

Explanatory note for Chapter 4.8 – potential Impact, economic and social Environment

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Detailed content

1. Assessment of impact of changes in relevant legal frame on the Project and/ or on the EIA Report

The legal framework should be considered at the time of writing this chapter of the EIA Report included the legal provisions applicable on the regional development in Romania, as regulated by Law no 315/2004 regarding regional development, as well as the relevant provisions relating the land acquisition for mining activities, expropriation for public use, compensation for expropriation, ownership of land, property securities and real estate transactions, zoning and planning, authorizing the execution of construction, relocation of worship places, housing.

Some of these legal provisions, taken into account when drafting the EIA Report's conclusions, have been subject to a legislative update, both by modifying existing provisions and adopting new regulations.

The most important example of a new regulatory filing released after the EIA Report is the adoption of the Romanian Sustainable Development Strategy, approved by Government Decision no. 1460/12 November, 2008 for the approval of the National strategy for sustainable development – Horizons 2013-2020-2030. Adoption of this directory document was particularly important to establish the principles and references to follow in order to ensure sustainable development. Although this strategy was not in force at the date the EIA Report was shown, the principles laid down herein had found its counterpart in the management and action plans to which reference was made in the EIA Report. This harmonization was possible because, in preparing the action plan and management to which reference in the EIA Report was made, the Holder reported to the standards set by the Equator Principles (especially Principle 2, regarding the achievement of economic performance of development projects, by continuing to improve their social and environmental performance; the requirement to address systematically and in an integrated manner the Assessment and Management of the Social and Environmental Impact), Standards of the World Bank Group and the International Finance Corporation, related to social condition and environmental sustainability projects with social and environment impact, including the obligation to consult the stakeholders, to respect the human rights and to issue the management of negative impact plan for sustainable development projects.

Thus, some of the most important benchmarks set by the Romanian Sustainable Development Strategy are:

- promotion and protection of fundamental human rights;
- informing and involving citizens in decision making process;
- involvement of business and social partners
- improving living standards on the delivery of public utilities, in particular as regards water and waste management;
- improve and make more efficient the use of human capital by promoting social inclusions and strengthening the administrative capacity to develop a modern and flexible labor market, improve the relevance of education and training for employment, stimulate the entrepreneurial culture - are already reflected in the action plans considered when drafting the EIA Report, among which:
- providing the Project area population the access to counseling on financial, legal, administrative and organizational fields and offering micro-financing facilities;
- investigate the local and existing human capital in the region and finding incentives for their development, establishing a fund for developing professional skills;
- sustainable community development program will facilitate a partnership between the stakeholders, to define a comprehensive vision and implement community development initiatives aimed at improving the quality of community life;
- developing social, environmental and economic aspects of the Rosia Montana community and so to continue to be net benefits in terms of welfare, regardless of RMGC, to maintain these benefits after Project completion.

Thus, the adoption of the Sustainable Development Strategy of Romania is not likely to lead to change the conclusions contained in the EIA Report.

One of the most important planning documents relevant for the Rosia Montana area, which was adopted after the submission of the EIA Report, is the National Strategic Plan for Rural Development (PNSDR). It focuses of the following three key aspects:

- facilitation of the transformation and modernization of the dual structures of agriculture and silviculture, as well as of related processing industries, in order to make them more competitive

and contribute to the economic growth and the convergence of incomes in the rural area (where possible), while ensuring decent living conditions and environmental protection in these areas

- maintaining and improving the quality of the environment in the Romanian rural areas, by promoting a sustainable management both for agricultural and forest areas
- management and facilitation of labor force transition from the agricultural sector towards other sectors that can provide adequate living conditions both socially and economically.

PNSDR intends to invest in the four main axes of the European Agricultural Fund for Regional Development (FEADR), as follows:

- Axis 1 – Increase competitiveness in the forest and agricultural sectors;
- Axis 2 – Improve the environment and the rural area;
- Axis 3 – Quality of life in the rural areas;
- Axis 4 – Public-private partnerships – LEADER type.

The development directions presented in the National Strategic Plan for Rural Development and the National Program for Rural Development 2007-2013 are taken into consideration by RMGC both through the Project development, as well as through the development of community and sustainable development programs, intended for the influence area of the Project.

Through the main objective of the Project itself, which is to facilitate the implementation of an industrial activity in the Rosia Montana commune, as well as through the estimated beneficial effects of this activity on the social and economic environment in the area, RMGC proposes the development of a disadvantaged rural mountain area, which is in concordance with the priorities and action directions set by PNSDR.

The implementation of the Project will contribute to:

- the development and diversification of economic activities and services, due to the requirements imposed by the ore extraction and processing activities;
- development of new skills and competences by locals;
- greening areas and environmental factors that were historically polluted;
- protection of the environment and human health;
- general improvement of well-being within the community as a result of new jobs and increased incomes;
- providing conditions for the development of tourism by protecting and emphasizing patrimony values;
- public-private partnerships.

From the point of view of the measures proposed in Axis 3 of the PNDR, a series of ongoing programs managed by RMGC – The Program for Restoration and Enhancement of the Patrimony, The Initiative for the Resurrection of the Community by Reviving Traditions, The Professional Training Program (for competencies required for the development of the Project, but also for non-mining sectors), the support offered for the development of small sized enterprises, are in perfect harmony – both as philosophy (aiming mainly at the economic diversification of mono-functional areas), and as means of action (local partnerships) with the measures stipulated in Axis 3 of the PNDR.

RMGC is also considering other measures and programs that correspond to the action directions stipulated by the PNDR, such as participating as private player in The Local Action Groups proposed in the influence area of the Project – especially in the direction imposed by the measures taken for the restoration of villages and promotion of tourism. RMGC also intends to support the development of small sized enterprises, that will become suppliers and contractors for the mine, but also of non-mining sectors, through the integration of a series of PNDR measures in RMGC programs aiming at the development of small sized enterprises (i.e. support people in the community to become eligible for PNDR programs by using microcredits (small loans) as a source to ensure co-financing, where necessary etc).

Coordination with the National Strategic Plan for Rural Development 2007 – 2013, the National Program for Rural Development 2007-2013, as well as with other strategies, programs and action plans which are relevant for the influence area of the Project is an essential principle of the strategic planning of sustainable development, applied by RMGC. The principle according to which RMGC must coordinate with other players in preparing policies and strategies is stated in the EIA

Report, therefore the ongoing coordination process represents an expression of compliance with all obligations entered into by the Holder.

Also, any modifications, occurred after submitting the EIA Report, to the adoption of normative acts regulating local government (Law no 215/2001 regarding local public administration has been successively changed), zoning and planning properties (Law no 350/2001 on spatial planning and urbanism, as amended) and securities regime does not affect the means of action envisaged by RMGC programs to implement policies to involve all stakeholders in community sustainable development plans or programs for land acquisition, resettlement and relocation.

Thus, as resulting from findings in the EIA Report, the Holder has undertaken to work with the local authorities, to contribute to planning and community and respect the rights of residents in the influence area of Project, including proposed acquisition of properties and relocation of residents, will perform all these actions in accordance with the laws in force at the time of those actions.

For this reason, no modification of the legal framework governing these matters will lead to changes in the conclusions contained in the EIA Report.

Given the above considerations, changing the legal framework of the date the EIA Report was submitted up to present do not affect the conclusions and the remedies envisaged in the EIA Report.

2. Updates to Chapter 4.8 - “Social and economic environment”

2.1. Potential impact – general overview

Assessment of potential impact is an essential component of the System of Social and Environmental Management, a component on which plans were developed to minimize the negative impact of the Project and maximize its benefits, as considered in EIA Report.

a) For the direct impact of the Project area (the properties acquisition area) – for 2006-2010 period, identifying and updating the potential impact have been made in the annual progress reports on the implementation of the Relocation and Resettlement Action Plan (RRAP) and in the Social Impact Monitoring Reports. This update was made in accordance with the principles that gave rise the Relocation and Resettlement Action Plan, continuous monitoring being the essence of the application of any social management plan. According to the obligations set out in the RRAP and the EIA Report (chapter 6 Monitoring and Environment and Social Management Plan), RMGC monitored the relocated and resettled families through internal and independent monitoring; the main results of the monitoring were presented to the community stakeholders, the authorities and the public through the Annexes 18/2009 and 19/2010 of the Relocation and Resettlement Action Plan.

Basically, the monitoring of the social impact of the relocation and resettlement process shows that:

- The displaced families were relocated and moved to better living conditions;
- The main reasons for the choice of destination were close relatives, finding a job, urban aspirations of families in the impact area of the Project;
- Families in process of relocation/resettlement go through the integration and adaptation to new locations easier if assisted in the process.
- RMGC implemented until 2007, through the Socio-Economic Section of the Community Relations Department, and starting with February 2007, through the Support Program for Resettlement and Relocation, strategic and support measures compliant with the provisions of the Relocation and Resettlement Action Plan, designed to allow restoration of households (approached as complex living systems) and obviate any difficulties which may arise in the process of relocation and resettlement in the host communities;

Strategic measures:

- property compensation system based on replacement values;
- strategy to encourage people to remain in Rosia Montana by subsidizing the costs of the house with 25% for the resettlement option;
- compensation system for business;
- employment for at least one family member in the construction phase of the Project;
- professional training and reorientation through the Professional Support Fund and assistance in identifying courses for people looking for a job in the new locations;

- ongoing information and consultation of the affected community, its participation to the making of decisions of direct concern;

Support measures:

- free legal counseling to obtain titles of ownership;
- offers advice on small savings, investments, banking as well as information sessions on various financing opportunities for the establishment and development of small business;
- assistance to identify new properties, completion of formalities required for the registration with the electricity supply company, police, tax administration, municipal management, territorial house of pensions, schools and kindergartens;
- assist active people who were relocated or resettled in indentifying jobs, in collaboration with competent authorities;
- special monitoring and assistance program for vulnerable categories.

b) For the Project's entire area of influence, the area of direct impact, the immediate and mediate impact area - took place internal monitoring and independent monitoring of compliance with obligations of social and environmental impact incurred by the Holder and stated in chapter 6 (vol. 17) of the EIA Report. A summary of the socio-economic development in 2006-2010 is found in the Monitoring Report of social impact, Annex 19/2010 to the Relocation and Resettlement Action Plan. Since 2009, the Annual Independent Monitoring of Socio-Economic Impact of the Project was brought, which shall be conducted by a consortium of universities – “Munții Apuseni” Research and Development Center, with its headquarter in Alba Iulia and a branch in Rosia Montana (Social and Economic Impact Monitoring of the Project).

According to the obligations of monitoring the social and environment impact incurred by the Holder (set out in vol. 16 of the EIA Report) and the associated procedures, identification and continuous upgrading of social and economic impact generated appropriate measures and actions, and actions designed to improve the management of social impact; these do not modify the original assessment, they were recorded in the progress reports, are part of the procedural logic of the social and environmental management system and do not entail the modification of the original document submitted by the Holder.

2.2. Assessment and prediction methods of the impact on the social and economic environment

In 2006-2010 improvements have been made to the RMGC capability to manage the socio-economic impact of the Project. Some of these are:

- employment in integrated multidisciplinary teams;
- the continuous improvement of personnel in charge of the functioning of the social and environmental impact management system;
- hiring a partnership of universities to conduct an independent monitoring of the socio-economic impact of the Project – “Munții Apuseni” Socio-Economic Research and Development Center which founded a Social and Economic Impact Monitoring of Project in Rosia Montana.
- developing an improved methodology and an Array of Socio-Economic Indicators to allow the *annual* reassessment of the socio-economic and therefore the review of plans, programs and social impact management measures;
- adopting best international practices in this area – proposing a system of co-monitoring of socio-economic (and environmental) impact;
- integrated approach improvement of environmental, socio-economic, cultural impact;
- improved management information (socio-economic databases);
- improvements in the methodology framework of continuous assessment and review of the RMGC social impact plans to reduce negative impacts and more benefits for the Project :
 - analysis of the Romanian legislation and normative acts of nature or recommendation adopted at European Union level, to identify and apply the provisions relevant for RMGC;
 - assessment of the socio-economic developments in the area of influence;
 - periodic assessment of monitoring results;
 - assessment of stakeholders inputs (questions, suggestions and concerns of the stakeholders) – RMGC keeps records and evaluates them periodically.
 - including stakeholders vision within the plans and programs updated for sustainable development;
 - assessment of community needs;

- assessment of the government policies and strategies for sustainable development with implications for the Project's area of influence;
- attend information sessions and debates for an ongoing identification of new community development projects, financing opportunities, potential partnerships as well as other means of involving RMGC, together with other players, in the development of the Rosia Montana area;
- attendance of the RMGC specialists to national and international communication sessions, experience exchange;
- these efforts to continually improve the Social and Environmental Management System represent the fulfillment of obligations entered into through the EIA Report and will not entail the modification of the Report's conclusions.

2.3. Legislative context

a) Maintain compliance with the national legislation

In the 2009 version of the Sustainable Development Action Plan, RMGC aligned under the obligations undertaken and conclusions contained in the EIA Report, initiated new programs and ongoing legislation in force, taking into account the updated versions of the national, regional, county, local and sectorial development strategies. Since these updates were a fulfillment of the obligations already incurred by the Holder (chapter 6 – Monitoring and Environmental and Social Management Plan), in which considerations have been issued the conclusions of EIA Report, performing these alignments to the legal framework in force does not lead to any changes in the conclusions of EIA Report.

b) Maintain compliance of the Social Management System with the international standards on corporate responsibility in projects with social and environmental impact

The Project complies with the standards for the responsible management of social impact, and monitors their progress:

- Equator principles (2006)/ IFC's Performance Standards (April 30, 2006) related to systematic approach of projects' social impact – obligation to implement an Environmental and Social Management system, especially the Principle Equator no. 2, regarding the obligation of the companies to assess the risk/ potential impact of proposed projects and measures to reduce the negative impact;
- IFC Performance Standard no 1: Companies are required to implement an Environmental and Social Management System appropriate to the impact and dimensions of the Project;
- The IFC policy regarding the Environmental and Social Sustainability (April 30, 2006) – refers to the essential principle of reducing the negative impacts linked with companies' efforts to increase the capacity of communities to have access to the positive impact of projects;
- Specific requirements for resettlement operations – “IFC Performance Standard no 5/ Access to land and resettlement” – contains the following recommendations for projects holders:
 - Need to make efforts to avoid/ reduce displacement by studying alternatives;
 - Reduce social and economic negative effects of the resettlement by: (i) compensation system based on replacement value; (ii) the whole process to be based on information, consultation and participation of the affected communities;
 - The persons resettled/ relocated to new locations to achieve higher living standards than the baseline;
 - Assistance to persons in resettlement process to their full integration into the new locations, in all aspects: legal status of persons, establishment of property rights on new household, social/ cultural, economic;

Compliance with the principles established by international standards has been considered in the conclusions contained in the EIA Report, and their application within the Project was done according to obligations of continuous monitoring and adjustment, assumed by the Holder.

Periodic review of these international standards for responsible mining, environmental and social performance of mining projects is a natural process; through its specialized departments, RMGC analyzes and improves its policies as per the latest development of these standards. These improvements are shared with the stakeholders through the implementation reports of the RRAP and the Social Responsibility reports and do not lead to necessity of further studies nor alter the conclusions of the EIA Report.

2.4. General presentation of the baseline socio-economic conditions

The socio-economic baseline conditions were assessed based on baseline socio-economic studies (2002 – 2006). The main components assessed were: the general profile of the Rosia Montana area; demography; health; households' income; employment and unemployment; human capital, community capital, education and professional training; infrastructure and services; local and regional economy; national economy.

The key trends identified through the socio-economic evaluation of the initial conditions at the date of submitting the EIA Report (2006) were described as follows:

- Population aging and population decline, both at community and regional level.
- Ageing is due in part to migration of working age population and young people to other areas
- Massive layoffs in the mining industry had a significant negative impact on the community
 - Health risks are high and school attendance declining in the community, and the related infrastructure is poor
 - The mining sector remains the main source of jobs
 - The two state mines existing in the area were planned for closure in 2007
 - Over 50% of the community population received state aid
 - The percentage of community people in the class of population with incomes below the poverty line is raised
 - The investment flow is low, except mining
 - infrastructure state - roads, water supply, waste, energy - and the housing stock is very poor in the community
 - environmental conditions are extremely poor, with significant pollution and continuous risks and impact on the environment
 - the evolution of initial social and economic conditions was monitored between 2006-2010 as per the obligations entered into through the EIA report, based on independent studies, expert consultation, consultation of the affected community and stakeholders, management assessment.

Monitoring the development of socio-economic conditions and socio-economic impact of the Project (2006 – 2010):

The main studies that laid the foundations of monitoring the evolution of socio-economic conditions and of maintaining an updated assessment and management of the socio-economic impact of the Project were:

- Study on socio-economic impact of Rosia Montana Project, “1 Decembrie 1948” University of Alba Iulia, July 2007
- The Rosia Montana commune - the social and economic state - “Munții Apuseni” Socio-Economic Research and Development Center, December 2009
- Diagnostic assessment on enterprise development and capacity provider for RMGC, Technoserv, May 2010

The main features of the evolution of socio-economic components measured initially (as per studies before 2006) by considering the results of previous monitoring (as per studies made in 2006-2010) are:

a. Conclusions of University “1 Decembrie 1918” Alba Iulia – 2007:

1. Related to demographic parts of the immediate impact area it can highlight the following developments:

- lower total fertility rates at the site of impact than comparable indicators (National, county and urban / rural) which underlines, on one hand, the pressing nature of the policy of maintaining fertile population (15-49 years) in the area, and secondly, the need for strategic and political interventions (and investment) to amend the current procreative behavior couples;
- very low divorce rate, which, along with a small external migration rate indicates whether conservative, traditional people (from an socio-demographic angle, compared to the population of Alba County);
- small number of marriages, and therefore an aging demographic structure;
- Internal mobility of the population (from one locality to another) well above the national average and the county, which can foster innovative behaviors, and depopulation.

2. In respect of employment and unemployment

- there have been massive layoffs which, even if not immediately, affect the budgets of families who were employed in mining enterprises;
- by the number of layoffs, the most affected administrative - territorial units, between cities is Abrud and between small localities are Rosia Montana and Lupşa;
- increased rates of unemployment in early 2007 compared to 2003 are higher in Rosia Montana, Lupşa, Bucium and Abrud being directly related to the latest wave of layoffs;
- the impact zone is a resource for employment and recorded a weight well above the county average of persons seeking employment in the total working age population
- between 2003 -2007, while the national unemployment level decreases, in the impact area this increases;
- retraining offers little prospect of economic rehabilitation of the households, because there were no employment opportunities as the number of layoffs;
- persistence of a tradition of wage labor, therefore in this respect, unemployment is a serious social problem in the area.

3. Regarding the development of alternative economic mining activities:

- would be appropriate a dairy products unit, but this is not possible based only on milk production of Rosia Montana strictly, requiring a form of association between more localities around;
- despite a huge potential for tourism, “access infrastructure to tourist areas is not maintained, lack of training of the residents in the area, local private initiative is lacking; insufficient promotion of tourism”

4. Conclusions:

- “from the SWOT assessment, one can observe that the sustainable development of the area is dependant of the mining activity and hence the positive impact of the Project, its suitability generating positive economic and social implications in the area” (to see the entire quoted study go to: <http://www.rmgc.ro/sites/default/files/evenimente/Studiul-Universitatii-din-Alba-Iulia.pdf>)

b. Assessment results of the social and economic status of Rosia Montana commune, according to the Report of the “Munții Apuseni” Research and Development Center, 2009 (Appendix NE, Chapter 4.8 01) and other data:

Demographic indicators:

- Total population:
 - 2589
- Distribution of total population by main age groups
 - 0-14 years – 15.1 %
 - 15-64 years – 69.1 %
 - over 65 years – 15.6 %
- Distribution by sex :
 - male 48.9 %
 - female 51.1 %
- Distribution of total population by ethnicity:
 - Romanian 82.6 %
 - Roma people 16.5 %
 - Hungarian 0.2 %
 - Not stated 0.7 %

Socio-economic situation of households

- No. of households: 963
- Average household size:
 - 2.7 persons
- The average net household income (2009):
 - 300-600 lei/month - 20 %
 - 600-900 lei/ month – 14.2 %
 - 900-1200 lei/ month – 11.8 %

- sources of income of households:
 - the most important source of income is the pension – 54.3 %
 - the most important source of income is wages – 33.9 %
 - the most important source of income is unemployment aid- 5.8 %
 - welfare - 3%
 - independent non-agricultural activities – 1.65 %
 - agricultural activities – 0.9 %
- subjective standard of living (income appreciation reported to the needs of households):
 - 32.5% - [income] „does not suffice for the basic necessities”
 - 40.6% - „It suffices only for essential”
- Indicators of vulnerability:
 - 134 households (14% of total) - consisting of a single elderly over 65 years old
 - 149 Roma households- 435 persons
- Housing facilities:
 - 81.5% - own a TV
 - 68.8% - own a refrigerator
 - 34.2% - Toilet inside the home
 - 35.6% - toilet facilities outside their home
 - 29.8% - outhouse in the yard

Indicators of employment and unemployment

- working age population – 1,789 persons, of which:
 - approx. 500 with an income from a gainful economic activity (unemployment excluded)
 - approx. 1000 working age people with no income
 - 289 – no of unemployed paid and unpaid at the end of May 2010
- The official unemployment rate: 15 %

Evaluation of alternatives to mining

Agriculture

- According to all studies, agriculture has always been only a complementary source of income, household incomes basis were the salary incomes in mining; arable land constitutes 12% of the total territory of the village and 7% of the Project footprint;
- abandonment of the maize crop in 2003 due to low yield of cultivated areas;
- decrease of potato production by 42% in 2009;
- Livestock reduction - on average, a household grows 1 cow, 1-2 pigs and 10 birds.

Tourism - two unclassified accommodation units / not approved, restaurants and hotels - 0

Situation of business operators:

- Business operators which suffered losses at the end of the first semester, 2009 - 47 units
- Business operators which had profit at the end of the first semester, 2009 - 26 units
- Business operators which made layoffs in 2009 – 5 units

Other data relevant to the social situation of the commune:

- Closing of the state-owned mine in 2006 (which required almost all of the local labor force) as well as of other mines in the area, associated with the delay in implementing the Project proposed in Rosia Montana generated unprecedented social problems in the area: unemployment, poverty/extreme poverty, businesses making more loss than profits; currently, the main income source for almost half of the people is their pension.
- Extreme Poverty - 266 households of 963 (approx. 27.5% of the households) live with less than 2\$/day/family member (according to data from Rosia Montana Town hall);
- In compliance with the report “The map of poverty in Romania”(a Report prepared upon the request of the National Anti-Poverty and Promotion of Social Inclusion Commission, by the Bucharest University and the National Statistics Institute), due to the lack of local economic diversity, the category of areas highly exposed to poverty also includes “the mining towns were affected by the repeated restructuring in this sector”.

- Illiteracy - 4.6% of adult Roma population has not followed any form of schooling;
- No of doctors to total population (2,589 persons)
 - 1 General Practitioner
 - 1 dentist
 - 0 pharmacies
- Distance to be covered for emergency medical help – min. 10 km.

c. Survey information about public attitudes towards the Project, the IMAS study „Rosia Montana Project” March 2009 (data collected in January-February 2009):

Since the mines were closed or reduced their activity, the vast majority of the people of Rosia Montana and surrounding villages believes that, in areas where they live, living conditions have become difficult and very difficult:

- For instance 93.2% of the population from the Rosia Montana commune believes that they live in „difficult” and „very difficult” conditions, while 84% of the Rosia Montana population mentioned „mining” and ”mining resources” as one of the strengths of Alba county.
- Also, 71 % of the Rosia Montana village population believes that mining is the main activity in the area and it had a positive impact, while 84.9% of the Rosia Montana population agrees with the Rosia Montana mining Project.

The acute lack of jobs and trust in the capacity to generate jobs of the Rosia Montana mining Project is expressed by 92% of the Rosia Montana population, who believe that a large number of people could work in this region together with the development of the Rosia Montana Project.

d. Conclusion of Social Impact Monitoring Report, RMGC, 2010

Additional to state mine closure and lay-offs in an area where the potential for other economic activities is almost nonexistent, in the 2008-2010 the economic crisis has led to new waves of layoffs in Rosia Montana, constituting an aggravating factor for the socio-economic condition in the area.

The most important form of social impact identified in the years 2009-2010, based on the community input, was the impact due to the fact that the Project did not start. RMGC were addressed during this period over 1,000 job applications. In the debate organized by RMGC monthly in 10 locations within the Project area, the most common problems addressed by the community to RMGC’s management were:

- jobs problem
- why is the start of the Project delaying
- concern about what will happen in the absence of the Project
- fear that in the absence of the project the area will increasingly depopulate.

Monitoring the evolution of initial socio-economic conditions and of the influence of RMGC activities on these are obligations assumed by the EIA Report. Monitoring results were the basis for identifying changes from the initial predictions about the potential impact and were taken into account in managing the socio-economic impact. In essence, socio-economic data followed in trend shows that in the absence of mining, socio-economic conditions have deteriorated progressively in the Rosia Montana project area and that there is no viable alternative for the area development. These results reinforce the conclusions of the EIA Report on the need of the Project for the sustainable development of the Rosia Montana area.

The initial health conditions of the population and the potential impact of the Project on the health of the population were updated through the „Study on the impact on health conditions in the protected area, to establish the activities and furnishing of the protected area and the Study on the impact on health conditions in the area”, prepared in August 2007 and attached to the hereby explanatory note – *Appendix NE_Chapter 4.8_02*. Also, as per the experts’ recommendations, the health condition of the population in the influence area of the Project will be monitored throughout all its stages.

2.5. Potential impact

a. Updates on social impact assessments of the Project

Since the submission of the EIA Report, RMGC, under the obligations provided in chapter 6 „Monitoring” and „Environmental and Social Management Plan”, regularly updated the Register of social impact forms and proposed new programs, measures and actions to manage the newly identified impact forms, in accordance with MP-01 Procedure, „Identification and updating forms of environmental and social impact”.

These are reported in:

- Social Impact Monitoring Reports 2006-2010 (main results are included in Reports - Annex 18/2009; 19/2010 of evolution of the Relocation and Resettlement Action Plan implementation;
- RMGC Social Reports 2006-2010 (<http://www.rmgc.ro/dezvoltare-durabila/raportare.html>);
- also in the updated Action Plan for Sustainable Community Development - 2009, the proposed community development programs have considered the updated re-evaluation of the social and environmental impact forms.

In essence, as previously noted, studies, consultations with communities within the Project area and surveys conducted during 2006-2010 showed a negative impact on the community due to the fact that the Project did not start. For this reason, the conclusions contained in this chapter of the EIA Report remain unchanged.

b. Updates on the assessments of the economic potential impact of the Project

From the date submission of the EIA Report and in accordance with their obligations, RMGC asked independent experts to continuously update the assessment of the economic impact of the Project.

The main conclusions of these evaluations can be summarized as follows:

- In the 16 years of operation, the project expects to generate total revenues from the sale of gold and silver for about \$ 7.5 billion (calculated at an average price, according to industry standards, \$ 900 per ounce for gold and 12.5 USD per ounce for silver);
- In this period, the Holder’s direct contribution to state revenue (taxes, fees, taxes and dividends) is estimated at 1.72 billion USD;
- construction costs associated with the early years of the Project, plus the RMGC operating expenses and closure period, will result in the total amount of 1.96 billion USD, representing direct new spending on goods and services in Romania throughout the lifetime of the Project;
- including also the labor costs, the direct effects of the Project will add 4 billion USD into the Romanian economy. This amount is equivalent to 53% of total anticipated revenue of the Project.

Besides the direct impact, the Project will generate effects consisting of indirect and induced substantial spending. These are additional costs generated by the direct costs described above which would not exist without the proposed Project. Analyzing the Project in terms of its impact on Romania’s GDP and account for both direct and indirect and induced benefits, the reports prepared by Oxford Policy Management (OPM) and James Otto (December 2009) estimated that the Project may have an impact on Romania’s GDP of around 0.5% per year or the equivalent of 19 billion USD over the life of the Project.

Related to labor market opportunities, the mine is expected to create 2338 direct jobs; during the operation stage: 842 direct jobs (most of which will be granted to the labor force from Romania, priority being granted to the labor force in the influence area of the Project); the closing stage: 270 direct jobs. Calculations made by OPM show that during the operation stage, the typical employment multiplier is above 4, which means that the 842 direct jobs are associated with approximately 3,368 indirect jobs, in the local and regional areas in the vicinity of the Project, which would contribute to raising living standards for households in the area.

The project will make a major contribution also for foreign direct investment (FDI) in Romania. There will be an influx of capital of 440 million USD in year 1 of mine building and 860 million USD in year 2. These values, together with the investments made so far and those yet to be made in operational phase of the project will lead to a total contribution of 2.1 billion USD in FDI.

To determine the share of cash flows generated by the Project, for the benefit of Romania, has been calculated the effective tax rate (ETR - Effective Tax Rate) of Project. After calculations, ETR value is

between 44-48% depending on estimated income and expenditures (fixed, plus 3% or 10%). If there are added the additional costs of 280 million USD for public infrastructure throughout the Project, this figure increases to 51-55%. If taking into account that investment in the Project is approximately 2 billion USD and if this investment is repaid first (with a capital interest of 4.25 to 4.5%), so that the state share is measured as a percentage of the value generated by the Project, the ETR rate increased to 64%. These values are derived from the „base model” of the Project and they can vary along with possible future developments in the gold price, higher or lower rates of minerals recovery, variable production costs.

The nature of the tax system in Romania, with fixed rates, provides the state a significant share of revenues generated by the Project, and the public interest is secured and protected from such risks.

For business, the project creates a number of opportunities:

- Mining rebounds in Romania on a secure, modern and profitable base, providing a valuable precedent for other potential mining investments;
- Can stimulate new investment in many supplying industries with potential from Romania. Economic activities like construction, earth moving, transport and logistics will have real opportunities;
- Romania, and the impulse given by the Project could have a significant positive contribution to achieving the EU objective of ensuring safe and efficient source of mineral resources of strategic importance;
- The Project can improve Romania’s capacity to access European Union structural funds by proposing projects qualified for this purpose or by supporting the authorities in order to capitalize on opportunities to access European funds.

In conclusion, the project will generate additional social benefits to local and national communities:

- significant local new infrastructure: 128 million USD;
- Greening of old abandoned mining objectives, pollutant: 37 million USD;
- restoration, maintenance and enhancement of cultural heritage objectives and their research: at least 35 million USD;
- new facilities for the community: 31 million USD;
- education and training programs to improve workforce skills, and community service programs in the health, social and cultural area: 49 million USD;
- re-establish a modern and profitable mining sector;
- to stimulate the related industries that can develop and support other market opportunities;

It is estimated that these activities will have direct costs of approximately 280 million USD. Besides the direct economic impact forms mentioned before, they provide significant social value for Romania.

2.6. Improving and monitoring measures, implementation responsibilities

a. Updates occurred within the programs, improving and monitoring measures

Direct impact area

In accordance with the monitoring obligations contained in the Sustainable Development of Community Plan - 2006, in the Environmental and Social Management Plan and in chapter 6, Vol. 17 ”Monitoring” of the EIA Report, in 2006-2010 have been regularly made monitoring of the social impact, assessments of proposed efficiency measures and improvements to these above.

The largest number of programs, measures and actions to reduce the social impact was addressed to the direct impact area - the community affected by relocation and resettlement.

To manage the negative impact of relocation and resettlement, Resettlement and Relocation Action Plan, version 2006 with subsequent updates, is based on a set of strategic measures (compensation system based on replacement value, work under contract for at least one family member during mine construction, the strategy to encourage remaining in Rosia Montana by subsidizing construction of the house by 25% for the option of resettlement, compensation system for businesses, professional support fund) and a set of measures to support the whole process of resettlement/relocation, aimed at monitoring and intervention according to the difficulties encountered during the removal and adaptation process until the full integration to new locations.

Only in 2007-2010, there were over 1,800 interventions to support the community through the Program for Resettlement and Relocation Support. These are documented in the Register of Interventions of Program for Resettlement and Relocation Support. From the category of measures to mitigate the direct

impacts - other than the impact caused by relocation and resettlement action plan, must be referred to the Measures Plan to mitigate the impact of dismissals made in March 2008, when RMGC laid off 168 employees, after restricting activities because of blocking the Project assessment. The measures took into account compliance with current legislation, dialogue with stakeholders and compensation for a period of two years.

Indirect impact area

Managing the negative impact

In 2006-2010, RMGC used the instruments announced in the EIA Report related documentation to manage the forms of indirect effects generated by the fact that the Project did not start. The main actions were:

- intensification of dialogue with the community by extending the debate program in 10 locations accessible to all communities within the Project area;
- extension of the program for receiving and solving community complaints and suggestions throughout the whole area of influence;
- The initiative of community revitalization by revival of traditions;
- Creation of additional jobs reference to the projected activities for 2010, in order to respond to some serious social problems (unemployment, poverty and extreme poverty)

Positive impact

During the submission of the EIA Report, in 2006, RMGC continued with the local community programs and partnerships announced in the documentation submitted in 2006 and progress has been monitored and reported in the Social Reports of RMGC 2006-2010 (<http://www.rmgc.ro/dezvoltare-durabila/raportare.html>).

In 2008, RMGC has invested 909.700 RON and 10,650 hours of volunteer work in programs, partnerships and initiatives for education (especially environmental education and education of the Roma community in Rosia Montana), improving the social situation in the community, preservation and enhancement of the traditions, maintenance / rehabilitation of historical monuments.

In 2009, according to data reported, RMGC invested 1,561,818 USD in appropriate programs following the main needs of the community (health, culture, education, social issues, environment, material and intangible heritage).

These programs and activities are developed in partnership with local government, schools and local non-Government organizations.

These actions were undertaken in accordance with the obligations assumed by the Holder and the principles reflected in the conclusions of the EIA Report, and do not lead to the need of preparing new studies or change the conclusions contained in the EIA Report.

Implementation Responsibilities

In accordance with the Relocation and Resettlement Action Plan and EIA Report, social impact management was, by 2006, the responsibility of the Holder's Department of Community Relations. In the period 2006-2010, RMGC made improvements to the management capacity of the socio-economic management of Project, including a specialized departmental structure (Departments of Community Relations, Environment, Heritage and Sustainable Development) and an inter-departmental structure aimed at mainstreaming the dimensions of sustainable development - environment, socio-economic, heritage.

In conclusion, in accordance with the obligations assumed and reflected in its EIA Report, RMGC implemented a Social and Environmental System continually improved. It will be scaled periodically as the project will continue to respond to the changing political, social, economic context, legal framework, new types of impacts identified by the appropriate instruments for collecting feedback, questions, concerns of the communities in the Project area of influence, as well as concerns of all stakeholders.

The RMGC objective is the economic performance by continual improving of social and environmental performance.

Given that the actions taken by RMGC are a fulfillment of their obligations and the principles reflected in the EIA Report, the conclusions of EIA Report does not change.

3. Updates to Chapter 4.8 - “Social and economic environment” – Sustainable community development plan

3.1. Rosia Montana

Updates of subchapter 3.1 can be found in the Social Impact Monitoring Reports and do not change the conclusions of this chapter within the EIA Report.

3.2. Political framework

Updates to the developments occurred in period 2006-2010 within the government’s policies on sustainable development, regional development and territorial cohesion have been documented and were the basis for the 2009 version of the Action Plan for Sustainable Development of RMGC.

Since sustainable and regional development principles, as well as those relating to territorial cohesion, have been considered in the EIA Report submitting date, standing at the basis of Sustainable Development Action Plan prepared by RMGC, updating this plan is not likely to lead to change the conclusions contained in the EIA Report.

3.3. Rosia Montana Project – general data

No updates necessary

3.4. Project impact

See section 2 of this Explanatory note.

3.5. Defining the community

Based on initial studies and subsequent monitoring, the Project area can be modified to be taken into account in future versions of Sustainable Development Plans and other plans which aim to manage the social impact. These developments and continuous monitoring are part of the strategic planning process logic, without representing a major change in the initial conclusions contained in the EIA Report.

3.6. Development at Government level for Rosia Montana

Important updates on this issue during period 2006-2010:

- Preparation of the Development Strategy for Rosia Montana (2008-2013) by facilitating and funding from ANDZM, currently ANDZI. The strategy draft was done based on a participatory process that involved also RMGC, as proprietor of the Project, which is intended to contribute to the community sustainable development and of the wider area of Rosia Montana.
- In 2006-2010, investment projects were carried out of government funds managed by various government agencies: Payments Agency for Rural Development and Fisheries, FRDS, ARDDZI, Phare funds.

Updates of relevant government policies and strategies for development of Rosia Montana have been taken into account in the Sustainable Development Plan of Action, version 2009, without making necessary changes to the conclusions of EIA Report or drawing further studies.

3.7. Investments at Rosia Montana

- RMGC contribution to the local budget through taxes - by RMGC significant contribution to the local budget of the Rosia Montana (taxes of 6,646,135.74USD in 2006-2009, without taking into account the RMGC sponsoring and other social or cultural projects), local government had the capacity to access European funding and to make large investments in infrastructure;
- In 2006-2010, in Rosia Montana have made investments from the local budget from government funds (Payment Agency for Rural Development and Fisheries, RSDF, ARDDZI) and Phare funds for bridges, roads, water pipes, schools, churches, intangible heritage.

3.8. Sustainable community development program

According to monitoring obligations assumed by the Holder and in accordance with the principles of strategic planning, sustainable development programs have been updated periodically, (see updated version 2009/2010 of the Sustainable Development Action Plan).

These updates, which represent the fulfillment of the RMGC obligations and the implementation of principles of strategic planning, do not lead to necessity of further studies or to change the conclusions of the EIA Report.

3.9. Rosia Montana Development Organization

The Organization documents have been issued and are in a stage of internal approval. RMGC will initiate the registration of the Organization depending on the Project's evolution, so that the conclusions of the EIA Report on these aspects to remain unchanged.

4. Updates to Chapter 4.8. – “Social and Economic Environment” – Annex documentation following the public consultations – volume 53 – Sustainable community development of Rosia Montana and the Rosia Montana Project

4.1. Context of sustainable development

Necessary updates have been made in the 2009 version of the Sustainable Development Action Plan and do not draw the need to amend the conclusions of EIA Report.

4.2. The five statements of the sustainable development

Necessary updates have been made in the 2009 version of the Sustainable Development Action Plan and do not draw the need to amend the conclusions of EIA Report.

4.3. Sustainable development of RMGC policy implementation

In 2006-2010, improvements were made to capacity of RMGC to implement the Sustainable Development Policy, as follows:

- Establishing the Sustainable Development Department, with subsections socio-economic database, strategic planning and implementation.
- appointment of a vice president for sustainable development issues;
- 2 independent inspections (audit) were conducted on social and environmental performance of Rosia Montana Project. The recommendations were taken into account in the continuous improvement process of the Environmental and Social Management System.
- was developed an updated version of the Sustainable Development Action Plan (2009);
- was founded an independent entity - a consortium of universities – with role of independent monitoring of socio-economic impact of the Project

These improvements, in 2006-2010, brought to the Holder's ability to implement Sustainable Development Policy reflects the philosophy of the EIA Report submitted in 2006, in fulfillment of the obligations of the Holder, considered in the EIA Report.

Also, these measures were reported by stakeholders in the Social Responsibility Reports of the Holder and do not required to draw up further studies and did not alter the conclusions of the EIA Report.

4.4. Programs and partnerships for sustainable development for Rosia Montana

In 2006-2010, programs and partnerships for sustainable development initiated in the influence area of the Project continued. During this time, the Holder improved its ability to communicate with all stakeholders involved in the sustainable development of communities within the Project area of influence, to identify community needs and to support sustainable development initiatives in partnership with local, regional, national parties.

These programs and partnerships were reported to stakeholders in the Social Responsibility Reports of the Holder and creates no obligation to issue further studies and nor alter the conclusions of the EIA Report.