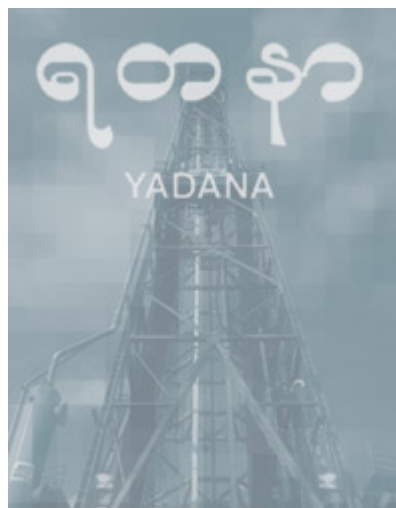




# **Total in Myanmar**

## **a sustained commitment**

For easier printing, download the pdf file, which contains all the information on this web site.



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## THE ISSUE

Total's presence in Myanmar (Burma) has been surrounded by controversy and misperception. The European Parliament has denounced the "dire political situation"<sup>1</sup> in Myanmar and the International Labour Organization (ILO) regularly criticizes the country's "widespread and systematic" resort to forced labor. A number of Western companies have withdrawn from Myanmar under pressure from activist groups. The question now is what Total is doing there, what it has already done and why it is staying in Myanmar.

Unfortunately, the world's oil and gas reserves are not necessarily located in democracies, as a glance at a map shows. As a result, oil companies often face criticism and questions from civil society concerning their operations in countries with repressive regimes, their relations with governments, the security measures deployed to protect their facilities, and the way in which host countries spend oil revenues.

Wherever we operate, we are dedicated to developing economically viable projects while adhering to national and international laws and ensuring compliance with our Code of Conduct. Long before joining the UN Secretary-General's Global Compact initiative in 2002, we had demonstrated a constant commitment to responsible corporate citizenship and have always aimed to contribute to economic and social progress and environmental stewardship in our host countries.

Total has been the subject of numerous allegations and accusations that challenge both our presence in Myanmar and our actions there. This web site provides a history of our engagement in Myanmar and describes the initiatives that have been implemented. Rather than respond to the unwarranted criticism, we want to restore balanced debate on whether a responsible multinational company can contribute positively to the economic and social development of a country that faces sharp internal divisions.

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<sup>1</sup> Resolution of June 5, 2003.

## **I. BACKGROUND**

### **I.1 Human Rights in Myanmar**

Many international organizations and non-governmental organizations (NGOs) are highly critical of the human rights situation in Myanmar. The United States and the European Union have imposed sanctions designed to put pressure on the regime, while human rights activists and many media have reported serious allegations of abuse.

The criticism covers three main areas.

#### **1 - Civil liberties and political dialogue**

The country has been governed by a succession of military regimes since 1962. A new generation of military rulers came to power in 1988 following student demonstrations against the lack of civil liberties and poor management of the country's economy. The protests were repressed by the new government, which then declared that it would manage the transition to democracy. Elections were held in 1990, but when ruling authorities lost to the National League for Democracy (NLD), a coalition led by Aung San Suu Kyi, they refused to transfer power to the winners.

Despite the pledges made, proponents of democracy were tracked down and imprisoned. No genuine political dialogue was established between the military junta and the party leaders, whose activities were severely restricted.

In late May 2003, during a political tour in the provinces, members of the NLD were attacked and imprisoned. The number of victims is unknown. Aung San Suu Kyi was spirited away (placed in "protective custody," according to government officials) and has been under house arrest since October 2003. Total voiced its concern in the wake of these events, which were a serious setback on the road to national reconciliation. In 2004, it appeared that national reconciliation was on the agenda, supported by the possible introduction of a new constitution, in line with the roadmap published by former Prime Minister Khin Nyunt. Prime Minister Khin Nyunt was ousted in October 2004, when he, colleagues and relatives were placed under arrest. Senior General Than Shwe and General Maung Aye consolidated their paramount power. Implementation of the roadmap continued, but at a much slower pace, triggering international protests. Aung San Suu Kyi's detention is regularly renewed, and opponents of the regime continue to be hounded. As well, the ILO is still denouncing the ongoing practice of forced labor.

#### **2 –Methods used to repress rebellion by ethnic minorities**

Myanmar is home to 135 different ethnic groups, the largest of which is the Burman, accounting for around 55% of the population. Other groups, such as the Shan, Kachin, Mon and Karen, have strong cultural identities and are also present in large numbers. The social pact between the peoples of Myanmar is fragile, and very strong splintering forces have fueled uprisings by a number of minorities - some of which, like the Karen, have been fighting for more than 50 years. The Myanmar Army, which perceives itself as the guarantor of national unity, has stepped up its actions against rebel minorities since 1988. Human rights activists have denounced the repression, which they allege has involved forced relocation, conscription, including of children, rape, torture, summary executions and the razing of villages.

The Myanmar army appears to have recently resumed military action against ethnic groups.

#### **3 –Forced labor**

Conscription of local villagers by the government and the Army to work without pay to build public infrastructure or to perform other tasks is a long-established practice in Myanmar, as this is also the case in other underdeveloped countries that lack an established tax base. Although this practice dates back to British colonial times and was codified in the Town Act of 1907 and the Village Act of 1908, it has been censured in recent years by the International Labour Organization

(ILO).

Under Article 26 of its Constitution, the ILO created a Commission of Inquiry to examine Myanmar's observance of the Forced Labor Convention, 1930. In 1998, the commission published a very detailed report based on interviews with a large number of Myanmar nationals and witnesses from non-governmental organizations. In particular, the report criticized the conditions under which the Army recruited villagers as porters or for other tasks such as military camp work, growing food for soldiers and performing road maintenance, and the abuses that sometimes accompanied them, such as extortion of money and ill treatment.

The report served as a foundation for critical dialogue between the ILO and the Myanmar government. One positive outcome was the repeal in 1999 of the Village Act and the Town Act, thereby making forced labor illegal in Myanmar. Another was the appointment of an ILO representative to Yangon to liaise with the government, observe the situation and implement aid programs to progress change.

Although national legislation has recently been brought into line with ILO principles, forced labor still exists in Myanmar. Eradicating this deeply rooted historic practice would demand a sustained commitment on the part of the government. In response to persistent recourse to forced labor, the ILO has threatened to institute proceedings against Myanmar in the International Criminal Court. The government of Myanmar unconvincingly refutes the allegations.

Long before the government's dialog with the ILO started, Total helped bring about a change in those practices by clearly and repeatedly demonstrating its opposition to forced labor in response to allegations regarding local incidents that came to Total's attention. This unique position was singled out in 2003, by Ms. Perret-Nguyen, ILO Representative in Yangon, during her mission in the area, when she stated "I have no evidence of forced labour which would benefit TotalFinaElf".

## **I.2 Oil and Gas in Myanmar**

Myanmar is one of the world's oldest oil producers, exporting its first barrel in 1853. Rangoon Oil Company, the first foreign oil company to drill in the country, was created in 1871. Between 1886 and 1963, the country's oil industry was dominated by Burmah Oil Company (BOC), which discovered the Ychaugyaung field in 1887 and the Chauk field in 1902. Both are still in production.

The oil and gas industry was nationalized after a socialist-leaning military regime seized power in 1962. As in many other countries, the State assumed ownership of the resources, either operating them itself or delegating this task to private operators, who were paid for their outlay and work in oil or gas under production sharing contracts (PSCs).

The linchpin of oil and gas policy in Myanmar is the Ministry of Energy, which has oversight for three state-owned enterprises:

- Myanma Oil and Gas Enterprise (MOGE), created in 1963, is responsible for oil and gas exploration and production, as well as domestic gas transmission through a 1,200-mile onshore pipeline grid.
- Myanma Petrochemical Enterprise (MPE) operates three small refineries, four fertilizer plants and a number of other processing plants.
- Myanma Petroleum Products Enterprise (MPPE) is responsible for retail and wholesale distribution of petroleum products.

Since nationalization, the country's oil policy has gone through two distinct periods:

- From 1962 to 1988, oil exploration and production were mainly performed by MOGE; foreign operators were kept out by a strict nationalistic policy and the lack of an appropriate legal framework.

- In 1988, Myanmar passed foreign investment legislation and began relying on outside technology and capital to revive its oil and gas industry.

In 2007, nine foreign oil companies (1) are involved in 16 onshore blocks to explore new areas (EP blocks), to enhance recovery from existing fields (IOR blocks), to reactivate fields where production has been suspended (RFS blocks) and to produce (PSCs).

For the offshore area, Total, Petronas Carigali Myanmar, Daewoo, PTT-EP, China National Offshore Oil Corporation, China National Petrochemical Corporation, Essar, Gail and Rimbunam (Malaysia) ONGC (India), Silver Wave Energy, Danford Equities (Australia), Sun Itera Oil & Gas (Russia) are exploring and/or developing 31 blocks.

It should be noted that Myanmar authorities intensified the opening of blocks to foreign companies since the end of 2004.

Myanmar's oil output is small and gas is taking over from oil. Myanmar produces around 180, 000 barrels of oil equivalent per day, of which 90% is accounted for by gas.

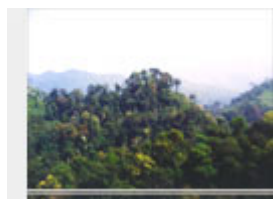
	<b>Gas (mmscfd)</b>	<b>Oil + condensates (bpd)</b>
<b>Onshore</b>	110	8 000
<b>Offshore</b>	Yadana : 758 Yetagun : 460	12,000 (condensates)

2007

(1) Myanmar Petroleum Resources Ltd, Focus Energy Ltd, Westburne, China National Offshore Oil Corporation, China National Petrochemical Corporation, Sinopec, Essar, Goldpetrol and a representative of the Kalmik republic

### 1.3 A Project Benefiting Myanmar and Thailand

Gas from Yadana covers 15 to 20% of Thailand's demand. The country's economic growth has fueled a rapid rise in electricity demand. Around 70% of power generation in Thailand is gas-fired, using local gas resources supplemented by gas from Myanmar's Yadana and Yetagun fields.



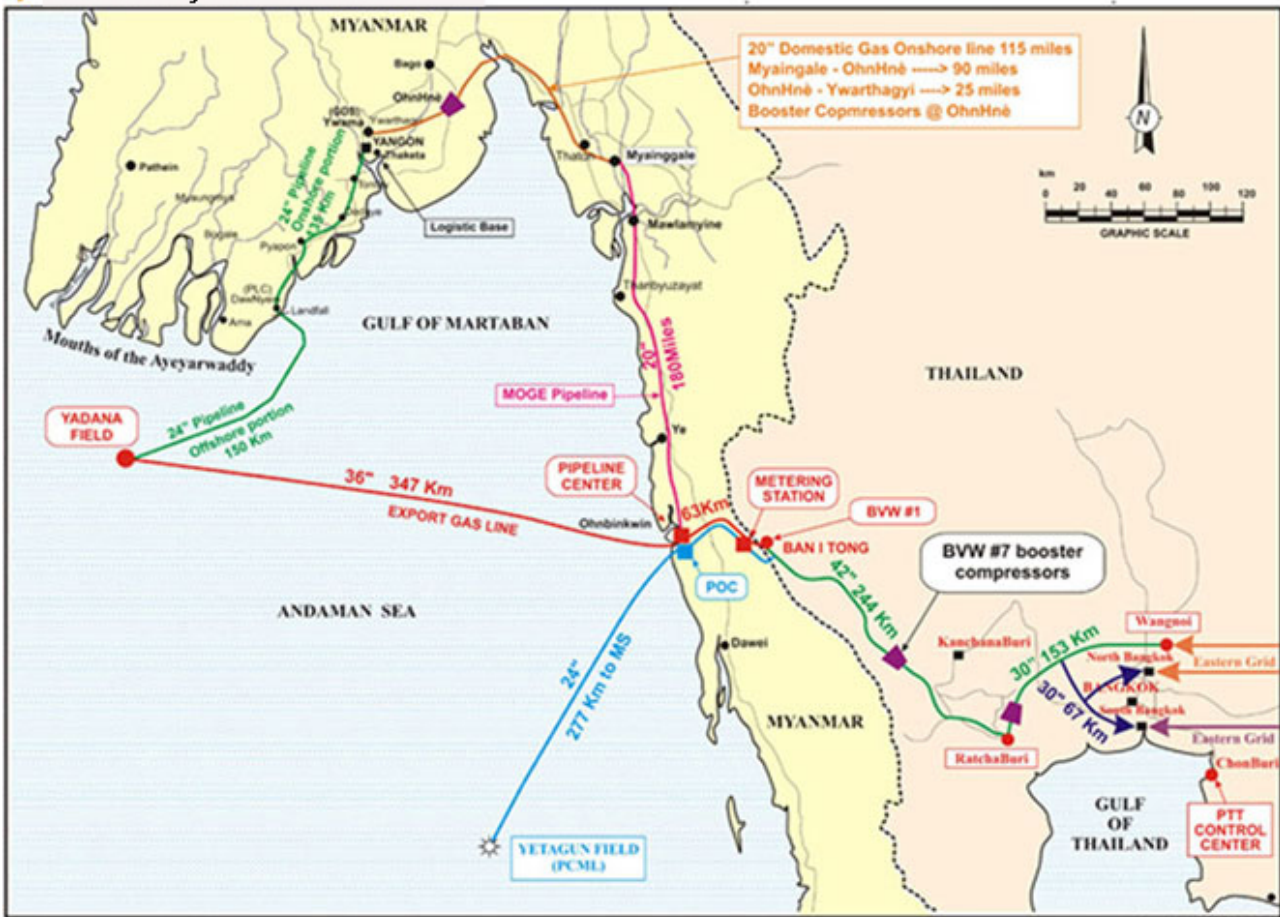
Yadana gas is piped from the field to the gas grid that supplies the Ratchaburi and Wang Noi power plants in the Bangkok region (total installed capacity of 6400 MW, with Yadana gas used to generate 2500 MW). The gas takes the same onshore route in Myanmar as gas from the Yetagun field, with both delivered at the border to Thai consumer PTT under long-term contracts.

Yadana's production therefore establishes an important, long-term economic link between the two countries and contributes to the regional integration of Myanmar, which has too long been isolated from Southeast Asia's assertive growth. For instance, Myanmar only joined the Association of Southeast Asian Nations (ASEAN) in 1997.

Contractually, Myanmar is entitled to take up to 20% of Yadana's production for domestic consumption. Initially, it was lifting about half its entitlement, or 40 to 50 million cubic feet per day (1.1 million to 1.4 million cubic meters per day). Since December 2006, it has been taking 100 million cubic feet per day (2.8 million cubic meters per day). The gas is piped further north to a cement plant in Myaingkalay and then on to Yangon via a pipeline built and operated by MOGE that ties into the Yadana pipeline at Kanbauk.

A new MOGE-operated pipeline carrying gas from the Yadana field to Yangon was inaugurated in 2010 and will double the amount of gas for local consumption.

#### → Gas Grids in Myanmar and Thailand



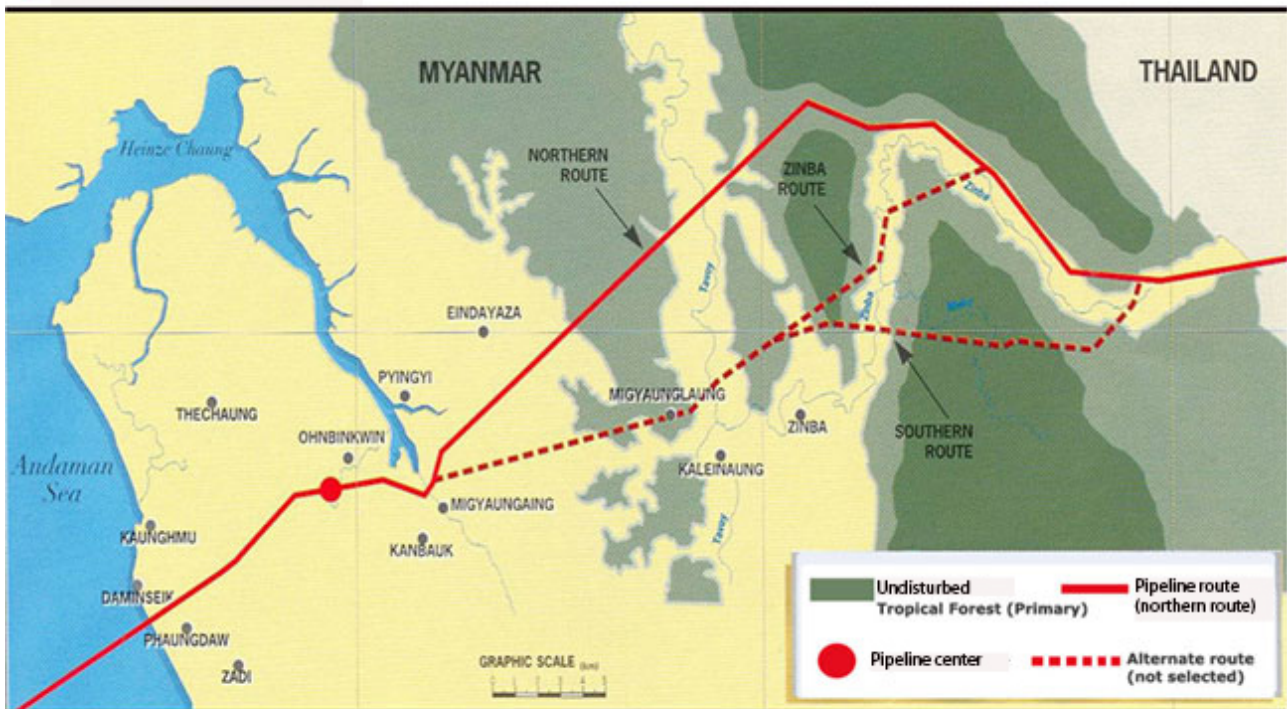
### I.4 The Pipeline Region and Its Inhabitants

The onshore stretch of the Yadana pipeline runs 63 kilometers in an east-west direction through a fairly isolated, sparsely populated — around 40 people per square kilometer — region in southern Myanmar's Tenasserim Division. The nearest large city is Dawei, formerly known as Tavoy, located approximately 60 kilometers further south. Along the coast there are a few fishing villages whose inhabitants also cultivate rice and raise animals. The center of the region is sparse scrubland, crossed by a number of waterways, including two fairly large rivers, the Heinze Chaung and the Dawei. Farmers live in scattered large clearings, raising crops and animals in the traditional manner, with very little equipment available to them. Until recently, the oxcart was the most common means of transportation. Today, mopeds are common, while privately owned vehicles are still extremely rare. The terrain becomes more inhospitable further to the east toward the Thai border at an altitude of 850 meters. It is rugged and densely covered with degraded forest and undisturbed tropical forest.

The ethnic makeup of the region is fairly diverse. The coastal villages around Daminseik are mainly inhabited by Mon fishermen. Three villages in the center of the area, near the Dawei River, are occupied by Karen, most of whom are Christians (Baptists). The other villages are primarily inhabited by Burman Buddhists. The largest city, Kanbauk, also has a small Muslim community and a Hindu temple. Relations between ethnic groups are peaceful in the interior of the region.



## → The Pipeline Route



**Note:** The northern route was selected because, although longer, it was less environmentally damaging.

## Onshore gas pipeline region

Remote from large cities and with dirt roads that were washed away during the monsoon season, the region through which the pipeline runs was very isolated from the rest of the country. Its inhabitants were unprepared for a major construction project that would include many foreigners. To avoid culture shock for the local communities, it was first necessary to gain in-depth knowledge of their way of life and traditions. Two detailed surveys were therefore carried out in 1994 and 1995 before construction began. One focused on understanding the socio-economic conditions of the region and identifying its needs in this area, and was performed with the assistance of Beicip-Franlab, a multi-disciplinary consultant working mainly for the oil industry. The other, covering cultural aspects, was conducted by the History Department of Yangon University. These surveys provided a valuable foundation for establishing structures for dialogue with local communities and for jointly defining a socio-economic program that would meet their needs and expectations.



The pipeline region had approximately 50,000 inhabitants at the end of 2009. A more detailed breakdown of local demographics enables a distinction to be made between the inhabitants of the original 13 villages covered by the socio-economic program since 1995 (18,400 people in 1996), the 12 villages added when the program was expanded (ten in 2001 and two in 2005), and the population of the entire area, which also benefits from the program's initiatives. These initiatives are defined at the village level, but many of them, especially in the fields of public health and education, are available over a much wider area.

→ Estimated population: 31,000 in the 25 villages in 2009

## **I.5 Total in Myanmar at a glance**

### **→ Milestones**

- Basic agreement (Production Sharing Contract) signed in July 1992.
- Total E&P Myanmar Code of Conduct introduced in mid-1995.
- Construction work (\$1 billion investment) implemented between October 1995 and June 1998.
- Commercial production began in 2000: 21.5 million cubic meters per day (average production from 2001 to June 2010: 18.54 million cubic meters per day).
- Commercial production for Myanmar: 148 million cubic meters per day since June 2010.

### **→ Project Description**

- Four investors: Total, operator (31.2%); a subsidiary of Unocal, now Chevron (28.3%); Petroleum Authority of Thailand-Exploration & Production (PTT-EP, 25.5%); and Myanmar Oil and Gas Enterprise (MOGE, 15%).
- Offshore gas production unit, 346-kilometer subsea pipeline, 63-kilometer onshore pipeline through Tenasserim Division to the Thai border.
- Thirty years of estimated reserves.
- 87% of gas production sold to Thailand to supply gas-fired power plants in the Bangkok area.
- The socio-economic program for neighboring villages was introduced in the onshore section in early 1995.

### **→ Impact of Total's Presence in Myanmar**

- Job opportunities: 2,500 people employed during the construction phase; 800 for the operating phase, 95% Myanmar nationals; \$11 million spent on training.
- Transfer of technology and management methods to MOGE and local contractors.
- Accompanying socio-economic program (see below).
- Environmentally responsible development of local resources generating substantial revenue for the country and forging long-term economic ties with Thailand.
- A Western company present in the country as a witness.

### **→ The Socio-Economic Program**

- Launched in early 1995 in the pipeline area to establish trust-based relationships with local residents and to foster sustainable local development.
- Designed in close cooperation with villagers (elected Village Communication Committees).
- \$20.77 million spent between 1995 and end-2009, of which \$2.66 million in 2009.
- In 2009, around half of the money was spent in the pipeline area and the other half

nationwide.

Initiatives in the pipeline area, which comprises 25 villages with around 31,000 inhabitants, for a total regional population of 50,000.

- Priorities: public health, education, economic development, infrastructure.
- Total E&P Myanmar employees: ten physicians, three communication officers, four veterinarians, four agriculturalists and two managers for the programs described below, one micro-finance program manager, and our representatives (see Micro-Finance).

- **Achievements**

- Free health care and immunization: infant mortality reduced by 88%, mortality from local diseases reduced by 33 to 95%.
- Education: school attendance has doubled, reaching 9,201 students in 2009.
- Economic development: pig, chicken and cattle farming, rice, cashew nut, oil palm and rubber tree cultivation, development of fishing.
- Infrastructure: permanent roads, bridges, a hospital, 22 local clinics, 45 schools, and public amenities such as a market, pagodas, a meeting room and a football field.
- The main achievement has been social and economic stability and the eradication of forced labor.

## **National Initiatives**

- Support for six orphanages in the Yangon area, providing homes for over 1,300 children.
- Support for a nationwide program against blindness, in partnership with the Helen Keller International Foundation.
- HIV/AIDS prevention and treatment in Mandalay with the International Union Against Tuberculosis and Lung Disease (UNION) and the World Health Organization (WHO), under the auspices of renowned U.S. researcher Dr. Robert Gallo.
- Financial support for the United Nations Institute for Training and Research (UNITAR), to provide governance training for Myanmar officials.
- Other initiatives: logistics support for the Association Médicale Franco-Asiatique (AMFA), founded by Dr. Alain Patel, support for victims of Cyclone Nargis, etc.

## **An Open Attitude**

- Socio-economic program reviewed by independent experts, including the Collaborative Learning Projects (CDA) and Bernard Kouchner.
- Numerous visits by journalists, local NGOs, diplomats and others.
- Critical dialogue with the authorities about forced labor.

## II. HISTORY OF A GAS PROJECT

### II.1 Total E&P Myanmar's Code of Conduct

In the 1990s, many large corporations drew up written guidelines for doing business that are enshrined in codes of conduct. They were participating in a movement initiated by the OECD in 1976 with its Declaration on International Investment and Multinational Enterprises and the International Labour Organization in 1977 with its Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. Total's Code of Conduct is underpinned by these foundation texts, subsequent addenda, the UN Secretary-General's 1999 Global Compact initiative, and international declarations concerning human rights.

In addition to its commitment to the principles set out in these documents, Total clearly states the principles that govern its operations in sometimes challenging local environments. Inside the Group, this approach creates common values that unite employees of different origins and cultures. It also ensures that outside partners are familiar with the standards to which the Group is committed.

Because the Code of Conduct is applicable to operations covering a wide variety of areas in more than 100 countries, it consists of general principles that must be tailored to local situations. This was the case for subsidiary Total E&P Myanmar, which in 1995 introduced a Code of Conduct to govern its operations and those of its subcontractors. The document is regularly updated to incorporate the subsidiary's experience.

#### **CODE OF CONDUCT (version de 1995)**

In MYANMAR as in every country where COMPANY operates, the compliance with the COMPANY's Health, Safety and Environmental Charter is essential. Therefore, the following principles will be implemented :

##### **Meet high ethical standards in working practices :**

To treat everyone fairly and with respect, to offer equal employment opportunities, to make sure that the wages are fair and working conditions are safe, to respect the culture and tradition of the local communities.

##### **Develop a mutual understanding with local communities :**

To inform about the activities planned, to establish a meaningful dialogue with the local communities, to promote trust and understanding.

##### **Contribute to the development of the welfare of the local population :**

To train and develop local employees, to transfer technology and expertise, to help improve the quality of life in the concerned area.

The Code is a statement of principle that has guided Total's actions in its capacity as operator of the Yadana project. It also has legal value, since it is appended to every agreement signed with subcontractors working on the project and is binding on them. Its application is closely reviewed.

The principles cover three areas:

1. Meet high ethical standards in working practices.
2. Develop a mutual understanding with local communities.
3. Contribute to the development of the welfare of the local population.

Total E&P Myanmar's Code of Conduct has been enhanced by the experience acquired over time and its wording has been fine-tuned. The changes between the 1995 version and the 2005 Code of Conduct include (available in English and Burmese):

- Specific environmental commitments (the 1995 Code referred to the Group's Safety and Environment Charter).
- A more detailed definition of relations with local communities, combining respect for their cultural values with concern with ensuring that activities do not affect them adversely, fair compensation for any adverse effects, and non-interference in political matters.
- Incorporation of the priorities of the SEP (health care, education, economic development, infrastructure) in the principles of the Code of Conduct.
- An explicit commitment to protecting the rights set out in the Universal Declaration of Human Rights and prohibiting forced labor.

## **II.1.1 Ethical standards in working Practices**

A number of guidelines are set, each with practical implications during and after the construction period.

### **Treat everyone fairly and with respect**

This means suiting actions to words and meeting commitments, remaining neutral with regard to personal beliefs and choices, behaving in a way that respects these beliefs, and recognizing the value of each individual.

### **Offer equal employment opportunities**

There was no discrimination when qualifications were equal. However, special targets were set for hiring local villagers.

### **Make sure that the wages are fair and working conditions are safe**

Minimum wages were set for each job category. They were significantly higher than average local pay scales, but not so high as to fuel inflation. Each worker was provided with safety equipment and clothing, specific procedures were set, and safety-related training programs conducted.

### **Respect the culture and tradition of the local communities**

The many expatriates working on the Yadana pipeline project - 350 people out of a total of around 2,500 - were given a brochure (Do, Don't Do) describing the socio-economic and cultural situation of Myanmar in general and the Tenasserim region in particular, as well as local customs and ways of living. The guide also set out good neighbor and behavior guidelines to be applied in relations with locals.

### II.1.2 Listening to local communities

The gas pipeline runs through southern Myanmar, a fairly isolated region whose inhabitants until recently had had very little contact with outsiders, especially foreigners. A major project such as the pipeline would be legitimate cause for concern on the part of neighbors, which is why Village Communication Committees were set up to ensure dialogue and why project employees who can act as intermediaries (physicians, veterinarians and communication officers) live in villages to:

- Explain the project.
- Establish a meaningful dialogue with the local communities to identify problems and expectations and help them find solutions.
- Promote trust and mutual understanding.



A trust-based, sustainable relationship was created when villagers in the pipeline region understood that Total was opposed to the government's forced labor practices and would do everything it could to protect them. Total's steadfast opposition to forced labor was deepened in 2009 with a visit by the ILO to the pipeline area that offered an opportunity to discuss practices and programs. It also enabled the ILO to talk to villagers in the area about its activities.

### II.1.3 Local development

This concern is central to sustainable development initiatives, in particular where non-renewable resources are concerned. The key question in Myanmar was how to develop the gas while delivering positive benefits to the country's people, in particular villagers in the pipeline region. Total E&P Myanmar's Code of Conduct responds to this crucial question in the following manner.

#### Train and develop local employees

Nearly 90% of the project workers were Myanmar nationals. An even higher percentage, almost 95% was reached in 2007, for operating phase employees (including employees from subcontracting companies) holding much more skilled jobs. A wide array of training programs was offered during the construction phases, in line with needs for builders, welders, mechanics, foremen, heavy equipment operators and managers. This had a positive impact on individual qualifications and the technical capabilities of local subcontractors.

#### Transfer technology and expertise

Around 100 local managers and technicians spent 18 months to two years working in the Group's centers and subsidiaries in Abu Dhabi, Indonesia, Thailand and other countries, acquiring the skills required to operate the project themselves.

#### Help improve the quality of life in the concerned area

This was the aim of the Socio-Economic Program (SEP) launched in 1995, which focuses on four key areas: health care, education, economic development and infrastructure construction.

## **II.2 Description of the Yadana Project**

The Yadana gas field is located in the Andaman Sea, approximately 60 kilometers offshore the nearest landfall in Myanmar.

This major energy resource contains more than 5,3 trillion cubic feet (150 billion cubic meters) of natural gas, with an expected field life of 30 years. Output from the field averaged over 21.5 million cubic meters per day in 2007.

The field was developed under a conventional production sharing contract by four investors:

- Total, operator, 31.2%
- a subsidiary of Unocal (today, Chevron Corp. further to its acquisition of UNOCAL in 2005) of the United States, 28.3%
- Petroleum Authority of Thailand Exploration & Production (PTT-EP), 25.5%
- state-owned Myanmar Oil and Gas Enterprise (MOGE), 15%.

A Memorandum of Understanding was signed by Total and MOGE on July 9, 1992. In addition to the construction of offshore gas facilities by the partners, a separate company in which PTT-EP, MOGE, and other subsidiaries of Total and Unocal are investors (the Moattama Gas Transportation Company / MGTC) built a 346-kilometer subsea pipeline to bring the gas to landfall in Myanmar, and a 63-kilometer onshore pipeline, with control and metering units, to carry the gas to the border with Thailand, which purchases most of the field's output under a long-term contract. Construction was carried out between fall 1995 and mid-1998, with gas production beginning in July 1998. The total investment outlay was approximately US\$1 billion. Further capital expenditure will be required during the field's lifetime to drill additional wells and install compressors. The export production threshold of 525 million cubic feet per day was reached in early 2001.

### **II.2.1 Technical description**

The Yadana gas field is located offshore, around 60 kilometers from the nearest landfall, extending underwater from the Irrawaddy Delta. The water is shallow, around 40 meters, and the natural gas reservoir lies around 1,300 meters beneath the seabed. It was discovered in early 1980 by MOGE, which lacked the technical and financial resources to delimit, appraise and develop it because the country's oil industry was closed to foreign investment at the time.

The Memorandum of Understanding signed in July 1992 by Total and MOGE, Myanmar's state-owned oil and gas company, divided the project into three phases:

1. A technical survey of the field to determine whether development would be economically feasible and the search for a long-term purchaser for the gas.
2. If Phase 1 were successful, design and construction of the gas production facilities by the partners, and transmission by MGTC.
3. Gas production by the partners, and transmission by MGTC.

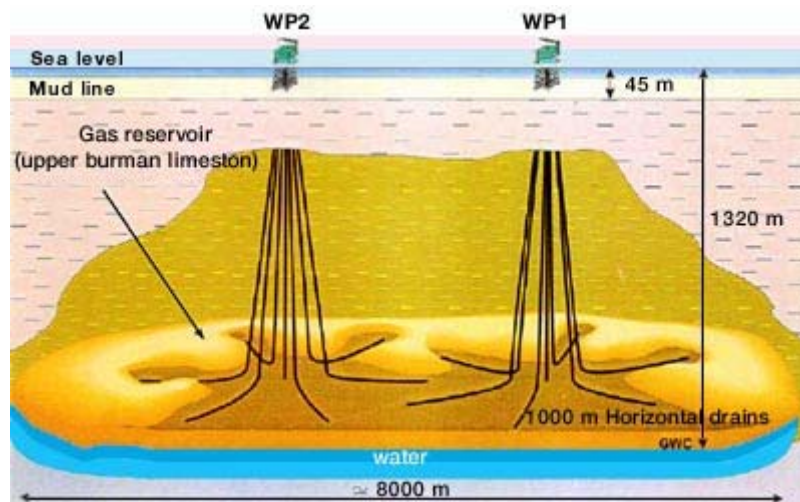
During the preliminary phase of the project, which covered the period from 1992 to 1994, the amount of reserves was confirmed, commercial negotiations were conducted with the gas purchaser, Thailand's PTT, and technical solutions were defined.

The final development plan was approved in February 1995, at the same time as the gas purchase and sale contract was signed with PTT.



The **offshore complex** comprises:

- Two well platforms (WP1 and WP2 on the diagram) with seven wells tied into each.
- A production platform.
- A living quarters platform.
- A manifold compression platform (MCP), installed in December 2007, as provided for in the initial project development plan, enabling production to be maintained and our contractual obligation regarding gas delivery to be respected.



The **total investment outlay** for the project, which took three years to complete, was around US\$1 billion.

The gas is supplied under a 30-year production sharing contract (PSC) that commenced on the date production began. Under this type of contract, which is widespread, the host country retains ownership of the resources and installations. The investors are paid in cost gas (or in cost oil), a percentage of the hydrocarbons produced, to cover their expenses, including depreciation of the installations. The remaining production, known as profit gas (or profit oil), is divided among the co-venturers and the host country. The Yadana PSC is very conventional; it ensures a return for the investors that is in line with industry standards.

The consortium that invested in the Yadana project was formed in several stages. Total was the original, sole signatory of the PSC in June 1992, but was joined by a Unocal subsidiary in early 1993. MGTC was then formed in late 1994 by separate subsidiaries of Total and Unocal. Thailand's PTT-EP, the exploration and production subsidiary of gas purchaser PTT, joined the offshore partnership and received shares in MGTC in early 1995. Finally, on November 2, 1997 state-owned MOGE exercised its option to acquire a 15% interest in the offshore partnership and MGTC on the same terms as the other investors.

The **respective working interests** of the co-venturers in the offshore production complex are 31.2% for operator Total, 28.3% for the Unocal subsidiary (Chevron since 2005), 25.5% for PTT-EP, and 15% for MOGE. MGTC, the company that built the pipeline assets and is responsible for carrying the gas from the offshore production platform to the Thai border, is owned by PTT-EP, MOGE and other Total and Unocal subsidiaries in the same proportionate amounts.

**Technical commissioning** of the installations took place in July 1998 and commercial production began in early 2000. Output averaged 760 million cubic feet of gas per day in 2007, with PTT taking 660 million cubic feet per day and Myanmar the balance.



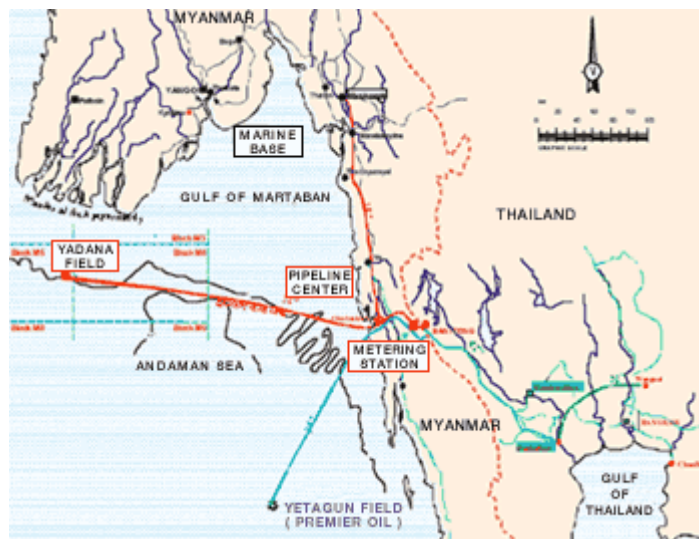
## II.2.2 The onshore pipeline

The **gas is transported** to the Myanmar border via a 36-inch (90-centimeter) pipeline (marked in red on the map) that runs from the offshore complex and comprises two sections:

- A 346-kilometer subsea section that makes landfall at Daminseik.
- A 63-kilometer onshore section that runs from Daminseik to the Thai border.

The pipeline that carries the gas from the delivery point on the border to the consumption area near Bangkok was not included in the project and was built by Thailand.

The blue line is the pipeline from the Yetagun gas field. It follows the same onshore route as the Yadana pipeline.



The **onshore installations** include:

- The pipeline center, or PLC, near Kanbawk, comprising processing installations and accommodation.
- A metering station on the border to measure the amount of gas delivered to PTT.

It took some time to select the gas pipeline route. Both the starting point (the Yadana field) and the probable consumers (the Ratchaburi and Wang Noi power plants in the Bangkok region) were known.



On paper, the original idea (solution 1 on the map) had been to route the pipeline closer to the Yangon region, thereby facilitating local use of some of the gas. However, this solution had two major technical drawbacks: the water along the route was very shallow (three to four meters), which made laying a subsea pipeline very difficult, and the onshore section was long. Moreover, the Three Pagodas Pass area at the proposed border crossing was a contested area in which sporadic fighting with rebel factions was known to occur.

The thinking soon turned to a southeast route (solution 2 on the map) that was proposed for a relatively peaceful and stable area, offered adequate water depths, and entailed a fairly shorter onshore section in Myanmar, all of which factors made it far more desirable than the solution originally considered.

The selection of alternate routes was initially based on examination of available maps, prepared by the British in 1940, aerial photographs and satellite images. Field surveys were carried out in late 1994 and early 1995 by a specialist team from France's Compagnie Générale de Géophysique, with the final route selected in February 1995.



The detailed route comprised a number of options. The southern route - the most direct and the least expensive - would run through undisturbed tropical forest. The median route ran along the Zimba River, meaning that the terrain was less rugged, but would also impact a sensitive ecosystem. The longer, more rugged northern route followed a track used by the region's farmers and fishermen to sell some of their produce in Thailand. This route (Northern Route on the map) was selected because in-depth studies determined that it was the most environmentally friendly, despite being more expensive.

### II.3 The Pipeline Project

The Memorandum of Understanding defining the main principles of the Yadana project was signed in July 1992. Gas production began on schedule in July 1998, and commercial production followed in 2000. The period of six to eight years that elapsed between the initial commitment and full production illustrates the length and complexity of the process of developing oil and gas fields.



In 1992 and 1993, the project focused on determining whether the field, which had not been fully appraised, contained sufficient gas reserves to warrant the US\$1-billion investment required to bring it on stream and transport the gas.

Complex geophysical surveys had to be conducted and appraisal wells drilled. At end-1993, sizeable reserves were confirmed and the technical processes for bringing the field on stream were defined in greater detail.

The other indispensable requirement before proceeding was finding a profitable, long-term market for the gas. Unlike oil, which is easy to transport, and a few rare giant gas fields that are big enough to warrant the construction of a multi-billion-dollar liquefaction plant that offers greater flexibility for finding long-term customers, natural gas is sold in the pipe. The negotiations with the logical purchaser of Yadana gas, Thailand's PTT, took place from February 1993 to February 1995.

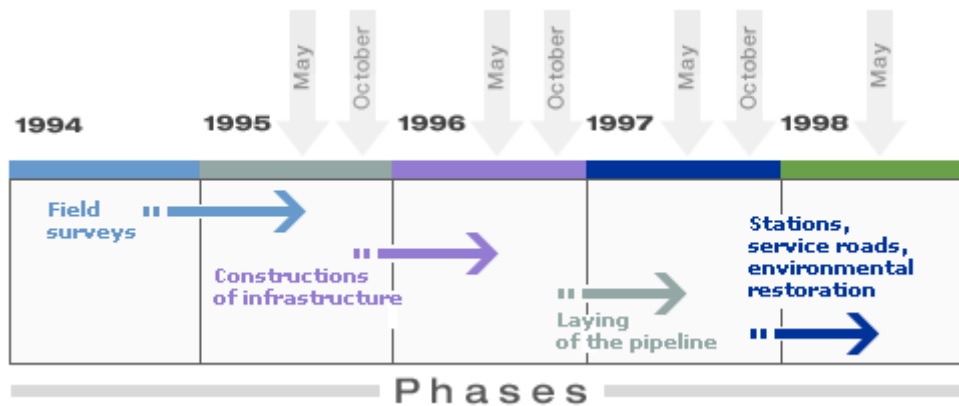


Laying the pipeline on uneven terrain

During the exploration and commercial negotiation period, Total's specialized departments prepared the technical development plan to serve as a basis for talks with equipment suppliers and other subcontractors.

February 1995 was the real starting point for operations. The offshore partners and shareholders of MGTC agreed on the Yadana field development plan, the gas sales and purchase contract with PTT was signed, and a final decision was made on the onshore pipeline route. Construction work could begin.

Nature had a large say in the work. Eight meters of water fall in the region during the annual monsoon season between May and September, making work impossible. Construction was therefore divided into three phases, each running from October to May.



- Detailed field surveys began in late 1994 and continued into 1995.
- The project infrastructure was built during the first season, from October 1995 to May 1996. It included wharf facilities in the Heinze Chaung River estuary so that equipment could be shipped in from Singapore, an airfield, landing pads for helicopters, roads, bridges and temporary buildings to house the teams and manage the site.
- The 63 kilometers of onshore pipeline to the Thai border were laid between October 1996 and May 1997.
- The project was completed between October 1997 and May 1998 with the construction of the two operating management centers for the structure, the pipeline center near Kanbauk and a metering station for the gas delivered to the border at Ban I Tong. A service road was built so that the pipeline could be maintained, and the vegetation was restored so that there was no lasting impression on the environment.



- The offshore facilities were built at the same time. This comprised installation of the platforms, built in Singapore, and the laying of 346 kilometers of subsea pipeline. The project was completed on schedule on July 1, 1998. Commercial commissioning took place in early 2000, since the economic turmoil in Asia had delayed the construction of the Thai power plants to be fuelled by the gas.

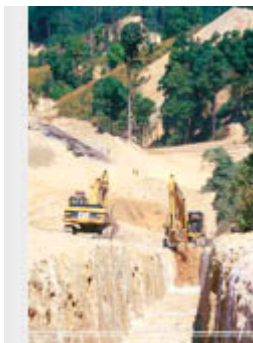
### II.3.1 Resources deployed



The Yadana pipeline project was a major challenge that could only be met on schedule by deploying exceptional resources and capabilities. Construction took 18 months under conditions dictated by climate constraints in rugged terrain in a region without infrastructure. It involved assembling and burying 5,134 sections of steel pipe, each 12 meters long, 90 centimeters (36 inches) in diameter and weighing five metric tons.

The terrain posed significant problems. The route starts off at sea level, crosses the Heinze Chaung and Dawei Rivers and two ranges of hills at an altitude of 200 meters. Along the final eight-kilometer mountainous stretch, it rises in altitude from 150 meters to 850 meters.

Subcontractor Spie Capag of France is a world leader in pipelaying and had just completed a similar project in Colombia. The more straightforward civil engineering and construction operations were awarded to France's Bec Frères and local public works companies, notably United Engineering and Myint & Associates.



Over 700 heavy machines, including bulldozers, mobile cranes, off-road vehicles, compressors, pumps and other transportation, construction and engineering equipment, were shipped by sea to the site.

The pipeline project employed an average of 2,500 people during each of the three construction phases. This figure included more than 2,200 Myanmar nationals, 700 of whom were recruited from local villages. Training was a priority, to ensure that local laborers had the required technical skills and to foster a culture of safety.

### II.3.2 Employment conditions

Of the 2,500 people who worked on the Yadana pipeline project, nearly 2,200 (average per construction phase) were Myanmar nationals. All were adult, voluntary contract workers. Approximately 350 expatriates were also involved in the project.



Apart from those recruited directly by Total, most of the local workers were contracted by international or Myanmar companies employed as subcontractors by Total, the operator. But the conditions under which they were employed were defined in detail in the subcontractor agreements and application of the relevant clauses was periodically reviewed. The terms and conditions included:

- A signed, written contract for each person hired.
- A free physical examination before hiring, ongoing medical and preventive health care, and protection of employment in the event of sickness.

- A minimum wage per job category that was substantially higher than typical wages in the region, but that did not disrupt the local economy. For example, unskilled workers were paid around 200 kyats, or approximately US\$1.50 per day in 1995, compared with an average of 100 kyats in the capital Yangon. Skilled employees were paid higher rates. The wages scale was regularly raised in line with local currency purchasing power trends.
- Safety training, safety equipment, safety procedures and safe working conditions.

The subcontractor agreements set employment targets to ensure that each village in the region participated proportionally in the project workforce. Each Village Communication Committee submitted applications, and one-third of the project workers, or around 700 people, were recruited from the villages.

It is fairly unusual for such detailed employment terms to be specified in subcontractor agreements. With the exception of safety rules and compliance with labor legislation, the operator usually allows subcontractors to define their own terms of employment. But Total felt that a stringent detailed code was needed to encourage project acceptance by villagers and to ensure that they would benefit from the outset of work.



Total monitored compliance with these requirements using a variety of methods:

- All contract workers were provided with badges to gain access to the site.
- Pay slips provided by the subcontractors were checked regularly, in particular to ensure that wages were being paid on time and were at least equal to the minimum set per category.
- Site physicians and teams responsible for safe working conditions maintained a high profile and were able to intervene rapidly in the event of problems in their areas of competency.
- Site managers could also be informed of potential problems experienced by local workers through the communication officers, known locally as "Communication Officers" who were responsible for maintaining relations with the villages.

### II.3.3 Relations with the villages

Throughout the project, Total made an ever-increasing number of contacts in the villages, to encourage ongoing dialogue and overcome the mistrust that could have been caused by the project and the influx of foreigners. Every opportunity was taken to meet with villagers, as the Group carefully forged a network of relationships and built a reservoir of trust.

This commitment to dialogue was demonstrated from the beginning of the project, when villagers were asked to create Communication Committees to express their needs and to help define a socio-economic program.



Many events were organized to bring together all the villagers and to introduce Total to them. The first were held to present the Yadana project. Villagers were shown a video describing the main outlines of the project and asserting Total's commitment to ensuring that it would have a positive local impact. A notice board was installed in each village to keep residents informed about the project.

Implementation of the project provided many opportunities for general meetings, both to supply information and provide an opportunity for celebration, including presentation of the main aspects of the Socio-Economic Program for the village and ceremonies at which villagers received

compensation for the use of their land. Subsequent events included the inauguration of health centers, schools and farm projects, the arrival of new physician, sports events and school fairs.

To allow those who wanted to express themselves without fear of their neighbors' opinions, suggestion boxes were installed in each village when the Socio-Economic Program was launched. At that time, they provided a source of useful comments and suggestions.

These measures, supported by daily contacts between the socio-economic teams and the local population, promptly established a friendly and trust-based relationship, especially since the villagers quickly realized that Total wanted – and was able – to protect them and that, in cooperation with the other MGTC investors, the Group was genuinely committed to improving their lives.



The commitment to maintaining frequent, friendly relations with the villagers, respectful of their culture, is still valid. Many opportunities are available for contact, including the local presence of physicians and communication officers, events that have become routine such as school fairs and sports meetings, and joint collaboration on various projects. Total has also opened the doors of its facilities so that members of the Village Committees could discover the Yadana project for themselves.

## **II.4 Project Security**

A major project anywhere in the world is a source of temporary disruption for the people who live near it. It requires security, particularly in troubled regions. Oil companies, like Total, who operate large-scale projects in challenging areas, are particularly concerned by security problems. They have to reconcile two imperatives: protecting their personnel and facilities and ensuring that the security measures implemented do not negatively impact the local population.



Like any company operating a major industrial facility, oil companies have to define and ensure compliance with security regulations applicable inside their perimeter of operation. These regulations are tailored in accordance with the facility's sensitivity and the types of risk to which it is exposed. Typical surveillance and monitoring precautions include physical protection such as fences and guards at entry points, security teams, movement and access (identification system/badges) regulations, and dedicated

security communication and alert resources. People and property can be protected against malicious acts and sabotage by a combination of these resources.

But oil companies, like Total, are also fairly often exposed to disturbances of the peace in the regions where they operate. If incidents occur that make continuing operations hazardous, the companies can invoke contractual hardship clauses to suspend operations. Maintaining law and order is the responsibility of the host country alone, and it is responsible for deciding what measures it will take.

Total nevertheless takes great care. The Group applies the Voluntary Principles on Security and Human Rights, published in December 2000 under the aegis of the United States Department of State and the United Kingdom Foreign Office with the support of major groups involved in extraction industries.

### **II.4.1 Presence of the Myanmar Army**

Security for the Yadana pipeline should be considered against this backdrop. Initially, the project's backers had no reason to believe that special security issues would be raised, and security was only mentioned in very general terms in the contracts signed with MOGE. Although Myanmar was experiencing problems in some regions related to the sometimes century-long struggle of ethnic minorities against the central government, the pipeline region was remote from areas of active conflict and sparsely populated, even uninhabitable in the eastern area bordering Thailand. The Army already had a camp at Kaleinaung and a presence on the border. There had been sporadic

clashes between rebel ethnic minorities and the military since 1988 when the Army, as in many other regions of Myanmar, tried to tighten its grip, but calm seemed to have been restored several years previously.

Michaunglang, a Karen village located further east, had been forcibly relocated in 1991 or 1992, well before Total decided to build the pipeline in the region. However, in fall 1994 when the first teams arrived in the field, the region was apparently untroubled. Preparatory topographic and geological surveys were conducted without problems, as well as socio-economic surveys to improve knowledge of the way inhabitants lived and define a program to benefit them.

The situation changed suddenly in March 1995 when a truck carrying a team from Compagnie Générale de Géophysique was ambushed. Five people were killed and eleven persons injured. No one claimed responsibility for the attack, but a group of Karen guerillas are thought to have been behind it. Work was immediately halted while security measures were revamped to take into account potential future attacks. Work did not resume until October 1995.

In the interim, Total introduced a set of precautions to protect site personnel, such as strengthened security teams, very strict access and movement rules, protective enclosures around facilities, field work scheduled to avoid geographic scattering of personnel, and permanent radio links between field teams and the security control center. Security measures have always been purely passive; security personnel are not armed.

Shaken by the attack, the Myanmar Army increased its strength in the region from fall 1995. It also asked to be informed in advance of the construction schedule and the locations where Total teams would be operating. Consequently, the site security officers and the Army regularly exchanged information via local partner MOGE.

Contrary to certain allegations, Total has never had a contractual relationship with the Myanmar Army. The Group has never paid the Army, supplied it with arms, provided it with logistical support, transported troops or provided vehicles for this purpose, or given it instructions.

#### **II.4.2 Total's careful monitoring**

Although the heightened Army presence provided some reassurance for the construction team as far as security was concerned, it was aware of the burden that the troops' presence might put on the villages near the pipeline. The question here was how to reconcile the contradiction between a generous socio-economic program in the launch phase and the increased military presence. Like many armies in poor countries, Myanmar's has scant equipment or logistics resources and tends to live off the land. It has been severely criticized by leading international organizations for its use of forced labor, for example making villagers build barracks or porter equipment and food.

In late 1995, Village Communication Committees informed Total that incidents involving forced labor had occurred. The Group responded immediately and unambiguously.

1. The operator made it known at all appropriate levels that recourse to forced labor would not be tolerated<sup>2</sup> and that civilians working for the Army had to consent and be paid.
2. MGTC, which was building the pipeline, provided victims of forced labor whose cases were reported by the villages with support in kind or in cash, calculated as if the people concerned had been employed, not conscripted. The same process was applied when equipment such as boats or buffalo carts were requisitioned. These humanitarian gestures were not compensation, since neither Total nor MGTC was even indirectly the cause or beneficiary of the forced labor, but were intended to send a strong message that forced labor was unacceptable and to oblige the Army to change the way it operated.
3. Total asked the communication officers and physicians in its Socio-Economic Program to

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<sup>2</sup> Although these practices were legal under local legislation until 1999.



closely monitor relations between the villagers and the Army to prevent abuses, to intervene immediately if any occurred and to ensure that the aid provided was received by the intended beneficiaries.

4. Finally, to prevent the heightened military presence from causing food shortages or driving prices up, Total deployed a food aid program that donated large amounts of rice, fish and other staples purchased outside the area.

Incidents, although inevitable in this fairly challenging political and cultural environment, very quickly became increasingly rare. The credit for this goes to the careful monitoring by the Socio-Economic Program teams and the ongoing support given to Total by its partner MOGE, which fully adhered to the co-venturers' determination to respect and promote human rights in the pipeline region and worked effectively with the Army to achieve this. The steps taken produced two results:

- After March 1995, no further incidents representing a serious threat to the site occurred, despite sporadic incursions into the region by small bands of guerillas.
- Total's actions protected the villagers from the risks associated with a temporarily heightened military presence, and the benefits of the Socio-Economic Program provided a sustainable foundation for the trust-based relationship the Group enjoys with the villagers. No villages were relocated because of Total; in fact, in 1997, the Group arranged for the villagers of Michauglang (a village that had been relocated around 1991, long before the project began) to return to their former home.

### III. LOCAL COMMITMENT

#### III.1 The Socio-Economic Program

The Socio-Economic Program deployed in the Yadana pipeline region applies one of the principles stated in Total's Code of Conduct and reiterated by Total's subsidiary in Myanmar, to contribute to the economic and social development of host countries, and in particular that of local communities.



Launched in 1995, even before the fieldwork began, the program has always been considered an integral part of the Yadana project. Its priorities, which were defined with the villagers, focus on four key areas: public health, education, economic development and infrastructure.

The program expresses the long-term commitment made by all investors involved in the Yadana project: Total, Unocal, Petroleum Authority of Thailand Exploration & Production (PTT-EP) and Myanma Oil and Gas Enterprise (MOGE).

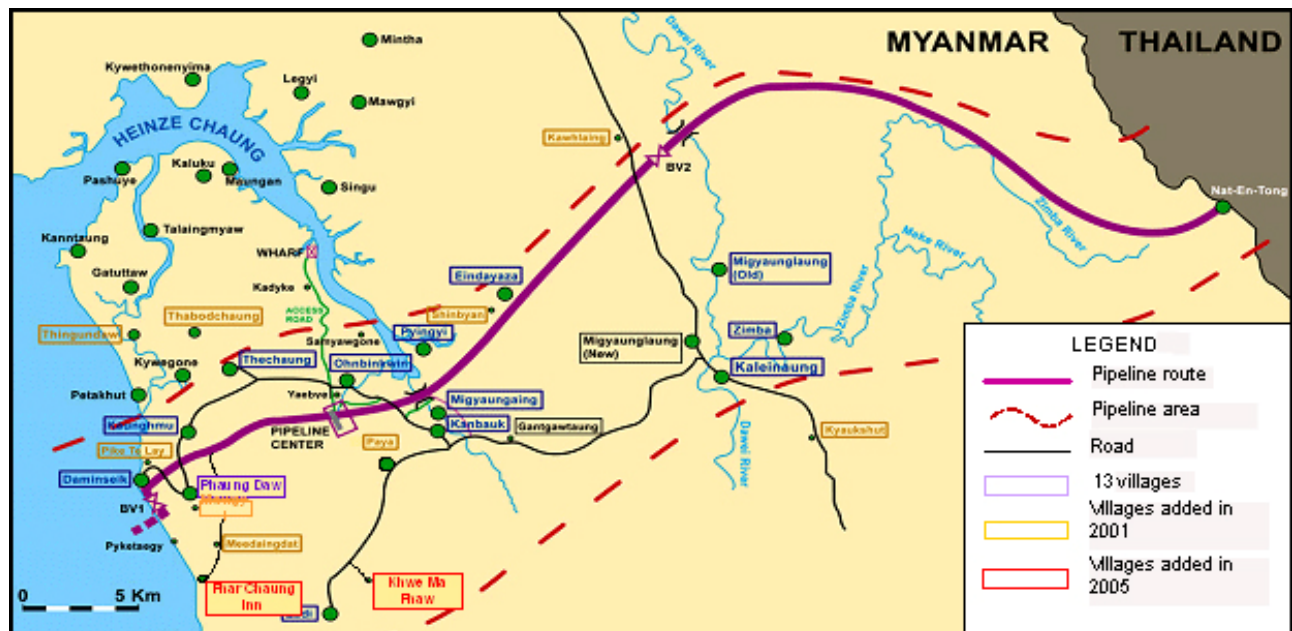
Initially intended for residents of the 13 villages closest to the pipeline, it was extended to around 20 villages in two stages, in 2001 and 2005. The entire region now benefits. Today, nearly 50,000 people in the pipeline area have access to education, public health services, and road infrastructure, which is not restricted just to the residents of the 25 villages.

The socio-economic program currently covers 25 villages. Total E&P Myanmar is not involved in village government, but provides support to these communities.

The scope of the socio-economic program is decided by all stakeholders, mainly based on the following criteria:

- Willingness of the village to host a socio-economic project.
- Accessibility of the village by a socio-economic team.
- Availability of resources to cover a new village.

The program also includes initiatives outside the pipeline area, such as support for orphanages around Yangon, a nationwide blindness prevention program, an HIV/AIDS program for HIV-positive tuberculosis patients, and hospitals.



The program achieves a balance through a combination of ongoing dialogue with the villagers and economic and social development measures financed by the project. Its success requires genuine commitment from the villages and villagers, since it must drive a sustainable improvement in living conditions throughout the region. It therefore has to meet the needs of the residents and respect their culture and way of life, which is why it was imperative to put Myanmar nationals in charge of its implementation.



Nearly all members of the socio-economic program team are Myanmar nationals and all the related projects (e.g., clinics, schools, transportation infrastructure) are owned by the local communities concerned or by the villagers themselves (agricultural projects and micro-enterprises).

Total decided to submit its initiatives to the critical scrutiny of an independent expert, the Cambridge, Massachusetts-based Collaborative Learning Projects (CDA), a U.S. organization that specializes in issues related to development aid and the management of projects in conflict and post-conflict environments. CDA partners include governments, international organizations, NGOs and universities. Its Corporate Engagement Project, in which Total and Unocal participate, is designed to help multinational corporations clarify the impact of their operations in areas affected by socio-political tensions or conflict.

The CDA has made five visits to the Yadana pipeline region, in October 2002, April and December 2003, April 2005 and February 2008. It considers that Total's initiatives have had positive socio-economic impacts for pipeline communities, but offers a number of suggestions for making them more effective.

Total also asked Bernard Kouchner for advice concerning its operations in Myanmar because of his experience with humanitarian medical aid and his political vision. Dr. Kouchner traveled to Myanmar in March 2003 and submitted a report to Total whose findings generally concur with those of the CDA.

### **III.1.1 Dialogue with the villages**

Villages in Myanmar traditionally have heads who are supported by elders. To reinforce central control of local communities, Village Law and Order Restoration Councils (VLORCs) and subsequently Village Peace and Development Councils (VPDCs) were set up under the responsibility of the village heads and persons considered reliable by the authorities. The purpose of these councils is to manage local affairs and interface with the government.



To establish an effective dialogue with the villagers, Total decided to set up structures that reflect the variety of their economic activities and their interests. In early 1995, the Group therefore asked residents in each of the 13 villages neighboring the project to elect a group of seven to 11 representatives, depending on the size of the village, to serve as a special contact interface. The system was extended to 12 more villages added to the Socio-Economic Program since 2001 (of which 2 villages in 2005).

The committees bring together the villagers who are the most enterprising, motivated and informed in various activities, such as farmers, fishermen, shopkeepers, barbers, teahouse owners and teachers, and including the village heads or another representative of the Village Council. The groups include a number of women.

Since the Committees do not replace official structures in the villages, the government did not object to their creation. Their role is restricted to socio-economic issues and consequently to defining and implementing the program. However, they perform vital functions in this area, such as expressing the villagers' health, education and infrastructure needs and discussing how to meet these needs with program representatives. During project implementation, they submitted applications from villagers who wanted to work on the pipeline. At the same time, they also

discussed the criteria used to determine the compensation paid to farmers that the project temporarily or permanently prevented from using some of their land.

The Committees have some influence over the individual economic development proposals submitted by the villagers (crops, farming, micro-credit applications) that can benefit from financial support under the program. An ad hoc committee, often composed of teachers, is assigned responsibility for allocating micro-credits.

Contacts are made on a daily basis, often informally, between members of the Village Communication Committees and the Socio-Economic Program teams, physicians, agriculturalists, veterinarians and communication officers who live in the villages or in Kanbauk.

From the outset, the Village Communication Committees proved to be valuable interfaces between the Yadana project teams and the villages. They were the first to receive explanations about what the pipeline project involved and the Socio-Economic Support Program. They consequently served as relays to present this information to villagers and to feed back the questions raised by the villagers. It should be emphasized that the Committees were never barriers between the Total teams and villagers, and that many personal contacts and meetings with entire villages have enriched this relationship.



A climate of trust was quickly established between the socio-economic teams and the Village Communication Committees, when it became apparent that Total and its co-investors truly wanted the project to have positive consequences for the villages and were concerned with protecting the villagers. The Committees provided information concerning cases where the Army imposed forced labor on villagers, which in turn allowed Total to bring pressure to bear on the government through MOGE to halt such practice.

While providing channels for information and dialogue, the Village Communication Committees also illustrated the commitment of Total and the other MGTC shareholders to fostering ownership by the villages of the projects without creating a dependent relationship that would undermine the sustainable nature of the progress generated by the program.

Elections are organized to renew the Village Communication Committees, thus enabling new members to become involved in the socio-economic program and its implementation during their 3-year term. There are 180 VCC members at end-2007.

### III.1.2 Program teams

The Socio-Economic Program is implemented by project-employed teams whose members are full-fledged staff of MGTC, the pipeline company operated by Total. In 2007, the teams comprised:

- 10 physicians.
- 4 communication officers.
- 4 veterinary doctors, 5 vet technicians, 33 vet auxiliaries.
- 3 agronomists and 3 agronomist technicians.

All staff members are Myanmar nationals who live in the villages and are therefore in close contact with the villagers. They associate with the villagers on a daily basis, not only in performing their jobs but also in the ordinary circumstances of everyday life.



**The physicians** were initially assigned, at the start of the program, to assess the health situation in the region and to set up an organization geared to meeting the related needs.

They were assisted by a team of specialists from the Pasteur Institute to establish a program designed to combat malaria in the region, and by the Myanmar Ministry of Health. They trained local people (33 health care workers and midwives) to assist them. In addition to their medical practice, which brings them into regular contact with the population (80,898 free medical consultations in 2007), they have recognized influence in the village, in particular in the areas of hygiene, food, water supply, family planning, health monitoring of school-age children and sports activities. Working at the center of village life, the physicians, who live in the hospitals or the local health centers that often adjoin the schools, are respected authorities whose opinions and advice are sought. They introduce diversity in a society that considers the elderly and monks to be the wisest, bring a scientific perspective to the village and track a range of health and social progress indicators.

Today 10 medical SE doctors (9 village doctors and a health supervisor) representing 0.34 physician per 1,000 inhabitants versus 0.03 in 1995.

**The communication officers** initially served to explain the project to the villagers, help them establish the Village Communication Committees, observe how the villagers lived, and identify their needs, problems and difficulties. Their contacts with the population were made through the established channels, municipal teams and Communication Committees, meetings with the local VIPs in the monasteries, churches and tea houses, but also relied extensively on informal "door-to-door" contacts, especially with women and children.

Assigned to cover 25 villages, the four communication officers, are constantly on the road, travelling from village to village, and continuously serve as multi-skilled social workers. They listen to requests and complaints, check the information reported by the Village Committees, help to resolve minor everyday problems, monitor changes in retail prices and supply channels, guide the villagers in their individual or collective applications to secure aid under the program, and take part in village events.

Like the physicians, **the veterinarians and agriculturalists** employed by the program are consulted and respected for their expertise. They provide training, support and advice to help farmers in the region improve their technique and successfully complete the projects they undertake.

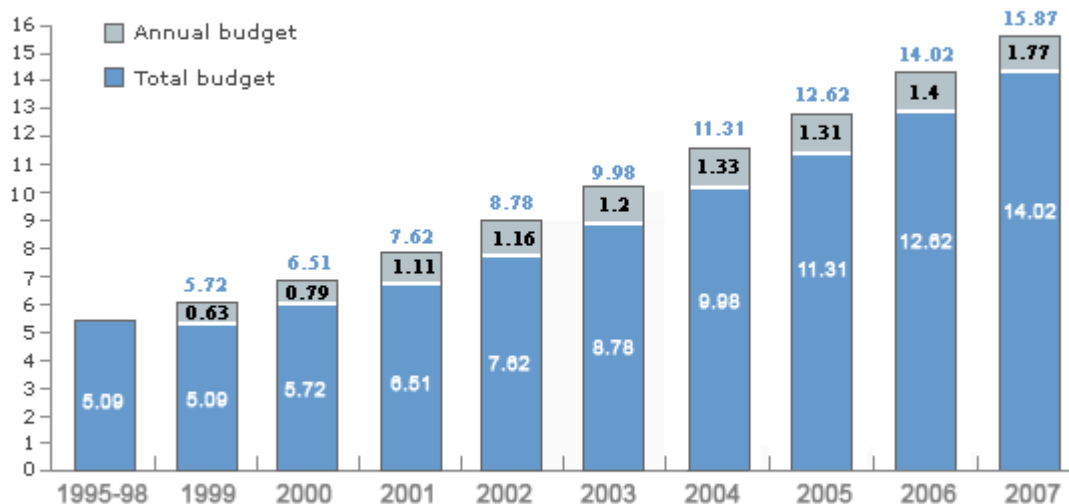




### III.1.3 Financial resources

The program is financed by MGTC, the company that built and operates the pipeline. Its cost is therefore borne by MGTC shareholders in proportion to their working interests. A total of US\$15.87 million was spent between 1995 and 2007, half between 1995 and 1998 because the initial years focused on the construction of infrastructure, roads, bridges, hospitals, health centers and schools. The budget for 2007 is US\$1.77 million.

#### → Budget for socio-economic initiatives (in US \$ millions)



The SEP's impact is assessed using a battery of indicators that correlate the measures implemented and achievements in the areas of health, education and economic development.

### III.2 Protection of Human Rights



The Universal Declaration of Human Rights and the Charter of the International Labour Organization are fundamental benchmarks underpinning Total's Code of Conduct. Moreover, the Group has always clearly maintained that it would not do business in a country where it could not comply with its principles and ensure that its subcontractors also observed them. Total has invested in Myanmar and continues to operate the Yadana project because it believes that these requirements are being met there. In the particular context of Myanmar, ensuring that these conditions are met requires vigilance and commitment. From the outset, therefore, Total has taken all the precautions that seemed necessary, including:

- Defining a Code of Conduct drafted specially for the project, attached as an integral part of the subcontractor agreements.
- Applying very specific employment guidelines for salaried employees, including written contracts, a physical examination, minimum wages and proportional employment targets for neighboring villagers.
- Establishing numerous communication channels with the villagers to ensure effective information about the situation in the field and immediate intervention in case of a problem between villagers and the Army.
- Taking a very firm stance, relayed by its local partner MOGE, against forced labor in the pipeline region.

From the moment that Total decided to operate in Myanmar, the Group had to do so without compromising its principles, while effectively ensuring that they would be enforced. The results achieved through critical dialogue with the government have created a region where economic development and respect for human rights coexist. Total has no doubt that the right choice was not to refrain from involvement or to withdraw to preserve its reputation, but to be engaged and work for the welfare and protection of the population. The experience gained in Myanmar has made Total more aware of the positive impact it can have on social progress in the regions where it operates.

The same issue arises for many multinational corporations, in particular those active in the extraction industries, because geological distribution of resources often means that they operate in countries affected by strong tensions. These tensions may be aggravated by the companies' presence because of the wealth and envy that they generate. Engagement in such countries involves taking a risk that could adversely affect corporate image. A responsible multinational has to reconcile its contribution to economic development with the progress of human rights where it operates, while refraining from interfering in local politics.



### III.3 Local Socio-Economic Initiatives



Launched in 1995, the Socio-Economic Program represents a long-term commitment by Yadana project participants to the local communities. The following pages present different aspects of the program as it is applied in the pipeline region:

- Medical and health care.
- Education.
- Support for economic development.
- Infrastructure.

In addition to health care, education is one of the priority areas targeted by Total in the socio-economic support programs it implements for projects around the world. Health and education are considered as fundamental human rights essential to ensuring that other rights are enjoyed fully.

The program is being carried out in the spirit of sustainable development, with the goal of encouraging activities that the villagers can pursue themselves.

The program is defined and implemented through ongoing dialogue with the villagers, expanding gradually year after year to include new elements. Of course, a development program is not cut into marble, it is living and in constant evolution. For instance, contents of training are updated after each session, to integrate comments and/or advices from all attendants.

At another level, some activities were gradually transformed and improved. It is the case of the old loan system, which was transformed into a systematic micro-finance program thanks to a partnership with an international NGO, Entrepreneurs du Monde. The formerly called “agricultural loans” are not used anymore: they were just turned into another program.



Socio-economic activities were reorganized in 2007. Six departments were created (Community Development, Public Health, Microfinance, Agriculture and Breeding, Infrastructures and

Education). Among them, the Community Development section has a transversal approach, and provides technical expertise to the other ones.

### III.3.1 Medical and health care

Prior to the gas projects, health conditions in the region were poor, with a high infant mortality rate, widespread malaria, tuberculosis and substandard water quality, resulting in extensive intestinal infections, poor hygiene and other difficulties. Medical staff was minimal and the only infrastructure was a rural hospital in Kanbauk that lacked resources or even a permanent physician, while knowledge of the actual health situation was negligible.



The socio-economic program's health priority was to reduce the main causes of mortality in the region by establishing immunization programs, introducing free medical care for the villagers, promoting best health practices and improving hygiene. These initiatives, which were funded by the shareholders in Moattama Gas Transportation Company (MGTC), responsible for the pipeline, were carried out in close collaboration with the

Myanmar health authorities and local residents.

The main health facility in the area is the Kanbauk hospital, which has been renovated, equipped with the appropriate resources and expanded over the years from 28 to 48 beds. A new outpatient department and an isolation ward were built in 2006 and the maternity ward was expanded in 2007. The program helps with regular maintenance of the hospital, in close cooperation with the local public committee. The hospital is also the main center for anyone requiring secondary health care, with patients transported from the villages by an ambulance made available to the hospital. Villagers can use VHF radios to contact the on-call physician at any time of the day or night to ask for the ambulance to be dispatched. In 2009, the ambulance made more than 200 trips between villages and the hospital in Kanbauk. In one-third of the cases, the patient was then transferred by ambulance to the district hospital.

In addition to material support, which also includes donations of drugs, the program has provided the hospital with human resources. A physician is available around the clock, along with a lab technician, a radiologist, an ambulance driver and three cleaning staff.

The Myanmar public health system is also represented by nurses in rural health centers serving groups of villages. The socio-economic program transports vaccines from the township hospital to the clinics every month and works closely with them during monthly mother and child health days, as well as the school health program. The immunization program targets tuberculosis (BCG vaccine), diphtheria-tetanus-pertussis (DPT vaccine), polio (OPV vaccine), measles (MS vaccine), tetanus, hepatitis B and tetanus (TT vaccine for pregnant women).

Community health workers and auxiliary midwives are the face of the public health system in the villages. They are villagers who volunteer some of their time to the community and who have been trained by the township hospital to recognize and treat common ailments. They perform routine medical checks and provide treatment, family planning advice and health education. More difficult cases are treated by the on-call physician made available by the socio-economic program in each group of villages or at the Kanbauk hospital. As part of the public health system and residents of the villages where they work, these volunteers guarantee the sustainability of the program's medical initiatives. The socio-economic program provides technical assistance in the form of weekly training sessions and facilitates their participation in training courses organized by the township hospital. In 2009, 24 volunteers were trained with the financial support of the socio-economic program.

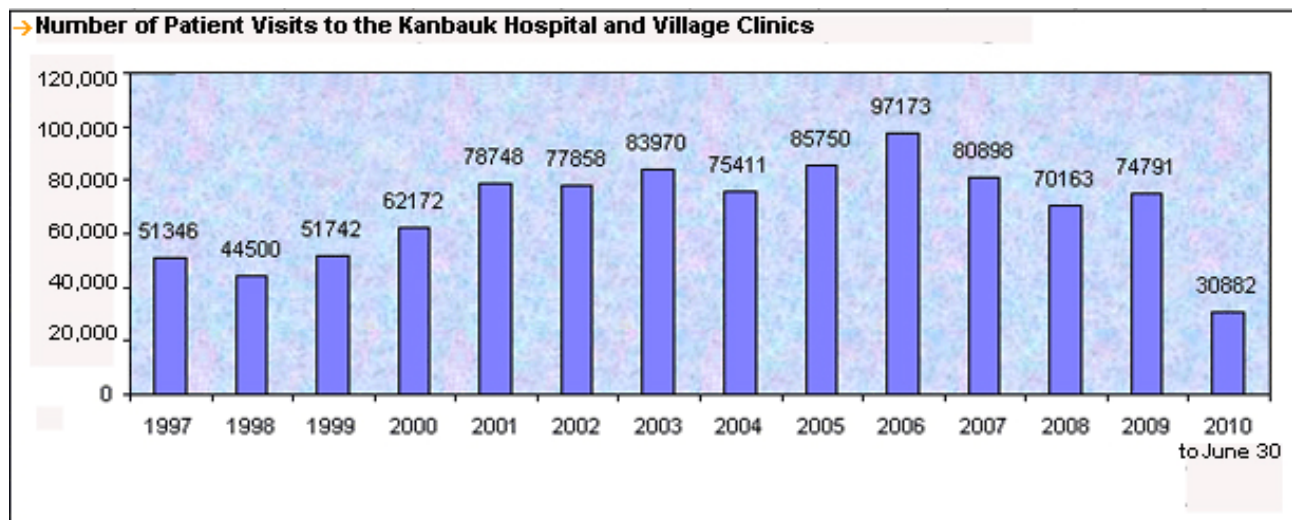
In terms of logistics, in addition to supplying all the drugs used in the village health centers, the socio-economic program has financed the construction of clinics and supported construction projects initiated by villagers. Lastly, although the community workers are in some cases



volunteers from the public health system, the program provides financial aid to recognize their work and dedication.

Some achievements in 2009:

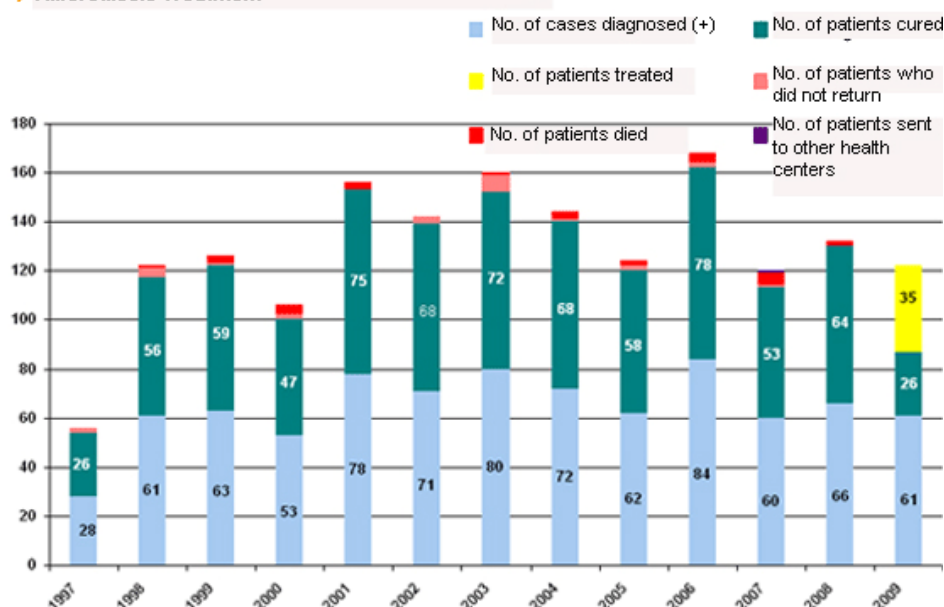
- 74,791 free patient visits (more than 930,000 since 1997; see bar chart below).
- Ninety-three percent of children under the age of five immunized by government-employed midwives thanks to the logistical support of Total, as well as 97% of pregnant women.
- Financing of training for 24 community health workers and regular support to more than 50 village volunteers.
- Introduction of a nutritional support program for children who are failing to thrive.
- Distribution of 1,250 mosquito nets treated with repellent.



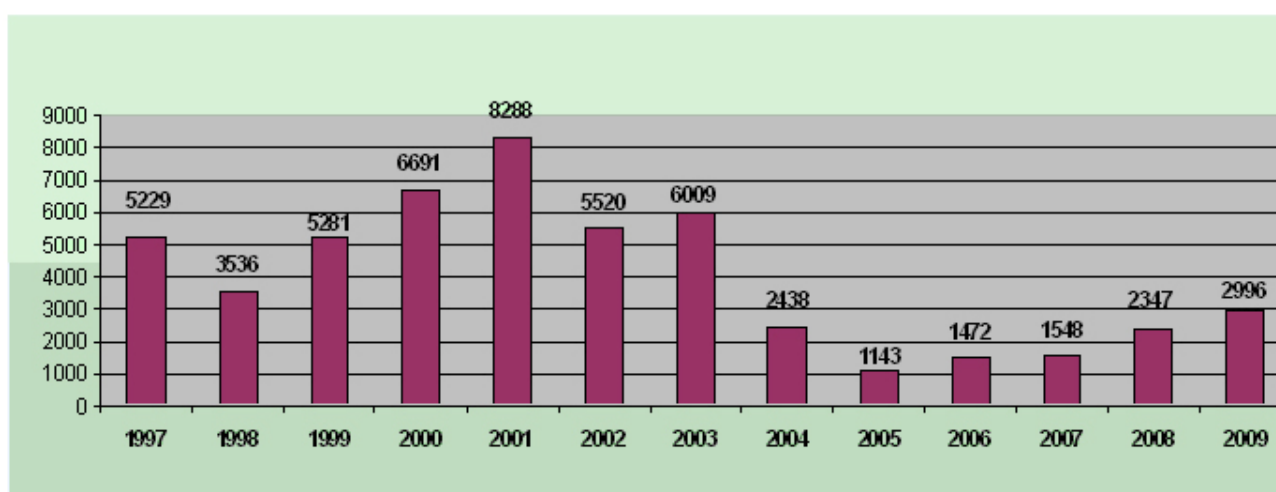
Two national priorities, malaria and tuberculosis, are core focuses of the socio-economic program. Assistance was secured from the Pasteur Institute in France to combat endemic malaria, enabling definition of the appropriate tools and treatments, in cooperation with Myanmar's Department of Medical Research. Each health center has immuno-chromatographic test (ICT) facilities and microscopes for quick diagnosis of the disease.

Malaria is one of Myanmar's main health concerns. It accounted for more than half of the tests performed at the Kanbauk hospital laboratory in 2009. Transmitted by mosquito bites, malaria can be prevented by using mosquito nets. Twice a year, the local Red Cross, firefighters, midwives, health workers and physicians from the socio-economic program treat mosquito nets with repellent. In 2009, 6,643 nets were treated. A total of 1,285 treated mosquito nets were distributed to villagers living in the most seriously affected areas.

### → Tuberculosis Treatment



### → Malaria Cases in the 25 Villages



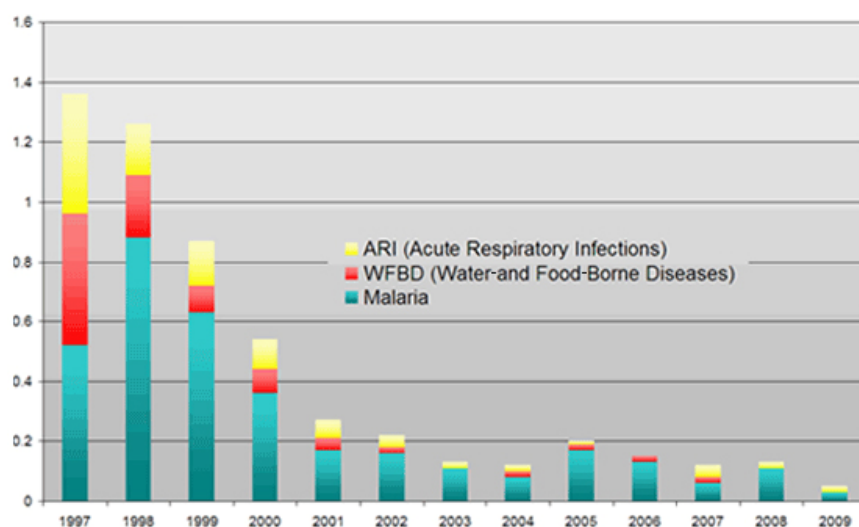
Hygiene initiatives cover three areas: health education, sanitation and drinking water supply.

Health education includes advice provided by the physicians and health care workers. Since 2008, a team of educators has visited schools in the area and developed innovative educational tools, such as songs and games. During the monsoon season, accompanied by physicians, volunteers and firefighters, the team makes weekly visits to every household in the area to encourage villagers to check for and destroy larvae in their water containers, as part of the program to eradicate dengue fever.

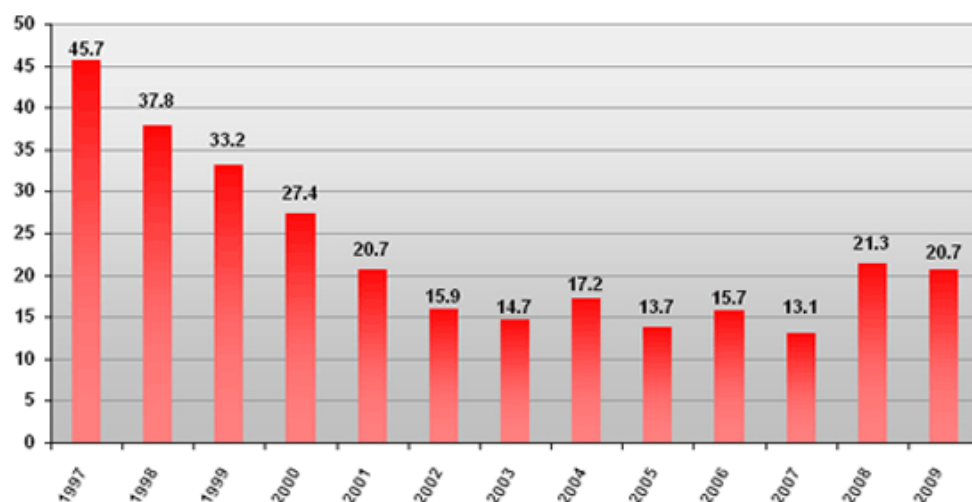
Sanitation includes fly-proof latrines, with 283 built in 2009 and 193 renovated thanks to the program, along with containers to collect waste in the villages. Access to potable water includes capturing spring water in the mountains and installing a distribution system in close cooperation with village committees, improving well safety by adding copings (52 in 2009), and chlorinating well water (more than 1,800 wells in 2009).

Medical care combined with public health measures has led to a sharp decline in mortality throughout the region.

→ Cases of Malaria, Acute Respiratory Infections and Water- and Food-Borne Diseases



→ Infant Mortality



Meetings held in each village to improve mother and child health are also opportunities to provide important preventive information. Aimed at pregnant women and children under the age of five, these monthly meetings were introduced in a few pilot villages in 2007 and today cover 22 villages in the area. Pregnant women are checked by physicians and midwives, while the growth of children under five is monitored to identify early signs of malnutrition. In 2009, 73% of children under the age of five living in the area covered by the socio-economic program and 89% of pregnant women received regular check-ups. Women of childbearing age also receive advice on family planning and contraception, respectful of local customs. In 2009, 1,326 women of childbearing age were clients of the program to provide access to contraception.

Schoolchildren also benefit from health programs. A yearly medical check-up was introduced in 1997 in all primary schools covered by the program, focusing on eyesight and oral health. In 2009, 5,673 children, or 92% of all primary schoolchildren in the area, benefited. A total of 5,443 children received treatment for intestinal parasites in 2009 under a dedicated program.

More than half of all people aged 60 or older were monitored and treated for high blood pressure, arthritis and other joint problems, heart conditions and mental health issues.

### III.3.2 Education

Villagers living in the vicinity of the pipeline expressed strong aspirations in the area of education. The priorities defined by the villagers and the project teams were to:

- Provide schooling in good material conditions for all children.
- Support secondary school students with a tuition program leading to a diploma.

An extensive program to improve the region's educational infrastructure was launched in 1996, enabling the construction of over 45 schools, including two in 2009.

Each village now has at least one school. Teaching materials have been supplied and a school library program has been established at 16 schools.

The measures designed to support education were implemented in cooperation with the government in line with local practices and programs. The teachers are civil servants paid by the Ministry of Education. To enable teachers to maintain an acceptable standard of living and encourage them to serve in remote regions, salaries are supplemented with financial aid — equivalent to around a month's salary — provided by the socio-economic program. 340 teachers received financial assistance in 2009. A total of 9,201 children attended school in 2009, with 340 teachers, for an average student-teacher ratio of 27 to 1.

#### → Increasing School Attendance

School year	Primary school (5-9)	Middle school (10-13)	High school (14-16)	Total
1995				4,053
1999/2000	5,140	1,586	246	6,972
2000/2001	4,881	1,732	410	7,023
2001/2002	5,312	1,911	496	7,719
2002/2003	5,495	2,245	574	8,314
2003/2004	5,428	2,260	652	8,340
2004/2005	5,613	2,236	755	8,664
2005/2006	5,697	2,288	666	8,651
2006/2007	5,651	2,319	570	8,517
2007/2008	5,914	2,310	579	8,803
2008/2009	6,144	2,312	603	9,049
2009/2010	6,121	2,439	655	9,201

Now children in all relevant age categories, boys and girls alike, can attend school regardless of whether their families are affluent or poor. The improvement of facilities has had a clear positive impact on the conditions in which education is provided, by enabling students to be grouped by class and level.

Although the initial priority was **primary school education**, special attention was subsequently given to high school students, many of whom were leaving school without graduating. A special tuition program was set up in 1999 to allow high school students who had failed their final exams to start over. It has benefited more than 1,300 young people since its inception, of which 80 in the 2009-2010 school year, including 65 who registered for the final examination.

Once they have their high school diplomas, however, young people who want to continue their studies have to move to cities. Scholarships have allowed some students to go on to higher education in Yangon and Dawei. During the 2009-2010 academic year, the number of scholarships tripled from the previous year, and at the beginning of 2010 Total E&P Myanmar was supporting

more than 20 students in post-secondary education.

In addition, the socio-economic program introduced technical education at the local level in 2002 with introductory computer literacy courses completed by more than 450 students so far.

#### → A Kanbawk Student's Success Story



**My Successful Education History, Khin Cho Aye**

My name is Khin Cho Aye. I'm from Kanbawk, one of the villages included in Total Exploration & Production Myanmar's socio-economic program.

I passed tenth standard in 2000 and continued my studies, majoring in physics at Dawei University in 2001.

In my second year at university, I applied for a scholarship from the TEPM socio-economic program, and I was found eligible for support to take computer studies, which I started to do in 2003, in Yangon.

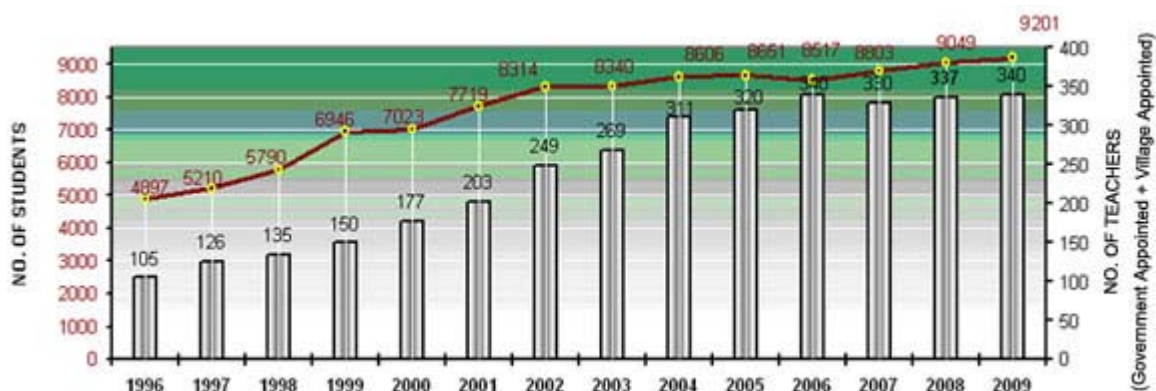
As my results were good, I got the possibility to take the advanced diploma course in Computer Studies & Information Systems. Again, TEPM supported me financially. I needed a computer to practice at home. I requested it from the company and was given one for the duration of my studies, before handing it over to another scholarship student.

While I was waiting for the results of the last project module, TEPM arranged for me to have an internship in its IT Department, where I gained a lot of experience, moving from the status of beginner to the real world of software applications.

After my graduation, I got the chance to return to my native village to work for the benefit of my community. Now I'm working at TEPM, where I'm in charge of teaching villagers how to use computers. My childhood dream of getting an education has been fulfilled.

Educational support provided in the region through the socio-economic program has enabled many contacts among the program's team members, teachers and students through inaugurations, school fairs, award ceremonies, and inter-school sports events.

#### → School Enrolment and Teachers in the Project Area





### III.3.3 Support for economic Development

It was important to understand the forces driving economic activity in the pipeline region, first in order to avoid disrupting this activity, and above all to nurture it. Consequently, the initial task assigned to the Yadana project socio-economic teams was to analyze, with the support of a specialized consultant, Beicip-Franlab, local production and trading channels. These were based on three core activities — fishing in coastal villages, rice cultivation, and multi-crop subsistence farming, including the production vegetables, animal husbandry (pigs and chickens) and seasonal crops such as oil palms, cashew nuts and rubber trees. Although agricultural output in the region exceeded demand, selling the surplus was difficult because of the condition of the infrastructure and weak marketing channels. In addition, the regulation that requires farmers to sell part of their rice production to a state-owned organization at low prices affected their income and ability to save.

Equipped only with oxcarts, farmers used traditional slash-and-burn techniques. They were not starving, but did not live well and had no surplus or any financing system enabling them to invest in order to break this cycle.



Kanbauk market.

The purpose of the program designed with the villages was to gradually improve agricultural practices, rather than to revolutionize them, by drawing on traditional experience and the villagers' drive. The goal was to generate real progress without creating dependence or disrupting existing ways of life.

A permanent team of veterinarians and agriculturalists from the socio-economic program dialogued with each village to define the appropriate programs and provide the required technical support.

Their initiatives focused on:

- Supporting family farms by conducting studies of channels, providing technical assistance and refurbishing drainage and irrigation infrastructure.
- Creating programs to develop food, perennial and horticultural crops through selecting appropriate species, supplying quality seedlings and young plants, and supporting cooperatives known as village agricultural input stores.
- Having the program's veterinarians and agriculturalists devise practical training aligned with villager needs, using teaching, demonstration and other aids to share technical expertise related to pig and poultry farming, propagation by cuttings and grafting, and rice threshing and planting.
- Conducting R&D to select and promote the most suitable rice species for cultivation.
- Improving cattle and pig breeds through crossbreeding with exotic breeds.
- Providing veterinary services.

The main objectives of the agricultural program, which covers crops and livestock, are to promote income-generating activities and ensure food security. A team of 16 people is assigned to the program — four agriculturalists, three agricultural technicians, four veterinarians, and five veterinary technicians. The team can also call on a network of more than 70 volunteer technicians that keeps it in touch with what is happening in the field and lets it reach a wide array of clients. In 2009, more than 1,800 farmers and villagers received support, and thousands of animals received veterinary care, such as vaccinations.

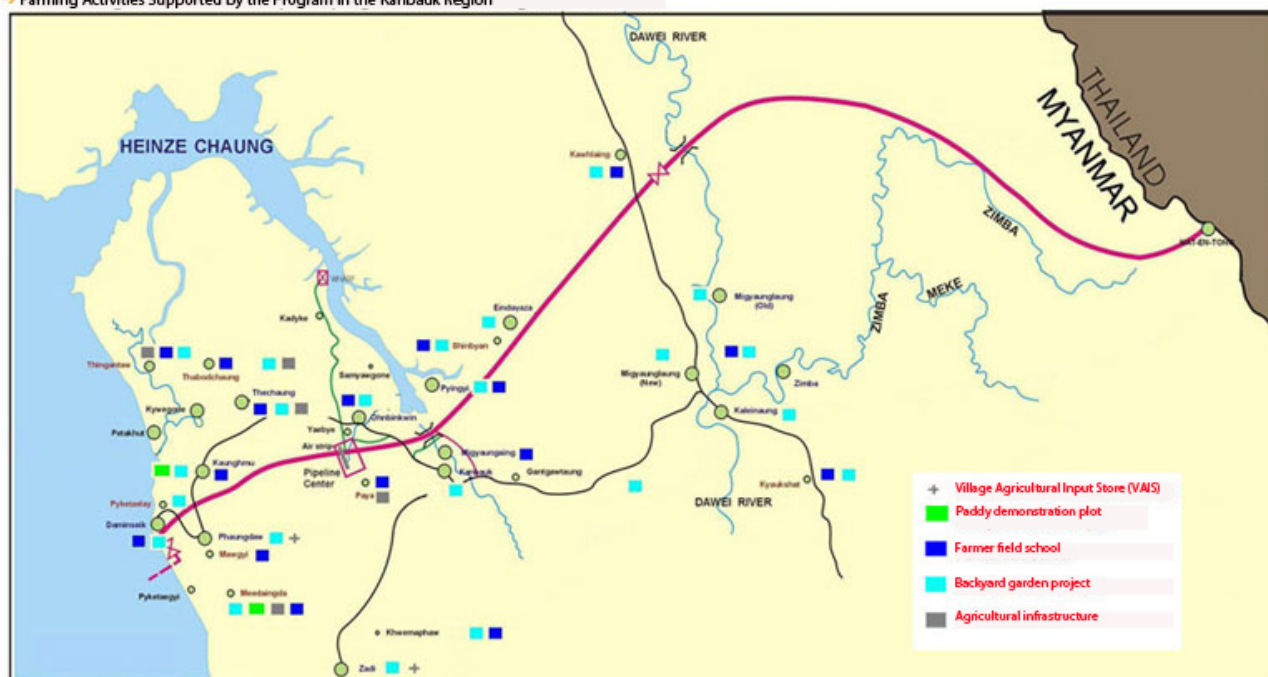
## Support for Innovative Model Farms and Plantations

These initiatives are supported by several model farms, which are closely supervised by program technicians, but owned by groups of villagers. These operations include:

- A model pig-breeding farm in Kanbauk, created in late 1995 to raise piglets for sale at subsidized prices to farmers after vaccination and weaning.
- A crop farm in Migyaunglang, founded in 1999, that supplies farmers with quality seedlings and young plants to develop a variety of perennial crops (rubber trees and rambutan, durian and other fruit).
- Oil palm, cashew nut and rubber tree plantations in Thechaung, managed by around 60 farmers.

These pilot initiatives have driven the development of numerous farm operations, including small pig farms and rubber and fruit tree plantations.

→ Farming Activities Supported by the Program in the Kanbauk Region



The program has supported two village agricultural input stores (VAIS) since 2007, to provide farmers with access to quality supplies and to disseminate technical expertise. Managed by the communities, the stores make group purchases of fertilizers and farm products, thereby reducing transportation costs for members. More than 24 metric tons of fertilizer has already been distributed to members. The work of these cooperative stores also includes unlocking the value of harvested rice. Three mills have been refurbished and a threshing machine was jointly financed by the program. As a result, the quality of the rice produced in the villages has been significantly improved, which allowed a number of farmers to sell their harvest on the Kanbauk market, where standards are fairly high, for the first time. Other community service projects are currently being examined.

More generally, the improvement of road infrastructure and the renovation and expansion of the market in Kanbauk, which is now managed by villagers, have considerably facilitated the local marketing of crops, fish, and livestock.

## Introduction of Community-Managed Veterinary Services

Veterinary services are provided in close cooperation with the relevant public authorities. The team has forged ties with local communities through local technicians known as veterinary auxiliaries — village residents trained by the program to provide basic veterinary care. Around 30 auxiliaries are in ongoing contact with clients and help veterinarians monitor and introduce services. They are being trained to eventually take over the program's veterinary watch activities. Special attention is paid to organizing campaigns to prevent epidemics, in particular avian flu.

Until 2008, veterinary services were delivered free of charge. But now, the veterinary team differentiates between three types of services, to consolidate their long-term viability:

- Services related to public health (rabies, for example), which are still free.
- Services required to develop small family-owned farms, most of which are provided free, although the auxiliaries charge for some procedures, such as castration.
- Services for range-type animal production, for which farmers pay 10% of the cost, increasing by a further 10% per year.

Since 1997, just over 61,000 doses of vaccine have been supplied to pig and poultry farmers. A special effort is being made to promote professional poultry farming, with 461,000 doses of vaccine sold at subsidized prices to 30 or so commercial poultry farmers in 2009. This regular monitoring ensures average monthly production of 120,000 to 130,000 eggs, depending on the market.

In addition to ensuring animal health through vaccinations, training and preventing outbreaks of disease, the veterinary team also provides consulting services and technical, marketing and bookkeeping training to farmers.

## Training and Information, Key Success Drivers

Technical expertise is the key to successful farming. To meet the substantial needs, the team of agriculturalists and veterinarians has developed training programs ranging from a few hours to several months in the case of hands-on workshops that let participants try out innovative techniques and choose the ones they prefer. Technical literature on cultivating rubber trees and rice and range-type poultry and pig farming has been printed in the local language. Training is also provided under the micro-credit program: borrowers can take part in a technical meeting tailored to their investment plans. In 2009, more than 740 farmers attended this type of session.

Technical literature and farming journals are made available to clients in the 25 villages, and can be consulted on request, free of charge.

## Improving Pig and Cattle Farming

Pig farming is mainly the province of small-scale farmers who have fewer than five animals. Pig farming not only improves food security, but is also a significant source of income for rural households. Evidence of this is the very large number of loans contracted the Micro-Credit Department has granted for pig farms. In addition to providing technical support, the program is helping farmers by introducing new breeds to improve the genetic potential of native breeds. Three breeds have been introduced: Large White, Duroc and New Hampshire.

Crossbreeding is performed at two levels:

- In each village, some boars are kept for mating or to provide sperm for artificial insemination. The farmers responsible for them receive a piglet from each litter. In 2009, more than 2,700 piglets were born under this initiative.
- Since its creation in 1996, the model pig farm managed by Total E&P Myanmar has produced more than 6,000 piglets that have been distributed to local farmers.

Recently, more than 300 piglets from the Yadana farm were sold at subsidized prices to international NGOs as part of a project to ensure food security in the Irrawaddy Delta.

In a similar strategy, three purebred bulls are kept in villages to service local cows, with the core objective of improving milk and meat yields. The program's success is hard to assess, because the



herds move around and because of the long gestation period. Nonetheless, around 15 calves have already been born. Some crossbred cows produce more than twice as much milk as native cows.

### **Tackling Extreme Poverty**

A frequent difficulty arising from development initiatives is providing benefits for the poorest. Almost inevitably, the first people to benefit from the programs are those who are the most assertive and can make an individual contribution to the project. To receive aid under the Yadana economic program, a personal contribution in kind or cash for the project is useful, although not mandatory. That makes it harder for the poorest to launch projects. A special Backyard Garden Project was set up for their benefit, and was so successful that it was quickly expanded.



A program to promote pig farming, mainly targeting the most disadvantaged families, has also been introduced. Its aim is to familiarize them with the formalities of micro-credit by enabling them to undertake a low-risk activity. The veterinary team offers weekly monitoring and free distribution of food, keeping production costs down. Eventually, the veterinarians are hoping that the neediest families will be able to take over production of piglets from the model farm, by developing a cluster of small producers able to meet local demand. Around 15 families were clients of the program at the end of 2009.



### **Access to Micro-Finance**

Access to loans and reliable savings products is a prerequisite to support start-ups. From the outset of the veterinary and farming activities, the teams not only facilitated the introduction of new techniques, but also helped the villagers with the necessary investment. Several thousand people have received farm loans and loans to create micro-enterprises.

In 2006, a review of the micro-credit program revealed that although client farmers benefited, it was not reaching the poorest villagers in the region, who had to turn to local moneylenders. Total E&P Myanmar therefore asked an international NGO, Entrepreneurs du Monde, to restructure the program to allow the neediest villagers to benefit more effectively and to achieve full operational and financial sustainability within five years. The new system introduced in late 2007 offers two types of loan product, depending on the type of activity. Activities that generate monthly income (micro-enterprises) receive installment loans, while activities such as farming that only generate income at the end of a cycle receive bullet loans that are repayable when the harvest or livestock is sold. The interest rate on both types of loan was initially set at 3%, then gradually lowered, reaching 2% in early 2010. There were 1,270 borrowers at the end of 2009, of which 68% poor villagers, for a total outstanding amount of around \$180,000.

The loan process comprises several steps. After describing the program and receiving applications, the teams, mostly made up of area residents who speak the local languages, visit the applicants to talk about their business projects. The purpose of the visits is to ensure that the projects are viable and that the households can afford the repayments. The decision to grant a loan is discussed by the team members and elected villagers who sit on Village Bank Committees, the real owners of the micro-finance program. For crop and livestock farming projects, agriculturalists and veterinarians also take part in the discussions.

The Village Bank Committees anchor the program, enabling the community to gradually take responsibility for it. Villagers elected by their peers are trained in bookkeeping and monitoring borrowers and are paid a flat fee out of the interest on the loans. At the end of 2009, 89 villagers were managing the loan program in the villages.

At the request of these committees, a savings program was trialed in four villages in 2009. Setting aside a nest egg that is available when needed is the best way to make borrowing unnecessary.

The community responded enthusiastically, and the program had more than 332 savers by the end of 2009.

### **III.3.4 Infrastructure**

Before Total arrived, the region designated for the pipeline route lacked infrastructure and community facilities. Trade with partners outside the region was necessarily restricted, especially during the six-month monsoon season, when the roads were impassable and the Heinze Chaung, Dawei and Zimba Rivers could not be crossed.

Transport of goods and people is a prerequisite to the economical development of an area and this is confirmed in the pipeline area where the villagers currently consider the road infrastructures as one of the main effective supports from the SE program.

#### **Infrastructure associated with the project**

The pipeline project required the construction of a large number of infrastructure facilities to transport equipment and personnel to the worksite, deliver machinery and span rivers, since nothing was available. The dry season from October 1995 to May 1996 was devoted to building facilities such as a deepwater wharf in the Heinze Chaung estuary, a landing field in Kanbawk, worksite roads and bridges.

#### **Infrastructure associated with the Socio-Economic Program**



**Zimba Road before and after improvements**

The program defined with the villagers to improve local infrastructure has many facets, including:

- Improvement of the existing road network, construction of new roads and maintenance of all-season roads, as well as 37 bridges.
- From January 2007 onwards, a special focus was paid on promoting involvement of communities in the infrastructure program. SE intends to withdraw from its position of project leader, to become a partner providing technical advice, as well as logistic and financial support to the communities. The rebuilding of Syniat Bridge in Kanbawk is the first achievement of this new approach.
- Complete refurbishing of health and education infrastructure, in particular a hospital in Kanbawk which was expanded over the years. In addition to it, the population now benefits from clinics (built by the Socio-Economic Program or by the villagers), over 45 new schools and over 20 renovated schools.
- Completion of around 20 irrigation and potable water supply programs, including the construction of dams, reservoirs, piping systems and wells.
- Construction of community facilities, including the renovation of pagodas and churches, assembly halls, the market in Kanbawk and soccer fields.



This work was carried out by voluntary paid adults employed by the Yadana project subcontractor.

In some cases, such as the restoration of pagodas or churches, the work was performed by the villagers themselves. The Socio-Economic Program provided the required funds or materials and occasionally the machinery used for earthmoving.

### III.4 National Socio-Economic Initiatives



Efforts were made to expand the scope of the Socio-Economic Program to share the benefits of the Yadana natural gas development project with as many people as possible. This commitment led to increase the number of eligible villages by 12 since 2001, in addition to the 13 existing beneficiary villages in the pipeline region since the inception of the program in 1995.

Since 1999, the program has been supporting **orphanages** (six in 2007), primarily in the Yangon region, that accommodate over 1,300 children in 2007. The aid includes ensuring this particularly vulnerable population has access to quality medical and health care, food, education, and sports and recreational facilities. It involves providing staff (one physician and three nurse aids), food donations and financing for recreational and health facilities, classrooms and dormitories. It also benefits from the commitment of certain Total E&P Myanmar employees or their spouses, who contribute to the operation of the orphanages on a voluntary basis.

In March 2002, a ceremony was held in Yangon to inaugurate the Yadana Foster Home, a facility built on land donated by a monk to accommodate orphans in a family atmosphere and support their education from early childhood through to vocational training. This modern facility, underwritten by the Yadana program and managed by Foster Family, can accommodate 100 orphans and abandoned children.

The Socio-Economic Program is also supporting Helen Keller International, a US foundation that conducts **blindness prevention programs** around the world, in particular in Myanmar, by supplying equipment, medicine, training and specialized staff. The foundation has observed that six out of every 1,000 inhabitants in Myanmar are blind, and that, in 63% of these cases, their condition is due to poorly treated cataracts. Its initiatives are part of a local program known as the Trachoma Control and Prevention of Blindness Program of Myanmar. The support provided to this organization by MGTC (US\$170,000 for 2007) has aided the ophthalmology departments of the Yangon Eye hospital and Mandalay Eye/Nose/Throat hospital, plus seven smaller eye clinics (Shwa Bo, Sagaing, Maiktila, Myaing, Taung Dwingyi, Minbu, Myingyan). A broad variety of support is offered, including training and technical assistance, supply of specialist equipment and propagation of an eye surgery technique using implants.



Since 2005, Total joined a public health initiative in Myanmar designed to support and treat people living with HIV/AIDS in the Mandalay region.

On January 31, the International Union Against Tuberculosis and Lung Diseases (Union), a medical and scientific association, signed a Memorandum of Understanding (MOU) with Moattama Gas Transportation Company (MGTC), whose shareholders are the partners in the Yadana oil and gas project. The MOU is actively supported by national programs to prevent HIV/AIDS and tuberculosis and by the World Health Organization (WHO), which has made triple therapy for patients with both tuberculosis and HIV/AIDS a priority of the 3 by 5 Initiative, which aims to treat 3 million people living with HIV/AIDS by 2005.

Tuberculosis is the most common opportunistic infection associated with HIV/AIDS, and it is estimated that 75% of HIV-positive people in Myanmar are or will be affected. Long active in the Mandalay region, the Union therefore sought a partner to be able to treat HIV/AIDS in HIV-positive tuberculosis patients. MGTC has agreed to fund the cost of antiretrovirals used by the Union to treat the people concerned, in line with WHO recommendations.

The program benefited from a budget of US\$ 250 000 for its first year, 2005. US\$400,000 were allocated in 2007. Now, the project is covering all Mandalay district and has been extended to Pakokku.

The five-year initiative marks the first time that an international scientific organization and a private company have cooperated in the country, with the support of the Health Ministry and the WHO. To enhance the program's effectiveness, MGTC is supporting training in France for Myanmar physicians specialized in treating HIV/AIDS.

Professor Robert Gallo, the internationally-renowned U.S. scientist who helped to identify the link between HIV and AIDS in the 1980s, witnessed the signing of the MOU and chaired the Technical Forum on HIV/AIDS Prevention and Care in Yangon, in which the country's medical community was closely involved.

These initiatives are part of the operations conducted by Total to form partnerships with humanitarian organizations in order to further enhance the effectiveness of its Socio-Economic Program in Myanmar.

#### **Through its socioeconomic team, Total has taken an active part in assistance to Nargis victims**

Cyclone Nargis devastated a number of regions in Myanmar between Friday, May 2 and Saturday, May 3.

After the devastating passage of cyclone Nargis, Total decided to donate US\$2 million to the emergency appeal launched by the International Federation of Red Cross and Red Crescent Societies.

Immediately following the passage of cyclone Nargis, Total E&P Myanmar socioeconomic team members, who work to improve conditions for villagers in the pipeline region on a day-to-day basis, geared up to provide assistance to the local population.

Given the enormous needs, the teams have had to focus their efforts on Yangon. Emergency assistance was provided to people living in the immediate vicinity of the subsidiary's offices, who were already disadvantaged even before the cyclone struck. With the generous support of office employees and local residents, the socioeconomic team distributed enough food for 2,200 people for two weeks. The team and volunteer workers are pursuing their efforts to rebuild 100 houses and the local school. Team members are also repairing a number of badly damaged buildings at orphanages supported by the Yadana project partners. As well, they have been providing additional food to the orphans, as the usual supplier has been unable to meet their needs. Each week, the socioeconomic team boils 2,000 eggs and distributes them to the orphanages. Medicine has also been donated to the Yangon Children's Hospital, which is short of supplies.

With no operational teams in the Irrawaddy Delta, Total E&P Myanmar decided to provide logistics-related and financial support to NGOs operating on the ground. The subsidiary has donated 100,000 liters of fuel oil to Save The Children, German Agro Action, Malteser International, UN Coordination and Italy's Cooperazione e Sviluppo (CESVI). In addition, the Nilar, one of the Yadana joint venture's workboats, has been assigned to carry emergency supplies from Ranong in Thailand for the French Red Cross and Isha Tanaka, a humanitarian association. To assess the extent of the disaster, flights have been carried out over the regions struck by the cyclone using a helicopter belonging to Total and its partners.

In addition to providing \$2 million in financial aid to leading international relief organizations, Total Myanmar has also prepared a list of recognized NGOs that, through their local presence, are able to effectively deliver assistance to people in remote areas. The subsidiary is currently providing both financial assistance, like the \$25,000 donated to International Development Enterprises (IDE), and supplies, such as the water purification tablets donated to Metta Development Foundation, a Myanmar NGO, that will provide 70,000 people with enough drinking water for one week.

Total E&P Myanmar (TEPM) is now working with NGOs in the field to help other victims of cyclone Nargis, specifically people in the region around Ama. This village is located near our emergency helipad in the

southeastern Irrawaddy Delta.

Ama and the surrounding region were particularly hard hit by Nargis. Many people lost everything, including their source of income (shops, fishing boats, tools, etc.), and were living in makeshift shelters in the village where they took refuge.

The region is located some distance from TEPM's operational centers, meaning that human and logistics resources had to be transported to the area. TEPM began by distributing food and equipment to improve the shelters, after which the socio-economic team assessed needs and implemented a program to provide further food aid and help people get back to work.

The program, approved and conducted in partnership with leading villagers such as the schoolmaster and volunteers from the Thi Da Gu monks, covers four areas:

- **Aid to help 223 householders resume work:** TEPM financed the rebuilding of 166 boats and also supplied fishing nets, 18,400 kilograms of seed to 50 farmers, livestock, two tractors, farming tools, fuel for rice growers and equipment needed by local businesses.

- **Food aid for more than 1,200 families:** TEPM will continue to supply rice and lentils to families in two villages and people in various camps in Ama for several months.

- **Water and sanitation:** A total of 200,000 water purification tablets were distributed at the Ama high school and public health centers, and our team of physicians taught residents how to use them. The community reservoirs (ponds) in the villages of Kyauk Tine and Lake Chaung have been cleaned, in coordination with UNICEF, and plastic tarps have been distributed to collect rainwater.

- **Support for schools in and around Ama:** TEPM will support the reconstruction of the Ama high school, which normally has 1,105 students. The school was partly destroyed by the cyclone and most classes are currently being held in tents. In addition, the primary schools (around 100 pupils) in the two villages supported by TEPM will be rebuilt thanks to private donations collected by a TEPM employee.

In total, nearly 5,400 people in the Ama region have received assistance from Total E&P Myanmar, at a cost of \$125,000.

Total E&P Myanmar has also helped its own and contractor employees, who have received rice and drinking water. For people who have wells, portable generators are being transported around the city to power pumps and fill up water tanks. For others, water trucks are filling up tanks.

### III.5 A Positive Impact on the Country



While ensuring the profitability of its business projects, Total is also committed to providing economic and social benefits to the people in its host countries. This commitment is clearly expressed in the Group's Ethical Guidelines. The positive impact of the Yadana project can be measured in three ways:

- Job creation and technology transfer.
- Development in the pipeline region.
- Development of Myanmar.



### III.5.1 Job creation and technology Transfer



Most of the Yadana project workers were Myanmar nationals. Eighty-eight percent of the people who helped build the pipeline (2,200 people out of 2,500) and 95% of the 800 employees currently working for Total E&P Myanmar and its subcontractors were hired locally. The high proportion of local recruits is the result of an extensive training program.

- Construction of the onshore portion required vehicle and machine operators, welders, mechanics, maintenance technicians, people expert in a variety of construction and engineering-related trades, administrative staff, supervisors and security guards. Total and its subcontractors provided the requisite training to ensure that the workforce would be able to satisfy the time, quality and safety requirements of the project. Employees acquired skills in a broad array of complex techniques, and local subcontractors, as well as local partner MOGE, gained valuable experience. Construction of the offshore complex yielded similar benefits.
- During the construction phase, Total selected around 100 Myanmar technicians and engineers to operate the production facilities and pipeline. They underwent 18 months to two years of training at Total centers and subsidiaries at a cost of US\$10 million. While the training was essential to the project's success, it also gave local managers an opportunity to expand their horizons and meet many of their foreign peers, thereby contributing, albeit modestly, to the opening up of Myanmar society.
- MOGE, which directly operates some of the country's oil and gas reserves, benefited from its partnership with Total by gaining new experience and access to cutting-edge technology and modern management methods. Open professional dialogue between a responsible multinational corporation and a local oil company, rooted in mutual respect, inevitably fuels progress.

**Multinationals can bring manifold advantages to a developing country, including technology transfer, opportunities for personal development, and exposure to new ideas.**

Based on their strict adherence to international standards, multinationals can have a favorable impact on local working conditions, environmental issues and safety practices. Although the oil industry is extremely capital intensive and creates proportionally fewer jobs than other industries such as textiles and hospitality, the fact that it uses contract-based employment, pays salaries that are significantly higher than local wages, provides medical and retirement benefits, and applies strict health and safety rules can induce positive changes in local practices.



### III.5.2 Development in the pipeline region

One of the objectives of Total's Code of Conduct is to ensure that the Group's projects enhance the lives of the people living in the zone concerned. Surveys in the pipeline region have shown that the Yadana project has brought about improvements in the quality of life of over 50,000 villagers that include:

- Access to free health care for the entire population and a dramatic decline in the leading causes of death.
- Better educational opportunities and conditions for all children.
- Construction of all-season infrastructure to facilitate communication in the area.
- Significant agricultural development focused on crop cultivation, livestock breeding and fishing.
- Eradication of forced labor.



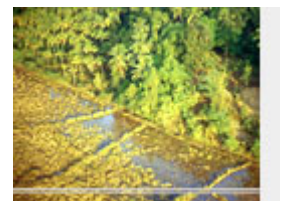
Total's socioeconomic development program was planned and implemented with respect for traditional customs and practices. The debate on how to pursue the initiative has stimulated fresh ideas, among which the creation of marketing and trading channels for surplus products, the introduction of new crops, assistance in meeting energy requirements, the creation of new job opportunities for young people who are now better qualified and the design of structures allowing even the poorest people in the project area to benefit from its development.



### III.5.3 Development of Myanmar

Myanmar is a poor country with serious financial problems. The actual size of its economy is a controversial subject owing to the paucity of official statistics, an artificial exchange rate, imposed price controls for certain crops, a large public sector, and a sizable parallel economy. Its per capita purchasing power parity, an unreliable indicator, seems to be one to five in relation to Thailand, and is 30% to 40% lower than Vietnam's. These two countries have sharply differing backgrounds, but both have superior growth rates to Myanmar.

Nature is not responsible for the country's economic lag, as Myanmar possesses abundant human, agricultural, mineral and tourism resources. Rather, the situation is attributable to a long legacy of controlled economic management that shunned market economy principles and left many scars, as well as the reluctance of foreign countries - except close neighbors such as China and Thailand - to invest in a country that is treated by certain others as an international pariah. Contrary to the situation of Laos, Cambodia and Vietnam, international assistance for Myanmar is restricted to humanitarian aid, to the detriment of development. The country's voluntary isolation and forced exclusion from the community of nations have prevented it from participating in Southeast Asia's economic boom. The signs of backwardness are striking and prevalent, as reflected by short life expectancy, high infant mortality, a lack of public infrastructure (especially in rural areas), insufficient power-generating capability, limited industrialization, and exports dominated by non-processed products.



Against this backdrop, an investment such as the Yadana project should be widely applauded, since it brings in capital and technology, creates jobs and fosters strong economic ties between Myanmar and Thailand. It further stimulates economic progress through the introduction of modern management methods, the production of gas and the supply of steady State revenues.

Yadana will generate increasingly higher revenues for Myanmar from MOGE's share of profit based on its 15% interest in the investment, the state-owned company's equity gas from the production-sharing agreements, and income and other taxes related to the project.

The issue of how these revenues should be spent is common to all countries with significant mineral resources. Civil society is demanding greater transparency in this regard. A "Publish What You Pay" initiative, has been launched by 160 NGOs. This concept has been developed, in a manner more consistent with contractual framework and with the principle of sovereignty of Host States, by the EITI (Extractive Industry Transparency Initiative) whose scheme was approved at the G8 Evian Summit in 2003. Total is prepared to follow this recommendation along the following terms:

- To be part of a global process, involving all relevant oil players, that is the Host States and the Corporations concerned, either publicly listed, private or under State control.
- To provide the information about taxes and royalties paid to a reputable and independent international organization, subject to the terms of the agreed contracts.

But it would constitute interference if an oil company were to presume to dictate how a country should spend its oil revenues but international organizations such as the World Bank are well placed to exert their influence and offer advice, which would be particularly welcome in the case of Myanmar.

**Total believes there are three ways in which it can directly influence the economic development of countries where it undertakes oil and gas projects:**

- **Develop the reserves in line with the principles of sustainable development by trying to obtain the highest possible recovery rate within the overall confines of project profitability and by adhering to strict environmental standards, thereby helping the country make the most efficient use of its resources.**
- **Employ local workers to the greatest extent possible, train them and provide them with fair and satisfactory working conditions and career prospects.**
- **Strive to provide direct socio-economic benefits to the people living in the project area so that they enjoy real improvements in their lives.**

In the case of the Yadana project, Total, in cooperation with its co-investors, closely associated the actual gas operations, the Socio-Economic Program for the area's inhabitants and the promotion of human rights in the region. Total is convinced that by nurturing economic development and upholding human values, it can - within its field of activity and via a concrete industrial project - make a useful contribution to the progress of Myanmar society. The Group welcomes all opportunities for discussion and cooperation with the different national and international stakeholders who care about the country's future, in order to examine ways it can better serve Myanmar's long-term interests.

Total and The United Nations Institute for Training and Research (UNITAR) have for a number of years been strategic partners in a global alliance designed to enhance national and local government. On March 8, 2006, Total and UNITAR signed a multi-year agreement under which Total agreed to finance a United Nations training program for Burmese diplomats and government officials. The three-week program will familiarize participants with how international and regional organizations work, and will also include a module on international economic relations and discussion of ethics in financial and business transactions. The program will also highlight the role of civil society and the importance of dialogue in multilateral negotiations. Lastly, participants will also receive training in areas such as international humanitarian law, refugee law, human rights, international environmental law and the law of the sea. Total's involvement in these governance programs demonstrates our commitment to enabling Myanmar to take its place in the world community sooner rather than later.

## IV. THE CONTROVERSY

### IV.1 The Allegations and Total's Response

The Yadana project is a favorite target of activists who oppose the current government in Yangon and advocate a boycott of the regime. They denounce the repressive nature of the government and its human rights violations. Their criticism is often based on allegations made by exiled dissidents and is relayed by a number of NGOs and Western media. To create a wider audience for their cause in Europe and the United States, the activists' message has included attacks against the Yadana project and Total, as well as against other Western companies that operate in the country.

**Criticism levelled against Total over the years can be divided into three categories:**

- **That Total used forced labor to build the pipeline.**
- **That security arrangements for the onshore section of the pipeline created a militarized zone in the pipeline region where human rights violations occurred.**
- **That Total's presence in the country provides support and legitimacy to an intolerable regime.**

#### **That Total used forced labor to build the pipeline.**

Although the Group did not begin fieldwork until 1994, the earliest allegations of forced labor were levelled in October 1992<sup>3</sup>. Reports published in 1998 by the International Labour Organization and the US Department of Labor also mention these allegations, while recognizing that the authors were unable to verify them since local officials regrettably refused to grant them the necessary authorization for field visits. **Total has made it abundantly clear that everyone employed by Total E&P Myanmar, its affiliates and its subcontractors to build and operate the pipeline was a paid, voluntary adult with a written contract, and underwent a physical examination prior to hiring and received safety training. In addition, local subcontractor compliance with Total's Code of Conduct was monitored closely and regularly.** Nonetheless, a number of articles in the media continued to talk about the "pipeline forced laborers," an allegation that is both an insult to the Group's teams and technically absurd.

#### **That security arrangements for the onshore section of the pipeline created a militarized zone in the pipeline region where human rights violations occurred.**

Total was well aware that the Army's presence in the region could have negative consequences for villages in the area and did everything possible to avoid abuses by the military. The Group took three kinds of action:

- It used the Village Communication Committees, the Socio-Economic Program staff in the villages (communication officers, physicians, agriculturalists, veterinarians) and the many opportunities for direct contact with villagers to stay constantly and directly informed of the situation in the field so that it could respond very quickly if an incident occurred.
- It constantly lobbied the Army, both directly and through MOGE, to attempt to prevent the use of forced labor in the pipeline region.
- When cases of forced labor were brought to light, it provided assistance to the victims or their families, in the form of cash or other contributions, and made sure that the money was received by the intended beneficiary.

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<sup>3</sup> A Reuters reporter drew a parallel between the Yadana pipeline and the Thai-Burma Death Railway that the Japanese forced prisoners of war to build between 1942 and 1944. At the time the article was written, Yadana was only a proposal. The pipeline route had yet to be determined and work would not begin for another three years. This not credible assertion was actually made in connection with an unrelated railroad project on which the government was working at the time.

Certain incidents may have escaped Total's attention in the very early phases of the project when the Group had only a small team in the field and was still developing relationships of mutual trust with villagers. But it seems more likely that the allegations levelled against it result from a not always unintentional link drawn between the pipeline region, where the Army's actions were very closely monitored by Total, and infrastructure projects carried out at the same time in other parts of the Tenasserim region. The confusion in particular involves the north-south Ye-Tavoy railway, which intersects the pipeline but is completely unrelated to the Yadana project\*. A large number of witnesses have testified that this Army-managed project used forced labor extensively.



More generally speaking, the presence of the Myanmar Army, which was established in the Yadana project area long before Total arrived, has led to considerable criticism of the supposed collusion between the troops and the project's shareholders and of Total's indirect responsibility for abuses that the Army may have committed in the area. **Total has always clearly stated that it has never had a contractual relationship, either direct or indirect, with the Army, and has not provided it with financial or logistical support. Neither MGTC nor its operator, Total,**

**has ever had any authority over the Army or given it instructions.** All that can be added here is that Total, since fieldwork commenced in 1994, has always monitored the Army's actions very closely to prevent forced labor.

**That Total's presence in the country provides support and legitimacy to an intolerable regime.**

Does Total's presence support the current regime, as claimed by activist groups that publish blacklists of Western companies operating in Myanmar, and does that make Total a passive accomplice to the regime's abuses? These allegations must be seen in the light of a number of considerations:

- An oil or gas project involves a very long-term commitment. In the case of Myanmar, six years elapsed between the signature of the Memorandum of Understanding in July 1992 and the pipeline start-up in July 1998. Moreover, the investment outlays by Total and the other project participants cover the entire 30 years during which the field will be productive. It is difficult to predict how the country's political situation could have and will evolve over such a long period.
- **Total's decision to stay in Myanmar, unlike a number of Western companies that have withdrawn, was a deliberate choice, but it does not signal approval of any regime. Rather, it expresses the Group's deep-seated belief that economic development and human rights progress go hand in hand. Exacerbating an impoverished country's problems through an embargo will not improve its people's lives.**
- In line with its underlying principles, the Group has always maintained strict neutrality with regard to the government, while actively pursuing initiatives that support economic development and respect for human rights in its host regions.
- An oil and gas company has nothing to gain from the absence of democracy. It would rather operate in a law-abiding country that is free of civil strife and not threatened by international sanctions.
- Once the installations are in place, they continue producing for the entire field life. The owners may change but the host country's revenue stream is unaffected.
- It's true that oil, gas and mining operations generate considerable revenue for host countries and that these funds are less likely to be used transparently if the political system does not support open debate and effective controls. But it is not the role of an

oil company to tell a country how to best use that revenue. Only international organizations can legitimately impose conditions of this sort.

## IV.2 The Legal Proceedings

In 1996, Myanmar nationals filed lawsuits in US federal courts and, later, in California state courts, seeking compensation from Unocal. These civil claims alleged abuse of Myanmar villagers by government troops and assigned indirect liability to Unocal, a subsidiary of which is a participant in the offshore PSC and a shareholder in MGTC, the Yadana pipeline operator. A settlement was signed between the plaintiffs and Unocal in March 2005.

In Europe, two lawsuits were filed in 2002 against Total, its Chairman and the former president of its subsidiary in Myanmar. The first was filed in Belgium on April 25, 2002 by four Myanmar refugees, who cited “complicity in crimes against humanity” under Belgium’s Universal Jurisdiction Law of June 16, 1993 relative to serious violations of international human rights. The law was repealed by the law of August 5, 2003, which included a procedure for terminating certain proceedings that were underway. The Belgian Cour de Cassation subsequently dismissed the proceedings against Total in a ruling dated June 29, 2005. On June 21, 2006, the Belgian Cour d’Arbitrage annulled the procedure provided for by the August 5, 2003 law. However, the consequences of this decision do not affect the Cour de Cassation’s ruling, under the principle of *res judicata*. In a ruling dated March 28, 2007, this court confirmed that the proceedings had been dismissed definitely.

The second lawsuit was filed in France on August 26, 2002 by eight Myanmar nationals citing “complicity in unlawful confinement.” They alleged that they had been forced by the Myanmar army to provide what they deemed to be compulsory labor for the construction of the Yadana gas pipeline. Total has always maintained that the accusations made against the Company are without substance as a matter of fact and as a matter of law.

Total and the French non-governmental organization Sherpa representing the eight Myanmar nationals entered into a settlement agreement on November 29, 2005. Under the terms of the agreement, Total is creating a €5.2-million solidarity fund to compensate the eight plaintiffs as well as any other person who can demonstrate that they suffered a similar experience in the area near the pipeline construction corridor. The fund will also be used to finance humanitarian actions benefiting Myanmar refugees in the region.

At the beginning of 2006, a joint committee was set up to run the solidarity fund. The Committee approved 361 individual requests for compensation and paid out €146,000 through the National Catholic Commission on Migration (NCCM), a local NGO. The applicants had to demonstrate that they had been present in the pipeline corridor between 1995 and 1997 and state they had been forced to provide labor by the military. However, none claimed to have worked on the Yadana project.

At the same time, the U.N. High Commissioner for Refugees was granted €2.5 million in May 2006 to finance collective actions in refugee camps in Thailand, along the border with Burma. The other recipients of funds were the NCCM (€500,000), the Pree Cha Yan Foundation (€73,000), Asian Veterinary & Livestock Services located in Sangklaburi (€174,000) and Les Enfants du Mékong (€55,000). The grants were spent on agricultural, social and educational development projects primarily intended for Karen and Môn refugees living along the border with Thailand.

So far, individual applicants and foreign or local humanitarian NGOs have been granted about €4 million by the Committee (from the solidarity fund totalling €5.2 million in November 2005).

In mid-2008, the Committee examined similar projects.

On March 10, 2006, Nanterre’s Tribunal de Grande Instance dismissed the case.

Legal proceedings against Total in the United States and Europe have been and are supported by



activist organizations that have compiled the allegations and provided legal aid to the witnesses they found. These proceedings are seen as an attempt to use the media to condemn in advance the companies alleged to be at fault, based on assertions that are exaggerated, dogmatic and unsubstantiated. It is unlikely that this practice is advancing the cause of democracy and human rights in Myanmar; on the contrary, it is seriously damaging the reputations of multinational corporations with a sustained commitment to improving the material conditions of the people actually living near their project and to defending those persons' rights.

### **IV.3 The CDA Reports**

#### **Background**

Because Total is open to all discussion based on an objective assessment of its actions, it regularly invites outside observers, journalists and representatives of NGOs to visit the pipeline region and listens closely to comments made by independent experts about its program. It should be emphasised that Total believes it essential to expose its approach to comparison with that of qualified independent experts, on a regular basis, encouraging them to submit to us their suggestions for improvement in our practices. Guided by this principle, the Group invited a team from The Collaborative Learning Projects(CDA) to visit the pipeline region in October 2002, April 2003, December 2003, April 2005 and February 2008. The reports are available on the CDA website.

#### **About The Collaborative for Development Action**

Created in 1985, CDA Collaborative Learning Projects (CDA), based in Cambridge, Massachusetts, is an independent economic and social applied research agency founded by Mary B. Anderson and currently directed by Executive Director Steve Darvill. It works with governments, international organizations, United Nations agencies, non-governmental organizations and universities, and is primarily funded by governments and international financial institutions.

The CDA focuses on the role of international organizations, public aid organizations, non-governmental organizations and multinational corporations in countries in situations of conflict. The CDA initiated the Corporate Engagement Project (CEP), which is supported by the governments of several countries and by companies, to help multinational corporations better understand the impact of their activities in areas of socio-political tensions or conflicts. Findings from the project have been capture in the book *Getting it Right: Making Corporate-Community Relations Work*, written by former Directors Luc Zandvliet and Mary B. Anderson." Along with its Myanmar co-venturers, Total supports this project, which can clarify and influence its internal discussions.

#### **The CDA's mission**

CDA has completed five visits to the Yadana pipeline region, in October 2002, April and December 2003, in April 2005 and in February 2008 to examine the impact of the Yadana consortium's operations on surrounding communities and, more generally, the impact of corporate operations on the situation in Myanmar. Three CDA members - Mary Anderson, Luc Zandvliet and Doug Fraser - visited Myanmar from October 18 to 30. Mr. Zandvliet and Mr. Fraser returned to Myanmar from April 22 to May 3, 2003 and they made a new mission in December 2003. Luc Zandvliet and Ana Paulo de Nascimento made a fourth mission from April 17 to May 6, 2005. Lastly, Mary Anderson and Brian Ganson returned in Myanmar from February 9 to 18, 2008. In 2005, CDA spent 6 days in Yangon, 5 in the pipeline region, 1 in Mandalay and 10 days in Thailand (Bangkok and Chang Mai). On its first trip to Myanmar, the team visited ten of the 25 villages in the pipeline region, as well as one on the outside; it visited 16 during the second field visit and 11 during the last visit. It also had a large number of contacts with national and local government representatives, diplomatic missions, international organizations, multinational corporations working in the country, and civil society organizations, including NGOs and humanitarian and human rights organizations.

## Total's comments

The CDA reports offer constructive criticism of Total's actions in Myanmar. Their observations, some of which concerned areas that were already in the process of being improved, will be taken into account. The CDA usefully encourages the Group to both continue and broaden its dialogue with civil society on its rules of conduct and its methods of operation in countries in crisis.

### IV.3.1 Local Observations

#### Main CDA findings (summary of the five reports)

##### Forced labor

The Army continues to use forced labor in Myanmar, despite laws prohibiting the practice since 1999. Total is very vigilant on this issue, and has developed an effective procedure for putting pressure on the authorities. Local people told CDA that there is no pattern of forced labor in the area. For them, Total has a good system for addressing allegations of forced labor.

##### Daily life in the pipeline region

The presence of Total teams on site makes a decisive contribution to peace and safety in the region. The Group's principles of conduct are respected by everyone involved, including the Army. For instance, its careful driving policy and environmental protection measures are having a positive impact. Its initiative has promoted economic and social development, with benefits that are apparent in health care, in school enrollment and in signs of relative prosperity, including a large number of houses and stores built using more expensive materials, a wide range of products sold in the local market, and more motorized vehicles (taxis, buses and motorbikes).

##### The Socio-Economic Program (SEP)

This well-designed program is managed directly by a dedicated Total team. The inhabitants of the 25 villages concerned know about and appreciate the program, which is relatively far-reaching in scope since over one-third of the boarding students in the Kanbauk school, a quarter of outpatients and nearly a quarter of in-patients in the Kanbauk hospital come from outside the pipeline region. The CDA made special mention of the following points:



- Elected Village Communication Committees, fairly unusual in the region, are the main interfaces for the SEP teams, who regularly hold meetings for all inhabitants in each village. Communication officers serve as go-betweens with the Communication Committees, which have helped transform the pipeline region into "one of the very few pockets in Myanmar/Burma where some form of civil society structure is in place."
- The program's physicians, agriculturists and veterinarians live in the villages, ensuring ongoing contact with the inhabitants.
- The inhabitants appreciate Total's support in the area of infrastructure. However, in this impoverished region, they are primarily interested in the personal benefits generated by the Group's presence, such as jobs or outlets for their own businesses.
- Aid is distributed fairly and in a non-discriminatory manner. No ethnic, religious or other group receives preferential treatment.
- While supported by aid, the projects usually involve a contribution from the beneficiaries, which encourages the selection of viable projects. But the poorest villagers, especially the many who own no land, find it difficult to make such a

contribution. To help them, Total launched a Backyard Vegetable Project, whose success has led to it being extended to all villages. Educational and health benefits are available to all villagers, regardless of their income level.

- Through its operations, the rules that contractors are required to respect and the impact of the Socio-Economic Program, Total has created opportunities in the country and the region.

## **CDA recommendations and criticisms**

In particular, the CDA recommends:

- Gradually expanding the region covered by the SEP to avoid a discrepancy between living standards in the region that benefits from the program and in surrounding areas, which could create tensions.
- Pursuing information campaigns for villagers on the program's economic aspect. This would give them a more direct understanding of assistance procedures so they are not overly reliant on the goodwill of Heads of Villages for access to this information.
- Implementing measures to make the VCCs more effective, such as training to improve administration of assistance programs and strengthening the organization in villages that joined the SEP in 2001.
- Fully integrating the SEP into Total's pipeline operations in Myanmar, by exploring the possibility of sourcing more supplies and contractors locally, which may require the introduction of appropriate training, and by increasing contacts between Total's operating teams and the local residents.
- Designing programs to provide economic opportunities for the poorest.
- Making changes in the program to guarantee its long-term viability and to avoid overdependence on aid from Total. This might include introducing user fees for the more affluent and providing training for local medical assistants, veterinarians and agriculturalists, who will then be paid by the villages. Training villagers to manage economic programs and microcredits efficiently and transparently and designing future programs dependent on villagers' initiatives to enhance their self-reliance and maintain infrastructure.
- Promoting periodic elections for Village Communication Committee positions.
- Discussing with the government possibilities to revamp the electrification scheme of the villages.
- Engaging systematically with local representatives of civil society.
- Focusing on increased sustainability and empowerment to make socio-economic development less dependent on activities by Total.

### **IV.3.2 Total's Presence in Myanmar**

In addition to commenting specifically on its field investigation, the CDA made observations of a more general scope. While the organization acknowledges that the Yadana project is making a very positive contribution to the quality of life of communities in the pipeline region, it also asks Total to reflect more closely on the consequences of its presence in Myanmar.

CDA notes that local communities want the company to stay in country, rather than to leave.. While acknowledging that it is not the role of a corporation to manage the politics of a host country nor to provide assistance incompatible with its economic objectives, the CDA asks Total to consider what

contribution it could make to the country's development. In particular, the CDA recommends:

- More transparent, less defensive communication on Total's operations in Myanmar, something that could also serve as a model for similar operations by the Group in other areas of the world.
- More frequent contacts with civil society and NGOs.
- Broadening the topics of discussion with government authorities, with whom contact must be maintained for the Group to take action. This would involve reconciling the principle of non-interference incorporated in Total's Code of Conduct with the Group's undoubted economic and social influence in the country. A number of political issues, such as the application of laws banning forced labor, have a direct impact on Total's operations and image.

#### **IV.4 Bernard Kouchner's Report**

##### **Background**

As an authority on Southeast Asia and its history, a humanitarian doctor specialized in public health and crisis issues, a politically engaged public servant and a personal acquaintance of Myanmar dissident Aung San Suu Kyi, Bernard Kouchner had all the necessary qualifications to provide a critical, impartial opinion of Total's actions in Myanmar. That's why the Group commissioned his consulting firm, BK Conseil, to send Dr. Kouchner to Myanmar to form his own opinion on site, and give his comments and recommendations.

##### **The mission**

Dr. Kouchner's mission involved three stages:

- Establishing a wide range of preliminary contacts with representatives of humanitarian NGOs active in Myanmar or monitoring the country's situation, as well as with Mary Anderson, President of The Collaborative Learning Projects(CDA).
- Reading a number of reports, notably the US Department of Labor's Report on Labor Practices in Burma (2002-2003) and the International Crisis Group's Myanmar - The Politics of Humanitarian Aid (2002).
- Visiting Yangon and the Yadana pipeline region from March 25 to 29, 2003.

In the seven villages he was able to visit extensively in the allotted time, Dr. Kouchner met with members of the Village Communication Committees and managers of a number of agricultural projects. He held lengthy interviews with medical teams, physicians and midwives, talked with Total's onsite expatriate staff, and visited the Yadana project's onshore technical facilities.

Although his mission was completed before the serious events of late May 2003, when Aung San Suu Kyi was arrested, Dr. Kouchner stated at the end of his report that these events did not change his positive opinion of Total's presence. However, he felt the Group should respond by "breaking the silence" it has maintained on the country's political situation.

## Summary of Bernard Kouchner's report

### A) Observations

- Total is the target of allegations that would be refuted by an onsite investigation. The company has a strict Code of Conduct and treats local villages with respect. Moreover, the highly technical nature of the project is obviously incompatible with the use of forced labor.
- Total has been criticized for signing a contract with a regime that was and still is a dictatorship. This is an accusation that underlies all criticism of the Group.
- The Socio-Economic Program introduced by Total has been a real success, resulting in quality medical care and education, a sharp decline in disease, improved health standards, an increase in farming and animal husbandry, good relations with villagers, and the eradication of forced labor.
- Total and humanitarian NGOs in many parts of the world are confronted with the same problem: should they help people in non-democratic countries? According to Dr. Kouchner: "In almost all cases, we need to help them [but] it is easy for do-gooders to criticize these efforts since they are far from the danger."
- While the Myanmar regime deserves the criticism it has received, its opponents are much more indulgent with regard to human rights violations in other countries that they feel should not be criticized at this time. This double standard may seem very unfair to Total, but that's the way things are.
- For understandable reasons, such as its principle of neutrality and determination to make no mistakes in the pipeline region, Total is too inward-looking and overly focused on its operations.

### B) Recommendations for the Socio-Economic Program

- Extend the program's geographic reach and promote it as a model that can be transferred to other parts of the country. Total's initiative in the pipeline region "is so successful that it may make others jealous."
- Rectify a number of anomalies. Physicians participating in Total's program, for example, are overpaid compared to their public sector counterparts.
- Get villagers involved in the area of health care to develop their self-reliance. This has already been done in the area of agriculture.
- Give Total's health care initiative national scope by supporting the introduction of health centers in other parts of the country, promoting the establishment of a Pasteur Institute in Yangon and expanding the use of generic drugs.
- Communicate more openly about the SEP and share experience gained in the field with NGOs operating in Myanmar.

### C) Approach the Yadana project as a humanitarian and a political problem

- By refusing to speak out on the country's political situation, Total may be censured in much the same way as the Myanmar regime, and its humanitarian program may be perceived as mere window dressing.
- Total, in its own way, needs to "take a stand" by clearly expressing "a preference for democratic regimes" or, at the least, a commitment to human rights. The Group must work for Aung San Suu Kyi's liberation - if not openly, then behind the scenes.



- Total also needs to open the pipeline region more fully to any outside observers who would like to visit.

### **Total's comments**

Bernard Kouchner's report, like the CDA's reports, corroborates the quality of Total's Socio-Economic Program. It makes a number of comments and suggestions that the Group will take fully into account to ensure the program's long-term viability and expand its scope.

The report also poses questions about the role the Group should play in bringing about political change in Myanmar. In the particular context of the country, Total does not intend to interfere in discussions between the political factions present or comment publicly on these issues, in line with the neutrality imposed by the Code of Conduct. But this did not stop the Group from officially voicing its concern during the events in May 2003 that culminated in the arrest of Aung San Suu Kyi and marked a serious setback on the path to national reconciliation. Total is aware that its responsibility to the people of Myanmar does not stop at the boundaries of the pipeline region. This is why it has extended its socio-economic initiatives outside the area to include support for a national program to combat blindness deployed by Helen Keller International, financing a detection and treatment program for HIV/AIDS patients at the Mandalay Hospital and funding of orphanages that are home to 1,000 children in the Yangon region. The Group is examining other actions that would increase the positive impacts of the Yadana project for the people of Myanmar. It regularly invites outside observers to visit the region and intends to expand this policy. The questions raised by Dr. Kouchner are in line with Total's commitment to implementing projects to promote the development of host countries.

## IV.5 Interview with Jean-François Lassalle



In July 1992, Total signed a production-sharing contract to develop and operate the Yadana gas field in Myanmar. The Group's presence in the country has created controversy and raised questions, addressed here by Jean-François Lassalle, Total's E&P Vice President, Public Affairs.

### **What does Total do in Myanmar?**

**JFL** - Total is operator of the Yadana gas field in the Andaman Sea. This major energy resource contains 150 billion cubic meters of natural gas and has an expected field life of 30 years. To give you an idea of its size, output from the field, which averaged 21 millions cubic meters per day in 2007, is enough to generate about 2500 MW of electrical power. The gas is piped from the field to the border of Thailand, which uses 87% of the gas produced to fire power plants in the Bangkok region.

### **The Myanmar regime has been strongly criticized and activist campaigns have persuaded a number of Western companies to leave the country. Why has Total decided to stay?**

**JFL** - We deeply regret how the situation in Myanmar is developing, despite signs at the beginning of the decade that political tensions were easing. These signs raised hopes for the beginning of serious dialogue that might have led to national reconciliation. Total is therefore very concerned about the present situation and the detention of Aung San Suu Kyi. Should we withdraw, even though no decision by a European or international body requires us to do so? What's more, our operations there comply with our own ethical guidelines and Code of Conduct.

Various Western governments and NGOs are applying strong pressure on Myanmar and in July 2003 the United States introduced a strict trade embargo on the country. At the same time, international aid-with the exception of humanitarian assistance- has slowed to a trickle and boycotts have driven the country further into poverty. We firmly believe that a country's economic development is intrinsically linked to its human rights record.

Our initiatives have made a real contribution to Myanmar's economic and social development. We are developing the country's natural gas resources using efficient methods consistent with the principles of sustainable development. We are creating skilled jobs, devoting considerable resources to training managers, employees and local subcontractors, and applying our international standards with regards to employment, workplace safety and environmental protection. In addition, we have implemented a socio-economic program to ensure that the Yadana project significantly improves living conditions for villagers living near the pipeline.

### **Could you describe the Socio-Economic Program in more detail?**

**JFL** - Launched in early 1995, more than six months before work on the pipeline began, the program focuses on four key areas: health care, education, economic development and infrastructure construction. Its components are defined in close cooperation with inhabitants of the 25 villages covered by the program, about 35,000 people (50,000 people benefiting from SE Services in the pipe zone). With our co-investors, we have already allocated over US\$ 14.1 million, which has been used to build or renovate a hospital, health centers, schools, roads, wells and water supply systems, and bridges. The program is being carried out by a team comprised of communication officers, physicians, veterinarians and agriculturalists-all of them Myanmar nationals.

Health conditions in the region are now satisfactory, showing significant declines in the number of cases of malaria and in infant mortality. All children can now attend school in good conditions and enrollment has doubled. Technical and financial assistance has spurred the development of animal husbandry (pigs, chickens and cows) as well as seasonal and perennial crops, such as rice,

vegetables, cashew nuts, oil palms and rubber trees. Fishing and small businesses have also been encouraged.

The program also includes initiatives outside the pipeline region, such as support for orphanages in the Yangon region and a nation-wide blindness prevention program deployed by Helen Keller International.

In addition, in early 2005, Total joined a public health initiative in Myanmar designed to support and treat people living with HIV/AIDS in the Mandalay region.

Outside experts have verified the quality of the Socio-Economic Program on several occasions. US-based Collaborative Learning Projects(CDA), an independent organization that works extensively with international development agencies, conducted five onsite missions in 2002, 2003, 2005 and 2008. Its report found that, in addition to the material improvement in inhabitants' lives, Total's presence primarily serves to ensure peace and tranquility, thereby benefiting all ethnic groups living in the region.

**While Total's initiatives have made material improvements in the lives of inhabitants, both in the pipeline region and elsewhere in Myanmar, what about human rights and the issue of forced labor?**

**JFL** - Protecting villagers and prohibiting the use of forced labor, which is still a real problem in Myanmar, has been Total's constant concern since 1995, when we first entered the region where the pipeline was to be laid.

The Army had already been operating in the area for several years to combat sporadic guerilla incursions and had used forced labor. To support its Socio-Economic-Program, Total in 1995 established communication channels with inhabitants for the purpose of gaining access to information about the situation in the field. These channels included elected Village Communication Committees, women paid by the program to maintain continuous contact with inhabitants, and program physicians living in the villages. Through these channels, when certain incidents did occur, Total was informed and able to intercede with the authorities to put halt to them.

Our principle of political neutrality does not, however, mean that we are indifferent, especially on issues related to human rights, environmental protection and development. Wherever we operate, we strive to be constructive and to maintain a dialogue with civil society, NGOs and government officials to support economic and social development. The villagers recognize that we have been vigilant and effective, telling the CDA that: "Total has allowed us to sleep soundly."

**On November 29, 2005, Total reached an agreement with the Sherpa Association and eight Burmese plaintiffs who had started legal proceedings at the Nanterre District Court for "arbitrary sequestration" during the construction of the Yadana pipeline in Myanmar in 1995. Couldn't this be construed as an admission of responsibility? Why didn't you wait for the court to make its ruling?**

**JFL** - Total has never used forced labour, either directly or indirectly through contractors. We always insured that forced labour was not used in the area in which we operated.

When we learned that incidents of forced labour had occurred in the pipeline corridor despite our vigilance, we paid compensation immediately, on humanitarian grounds.

We could have waited for the trial, which we would have very probably won, but how long would it have taken?

Don't forget either that the claims date back more than ten years. We therefore felt it would be better to negotiate a settlement and introduce new community-based initiatives to supplement those already deployed under our Socio-Economic Program.

This does not constitute an admission of responsibility. We are merely acting as a responsible corporate citizen in a challenging environment and continuing to implement initiatives that are already underway.

**So, do you feel that despite the criticism and the legal proceedings, Total should stay?**

**JFL** - Because the Yadana project is important for Myanmar, it has become a favorite target of activists critical of the government. The allegations against Total are part of their political struggle and have naturally received a certain amount of media coverage.

Our determined commitment to remain in Myanmar for the project's 30-year duration is preferable to withdrawing. Through the Yadana project, we have made a meaningful contribution to the country's social and economic development, while promoting respect for human rights. Without seeking to interfere in the country's political situation and while respecting its traditions and culture, we monitor our initiatives in the field closely to ensure that they benefit the country's inhabitants. The country needs other projects of this kind to help it overcome its many problems.

## IV.6 Frequently Asked Questions

### 1 - Did Total use forced labor to build the Yadana pipeline?

Rumors alleging that Total used forced labor on the Yadana project are totally unfounded. It has even been claimed that we forced women and children to lay the pipeline. These accusations are groundless.

During pipeline construction and since its completion, we have used only adult, voluntary, paid workers hired in accordance with our usual employment guidelines. These include a written contract, physical examination before hiring and equal employment opportunities. Subcontractors were required to apply the same guidelines and their compliance was monitored.

### 2 - Total claims to have eradicated forced labor in the Yadana pipeline corridor. Could you be more specific?

There is obviously no forced labor related to Yadana activities. All TEPM activities are conducted in strict compliance with TEPM Ethics Charter, which is widely distributed and well known by our employees, contractors and partners and which clearly states that: *"Total E&P Myanmar ensures that its personnel policies and operational practices prohibit and prevent forced or compulsory labor, discrimination and child labor and more generally respect the internationally recognized labor standards. Total E&P Myanmar provides workers with fair remuneration and equitable treatment in accordance with the relevant labor market"*.

Outside the scope of Yadana operations, TEPM has established a procedure ensuring a formal and systematic follow-up of any potential issue arising in the pipeline area. If TEPM teams receive any information about a potential issue, TEPM will investigate the case and verify the information. If the allegations are substantiated and prove not to be in line with our Code of Conduct, TEPM will bring the case to MOGE and/or the Ministry of Energy and ask them to take the necessary actions. All actions will be discussed at least weekly until the case is closed.

### 3 - What role did the Myanmar Army play during construction of the pipeline?

In general, a country's government is responsible for maintaining law and order.

In this case, the Army began operating in the pipeline region around 1988, well before Total arrived in Myanmar, at a time when the new government stepped up efforts against rebels in different parts of the country. The Army's activity was entirely unrelated to the project. The military's presence was strengthened following a March 1995 ambush of a truck working on the project, an attack that killed five people.

The Army was not present on the worksite, where security was managed by Total and its subcontractors, but troops were operating in the general area to keep guerillas from getting close to the site. Via MOGE, the state-owned oil and gas company, Total was required to keep the Army regularly informed of how work was progressing and where teams were operating. However, we have never had a contractual relationship with the Army, given it instructions, or paid it any money.

To ensure the safety of project personnel and comply with its long-standing practices, Total took defensive measures that it felt were both normal and necessary, such as introducing security teams, ID badges, protective enclosures, radio check-ins, and rules covering movement and access.

Aware of the risk that the Army might requisition villagers for forced labor, we provided effective protection for inhabitants:



- Early in the project, communication channels were established with villagers through Village Communication Committees, communication officers, physicians and agriculturalists living in the villages, and villagers hired by contract to work on the project. In this way, our teams knew immediately what was happening in the field and were able to intercede in cases of abuse.
- From the beginning, Total made it very clear to government officials that forced labor was unacceptable and ensured that the Army did not resort to this practice in the pipeline region.

#### **4 - Did the pipeline project cause villagers to be relocated?**

No one in the pipeline region has been relocated since Total's arrival. Long before the pipeline project was first considered, one village was relocated, in an unrelated development that most likely occurred in 1991 or 1992. In one of the initiatives undertaken as part of the Socio-Economic Program, Total arranged for any of these displaced villagers who so desired to return to their former homes in 1997. Generally speaking, it is inaccurate to say that the Army "secured" the region before Total arrived.

Population in the pipeline region has grown from 35,000 when construction began to over 50,000 in 2006. This increase contrasts with the situation in most other rural areas of Myanmar, where people have tended to migrate to the country's major cities or to Thailand. It also attests to the good living conditions in the pipeline region and to the Yadana project's contribution to developing the local economy.

#### **5 - Has Total investigated the possibility that the company's presence has created an increased demand for forced labor in villages surrounding the pipeline area?**

Quite to the contrary, the presence of Total in the pipeline corridor is playing a significant role in preventing human rights abuses. Everybody there knows that Total has a clear commitment in this matter and that any case will be investigated. It is well known as well that we do not hesitate to call the Ministry of Energy if we consider the case as serious and if no proper solution is found at local level.

#### **6 - How do the villagers feel about Total's presence?**

The trusting relationships developed with the inhabitants of the 25 villages in the pipeline region constitute our most effective response to critics. This trust was created through the close contacts forged with villagers since early 1995 by our Socio-Economic Program teams, as they met with inhabitants and explained the Yadana project. As they deepened their understanding of local needs, the teams have helped villagers to implement their own projects, defended villager interests and ensured their safety. From the beginning, these relationships have been nurtured by the project's Myanmar employees—the physicians, veterinarians, agriculturalists and communication officers who live in the villages, side by side with inhabitants, who can discuss their concerns openly, without intermediaries or fear of reprisal.

We made sure that the pipeline project has inconvenienced people as little as possible. Its route was chosen to avoid villages and compensation was paid to farmers temporarily or permanently prevented from using some of their land. Roughly one-third of construction workers were hired locally, with jobs fairly distributed among the villages.

Outside observers—members of the Collaborative Learning Projects(CDA) in particular, but also journalists, diplomats and representatives of NGOs—have visited the site and noted that villagers are satisfied with Total's presence and with the Socio-Economic Program implemented for them.

#### **7 - Why has Total stayed in Myanmar while many other Western companies have left?**

A number of Western companies, particularly from the United States, have left Myanmar for various reasons, although all have been subject to pressure from activist organizations. Total has stayed because we feel that, independently of the pipeline project, our presence is beneficial for

the country and that pulling out would create a number of problems for the Myanmar people without offering the slightest advantage.

In fact, the country derives a great deal of benefit from having the Yadana project managed by a socially responsible company.

- Employment conditions. All employees receive higher-than-average wages for the country and are protected by a social safety net. What's more, the terms of their work contracts, which comply with Total standards, may have a spillover effect on local legislation. The stringent requirements placed on local subcontractors (work contracts, health and safety guidelines, minimum wages, etc.) are having a similar impact.

- Economic benefits. A number of subcontractors with whom the Group has forged regular, cooperative relationships have been able to expand and improve their technical skills. The project has also created a range of job opportunities and markets for nearby communities.

- Training. During the construction period, nearly 2,000 people were trained in a variety of trades and assigned to technical positions. A US\$10-million training program provided more than 100 skilled technicians and managers with the advanced expertise they needed to manage the operating facilities.

- The Socio-Economic Program. Thanks to this program, some 50,000 people are now healthier and better educated, earning higher wages, and, most importantly, living in a secure environment.

- Socio-political benefits. Other significant contributions include the creation of a civil society in the 25 villages located in the pipeline region and the elimination of forced labor in those villages through ongoing constructive dialogue with government authorities.

We feel that withdrawing from a country with serious problems is hardly the best way to help it resolve those problems.

## **8 - Total supports the UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with regard to Human Rights. Doesn't this support conflict with your presence in Myanmar?**

Total's presence in Myanmar does not conflict with the spirit of the Norms, which recognize the significant influence companies can have on people and communities in their host regions. We're fully aware of the role we have to play. In this framework, we strive to uphold personal rights in our host region, where our social and educational projects, deployed since 1995, have had acknowledged benefits. The economic development of a country, even one that is not a democracy, is a fundamental cornerstone of the development of human rights.

## **9 - Is the Socio-Economic Program scaled to meet Myanmar's problems?**

From 1995 to 2006, the Socio-Economic Program (SEP) has disbursed some US\$ 14.1 million, with more being spent during the first years when a large amount of infrastructure was built. Current outlays exceed US\$1 million a year (US\$1.4 million in 2006). Program costs are shared by the co-venturers in proportion to their investment in the project.

The SEP budget is considerable compared to international aid programs in Myanmar, although in fairness, many of these programs have been cut back because of the country's political situation. It has been estimated that since the mid-1990s, Myanmar has received around US\$50 million a year in bilateral and multilateral public development aid.

However, financial outlays are neither the only nor the best way to judge the effectiveness of the SEP initiatives, for several reasons:

- First, the performance indicators—target population, declining mortality and illness, doubling of school enrollment, increases in crop and animal production—speak for themselves.

- In addition, success has been driven by the very intense personal involvement of the Socio-Economic Program teams—and of Total E&P Myanmar employees in general—and by the very

positive local response to the program, due in part to the highly decentralized management of the various projects through the Village Communication Committees..

- Lastly, the initiatives have been designed not to create dependence but rather to produce sustainable activities and behavior.

Initially applied to 13 villages located near the worksite, the program was extended to 12 additional villages since 2001. Since then, it has been further widened, and today a quarter of outpatients and nearly a quarter of in-patients in the Kanbauk hospital and over one-third of boarding students in the Kanbauk school, a quarter of outpatients and nearly a quarter of in-patients in the Kanbauk hospital come from villages outside the pipeline region.

Total and its partners are committed to expanding their socio-economic initiatives outside the pipeline area. For example, they support a national program to combat blindness led by US-based Helen Keller International Foundation and orphanages that are home to 1,000 children in the Yangon region. They are also examining other actions that would enable even more Myanmar inhabitants to enjoy the benefits of the Yadana project. Such is the case with the public health initiative in Myanmar designed to support and treat people living with HIV/AIDS in the Mandalay region which they joined in early 2005.

Obviously, the Yadana Socio-Economic Program alone cannot resolve Myanmar's problems, which are due both to the political situation and to under-development, but the presence of a company like Total can help get the country moving in the right direction.

#### **10 - Have any third parties objectively and independently tested the quantitative claims of success made by your company with respect to the socio-economic program?**

The number of external assessments of TEPM socio-economic program (SEP) is unusually high if compared to other development projects.

Since 2002, regular assessments of the SEP have been conducted by CDA (Collaborative for Development Action). For the purpose of these assessments, CDA conducted five site visits in October 2002, April 2003, December 2003, May 2005 and February 2008. The reports of these site visits are available on CDA's web site.

In 2006, several external consultants were invited to make a comprehensive assessment of the SEP: the health program was assessed by a Public health specialist from International SOS, the economic development program was assessed by Pronatura, and the micro-finance program was assessed by the NGO Entrepreneurs du Monde.

For the micro-finance program, the NGO Entrepreneurs du Monde (EDM) is monitoring the program on a regular basis, with 2 to 3 site visits per year to audit the program and to build capacities of the micro-finance team. All data and statements are studied by EDM experts, and teams are taught about the proper way to handle them. However, here again the visits are not meant to check our quantitative records, but more generally to monitor objectives and achievements of the program. This is generally the way assessments are conducted in development agencies.

For the health program, TEPM has been using since 2008 a Public Health Consultant from Yangon University for external review and advice.

Most of those assessments are not testing quantitative data. In fact, testing of quantitative data of a program is extremely rare. Auditors normally focus on implementation of the activities, which does not mean that they do not rely on quantitative data.

However, our advisors have conducted quantitative data collection in a systematic way. For example, a health situation analysis was carried on in 2008. 291 households were visited and asked to answer a structured questionnaire composed of 55 questions. Stratified random sampling

method was used to select the households, and the survey was conducted by the holder of an epidemiology degree in an American University. Together with his survey, he trained our medical doctors to record data in a systematic way.

It needs to be underlined that the SE program is also often visited by other third parties, such as:

- NGOs: in 2008, GRET and MENTOR came to Kanbaw to study Yadana SEP. In the past, other NGOs have visited Yadana SEP such as World vision, AMI, DRA, MSF Holland, AFXB, etc....
- Diplomatic representatives : ambassadors from the US, UK, France, Italy and Germany visited the SEP
- Representatives from UN agencies (UN special rapporteur on Myanmar, ILO representative in Myanmar)
- Journalists (Washington Time, French and Belgium newspaper journalists...),
- Independent study group (Karen Christian Association),
- Government officials.

### **11 - Is there any way to monitor how the revenues generated by the Yadana project are used by the Myanmar government?**

The Extractive Industries Transparency Initiative (E.I.T.I.) is designed to monitor revenues. Launched in 2002, approved at the G8 meeting in Evian in 2003 and implemented by a growing number of countries, the E.I.T.I. aims to compare the total amount of revenues paid to a State by extractive industries to the amounts budgeted and spent.

As a partner in this initiative from the outset, Total is determined to contribute to it by:

- Committing to a global process involving all oil industry operators—host countries, listed companies, independent companies and state-owned companies.
- Reporting the amount of taxes and royalties paid to host countries, insofar as contracts allow, to a competent, recognized, independent international organization.

Our medium and long-term objective is to implement the E.I.T.I. in Myanmar, even though the current political situation is not conducive to this.

In addition to this necessary transparency, a multilateral organization, such as the International Monetary Fund (IMF) or the World Bank, would be the only organizations with the legitimacy to assess how any State uses financial resources generated when private companies pay taxes. This role could not be assigned to a private company.

### **12 -What's your response to people who accuse Total of preventing the European Union from imposing sanctions on Myanmar, through pressure on the French government?**

As part of the actions deployed by the European Union, the French government has indicated its preference for constructive engagement, rather than sanctions, in all recent international issues, whatever French companies operated in the countries concerned. This policy of dialogue is also preferred by a number of European governments, as well as a growing number of opinion leaders and experts in Southeast Asia, Europe and internationally. Clearly, such a stance is shared by a very large number of participants. No pressure is applied.

### **13 - How do you explain the fact that the situation in Myanmar is almost unchanged, despite your commitment to constructive engagement and your work to promote it?**

Total assertively supports local residents in Myanmar, whose living conditions are improving very significantly. We closely monitor the local and national impact of our actions, as do independent organizations, which have clearly established their benefits. In addition to causes inherent to the current situation in the country, Myanmar's weak development can be attributed far more to

sanctions than to engagement on the part of the international community. For the past 15 years, there has been strong Western pressure on foreign investment. If other companies operated in Myanmar, the results Total has obtained would be cascaded more widely.

#### **14 - What would happen if Total were to withdraw from Myanmar?**

If we decided to leave, we would immediately be replaced by another company who might not apply the same social or ethical standards. There would be no real impact on the State's revenues or on the political debate, but there would certainly be a negative effect on its people. As long as we believe our operations on the Yadana project can contribute to the welfare of the people of Myanmar, we are committed to staying in the country and to demonstrating that our presence is more beneficial for the Myanmar people than our absence could be.