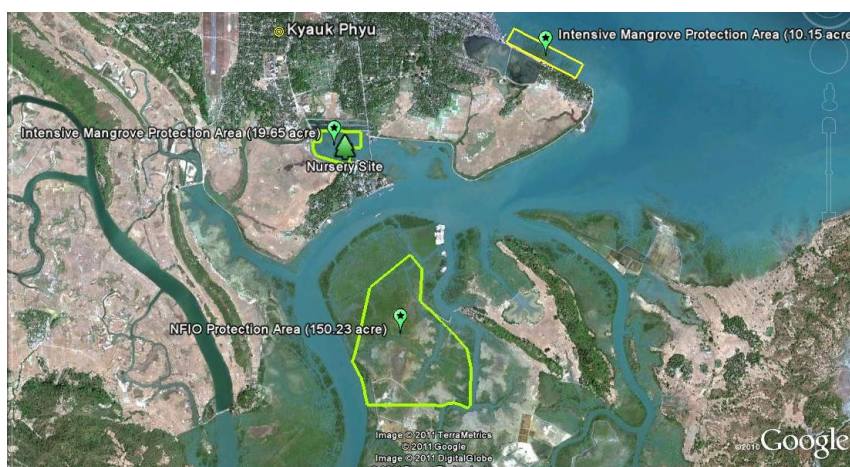
The EIA reports identified that the Shwe Project would create a potential moderate risk to terrestrial flora and fauna, marine water quality and air emissions. In response to these findings the Shwe Consortium launched a new environmental conservation program from April 2011 promoting sustainable natural environment conservation, enhancing the ecosystem, setting up community based forest management and improving environmental awareness. The Shwe Consortium strongly believes that such measures will help mitigate any potential environmental risk and furthermore contribute to environmental protection.

### Mangrove Conservation Program in Kyauk Phyu

This program aims to protect the mangrove ecosystems that are established around the Kyauk Phyu Area. Mangrove forests play a vital role in protecting the shore line against waves, wind and storms, supporting near-shore fisheries and providing a combination of shelter and abundance of organic matter. Mangroves are also able to purify 1.5 metric tons of carbon per hectare per year.

The Shwe Consortium has been conducting the following activities in association with the Mangrove Service Network (MSN)<sup>9</sup> since August 2011.

- Intensive Mangrove Protection (28.3 acres)
  - planting mangrove in specifically selected sites to develop thick mangrove forests
- Mangrove Nursery Establishment (555,000 seedlings)
  - nursery set up at Ngalapwe to provide mangrove for future plantations
- Protection for Natural Forest Improvement (150.23 acres)
  - maintaining and improving the mangrove ecosystem for better growth
- Mangrove Conservation Awareness
  - conducting a workshop on Mangrove Conservation Awareness at the township level which focuses on the benefits of mangrove and the importance of mangrove conservation and community participation.
  - displaying Mangrove Conservation bill boards, posters etc.



<sup>9</sup> **MSN** is a local non-government organization providing services in environmental conservation, in sustainable livelihoods and community development since 2001.



## **5. Benefits**

### **a. Employment and Training Opportunities**

The Shwe Project will have a notable impact on employment in the Rakhine State both during construction and in the generation of new permanent jobs during the operational phase. The construction workforce for the project is expected to peak at around more than 450 workers including local and expatriate employees, contractors and administrative and support personnel and more than 200 staff will be employed in the project office during the operations.

The Shwe Consortium aims to source the labor through both Myanmar nationals and expatriates. The Shwe Project will employ a mix of skilled, semi- and un-skilled and technical personnel including trades people, vehicle and machine operators, maintenance technicians, welders, administrative staff, unskilled laborers and security personnel during the construction and operations phases of the project. The Shwe Consortium expects more than 75 percent of its required operations workforce to be employed within Myanmar at commencement of the gas production.

The Shwe Project has also created educational opportunities for Myanmar nationals, particularly in technical areas. These opportunities could catalyze current education and skill development. The Shwe Consortium has developed training and recruitment strategies to support the operations and maintenance of these activities.

### **b. Potential improvement of infrastructure**

At present, the infrastructure in Rakhine State, Sittwe and Ramree Island does not adequately meet the needs of the population and it is both unreliable and of a low standard. Services such as electricity, communication, water, roads and public transport are currently inadequate and in need of much improvement.

As part of the socio-economic program, the Shwe Consortium has already contributed to many projects that provide benefits to communities mainly in Kyauk Phyu and Sittwe. The Shwe Consortium has already provided a water treatment facility, a sanitation system and a new power generator. In addition, the Shwe Consortium will upgrade the roads the project area to support increased vehicle numbers and heavy vehicles.

### **c. Procurement of goods and services**

During the project, the procurement of a wide range of goods and services will be required to support the project's development and to meet the needs of the workforce and the migrants in the area. There will be procurement requirements for goods such as fresh produce, textiles and footwear and some construction materials. Services such as temporary accommodation, food preparation, domestic services, domestic transport, land clearing and maintenance will all be able to be procured locally within the project area. The Shwe Consortium estimates that between one and two percent of total procurement expenditure will be spent within Myanmar, with two-thirds of this percentage procured within the Rakhine state. Similarly, the influx of the Shwe Project employees and contractors during the construction phase will create a greater demand for goods and services as well as greater need for local produce. Consequently, what is created is a greater opportunity for local businesses and providers to take advantage of new customers and increased markets.

## 6. Socio-Economic Program

The Shwe Project includes significant investment in projects which will contribute to the sustainable economic and social development of the local communities and the host country, Myanmar. The Shwe Consortium's vision for sustainable development is to create community engagement initiatives in Myanmar so as to contribute lasting benefits to the economic growth and wellbeing of the community through the consideration of social, environmental, ethical and economic aspects. The Shwe Consortium operates in some of the most complex environments where communities face diverse socio-economic challenges. Through these Socio-Economic Programs, the Shwe Consortium strives to be a constructive partner in addressing those challenges.

### a. Program Objectives

In order to ensure that local communities benefit from the presence of the Shwe Project, the long term plan of the Socio-Economic Program includes:

- (1) safeguarding the social structure, protecting the economic livelihood, contributing to the general wellbeing of the communities in the area within which the project is operated, and mitigating any negative impacts arising from the Shwe Project's presence;
- (2) respecting the cultural and traditional values of local communities and complying with local laws and regulations;
- (3) engaging in capacity building programs for the local communities;
- (4) creating employment opportunities and facilitating training opportunities for the local populace (where practical);
- (5) enhancing and developing infrastructure (to the extent possible) in the areas in which the project is operated; and
- (6) implementing health-care, educational support and welfare programs for local inhabitants.

### b. Program Focus

Amid a complex socio-economic environment the Shwe Consortium believes that it is fundamental to both its business and to the success of the local community to wholeheartedly engage in strategic investments in the future of these communities through community engagement programs. The ability to build mutually beneficial long-term relationships is enhanced by investments that simultaneously provide lasting community benefits and direct business value. This approach involves working cooperatively with the host government, community and civil society to assess and understand socio-economic conditions.

The primary aims for community investment under the Shwe Project are improving access to basic human needs and promoting sustainable livelihood through the provision of quality education and health and the importance of supporting the environment and providing a supply of clean and safe water in the region. Each element helps contribute to socio-economic progress. The Kyauk Phyu Township is considered a primary target area since the proposed landfall point and pipeline corridor are to be located there. The program further focuses on the Sittwe Township, the capital and the most densely populated area in the Rakhine State, as well as Yangon and other Divisions if necessary. Furthermore the program also targets the improvement in the quality of life of HIV infected children under the National AIDS Program throughout Myanmar.



## c. Program Summary

The Socio-Economic Programs engaged communities and individuals by promoting sustainable, long-term socio-economic benefits. The Operator's socio-economic team works closely with local authorities, community groups and others to deliver programs matched to local interests and needs. This approach helped the Shwe Consortium develop a mutually trusting relationship with the local communities. Through the community consultation forums that it hosted, the Operator learned about local needs and developed sustainable social, health and economic programs designed to address specific issues.

### 1) Education

The Shwe Consortium has contributed in a variety of ways towards meeting the basic educational needs in the Rakhine State because education is a critical driver of progress and an opportunity for strengthening communities and promoting greater social stability.

Since the inception of the program in 2006, the Shwe Consortium has been helping to improve the basic education of the local people by building and renovating schools, and providing teaching aids and materials to new and existing schools. This contribution has resulted in broader geographical coverage of the educational facilities, and an improved educational environment for more than 6,000 children, particularly those in rural environments. Future developments for educational facilities have been planned on Ramree Island as a result of project related funding and the Shwe Consortium will continue to improve the quality and accessibility of education available to local children.



### 2) Health care

The Shwe Consortium realize the fundamental importance of health care for the local population and have initiated health programs which endeavor to improve the long-term health and wellbeing of the residents. The programs include the improvement of medical facilities, the HIV/AIDS program and the blindness prevention and mitigation campaign. Vitally these initiatives have been carried out not only at the community level in Kyauk Phyu and Sittwe, but also at the national level.



The Shwe Consortium sponsored public health care services in the Rakhine State through building new health centers, renovating existing facilities, providing medical equipment and relevant operational training. The investment around the project area has brought a better quality of medical service providing advanced health care and medical assistance for many residents, particularly those in rural environments. During the project, the Shwe Consortium constructed 8 new or renovated community health centers in the Kyauk Phyu Township. Thanks to the Socio-Economic Program, more than 3,000 people benefit from these health centers.





Since 2006, the Shwe Consortium has played an important role in managing the impact of HIV/AIDS in Myanmar. In order to help Myanmar combat HIV/AIDS, the Shwe Consortium has been committed to providing anti-retroviral medicine and opportunistic infection medicine for HIV infected children. The Shwe Consortium has been in partnership with the National AIDS Program of the Ministry of Health and has helped improve

the health and wellbeing of the HIV infected children. This program demonstrated that the Shwe Consortium's investment has yielded high-impact results, saving lives and improving the health care of HIV infected children. Since 2006 as many as 200 patients have been enrolled in the program. At the end of 2010, the program was providing support through Anti-retroviral Treatment ("ART") to 120 child patients. The outcome of the ART Program has so far been excellent with over 90 per cent of patients showing progress to date.

From 2009 the Shwe Consortium initiated the blindness prevention and mitigation campaign in collaboration with Helen Keller International and the Department of Eye under the Ministry of Health, Myanmar. The campaign aims to save the sight of the most vulnerable and disadvantaged people by combating the causes and consequences of blindness. According to the Ocular Morbidity Survey, the main cause of blindness is cataracts, accounting for 63% per cent of those losing their sight. The backlog of un-operated cataract cases is close to 200,000. This campaign had been carried out through static and outreach programs in the Sittwe and Kyauk Phyu Townships. A total of 2,755 free cataract surgeries were successfully conducted until 2010.



### 3) Water supply

Securing freshwater is a critical issue in Rakhine State, especially in the Sittwe region. People from suburban areas are forced to drink water from ponds in which rain water has been collected during the rainy season. This water is unhygienic and unsuitable for drinking. In order to provide more potable water for residents, the ponds in Htan Pin Yinn were rehabilitated under our 2010 Socio-Economic Program. The ponds are located in the Lanmataw Taung quarter of Sittwe. To store sufficient clean water for the year, the ponds were upgraded by constructing sand stone embankments. The pond rehabilitation committee was formed to accelerate and monitor the program. Under the supervision of the village committee, rehabilitation work was carried out simultaneously at the adjoining big and small ponds. This project resulted in an immediate benefit to more than 10,000 people in the suburban area and provided jobs and business opportunities for the local people during the operation period.



Apart from the Htan Pin Yinn ponds rehabilitation, the Shwe Consortium also provided assistance in the rehabilitation of water supplied to hospitals and schools. The Shwe Consortium also rehabilitated Kan Taw Gyi Dam which resulted in an immediate benefit to more than 20,000

households in town and it also provided job opportunities for local people.

#### 4) Community Welfare

As part of the Socio-Economic Program, the Shwe Consortium has contributed to many programs that have provided benefits to several local communities. In response to the community's needs, a 1,000 KVA generator was provided which provides sufficient electricity to supply the entire Kyauk Phyu Township. The contributions of the Shwe Project into infrastructure and service improvements have been beneficial to rural communities where facilities are particularly lacking. Due to this Socio-Economic Program, the new generator provides additional lighting in the evening that used to be impossible.



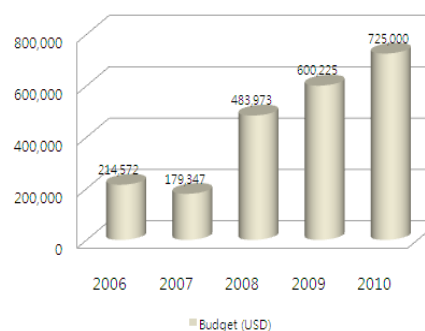
#### 5) Cyclone Relief Activities

The Shwe Consortium carried out a wide range of relief activities for the victims that were severely affected by cyclone Nargis and Giri. The relief and recovery efforts involved engaging with communities through the relevant disaster rehabilitation authority in order to restore access to health care, water, food and shelter, and to implement efforts for lasting recovery. As a result, more than 70,000 people benefited from the relief activities.



#### d. Budget Contribution

The Shwe Consortium has been conducting the Socio Economic Program since January 2006 and this is despite the Shwe Project still being in the investment phase where no profits have been created. Within a year, the Shwe Consortium spent a total amount of USD 214,572 for its Socio-Economic Program. In 2007, approximately USD 179,347 was disbursed for the health sector in spite of unforeseen difficulties. The Shwe Consortium spent USD 483,973 in 2008 and USD 600,225 in 2009 for the improvements in education, health, water sanitation and other contributions.



Expenditure on the community development programs under the Socio-Economic Program 2010 totaled USD 725,000 which included contributions of USD 270,000 for the education sector, USD 140,000 for the health sector, USD 145,000 for social welfare, USD 90,000 for the disaster relief program and USD 80,000 for water supply and other contributions.

## Conclusion

As the Operator of the Shwe Project and a shareholder of the Myanmar China Gas Pipeline Project, Daewoo is always committed to conducting a business in a socially responsible and ethical manner, ensuring that the environment and the human rights of those often unable to protect themselves are safeguarded.

The Shwe Consortium strongly believes that there is a potential to provide long-lasting benefits to the communities in which it operates with the help of careful management and monitoring. By adhering to the international standards and its Code of Conduct, the impartial benefit to each stakeholder shall be considered thoroughly. Moreover, the aim to contribute to the sustainable socio-economic growth of Myanmar will be achieved through its Socio-Economic Program.

The Shwe Consortium will consistently endeavor to implement the remaining steps of the Shwe Project immaculately. Furthermore, the Shwe Consortium will support conducting the desirable and successful project of Myanmar China Gas Pipeline, based on the experience and know-how which has been built up so far.

It is hoped that those that were critical of the Shwe Project have a better understanding of the factual context of the project.