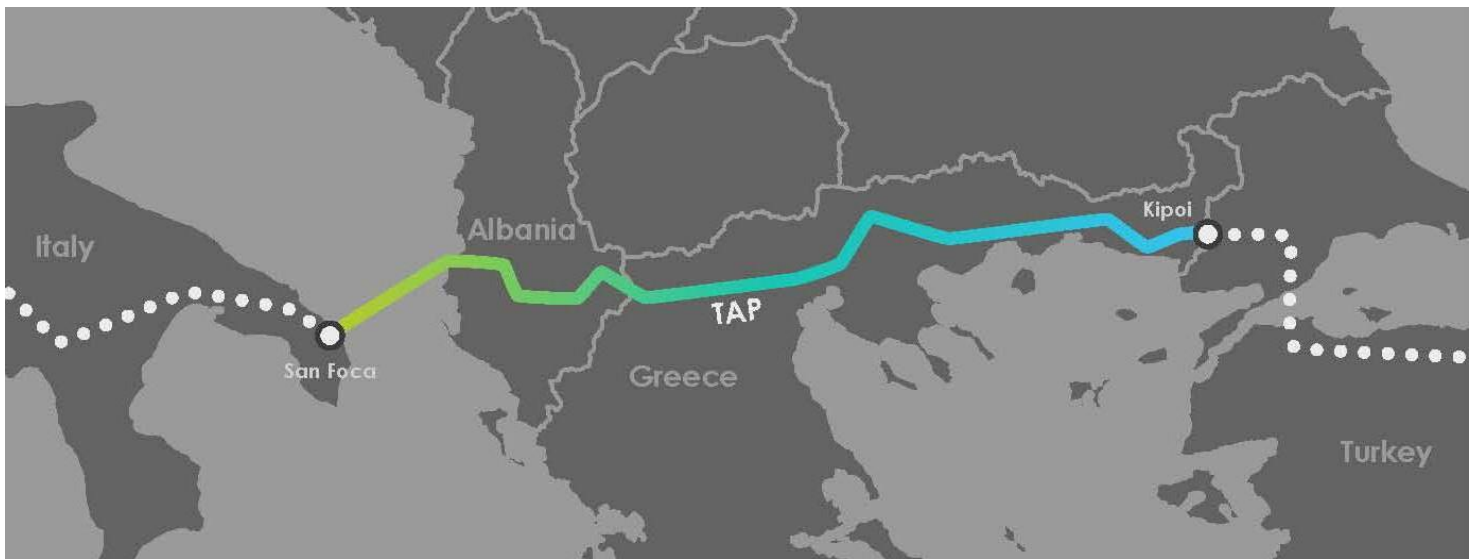




Trans Adriatic
Pipeline



Social and Environmental Investment Overview

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1. Introduction

The Trans Adriatic Pipeline (TAP) will transport Caspian natural gas to Europe. Connecting with the Trans Anatolian Pipeline (TANAP) at the Greek-Turkish border, TAP will cross Northern Greece, Albania and the Adriatic Sea before coming ashore in Southern Italy to connect to the Italian natural gas network.

TAP has adopted the definition of social investment of the IFC, specifically:

voluntary contributions or actions by companies to help communities in their areas of operation address their development priorities, and take advantage of opportunities created by private investment – in ways that are sustainable and support business objectives.

This document outlines the Social and Environment Investment (SEI) Strategy for TAP as a whole. It describes the overarching business case and objectives of the programme, and details those aspects of the programme that are consistent across the company. This includes the guiding principles for investment, as well as the governance, monitoring and reporting frameworks.

In addition, this document outlines the implementation plans in each host country specifically translating the TAP overarching strategy into the country-specific context.

This strategy meets the commitments relating to SEI that are made in the ESIA and reflects the environment and social performance requirements of the EBRD and IFC Guidelines for Strategic Community Investment. This strategy does not repeat the elements of good practice contained in these standards and guidelines, but rather applies them in the TAP context.

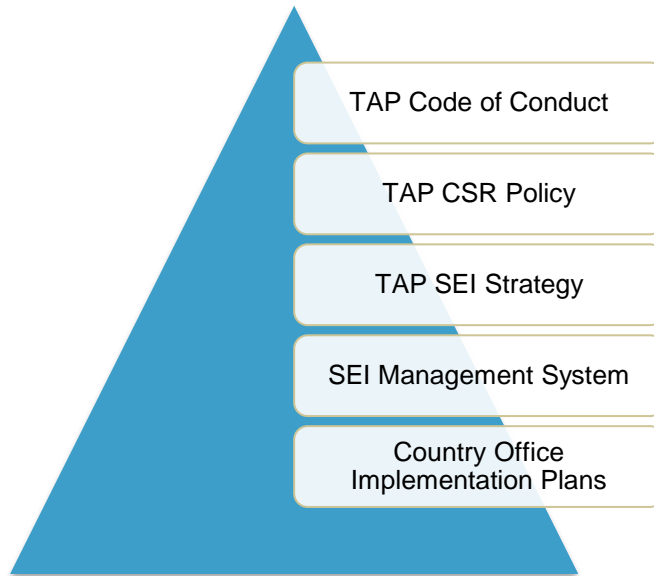
This is a 'living' document that reflects the SEI Strategy as of Q3 2017. It covers the construction phase of the project through to operations.

The remainder of this overview:

- outlines the SEI programme goal, objectives and business case;
- details the SEI programme framework, including funding types;
- provides budget data;
- describes the management system;
- for each of Greece, Italy and Albania, presents the country-specific implementation plan; and
- summarises the monitoring and reporting process.

2. SEI Governance Hierarchy

SEI is managed through a governance hierarchy that flows from TAP's Code of Conduct, as shown in the diagram below. The Code of Conduct is underpinned by the Corporate Social Responsibility (CSR) Policy (amongst other policies). In turn, the SEI Strategy articulates the high-level approach to SEI in TAP. Country Office implementation plans detail how this strategy is implemented in the local context, and the management system provides the structure to deliver.



Underpinning the TAP Code of Conduct is the **TAP CSR Policy**. Relevant commitments include:

- Proactively engaging with our stakeholders and respecting local culture;
- Understanding and managing our social and environmental impacts;
- Respecting the cultural heritage of the countries in which we operate;
- Working in partnership to support local communities to meet their development priorities;
- Facilitating opportunities for the local people and businesses to benefit directly and indirectly from company activities;
- Complying with, and striving to exceed, applicable international standards protecting human rights, within our area of influence.

This policy aligns with the commitments TAP has made in Host Country Environmental and Social Impact Assessments (ESIAs) and which are documented in its Country-specific Commitments Registers.

3. SEI Programme Overview

3.1 Goal and Objectives

The goal of the TAP SEI Programme is to contribute to improved livelihoods and quality of life within local communities in proximity to the Trans-Adriatic Pipeline (TAP) Project, in a sustainable and inclusive way.

The overall objectives of the TAP SEI Programme are:

- to strengthen livelihoods within local communities;
- to support improved community quality of life along the pipeline route;
- to enable improved skills and abilities through support for education and training initiatives; and
- to enhance environmental management including through support for biodiversity.

This focus facilitates clear decision-making in project selection, allows TAP investment to make more of an impact in the selected theme, and supports the communication of a cohesive programme.

These themes have been selected following an analysis of the Environment and Social Impact Assessments (ESIAs), specifically identifying those areas where SEI can support the management of social risk, as well as generate value for both TAP and the host communities.

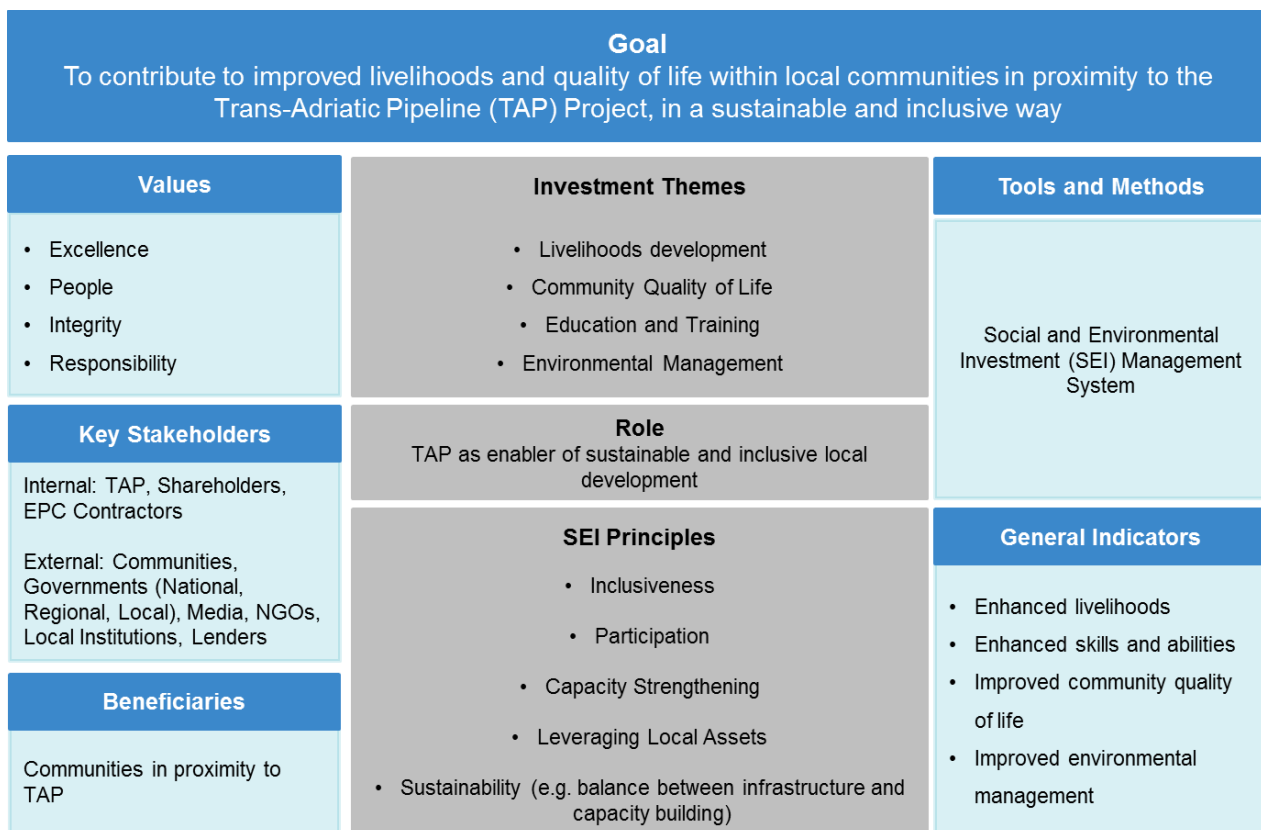
Nevertheless, each of the host countries has different development priorities and different social risks. These themes are deliberately high level in order to allow each country to work within them whilst also responding to their country context.

The underpinning business objectives are to:

- build relationships of trust and goodwill to support construction;
- support management of priority social risks to TAP in each country; and
- maximise return on investment through good management practice.

3.2 SEI Programme Framework

The SEI Programme Framework below is a visual summary of the core elements of the SEI strategy.



The SEI principles are defined as follows:

- **Inclusiveness:** enabling equal opportunities for all. In the context of TAP SEI projects, this includes supporting gender equality, the equitable involvement of ethnic and religious groups, and proactive consideration of vulnerable groups.

- **Participation:** enabling involvement in project activities. This includes ensuring participative, community-level involvement in the design and development of TAP SEI projects and in decision-making processes associated with such projects.
- **Capacity Strengthening:** building human and social capital through targeted activities to build the skills of specific individuals and groups over time.
- **Leveraging Local Assets:** identifying, building and mobilising the assets and strengths that already exist within a community, rather than being focused (solely) on needs.
- **Sustainability (e.g. balance between infrastructure and capacity building):** seeking to avoid dependency, encourage self-reliance, and create long-term benefits that can outlast company support. This includes reinforcing rather than replacing existing institutions and processes, where feasible, and not commencing support for activities without a viable exit or handover strategy.

3.3 Project Funding Types

There are three project funding types, outlined below.

	Grants	Local Community Initiatives	Regional Development Partnerships
Objectives	Build relationships quickly; support expectation management; limited link to long term business objective	Focused on area of direct impact and local stakeholder priorities	Long term, sustainable benefit; TAP legacy; Strategic selection
Scale and Scope	Large number projects small budget, short timescale. Low % total budget	Timescale several months to 1 year	Low volume, large budget, multi-year timescale. High % total budget

This SEI strategy is cognisant of the lessons learned from other companies. These lessons include but are not limited to:

- SEI is only one part of a holistic approach to maintaining social licence to operate. It cannot replace good practice in the other interfaces between TAP and external stakeholders, such as worker behaviour policies and local content procedures.
- SEI is not designed to mitigate or 'compensate' for the impacts of construction, neither is it a response to community grievances on other issues.
- Good project management includes developing realistic project objectives, outcome (as well as output) monitoring, and the measurement and communication of results.
- Investments can generate conflicts between communities competing for benefits. Ad hoc response to community requests does not work. The process of selecting and implementing projects must include the demonstration of community support and generate ownership of the outcome in the local community.

No single project can meet all the SEI programme objectives. A portfolio of projects is being supported which together meet the objectives, as well as taking into account the following country-specific issues:

- Allocation between geographies;
- Need to demonstrate commitment on the ground in those areas impacted by construction;

- The implementation models selected in that country; and
- Diversification to mitigate the risk of problems in any one initiative.

4. SEI Management System

4.1 SEI Decision Board

SEI spend is governed by the SEI Approvals Procedure. Country offices submit potential initiatives to the SEI Decision Board, a cross-functional committee that reviews and approves SEI projects prior to TAP financial support.

The principal responsibilities of the SEI Decision Board are to:

- Provide an review of the SEI concept or idea;
- Assess whether the proposed SEI project is in line with TAP values, policies, SEI strategy, programme framework, business objectives and principles;
- Review alignment with the TAP Code of Conduct and relevant Policies including the TAP CSR Policy, TAP HSSE Policy & TAP Anti-Bribery and Anti-Corruption Policy, TAP Procurement Procedure as relevant; in particular, consider proposed SEI projects against governance, transparency and compliance information;
- Ensure there are clear project objectives, activities, monitoring and evaluation approach, consideration of sustainability and an exit strategy;
- Review functional feedback and concerns or conditions, as well as whether concerns and conditions from previous SEI Decision Board meetings have been addressed; and
- Provide decisions (with justification) to Country SEI Teams, including detailing any associated conditions or further risk mitigation required.

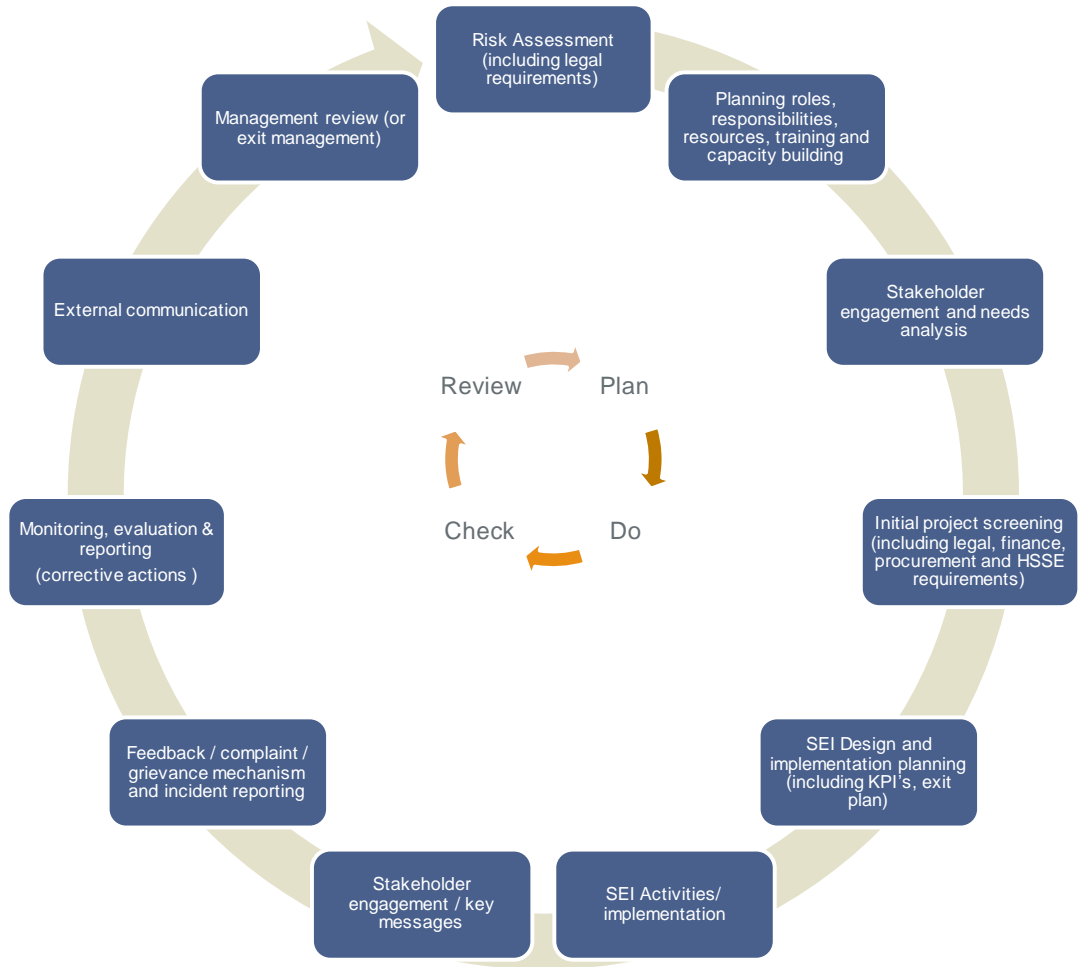
In developing proposals, SEI teams in country offices work with:

- SEI function: ongoing support and assurance in SEI Programme resourcing and delivery;
- Legal and compliance: to set up agreements and follow anti-bribery and anti-corruption procedures, including an SEI Compliance Checklist and Integrity and Due Diligence Procedure.
- Procurement: SEI procurement must follow TAP procurement standards;
- Health and Safety: SEI contractors will be held to the same health and safety (H&S) standards as TAP and all other contractors;
- Finance: financial and fiscal management; and
- Other functions, depending on the nature of the project. This may include but is not limited to Environment and Social team in the construction project, Land Easement and Acquisition/Land Management team, and Integrated Project Management Team.

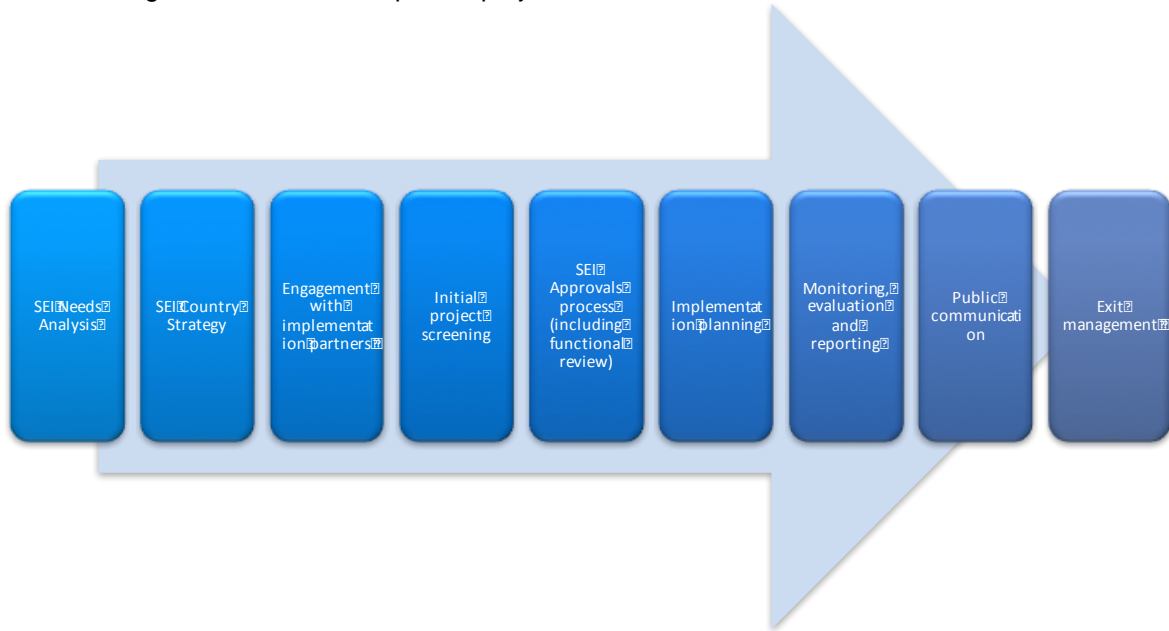
4.2 SEI Management System

The SEI management system and supporting processes has been mapped and is illustrated below.

Document title	Social and Environmental Investment Overview		
Document no.	TAP-CSR-ST-0002	Rev	1
Classification	External		



The process through which TAP develops SEI projects is outlined below.



Document title	Social and Environmental Investment Overview	
Document no.	TAP-CSR-ST-0002	Rev 1
Classification	External	

The SEI Handbook consists of a set of guidance documents and tools to support country office activity at each stage of establishing an SEI Programme. It is not intended to be a complete “manual”, but rather a collection of fit for purpose documents to support delivery within the TAP context. The handbook includes:

- SEI Approvals Procedure;
- SEI Governance and Transparency Procedure;
- Project development guidance, including eligibility criteria for both organisations and activities;
- Project proposals guidance, including template proposals;
- Monitoring, evaluation and reporting framework; and
- Exit guidance.

5. Budget

The externally committed SEI programme budget is:

- Italy 12,000,000 €;
- Albania 14,000,000 €; and
- Greece 32,000,000€.

This budget includes both SEI activities and supporting resources, as well as some communications.

6. Greece SEI Implementation

TAP has requested that regional governors and municipal mayors present local and regional priorities for SEI investments. The regional governors take a lead in consolidating such requests to ensure they are supported and reflect true priorities at all levels. A budget split has been agreed between the three regions and between municipalities and regions. Following stakeholder mapping, TAP has held over 340 stakeholder meetings to further refine areas of common interest for TAP’s SEI investment. TAP continues to engage with the relevant authorities to discuss and update them on SEI projects, as and when required.

Three priority investment areas have been identified:

- **Social needs:** Addressing, through donations, socio-economic issues affecting local stakeholders, where these issues have been significantly exacerbated by the recent economic crisis;
TAP Greece has established a collaborative programme with the Network for Social Solidarity under the auspices of the Federation of North Greece Industries. This partnership has and will continue to roll out donations in line with community need.
- **Infrastructure:** Supporting municipalities to implement infrastructure linked initiatives focused on communal quality of life, such as improving common areas such as parks, playgrounds, community centres, local markets, etc.; and addressing larger community objectives such as improving water and waste management systems and expanding/upgrading farmland irrigation systems.
TAP Greece is at various stages of discussion with impacted municipalities regarding investments in their local area. To support delivery, TAP Greece has engaged an implementing partner to execute civil works identified in consultation with the municipalities. In addition, TAP has agreed to work with some local municipalities for the provision of emergency services equipment, including fire trucks, ambulances and specialised sanitation vehicles.
- **Capacity building:** Addressing medium and long-term opportunities in sectors relevant to TAP’s primary stakeholder constituencies. To this end, TAP Greece has initiated discussion of capacity building initiatives predominantly focusing on the farming, vocational training and education sectors.

7. Albania SEI Implementation

During 2016, stakeholder engagement to understand community needs and development priorities included quantitative surveys, qualitative focus group discussions, Government and NGO meetings and analysis of government development planning.

Unemployment and livelihoods were found to be the highest priority followed by access to water and sanitation, access to infrastructure, education and the environment (waste and pollution). Improvements in the agriculture value chain were found to be the highest priority development intervention across regions and municipalities.

The not-for-profit sector has strong capacity to work with TAP and has been the beneficiary of donor funding from the EU, various donor Governments and development agencies.

The priority investment areas are:

- Community infrastructure, including schools and water supply;
- Livelihoods in the agriculture sector;
- Education and training, including an internships programme and vocational training in the energy sector;
- Community safety, including access to medical supplies and awareness raising; and
- Emergency equipment and donations, for example in response to extreme cold weather and wildfires.

At the time of writing, TAP has delivered or is in the process of delivering several infrastructure projects in Albania, including several schools, a pedestrian bridge, panoramic platforms and a water supply network. As part of its community safety initiatives, TAP has implemented a road health and safety awareness programme focused on students and communities along the pipeline route. TAP has also launched its strategy for livelihood and capacity building programmes and will be soon executing projects with the support of selected implementing partners.

8. Italy SEI Implementation

TAP Italy has undertaken an extensive needs assessment to understand community development priorities and how best TAP can respond. An in-depth context analysis integrates the findings of quantitative and qualitative studies carried out by third party research agencies with the outcome of TAP stakeholder engagement consultation.

The project impacts are primarily on the municipality of Melendugno. The area has high unemployment, especially amongst young people, and economic activity is dominated by small family run businesses in tourism, services, agriculture and fishing. There are local concerns over the co-existence of these industries with TAP, in particular the risk of environmental damage and the impact on tourism. Public infrastructure and transport links require improvement. Survey data highlighted a strong desire for TAP SEI to be focussed locally, and for there to be a high level of involvement of local institutions and citizens.

The priority investment areas are:

- livelihoods, with a particular focus on the tourism, agriculture and fisheries sectors;
- environmental management, with a focus on issues linked to tourism, agriculture and the marine environment; and
- community quality of life, particularly focussed on services and infrastructure.

Initiatives currently underway include, but are not limited to: working with the University of Salento to improve the local marine environment; a small grants programme targeted at local non-profit associations; a capacity building programme in the tourism sector aimed at providing professional training opportunities for local

restaurant businesses; capacity building programmes (TAP Academy English and ICT courses) offered to local unskilled citizens and a project to support the development of the community of fishermen operating in San Foca.

In August 2017, TAP was invited by the Italian national government to attend the Interinstitutional Roundtable for Social & Environmental Investments. Other participants in these discussions include representatives from SNAM; the regional, provincial and municipal governments; the main national workers' unions and the national Confindustria (employers' union). The aim of the roundtable is to collect external requests and proposals to jointly plan the implementation of SEI investments in the territories affected by the TAP pipeline. Discussions are ongoing.

9. Monitoring, Reporting and Evaluation

TAP has developed a framework to guide the Monitoring, Evaluation and Reporting (MER) on SEI projects. It applies to country office SEI team members, head office, and SEI implementing partners (i.e. organisations that receive TAP SEI funding to deliver SEI projects).

The following data are monitored internally each month and reported to shareholders:

- Committed spend;
- Planned Spend;
- Actual spend;
- Remaining budget;
- Number of Authority to Negotiate (ATN) Forms approved;
- Number of Final Project Approval (FPA) Forms approved;
- Number of projects under implementation; and
- Number of projects completed.

In addition to the monitoring of these data, there is one mandatory Key Performance Indicator (KPI) for every SEI initiative, specifically the number of project beneficiaries. TAP is currently in the process of developing non-financial KPIs to measure the impact of SEI projects in the host countries.

At the country level TAP; has established SEI reporting requirements from implementing partners. Reporting, compliance and auditing requirements are embedded in agreements with project partners. TAP country offices review partner progress reports and qualitatively monitor partner activities on a regular basis.

The Integrated Project Management Team is supporting the SEI country office teams in the delivery of SEI infrastructure works. Construction supervision companies have been appointed in Greece and Albania. These companies establish proper supervision of the works. TAP will conduct unannounced spot checks. A budget will be established for each project and progress will be assessed against that budget using a man hour, installed quantities basis or similar. Final acceptance of the works will be jointly by the beneficiary (most likely municipalities), the construction supervision company, their sub-contractor and TAP representative(s).

At the time of writing, there is a rolling implementation of the MER framework. Longer term, larger budget, strategic projects with a high-capacity implementation partner will have greater MER than shorter term, smaller budget projects.