Environmental, Social, Health and Safety Quarterly Report

3rd Quarter 2008
Issued October 2008

Table of Contents

List of Acronyms

BMP	Biodiversity Monitoring Program
CAR	Corrective Action Request
CIRA	Spanish acronym for Archaeological Remains Inexistence Certificate
CMP	Contractor Management Plan
COLP	Compañía Operadora de LNG del Perú
CTA	Common Terms Agreement
DIGESA	Spanish acronym for the Peruvian environmental health regulatory agency
ELU	Ecological Landscape Unit
EMP	Environmental Management Plan
E&S	Environmental and Social
ESHS	Environmental, Safety, Occupational Health and Social
ESIA	Environmental and Social Impact Assessments
ESIP	Environmental and Social Implementation Plan
EPC	Engineering, Procurement and Construction
GIS	Geographical Information System
H&S	Health and Safety
IESM	Independent Environmental and Social Monitoring
INC	Spanish acronym for the National Institute of Culture
KPI	Key Performance Indicators
LNG	Liquefied Natural Gas
LTI	Lost Time Incident
LTIR	Lost Time Incident Rate
MEM	Spanish acronym for Ministry of Energy and Mines
MINAG	Spanish acronym for Ministry of Agriculture
MOC	Management of Change
NCR	None Conformance Report
SME	Small to Medium Enterprises
SNMPE	Spanish acronym for National Society of Mining, Oil and Energy
OSINERGMIN	Spanish acronym for the Peruvian E&S regulatory agency
PCMP	Pipeline Compensation Management Plan
PPE	Personal Protective Equipment
PSEMP	Participatory Social and Environmental Monitoring Program
RACMS	Rural Andean Community Management Strategy
RIR	Recordable Incident Rate
RLOF	Rock Load-Out Facility
RoW	Right-of-way
STP	Sewage Treatment Plant
TSS	Total Suspended Solids
TWS	Temporary Work Suspension
WIN	Work Improvement Notice
WWTP	Wastewater Treatment Plant

1.0 Introduction

1.1 Project Overview

PERU LNG is building a liquefied natural gas (LNG) export Project that includes the construction of a pipeline from near the city of Ayacucho to a natural gas liquefaction plant facility at Melchorita, south of Lima. The Plant is being built on the Peruvian coast, 169 km south of the city of Lima. The natural gas for the project will be produced in the natural gas fields of Block 56 in the Cusco Region. The natural gas will first be transported through the existing Camisea gas pipeline 211 km through the jungle to the edge of the Sierra. From this point near Chiquintirca in Ayacucho, a new 408 km, 34 inch pipeline will be constructed to transport the natural gas to the liquefaction plant where it will be prepared for export as LNG to world markets.

The Project involves the construction and operation of a nominal 4.4 million metric tons per annum LNG Export Facility. The major plant process units at the Project site (Feed gas Receiving unit, Liquid Separation, Gas Metering and Pressure Reduction systems, Gas Dehydration and Carbon Adsorption Refrigeration and Liquefaction LNG Storage) will be located at an elevation of 135 meters above mean sea level. The facility will include a marine terminal with a 1.3 km long trestle, an 800 m long breakwater parallel to the coastline, a dredged navigational channel for the access of LNG tankers, a Rock Load-Out Facility (RLOF), and loading facilities to load the product into LNG tankers for transportation by sea to overseas potential customers.

In addition, this project involves the development of a quarry, approximately 25 km east of the plant site. This quarry will provide the rock required for the construction of a breakwater and RLOF that will make ocean operations safer.

The pipeline will pass through twenty-two (22) districts: nine in Ayacucho (Paras, Socos, Vinchos, Tambillo, Acocro, Chiara, Acos Vinchos, San Miguel and Anco), four in Huancavelica (Ayaví, Tambo, Huaytará and Pilpichaca), eight in Ica (Huancano, Humay, Independencia – in the province of Pisco and El Carmen, Alto Larán, Chincha Alta, Pueblo Nuevo and Grocio Prado – in the province of Chincha) and one in Lima (Cañete).

PERU LNG conducted Environmental and Social Impact Assessments (ESIAs) around the plant and in a 3 km wide corridor along the pipeline Right of Way (RoW) to determine the environmental and social conditions and other sensitive issues. The ESIAs and other more recent studies have established detailed descriptions of the environmental and social conditions that were present prior to commencing construction. This information will be used by PERU LNG and other organizations during the ongoing monitoring of the project that will determine the accuracy of the impact assessment, the effectiveness of the measures that were designed to avoid or minimize potential impacts and whether any refinements are needed to ensure the adequate protection of resources considered important to nearby communities and the country as a whole.

1.2 Background to the Report

This Quarterly Report has been prepared pursuant to Section 5.8 (r)(A)(1) of the Common Terms Agreement, dated as of June 26, 2008 (the "Common Terms Agreement" or CTA), among the Borrower, Citibank del Peru S.A., acting as Onshore Collateral Agent and Onshore Depositary on behalf of the Secured Parties, Citibank, N.A., acting as Offshore Collateral Agent and Offshore Depositary on behalf of the Secured Parties, Société Générale, as Intercreditor Agent (in such capacity, the "Intercreditor Agent"), K-Exim Facility Agent, SACE Facility Agent, and US-Exim Facility Agent, the Inter-American Development Bank, the International Finance Corporation, the Export-Import Bank of the United States, The Export-Import Bank of Korea (the "Agencies") and each other Person that may become party thereto from time to time.

The report summarizes the Environmental, Social, Health, Safety and Social (ESHS) performance for the third quarter of 2008 from the beginning of July to end of September 2008.

2.0 Construction Overview

The engineering, procurement and construction progress achieved during the quarter for the three main components of the PERU LNG, are shown on Table 2.0.

2.1 LNG Plant

The LNG plant construction is 59% complete and major activities at the plant include:
- Installation of equipment foundations
- Raising of LNG tank roofs
- Installation of air coolers on cooler rack
- Assembly of structural steel for pipe racks
- Fabrication of piping
- Installation of underground cabling
- Receipt at site of main power generation units

2.2 Marine and Quarry

The Marine and Quarry works is 60% complete and the major activities include:
- Driving of piles for the main jetty – nearing completion
- Driving of piles for the Rock Load-Out Facility (RLOF) - completed
- Installation of concrete roadway slabs
- Quarrying of rocks – over 1 million tons produced
- Transportation of rocks to storage areas
- Transportation of rocks from storage areas to RLOF
- Dumping of rocks for RLOF breakwater
- Manufacture of BCR (concrete blocks) – over 2400 units produced
- Dredging of 486,000 m3 of seabed material

2.3 Pipeline

The pipeline construction is 52% complete. Main activities are trenching, stringing, welding, lowering in and backfilling, which are summarized in Table 2.3. Progress on these activities is shown in Figure 2.3.

3.0 Health and Safety

3.1 Significant Activities

One Lost Time Incident (LTI) related to driving occurred on 14 July 2008. Other significant activities include work on the following:
- Driving in the Andes
- Driving on the Quarry Haul Road (QHR)
- Working at height on the LNG plant
- Working over water on the jetty
- Working on steep slopes in the Andes
- Working at high altitude
- Working in winter conditions

3.2 Incident Summary

See Table 3.2 for incident reported to OSINERGMIN (Regulatory Agency).

There was one Lost Time Incident during the quarter which was reported by the pipeline contractor on July 14, 2008. It occurred during water transportation activities near KP 309 of the RoW. The driver of a water truck lost control of the vehicle when driving up a steep slope with a full load of water. The truck halted on the slope and started to roll backwards. The driver panicked and jumped off the vehicle landing on rock material. The driver was promptly transferred to the nearest hospital where he received minor surgery.

3.3 Audits and Inspections

During this quarter OSINERGMIN conducted three Health & Safety (H&S) inspections/audits at the plant and marine facilities. A total of seven observations were recorded during the reporting period. None of these observations are material in nature and were resolved shortly after the inspections were completed. See Table 3.3 for OSINERGMIN H&S Observations.

3.4 Drills

Refer to Table 3.4

3.5 Contingency Plans

PERU LNG has four Contingency Plans which have been approved by the competent Authority. These plans are regularly reviewed and updated in compliance with Peruvian H&S regulations. Table 3.5 shows the status of the Project's Contingency Plans.

3.6 Health & Safety Committee Meetings

The safety committee finds solutions to problems that cause workplace accidents, occupational illnesses, and injuries. The Committee follows the Peruvian Safety Regulations for Hydrocarbon Activities D.S. N° 043-2007-EM and the guidelines established in PERU LNG ESHS Management System documents. The Committee is conformed by six employer and six employee representatives. Table 3.6 summarizes the H&S Committee Meetings held in the reporting period.

3.7 Occupational Health Monitoring

The Plant and Marine EPC Contractors and the Pipeline Contractor's perform monthly occupational noise monitoring in different areas and open work fronts. Records are periodically evaluated by PERU LNG.

In addition, Contractors perform weekly and monthly health inspections to the catering services, dining halls, food storages and kitchen areas in order to ensure adequate conditions are maintained in all the project facilities.

3.8 Performance Indicators

Performance indicators continue below target level – see Tables 3.8. Trends of performance indicators are shown on Figure 3.8.

4.0 Pipeline Environmental and Social Performance

4.1 Significant Activities

Significant activities are as follows:

- OSINERGMIN conducted 3 environmental audits. No observations or findings were recorded during the audits.
- A third party review of the Pipeline Contractor's reporting activities was performed. The most notable recommendation is for the increased use of formal inspection records.
- A survey was completed to verify whether an endangered bird species (Cynclodis) is present in areas on the RoW. No sightings and a further survey may be undertaken at a later date.
- Pipeline Contractor reported that 7 km of RoW will be ready for biorestoration between October and December 2008.
- A winterization program is being implemented to identify areas that will not be fully reinstated prior to the coming wet season.
- Noticeable improvement in the performance of the camp mobile sewage treatment plants The Pisco and Torobamba river crossings are being constructed under close supervision to ensure that mitigation procedures are being effectively implemented.

- Hydrotest plans are currently being finalized with testing activities expected to commence in the next quarter.
- Six health campaigns took place in collaboration with the national health authorities. Over 2,500 families have received some form of medical attention and dental care.
- Three animal health campaigns have been completed. Over 5,000 cattle have been immunized and three veterinarian kits provided to local communities.
- Participatory social and environmental monitoring has been implemented in the Tupac Amaru de Patibamaba community.

4.2 E&S Assurance

4.2.1 Internal Assurance

Water quality monitoring of waste water effluent (grey and black waters) was performed at camps located in Patibamba, Las Nubes, Huaychao and Acocro in the Sierra spread and Huaytara, Huancaccasa and Rumichaca in the Coastal spread. Effluent testing is undertaken on weekly basis at all camps. Some parameters such as E.coli may sometimes be tested 2 or 3 times per week.

Water quality monitoring at Torobamba River (KP 40) was performed in September and October. Before and during the installation of the pipeline, turbidity monitoring was undertaken at least twice per week during main installation activities at the crossing to monitor sediment levels in the river attributable to construction works. Similar actions were taken at the Pisco River (KP 340) which is the largest river crossings of the project, given that this river is the habitat of river shrimps (C. caementerious), and other aquatic life, and extensively used by downstream users for irrigation purposes; turbidity was monitored daily and TSS (Total Suspended Solids) weekly. Results were within the acceptable limits.

Water levels were recorded at the Yanacocha, Panacocha and Morococha lagoons near KP 49 on a weekly basis. A baseline water sample was also collected at Yanacocha Lagoon before commencing trenching and after the completion of backfill activities. No differences attributed to project activities were noted.

The Pipeline Contractor's has established internal specific inspection targets for a level of their organization (internal goal). This requires supervisors to conduct a certain amount of inspections. They achieved 74% of the planned inspections. To ensure that the set targets are achieved in the future a number of corrective actions have been put in place. Supervisors who are achieving their required inspections have had the number to be conducted reduced and those not achieving have had the number of target inspections increased.

A third party contracted by PERU LNG has completed an audit of the Contractor's monitoring and reporting activities. This included the flow of information from the field to the head office. The findings of the audit are summarized in Table 4.2.1.

4.2.2 External Environmental and Social Audits

An Independent Environmental and Social Monitoring (IESM) audit took place between the 25th and 30th of August 2008. Four auditors completed the monitoring with senior environmental and social observers from the International Financial Corporation, Inter-American Development Bank and United States Export-Import Bank. The scope of the monitoring included all components of the PERU LNG Project. The main findings are summarized in Table 4.2.2 – 1. The final IESM Report was not received by the end of the reporting period thus only main findings are shown in this Table. The next ESHS quarterly report will incorporate all the observations and finding of the IESM mission. Appropriate actions to address the observations and recommendations are being taken.

OSINERGMIN conducted monthly environmental and social audits in July, August and September. The audit findings are summarized in Table 4.2.2 – 2.

4.2.3 Corrective Actions

The assurance processes have identified the need for the corrective actions or improvements summarized on Table 4.2.3.

4.3 Status of Environmental and Social Plans

This section provides an update of the Pipeline E&S programs as follows:

- Biodiversity Monitoring Program
- Corporate Ecological Management Plan
- Camelids Management Plan
- Pipeline Cultural Heritage Management Plan
- External Orientation Service
- Community Environmental Monitoring Program
- Stakeholder Engagement Management Plan
- Local Hiring and Purchasing Management Plan
- Livelihood Restoration Assistance Action Plan
- Pipeline Compensation Management Plan
- Investment in Community Development (Additionality)

4.3.1 Biodiversity Monitoring Program

The Pipeline Biodiversity Monitoring Program (BMP) focuses on areas with the highest conservation value and that are representative of the overall health of the ecosystems in the Project's area of influence. The BMP is one of many PERU LNG programs that promote the conservation of biodiversity. It provides a robust program for monitoring biodiversity including the effectiveness of the Project's measures to avoid or mitigate ecological impacts and post-construction biorestoration activities. This document along with the Ecological Field Survey and the Ecological Management Plan was utilized in the identification of the key species along the pipeline RoW.

PERU LNG completed an environmental baseline as part of the ESIA in 2006 which characterized the ecology in the general vicinity of the pipeline RoW. In 2007, a detailed ecological survey was carried out along and immediately adjacent to the pipeline route in order to develop site specific plans to avoid or mitigate impacts on important flora and fauna. Since then, PERU LNG has been working with an renowned firm of consultants and a globally respected institute to short list 130 species that are either important in their own right or could serve as an indicator for the health of a habitat. Each one of these species was then evaluated against a number of criteria including their conservation status, degree of endemism, mobility, presence in the vicinity of the pipeline route, and importance to local communities. Following this evaluation, 39 species where identified for monitoring as part of the BMP.

The next stage shall be to identify research questions for each particular species and develop and implement the protocols for these species. PERU LNG is currently identifying partnership organizations and individuals to assist in the development of the monitoring protocols and their implementation.

In September a White-bellied cinclodes presence / absence survey was conducted by a local NGO, CORBIDI. During the ESIA baseline two individuals were identified on the RoW at KP 166+200 and KP 204+900. The study identified all the possible bofedales habitats within the area of interest. However during the September study no White-bellied Cinclodes were identified. It is important to mention that this survey was carried out during the dry season and will be complemented in December-January (wet season) to have a complete overview of its behavior during a year-cycle. During the BMP further studies will be conducted but for now this is not classed as a priority species since it is not reported within the project area.

4.3.2 Ecological Management Plan

The Ecological Action Plans continue to be implemented ahead of the construction works. This quarter there has been the establishment of a nursery within the Huancaccasa camp. Due to the absence of communities in the RoW area in this Ecological Landscape Unit (ELU), propagation of cuttings is taking place in a nursery located in Huancacasa camp, which is located approximately at KP 280 of the RoW, the altitude (2940 meters above mean sea level) and general climatic conditions of this campsite were the main reason of selecting this area for the nursery installation.

The plant species *Kageneckia lanceolada* is listed as being critically endangered. Trials at the Huancaccasa nursery will determine success rates for propagation of this species from cuttings. From each viable plant on the right of way, 6 to 10 healthy branches were collected for propagation with a total of 83 cuttings taken from 11 trees. After roots have developed, the plants will be returned to the pipeline route during the reinstatement phase of the project. Survival rates will be monitored to determine whether the program is meeting its conservation objectives or requires modification.

The project has reinstated to date 14% (55km) of the RoW. All the reinstatement completed was done in the third quarter and has taken place in the Coastal Spread within the Ica-lima Coastal Plains ELU. As it can be seen in the pipeline construction progress map (Figure 2.3) there are a number of sections within this spread which have been skipped, because these areas are mainly agricultural areas and shall be reinstated during the next quarter.

No physical biorestoration activities have taken place during this quarter. Activities were focused on planning operations only. The seeding season is between October and December.

4.3.3 Camelid Management Plan

The camelid management plan is being implemented along the RoW with construction currently underway between KP190 and KP250 in the camelid areas. The contractor has implemented the mitigation measures and in a number of areas increased the measures, such as in areas with no dust control measures implemented the speed limit is reduced to 20 km per hour. On access roads the contractor has installed large number of signs detailing the access road is in a camelid area and stipulating the speed limits. To date, these measures have proven to be effective.

4.3.4 Cultural Heritage Management Plan

PERU LNG and the pipeline contractor archaeologists permanently monitor construction activities in the Sierra and Coastal Spreads ensuring that all the provisions of the Cultural Heritage Management Plan are adequately implemented.

During the third quarter of 2008, the National Institute of Culture (INC) signed an “Acta” certifying that the walls near KP68 have been correctly dismantled and that the rescue excavation of the site is therefore complete. The walls were removed under the authority and supervision of the INC-Lima and the INC-Ayacucho. The archaeology contractor has now completed the rescue excavation of every archaeological site along the original pipeline route. Some minor preclearance works are ongoing where the original pipeline route has been refined to avoid a site-specific environmental sensitivity or the need for relocating a household or other building.

4.3.5 External Orientation Service

Only 15 people visited the External Orientation Service during the third quarter of 2008. Most of the consultations were related to the renegotiation of land contracts. All the issues presented to PERU LNG have been resolved and closed out. The number of visitors increased during the month of September following the completion of the land negotiation with the Chiquintirca community.

In order to increase the use in the service, PERU LNG has invited Silva La Rosa to participate during the second and third payments of easement contracts. This shall be in the form of a brief presentation, detailing the aims of the service provided ensuring all individuals and communities are aware of the service and how it is structured to assist them independently of PERU LNG.

4.3.6 Participatory Social and Environmental Monitoring Program

PERU LNG has held six coordination meetings with Pronaturaleza who is implementing this monitoring program on behalf of the Project. Two training and awareness workshops were delivered to PERU LNG community relations and environmental staff. Pronaturaleza has established three implementation offices, one each in San Miguel, Ayacucho and Chincha. These offices make up the main centers for their three operational fronts. These operational fronts ensure that they have the appropriate coverage within the project affected communities.

To introduce the program to the communities, 30 workshops were held within the target populations. During these workshops the formal invitations were made and the selection of 34 local monitors was made. The criteria for the selection were: i) local resident, ii) able to read and write, iii) trusted by their community being validated by his/her community during an in assembly.

In addition the training program was initiated. The training was conducted under the “learning by doing” approach, which allowed alternation between the theoretical sessions and the field outings as part of the monitoring pilot experience. Within this framework, the first pilot experience was conducted in Tupac Amaru de Patibamaba community in order to validate the monitoring tools and commence the implementation phase.

The majority of the participants showed great interest in the monitoring actions, especially since they will be direct players in the vigilance process of environmental impacts. Those who were interested the most in being part of the training events are young people. See Figure 4.3.6 for informative material that has been prepared.

Table 4.3.6 summarizes the main activities and findings reported during this quarter.

4.3.7 Stakeholder Engagement Management Plan

In this Quarter, the main topics addressed under this plan related to grievance management processes; land negotiation for temporary facilities such as camps, access roads, and pipe yards; archeological works; compensation payments; and local hiring. A total of 1,186 meetings took place during the reporting period. The overall results and main topics discussed in these meetings are summarized in Table 4.3.7 and Figure 4.3.7.

Stakeholders maps were updated with due regard given to the results of the Social & Cultural Livelihood Survey and the Rural Andean Community Management Strategy.

Two hundred and sixty-nine letters had been received from stakeholders by the end of September with 125 sent in Q3. More than half of these letters were request for donations. All letters have been answered; being more than 55 % related to donations requests.

4.3.8 Local Hiring and Purchasing Management Plan

During the reporting period, the total number of Peruvians employed on the project rose to 1,242 workers, which is over 90% of the total workforce. Nearly 70% of the Peruvian workforce was recruited from the local communities and villages. Table 4.3.8-1 provides information on Local Hiring figures for the pipeline during the quarter.

All food and furniture supplies for the base camps along the pipeline route is procured from suppliers in Ayacucho and Pisco to support local businesses while preventing the creation of more local enterprises that would collapse immediately after a camp is decommissioned, which occurs

after three to six months. Local procurement in Ayacucho and Pisco amounted to US$189,000 during the reporting period (Excluding Fuel purchased in Pisco). Table and Figure 4.3.8-2 provide information on quarterly progress.

4.3.9 Livelihood Restoration Assistance Action Plan

The plan has been finalized and potential beneficiaries from the rural communities were identified based on their vulnerability. Families from communities between Ayacucho and Huancavelica are considered the most vulnerable. In economic terms, this is the area with the least interaction with the regional and national economy. It does not have diversified farming activities, which are often carried out on a subsistence basis. Assistance is offered on an "as-requested" basis. Community relations staff visits the vulnerable communities on a regular basis.

Table 4.3.9 presents the quarterly progress and implementation status of this Action Plan.

4.3.10 Pipeline Compensation Management Plan

All land required for the pipeline RoW has been acquired by the Project. All but one land parcel was secured through negotiation and agreement with the communities or individual land owners. The one case that required acquired resolution by administrative means occurred after two years of negotiation with an individual land owner.

Refer to Table 4.3.10 for the status of payments.

4.3.11 Investment in Community Development (Additionality)

PERU LNG is undertaking investment in community development through targeted programs in integrated agricultural promotion (*Allin Minkay* Project) and enhancement of royalty investment.

Allin Minkay (In Quechua means good collective work) is a medium to long term initiative with an estimated implementation period of two and a half years. This particular initiative seeks to promote agricultural and livestock competitiveness from which 6,700 families within the project direct area of influence will benefit through improvements in production levels in the agricultural and livestock activities, appropriate management of natural resources (water, soil and plants), appropriate commercialization of agricultural products, and the improvement of the producers' business organization. Implementation of this program is being carried out by ADRA PERU.

Since its initial operations in August 2008 approximately 80 presentations which seek to familiarize the different stakeholders with the Allin Minkay project have been carried out with provinces, districts and communities and annexes within the project direct area of influence. Participants within the program have included communities to be benefitted from the implementation of Allin Minkay as well as local authorities, and public and private institutions committed to promoting the agricultural and livestock sector.

To date, the program has 161 volunteer promoters from different communities and its annexes, chosen after local populations were advised on parameters that should be considered when carrying out the election process for these volunteer promoters. Contents for all didactic material is also underway and will be employed during technical training. Program implementation is expected early December 2008.

The ***Enhancing Royalty Investment*** initiative was developed in coordination with the International Finance Corporation (IFC), and is the result of a situational analysis of the provincial governments in La Mar, Huamanga, and Huaytara.

The analysis carried out allowed for an identification of their administrative strengths and weaknesses within these three government offices. From this analysis, an action plan was developed in order to improve their capabilities in public investment processes. This will be

achieved by providing provincial officials with the technical skills necessary to successfully apply for and secure money from the FOCAM for sustainable development projects.

IFC successfully completed meetings with La Mar, Huamanga and Huaytara Provincial Governments. Have also presented the project design for the three interventions. The first technical assistance visit was carried out in the month of September to each of the three provinces with the goal of establishing the investment management committees. These will be composed by government individuals directly related to public administration and who will receive the technical assistance necessary to expedite investment processes.

In addition to the projects mentioned above, PERU LNG is implementing Goodwill initiatives to improve the education of school children in the different localities of the Ica, Huancavelica and Ayacucho regions. In this quarter two goodwill initiative campaigns have been developed.

The delivery of ***Mini-Libraries*** is being carried out since April 2008. This goodwill initiative delivered mini libraries to education centers. To date, forty-five (45) educational centers (most situated in very remote areas) have benefitted from this initiative. Didactic material donated was acquired by the "Sembrando Bibliotecas" (Seeding Libraries) Program of the Peruvian National Society of Mining and Oil, benefiting approximately 5,600 initial, primary, and secondary education students and their teachers.

The delivery of 8,000 ***Winter Kits*** made up of a blanket, fleece pants, jacket, and hat, as well as a pair of socks were been handed out to children between the ages of 5 and 14 prior to the winter season. The delivery of the winter kits was carried out in educational centers in the many communities within the direct area of influence of the PERU LNG project.

4.4 Environmental and Social Implementation Plans (ESIPs)

Refer to Table 4.4.

4.5 Key Performance Indicators

Refer to Tables 4.5 - 1 and 4.5 – 2

5.0 Plant, Quarry and Marine E&S Performance

5.1 Significant Activities

- OSINERGMIN undertook three environmental audits to the plant, two environmental audits to the quarry and one environmental audit to the dredging monitoring activities and one social audit.
- Participative marine environmental monitoring program was undertaken in July, the next marine environmental monitoring is planned for November 2008.
- The Fishermen Compensation Plan is being implemented as scheduled, agreements totaled 6 with fishermen associations and 187 with independents.
- Coastline monitoring activities were carried out.
- The plant and quarry commitments registers were updated
- Monitoring activities for the plant and quarry and an air quality monitoring of Owner Fuel Gas Line was conducted.
- E&S audits were performed to the Plant EPC Contractor and to the Marine EPC Contractor to cover the Transportation Plan ESIP and the Quarry ESIP correspondingly.
- PERU LNG and contractors are working with local textile shops in Chincha and Cañete to supply materials and products for PERU LNG safety clothing.

5.2 E&S Assurance

5.2.1 Internal Assurance

Table 5.2.1 shows the main results of the internal E&S Audits

5.2.2 External Audits

One external audit was conducted on 25 August by the IESM Consultant. The results of this audit are shown in Table 5.2.2 - 1. Project implementation at the LNG Plant and the Marine Facilities was found to compliant with EIA requirements and with PERU LNG environmental, social, health and safety commitments. During the audit, a few shortcomings were noted, including some housekeeping and minor health and safety aspects at the main camp of the Marine EPC Contractor. Most were rectified before the close of the audit.

OSINERGMIN conducted 7 audits to the plant and quarry as follows: 1 social audit to the plant and marine facilities, 3 environmental audits to the plant, 2 environmental audits to the quarry and 1 environmental audit to environmental dredging monitoring program. The results of these inspections are presented in Table 5.2.2 - 2. Table 5.2.2 – 3 presents the open OSINERGMIN observations.

5.2.3 E&S Corrective Actions

One corrective action has been identified related to daily turbidity monitoring – see Table 5.2.3.

5.3 Status of E&S Programs

This section provides an update of the E&S programs as follows:

- Marine Monitoring Program
- Seabirds and Marine Mammals Monitoring
- Luminosity Monitoring
- Vibrations Monitoring
- Groundwater Monitoring Program (Topara Valley)
- Cultural Heritage Management Plan
- Local Hiring and Purchasing Plan
- Stakeholder Engagement Plan
- Fishermen's Compensation Management Plan
- Investment in Community Development (Additionality)

5.3.1 Marine Monitoring Program

Marine monitoring was affected by high tides and rough coastal conditions and was therefore undertaken when conditions permitted between mid July and the end of August.

The reports which have been produced as part of this program include progress reports and an annual report of the first year of monitoring with comprehensive information on the characteristics of the marine environment at and near the LNG Plant. The annual report is posted on the PERU LNG web site. Results obtained during this quarter's monitoring will be presented in the next annual report. Also Peruvian surf clam or 'palabrita' (*Donax marincovichi*) sampling events (April and July 2008) have their own reports, which are being distributed to the stakeholders involved.

Contractor monitoring of construction activities was undertaken in accordance with EIA and Contractor Management Plan requirements.

A summary of marine monitoring activities undertaken by PERU LNG and Contractors, as well as brief overall findings, is included in Table 5.3.1.

5.3.2 Seabirds and Marine Mammals Monitoring

PERU LNG has received and posted the results of the baseline survey undertaken in November and December 2007 (Spring) prior to marine construction, on its webpage and has prepared an identification guide of the sea birds and mammals observed during the monitoring event. The objective of the survey was to establish baseline conditions regarding species present/not detected, relative abundance and distribution of seabirds and marine mammals in relation to the LNG facility. In summary, thirty eight species of birds were identified on and offshore and two species of marine mammals.

An onward monitoring program was developed based on the results of the baseline survey and will be discussed with interested stakeholders prior to finalization. The next monitoring event will occur in the first quarter of 2009 and will be assessed alongside baseline results.

Also, results of the program have been submitted to the National Society of Mining, Oil and Energy (SNMPE) for a Sustainable Development National Contest that SNMPE is sponsoring. Results have not been received yet.

As indicated above, PERU LNG has scheduled a workshop on October 24 to present the results of the initial survey and obtain feedback on the proposed upcoming monitoring program from different interested stakeholders.

5.3.3 Luminosity Monitoring

To undertake the monitoring, PERU LNG hired SGS Consultants & Laboratory. Stations were defined through the coastline, every 25 or 50 meters, covering a total length of 1500 meters (750 meters to the south and 750 meters to the north).

Results from this survey indicated that luminosity levels become insignificant compared to background levels when reaching 350 meters to the south and 400 meters to the north of the trestle.

Also, in order to be able to evaluate and compare these results, PERU LNG also, through SGS, carried out an additional luminosity monitoring to three regional piers in which fishing occurs (Cerro Azul, Tambo de Mora and El Chaco piers). According to the results, luminosity levels at the trestle are similar to those at other piers.

These results have been communicated to fishermen associations, government institutions through different workshops and presentations in which these were showed and explained.

5.3.4 Groundwater Monitoring Program

During this period, groundwater monitoring took place, including one monthly groundwater monitoring of water levels and field parameters (on July 10) and one quarterly groundwater monitoring covering water levels, field parameters and physical, chemical and biological analysis on 19 and 20 August.

Also, at the request of the community to understand more about the quality of their water resources, a puquiales (springs) monitoring was done on 20 August, analyzing physical, chemical and biological parameters.

Results show that, since January 2007, water levels in the eight wells monitored do not show any trend of declining levels. Values of Selenium on wells GWT-8 and GWT-7 and values of Chlorides on well GWT-7 are found to exceed the values set by the WHO. However, these results cannot be attributed to the project.

Beginning in September, as water levels show no variation, water level monitoring will be undertaken quarterly rather than monthly, including field parameters and complete analysis, with the next monitoring scheduled for November 2008.

5.3.5 Vibrations Monitoring

Two surveys were defined, one in June and one in July. Each survey would measure both a primary and secondary blasting in each of the three stations monitored. During this period, the second survey for vibration monitoring at Topara took place on 16 and 21 July, following the same methodology used during the first survey.

Results show that no significant vibrations are being generated by Quarry's blasts. All the obtained results are below the applicable standard of 0.1 m/s. According to the Ministry of Energy and Mines in Peru, values below this level will not adversely affect the underlying rock basement.

PERU LNG has scheduled a workshop on October 22 to present the results to the community and interested stakeholders.

5.3.6 Cultural Heritage Management Plan

Two chance finds were encountered on August 31, both on the Quarry Haul Road. It should be noted that these finds were not in the direct work area, but were found at a distance from existing archaeological polygons during the reinstallation of fencing around the existing sites.

The first chance find includes an area of approximately 2 meters by 3 meters containing fragments of ceramics. The site was signed and fenced for protection and the find communicated to the INC.

The second chance find was located approximately 10 meters from the first and included larger pieces of broken pottery. Due to their size, the pottery fragments were removed by the PLNG archaeologist for submission to the inventory at the INC. Additionally, the areas were signed and fenced and will be identified in the next report to INC. Rescue of previously unidentified archaeological site on Quarry Haul Road is planned for next quarter in accordance with INC requirements.

5.3.7 Local Hiring and Purchasing Plan

During the reporting period the local workforce content comprised almost 38% of the total Peruvian workforce in the Plant. Contractors hired local personnel in the same proportions to fulfill the project's commitment to hire equally between Chincha and Cañete. Table and Figure 5.3.7-1 provide information on Local Hiring figures.

Local purchases from Chincha and Cañete are primarily done through our contractors and include mainly construction materials and supplies, food, lodging, fuel and services in general. Table and Figure 5.3.7-2 provide information on quarterly progress.

5.3.8 Stakeholder Engagement Plan

Consultation with the local communities continues primarily through the field offices located in Chincha and Cañete. The offices are staffed Monday through Friday from 9:30 a.m. until 2:00 p.m. The offices received a total of 657 visitors for the plant, quarry and marine site, with consultation in the Cañete Office totaling 337. In Chincha, consultation was undertaken with 320 community members.

Additionally, the office in Cañete received one inquiry on pipeline activities and in Chincha, 311 people inquired about pipeline activities. Table 5.3.8 provides further information.

A number of pamphlets have also been developed and printed to provide a proactive approach at addressing issues of concern for the local population (e.g. dredging). These have been distributed to local schools and are available at the PERU LNG offices in Chincha and Cañete.

5.3.9 Fishermen's Compensation Management Plan

Six agreements have been signed with artisanal fishermen, namely Los Delfines of Herbay Bajo; Cordeleros y Pescadores Artesanales de Herbay Bajo; Asociación de Pescadores Artesanales de Nuevo Cañete - the first three belong to the province of Cañete; Asociación de Pescadores Artesanales Nuevo Ayacucho; Asociación de Pescadores Artesanales Beatita Melchorita; and, Asociación de Extractores Mejilloneros Villa del Mar (these last three associations belong to the Province of Chincha).

With the remaining four associations with which no agreement has yet been reached, dialogue has continued. As for independent fishermen, agreements have been signed with 187 fishermen out of 304 identified in the Compensation Plan. The goal is to complete the compensation agreement process by the end of February 2009.

With respect to the work carried out with the fishermen associations, six associations have identified potential business ideas, and Work Plan agreements have been signed with 4 of them for each business idea. Likewise, 74% of independent fishermen who have signed agreements have taken part in workshops with the technical assistance group; 68% have signed agreements on business ideas and 66% have signed work plan agreements.

A summary update of the activities and progress accomplished this quarter with regards to the Fishermen Compensation Plan is presented in Table 5.3.9.

5.3.10 Investment in Community Development (Additionality)

PERU LNG is undertaking investment in community development through targeted programs in agricultural promotion and supply chain management.

In this context, PERU LNG is carrying out an agricultural promotion community program, ***AgroProgreso***, to increase the income of 300 small agriculture producers from San Vicente de Cañete (in the Province of Cañete) and Grocio Prado and Sunampe (in the Province of Chincha), both areas located within the direct area of influence of the PERU LNG Project. The program, which is intended to improve the production and commercial competitiveness of the selected beneficiaries, began in February 2008 with an expected duration of 3 years (February 2011). The program includes working with a local implementing partner in the implementation of specialized technical assistance and training, commercialization assistance and access to funds to be able improve the capacities of selected beneficiaries from these local communities.

In addition, PERU LNG is carrying out a ***Supply Chain Management*** program to enhance the socio-economic impact of the Project and foster community relations by creating business linkages between PERU LNG, other large businesses and local small and medium businesses. This program, which is jointly funded by PERU LNG and the IFC, is expected to begin in December 2008 with an expected duration of 2 years. The activities to be developed as part of this program include the selection of qualified Small to Medium Enterprises (SMEs), the development of improvement plans for these selected local businesses, training and advise to be able to supply large companies, the capacity building in business areas such as financing, management, marketing and quality.

A summary update of the activities and progress accomplished this quarter with regards to the Community Investment Program is presented in Table 5.3.10.

5.4 Environmental and Social Implementation Plans

Refer to Table 5.4.

5.5 Key Performance Indicators

See Tables 5.5 - 1 and 5.5 - 2.

6.0 OTHER RELEVANT AREAS OF THE ESHS MANAGEMENT

6.1 E&S Training

Table 6.1 provides information on ESH&S Training

6.2 Claims, Grievances and Stoppages

On July 31, an Environmental Claim was received from the Technical Administration for irrigation of the Apurimac watershed regarding the Yanacocha Lagoon in Ayacucho. The claim was related to potential adverse impacts that the construction of the pipeline was causing to the Yanacocha Lagoon at KP 49. PERU LNG considers that this claim is not justified given there is no impact caused by the project. The University of Huamanga (Ayacucho University) has certified that the water flow rate from the Lagoon is normal for the time of the year and that the lower water table is consistent with normal conditions during the dry season.

Tables 6.2-1 and 6.2-2 provide information on all the Claims and Grievances for the pipeline.

In the case of the plant, quarry and marine no complaints or grievances have been received. Pamphlets and posters providing information on the grievance procedure process were posted in the offices of Chincha and Cañete. See Figure 6.2.

There were 49 stoppages along the pipeline RoW during the quarter. These were mainly related to demands from communities for additional jobs and re-negotiation of land and easement agreements. 48 of these stoppages were solved. One stoppage is currently being addressed and is related to the demand for an additional Construction Licenses (Not E&S related). 85% of the stoppages during this period were solved within a day.

Table 6.2-3 provides information on stoppages.

6.3 Permit Status

Refer to Table 6.3-1 for the Plant, Quarry and Marine and to Table 6.3-2 for the Pipeline permit status.

6.4 Management of Change

There were two Management of Change (MOC) Notices during this quarter. These two MOC Notices have been classified as level 3 changes (Minor Changes) because they do not impact the ability to meet project environmental and social standards or any key ESIA mitigation safeguards.

The first MOC Notice is related to changing the length of open trench in the pipeline work fronts from 7km to 15km per spread excluding special sections.

The second MOC Notice refers to wastewater discharge standards. The Pipeline EPC Contractor has listed in its Waste Water Procedure the discharge standards identified by PERU LNG in the Project Standards Document. These limits are to be changed to the limits detailed in the Peruvian Environmental Health Office (DIGESA) Permit.

The Peruvian Environmental Health Office (DIGESA) establishes discharge standards for each treatment plant. This is consistent with lender guidelines for sewage discharged to a septic system or where land is used as part of the treatment system. The guidance requires that the treatment meet applicable national or local standards for sanitary wastewater discharge. Accordingly, the standards established by DIGESA for each location are appropriate.

6.5 Compliance with Loan Agreement Requirements

All E&S deliverables under Schedule 5.17 (g) Part A of the CTA due on the third quarter were approved as meeting acceptable form and content by the Agencies. Table 6.5 provides a list of the approved documents.

Figure 2.3 – Pipeline Construction Progress

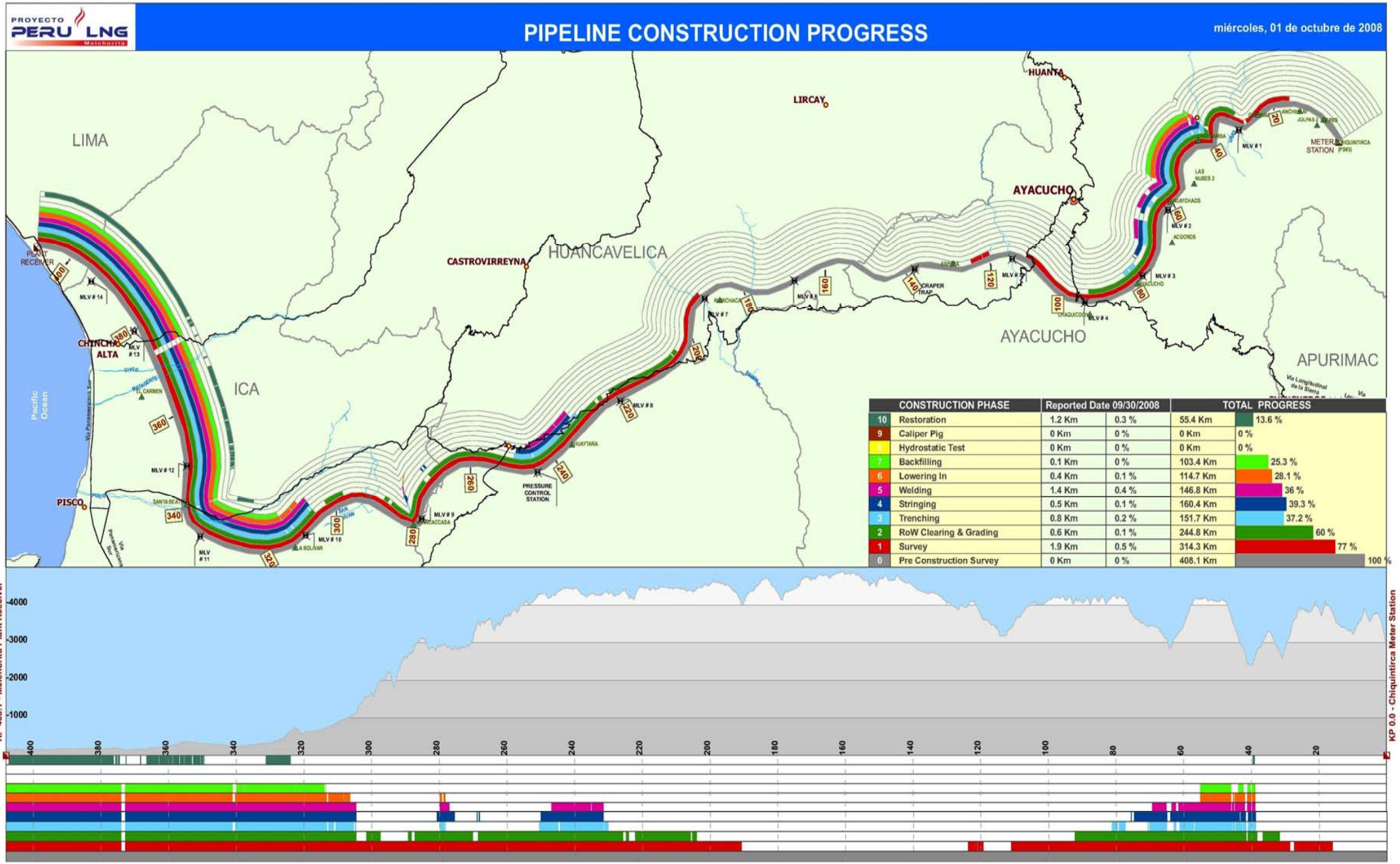
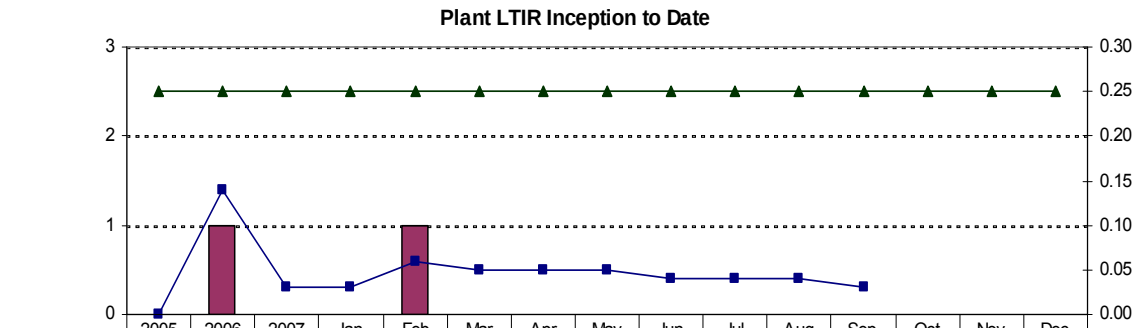


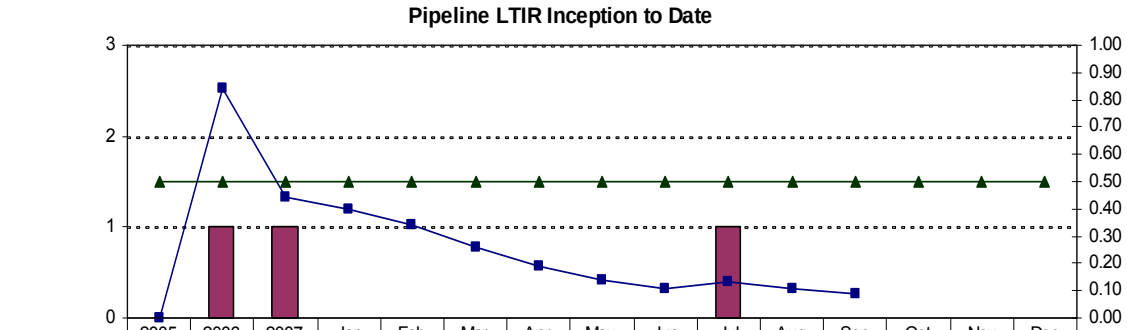
Figure 3.4 – H&S Performance Indicator Trends

PLANT LTIR VERSUS KPI – INCEPTION TO DATE



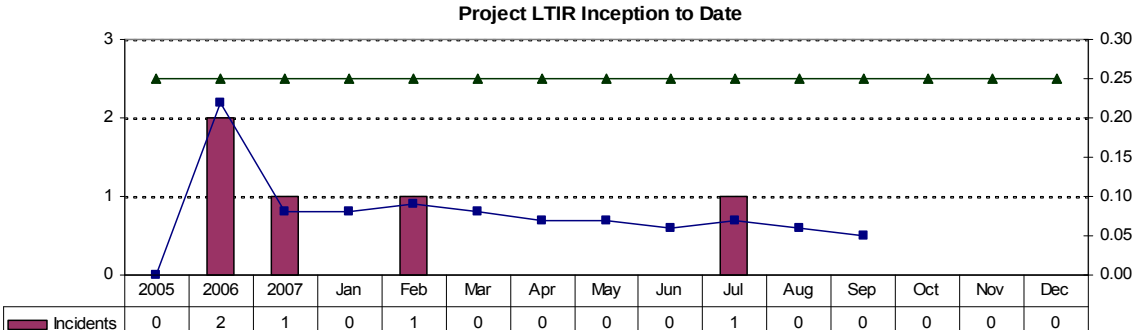
	2005	2006	2007	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Incidents	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0
LTIF	0.00	0.14	0.03	0.03	0.06	0.05	0.05	0.05	0.04	0.04	0.04	0.03			
KPI	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25

PIPELINE LTIR VERSUS KPI – INCEPTION TO DATE



	2005	2006	2007	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Incidents	0	1	1	0	0	0	0	0	0	1	0	0	0	0	0
LTIF	0.00	0.84	0.44	0.40	0.34	0.26	0.19	0.14	0.11	0.13	0.11	0.09			
KPI	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50

PROJECT LTIR VERSUS KPI – INCEPTION TO DATE



	2005	2006	2007	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Incidents	0	2	1	0	1	0	0	0	0	1	0	0	0	0	0
LTIR	0.00	0.22	0.08	0.08	0.09	0.08	0.07	0.07	0.06	0.07	0.06	0.05			
KPI	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25

Figure 4.3.6 – Informative Material

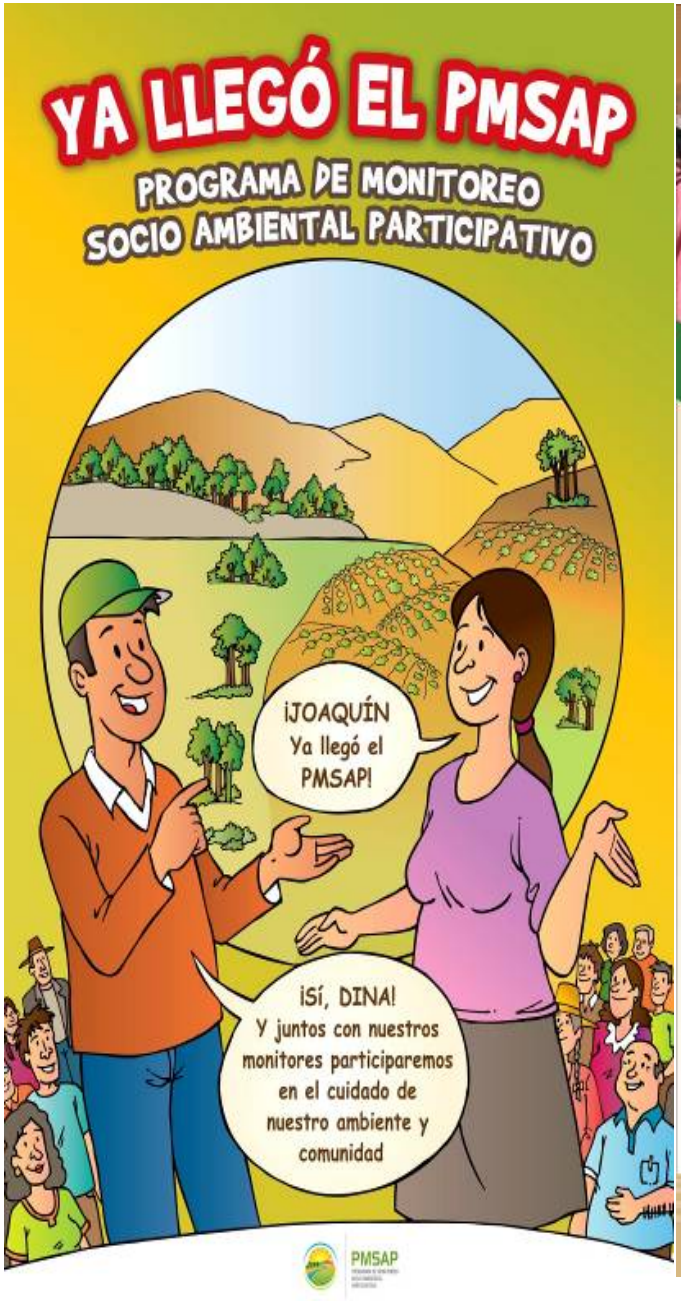


Figure 4.3.7 Overall Results of Meetings – Pipeline Stakeholder Engagement

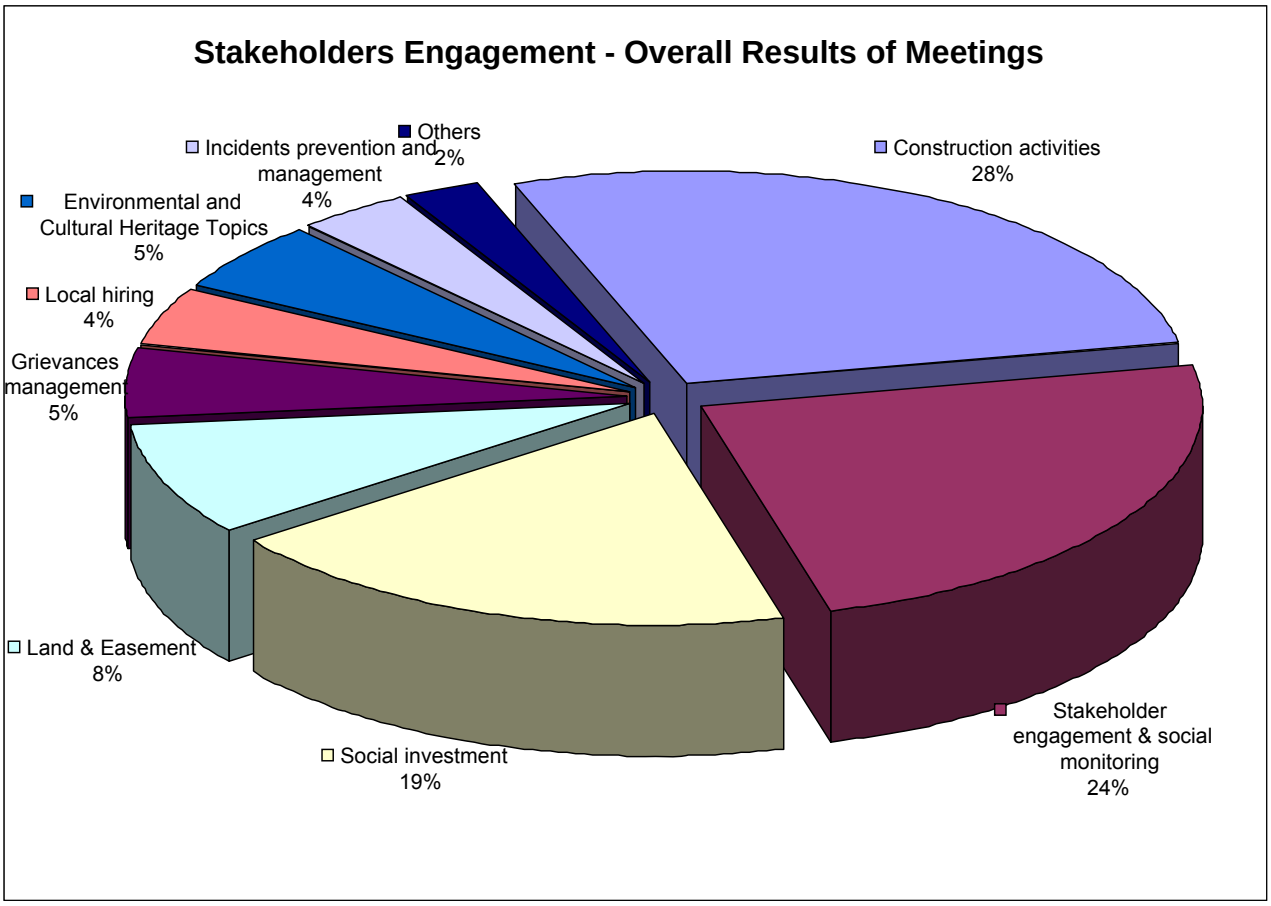


Figure 4.3.8-2 Local Purchasing – Pipeline

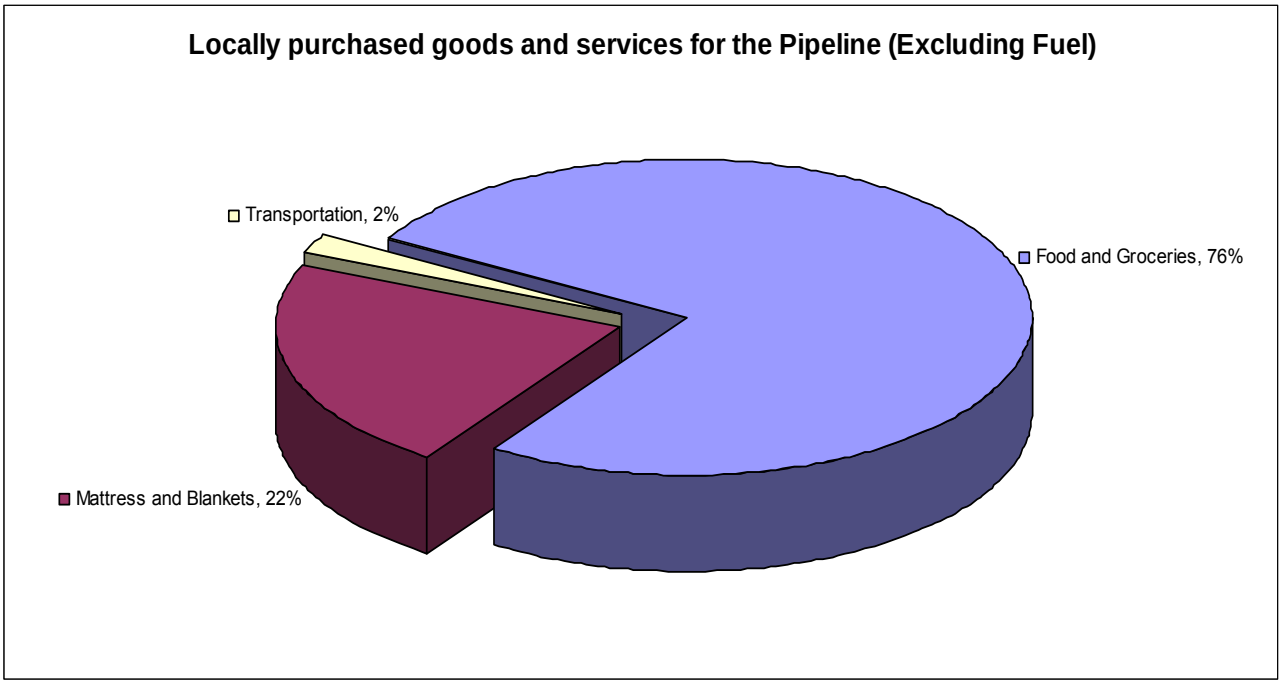


Figure 5.3.7–1 Local Hiring - Plant, Quarry and Marine

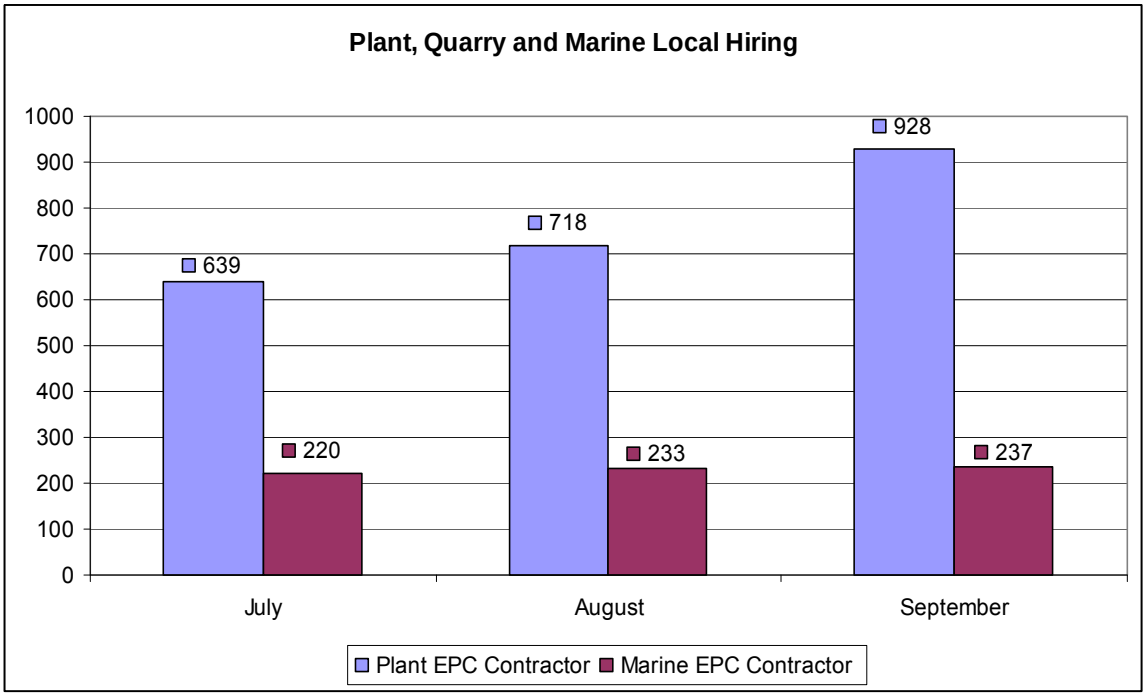


Figure 5.3.7–2 Local Purchasing - Plant, Quarry and Marine

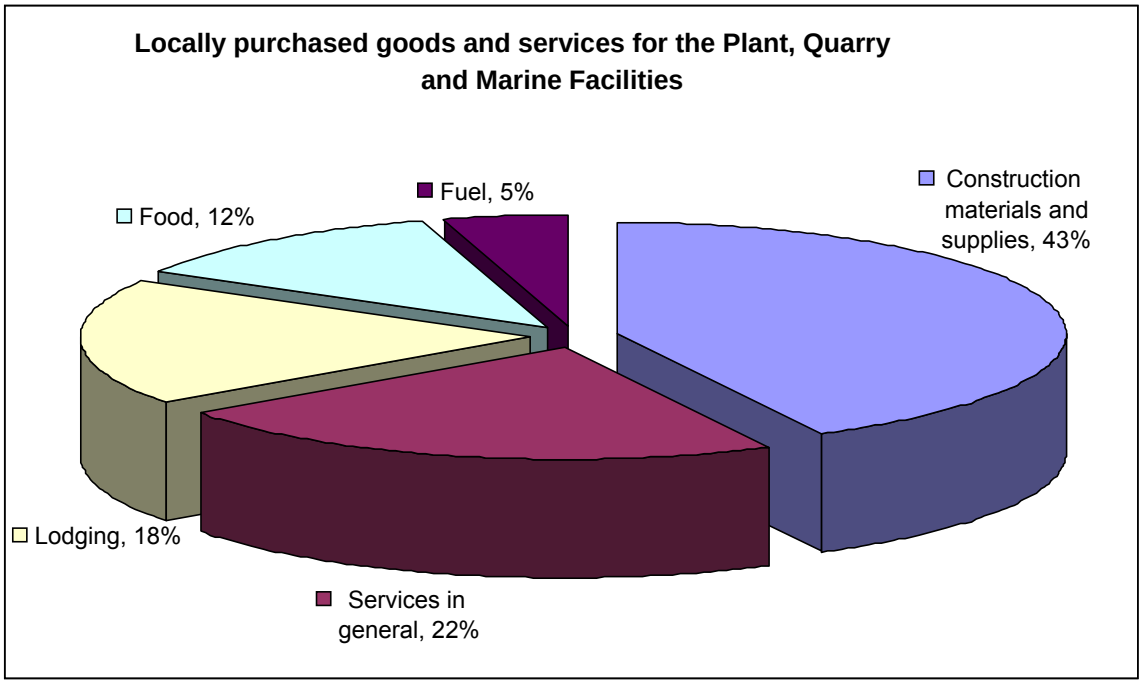


Figure 6.2 – Grievance Procedure Poster

PROYECTO PERU LNG Melchorita

Procedimiento para la Atención de Reclamos

Relacionados a las actividades del Proyecto PERU LNG en el área de influencia directa de la Planta

El procedimiento de atención de reclamos sirve para ayudar a solucionar las consultas y reclamos que la población del área de influencia directa del Proyecto PERU LNG pudiera tener, que puedan haber sido producidos por las actividades o por el personal del Proyecto PERU LNG.

Cualquier persona natural, agrupación o población involucrada en el área de influencia directa de la planta de PERU LNG puede presentar un reclamo

Un reclamo puede ser presentado:
- Al relacionista comunitario del Proyecto PERU LNG, CDB o CB&I que visita periódicamente tu localidad.
- En los talleres informativos brindados por el Proyecto PERU LNG.
- A través de la autoridad local o representante de la agrupación a la cual pertenece, quienes son frecuentemente visitados por los relacionistas comunitarios del Proyecto.

REGISTRO
Describe el lugar exacto, el día y la hora de la ocurrencia, también se definirá la fecha, hora y lugar para verificar el problema o para entrevistar a las personas involucradas.

VERIFICACION
Describe el lugar exacto, el día y la hora de la ocurrencia, también se definirá la fecha, hora y lugar para verificar el problema o para entrevistar a las personas involucradas.

Si el reclamo se comprueba, se presentará una propuesta de SOLUCION al reclamante en un plazo máximo de 15 días. Si la propuesta de solución es aceptada por el reclamante entonces se procede a ejecutar las acciones de SOLUCION en el plazo establecido en la propuesta.

Si el reclamo no se comprueba o no está relacionado con las actividades del Proyecto, se levanta un acta de falta de sustento y de cierre del reclamo.

Si la propuesta de solución no es aceptada por el reclamante, PERU LNG volverá a revisar el proceso y presentará una segunda propuesta de solución en un plazo máximo de 15 días. De ser el caso se podría buscar de común acuerdo entre las partes, la intervención de una entidad externa especialista en el tema de la observación o reclamo.

Los reclamos también pueden ser recibidos en las oficinas del Proyecto PERU LNG ubicadas en:

Chincha: Calle Pedro Moreno # 114 Chincha Alta - (ICA)
De Lunes a viernes de 9:30AM a 2PM

Cañete: Jirón Grau # 329 San Vicente de Cañete - (LIMA)
De Lunes a viernes de 9:30AM a 2PM

*** Puedes presentar tu reclamo de manera verbal o escrita**

*** En todo momento el reclamante es libre de recurrir a los mecanismos que le otorga la ley peruana**

Table 2.0 – Quarterly Project Progress

PROJECT COMPONENT	ENGINEERING % E	PROCUREMENT % P	CONSTRUCTION % C	TOTAL % EPC (WEIGHTED AVG)
Plant	92	77	20	59
Marine	84	73	47	60
Pipeline	82	97	29	52

Table 2.3 – Quarterly Pipeline Progress

CONSTRUCTION PHASE	PROGRESS (Km)
Trenching	94
Stringing	82
Welding	89
Lowering In	76
Backfilling	67

Table 3.2 – H&S Incident Summary

MONTH	PROJECT COMPONENT CONTRACTOR	DESCRIPTION	FOLLOW UP ACTIONS
July	Pipeline Pipeline Contractor	During geotechnical activities in the RoW near Huancaccasa a worker accidentally fell down into an open trench. The worker suffered a fissure in the right hand and a minor injury on the face.	H&S re-induction in preventive risk analysis. Lessons learned - Accident Analysis discussion and diffusion
July	Plant Marine EPC Contractor	During loading operations, a crane became unstable and fell over its side. The crane operator suffered minor contusions on left elbow and right knee.	Toolbox meeting session in "Incident causes and Crane operations" carried out in K3 and Jetty areas. Lessons learned - Accident Analysis discussion and diffusion Refresh training course for crane operators and riggers on lifting operations. Training conducted by a specialized H&S training company.
August	Plant Marine EPC Contractor	A minor vehicle-related event occurred near KP 7.5 on the Quarry Haul Road. There were no personal injuries.	A Toolbox meeting session in "Defensive Driving" and "Excess of self confidence while driving". Lessons learned - Accident Analysis discussion and diffusion.
September	Pipeline Pipeline Contractor	The driver of a pipe loaded truck lost control of the vehicle and it flipped over on its right side. The driver suffered minor injuries and required basic first aid treatment.	Re induction on defensive driving focusing on short and long shear when transiting through curves First Aids training. Lessons learned - Accident Analysis discussion and diffusion Establishment of disciplinary sanctions for drivers who exceeded speed limits. Re-evaluation of supervisors and drivers of the Sierra area.
September	Pipeline Pipeline Contractor	A worker accidentally hit himself in the face with a tool while performing equipment maintenance activities. The worker suffered minor injuries and received basic first aid treatment.	H&S re-induction in preventive risk analysis. Lessons learned - Accident Analysis discussion and diffusion
September	Pipeline Pipeline Contractor	A loaded truck tipped over on its left side. The driver suffered minor contusions and only required first aid treatment.	H&S re-induction of drivers in defensive driving. Implementation of a new H&S check point in Km 156 of Libertadores Highway. Implementation of a Pisco-Ayacucho pipe transportation risk map.

Table 3.3 – Plant OSINERGMIN H&S Observations

MONTH	PROJECT COMPONENT / CONTRACTOR	OBSERVATIONS
July	Plant Plant EPC Contractor	All Plant EPC Contractor workers that work at heights should have the corresponding training in fall protection.
August	Plant Plant EPC Contractor	The subcontractor in charge of non-destructive testing should have all radiation meters calibrated to ensure their adequate performance.
August	Plant Plant EPC Contractor	In addition to general HSE induction training, contractor personnel should receive training specific to their roles and responsibilities.
August	Plant Plant EPC Contractor	Provide enough ventilation at welding work locations to keep fumes and gases from the breathing zone and general area.
September	Plant Plant EPC Contractor	Provide evidence that the chemical components (dry powder) used in fire extinguishers are in compliance with Art. 85 of SD 043-2007-EM
September	Plant Marine EPC Contractor	Improve housekeeping in the area. Provide spills prevention materials during hydraulic hoses connection and disconnection activities for the hydraulic piling hammer.
September	Plant Marine EPC Contractor	Only INDECOPI approved fire extinguishers should be used at the trestle.

Table 3.4 – Drills

Date	Contractor	Area	Drill scenario	Findings and Corrective Actions
3-Jul-08	Pipeline Contractor	Santa Beatriz - Camp	Drill carried out in order to determine the personnel reaction under alarm activation.	Main Findings: ▪ Inadequate response of brigades. ▪ Not all the workers were aware of the location of muster points. Corrective Actions: ▪ Discussion and analysis of findings (Feedback to participants) ▪ Provision of additional sets of radios (handies) ▪ Improvement of evacuation routes signs.
8-Aug-08	Plant EPC Contractor	Platform K1. Jetty Launch Hall.	2 workers fall from the top of the Pre-Assembled Rack under construction, 1 person suffers multiple trauma, 1 has fractured pelvis and head injuries.	Main Findings: ▪ Initial radio communications were inaccurate. Corrective Actions: ▪ Discussion and analysis of findings (Feedback to participants) ▪ Training on basic emergency radio communications to all HSE officers and supervisors. ▪ Provide simple Aide Memoire cards to ensure basic vital information is passed on.
28-Aug-08	Pipeline Contractor	Santa Beatriz - KP 320	Evacuation of an injured worker from the RoW to Santa Beatriz Camp.	Main Findings: ▪ Adequate response of brigades and personnel in general. ▪ A stretcher needed in the workplace. ▪ Evacuation time to Camp in ambulance: 1 hour Corrective Actions: ▪ Discussion and analysis of findings (Feedback to participants) ▪ Improvement of radio communications during drills Provision of a stretcher
26-Sep-08	Marine EPC Contractor	Marine Facilities - RLOF	Rescue and evacuation of a worker on day shift, a welder worker on the Cantitravel II fell into the sea.	Main Findings: ▪ Communications were clear and concise. ▪ Room for improvement in drill coordination. ▪ Need to asses response time under different scenarios. Corrective Actions: ▪ Discussion and analysis of findings (Feedback to participants)

Table 3.5 – Contingency Plans

Project Component	Document Number in the ESHS Management System	Effective Date	Next Revision Date
Plant Construction	02/HS/PT/PN/001/A11	Mar-08	Mar-09
Fuel Gas Pipeline 10"	02/HS/PT/PN/003/A02	Oct-08	Oct-09
Quarry Operations	02/HS/QM/PN/001/A01	Dec-07	Dec-08
Pipeline	02/HS/PL/PN/016/D03	Jun-08	Jun-09

Table 3.6 – H&S Committee Meetings

Date	Topics Discussed/Covered	Main conclusions
1-Jul-08	▪ Road Safety Program and Defensive Driving ▪ Safety Training ▪ H&S Inspections in administrative buildings ▪ Personal Protective Equipment (PPE) Purchasing	▪ Active participation of committee members in the definition of actions to improve the Road Safety Program
16-Jul-08	▪ Road Safety Program and Defensive Driving ▪ Safety Training: Specific training for Ayacucho employees ▪ H&S Inspections in administrative buildings: Smoke Detectors ▪ Emergency Readiness ▪ Safety Peruvians Regulations for smokers.	▪ Use of Commcenter in emergency situations ▪ Need to perform a drill for administrative employees (evacuation of office buildings). ▪ PPE Purchasing: Need to implement stretchers in Ayacucho offices.

Table 3.8 – H&S Performance Indicators

SUMMARY OF INCIDENTS AND HOURS WORKED

	Hours Worked	Near Miss	First Aid	Medical Aid	Lost Time	Spill / Release	Vehicle
Plant Site	2,703,222	10	34	2	0	0	7
Pipeline	3,132,203	2	4	6	1	0	9
Support Team	108,679	0	0	0	0	0	0
Project Total	**5,944,104**	**12**	**38**	**8**	**1**	**0**	**16**

WORKED HOURS AND INCIDENTS

	Year-to-Date			Inception-to-Date		
	Hours Worked	Recordable Incidents (RI)	Lost Time Incidents (LTI)	Hours Worked	Recordable Incidents	Lost Time Incidents (LTI)
Plant	6,483,231	12	1	13,273,178	20	2
Pipeline	5,916,027	6	1	6,754,977	12	3
Support Team	300,212	0	0	824,604	1	0
Project Total	**12,699,470**	**18**	**2**	**20,852,759**	**33**	**5**

RECORDABLE INCIDENT RATE (RIR) AND LOST TIME INCIDENCE RATE (LTIR)

	Year-to-Date		Inception-to-Date	
	Recordable Incidence Rate	Lost Time Incidence Rate	Recordable Incidence Rate	Lost Time Incidence Rate
Plant	0.46	0.04	0.38	0.03
Pipeline	0.24	0.03	0.44	0.09
Support Team	0.00	0.00	0.24	0.00
Project Total	**0.32**	**0.03**	**0.40**	**0.05**
Project Performance Targets	**≤ 1.25**	**≤ 0.25**	**≤ 1.25**	**≤ 0.25**

Table 4.2.1 – Results of Internal Pipeline E&S Audits

No.	DESCRIPTION	MAIN FINDINGS
1	Management System	A schedule of monitoring events should be prepared and shared between field personnel from PERU LNG and the Pipeline Contractor. This would serve to assure that all monitoring events are being conducted at their specified frequencies.
2	Monitoring and Reporting	Pipeline Contractor appears to be conducting monitoring events without completing documentation and/or reporting in the monthly monitoring reports.
3	Monitoring and Reporting	Soil erosion monitoring requirements appear to be conducted on an as-needed basis rather than following the frequencies specified in the Compliance Monitoring Procedure. In addition, they are currently being partially documented in geotechnical mark diagrams used as internal management tools. This summary could be prepared and maintained by field personnel to improve the efficiency in the information flow.
4	Land Use for Construction	Review rental contracts with land owners to secure land for camps, access roads, pipe yards, antennas and other facilities. Verify the status of payments agreed with communities.
5	Grievance Procedure	Review the status of complaints and examine evidence to confirm the accuracy of records.
6	Local hiring	Verify that unskilled workforce recruitment is consistent with agreements with the community.

Table 4.2.2 - 1 – Main Findings of Quarterly IESM Pipeline Audit

PIPELINE – PERU LNG
▪ PERU LNG to improve the monitoring processes by introducing inspection checklists.
PIPELINE - CONTRACTOR
▪ Contractor to ensure project engineers review and incorporate ESIP into camp designs ▪ There was an absence of latrines on some sectors of the RoW, the number of latrines needs to be increased. ▪ Contractor to review the site drainage at all camps, especially at Acocro and Las Nubes camps to identify off and on site potential impacts and implement mitigation measures as required. ▪ A contingency tank needs to be installed in Las Nubes camp for the sewage treatment system. ▪ All equipment for storage, transportation and handling of fuels and compressed gases should be standard and compliant with the Peruvian legal requirements. ▪ Too many drums are being stored within containment trays, therefore potentially reducing the spill capacity of the tray below the minimum project standard of 110%. ▪ Excavation in the Pisco River was proceeding before prior deviation and/or protection of the natural flow. This could cause impacts downstream (turbidity and suspended solids). ▪ Dust control in the Sierra spread was not targeted on the impacted areas. Contractor needs to review their watering schedule and train the drivers on the locations where watering is required.

Table 4.2.2 - 2 – Results of OSINERGMIN Pipeline Observations

MONTH	DESCRIPTION OF FIELD OBSERVATIONS
July	Area Inspected: Four days environmental audit of the Sierra Spread. Areas and topics evaluated included environmental monitoring program, catering and waste management. Observations: No field observations were raised requiring follow-up.
	Area Inspected: Seven day social audit of the Sierra Spread. Areas and topics evaluated included Participatory Monitoring and Social Program, Code of Conduct. Observations: Three observations were raised, all requests for additional information, including a permit for use of a quarry, land easement agreement and the participatory monitoring program.
August	Area Inspected: Four days environmental audit of the Coastal Spread. Areas and topics evaluated included waste management, river crossings and catering management. Observations: No field observations were raised requiring follow-up.
	Area Inspected: Seven day social audit of the Coastal spread. Areas and topics evaluated included Participatory Monitoring and Social Program, Code of Conduct, permitting and Land and Easement process. Observations: Two observations were raised, all requests for additional information, including a permit for land use and the participatory monitoring program
September	Area Inspected: Six days audit to the Coastal Spread. Areas and topics evaluated included geotechnical aspects and camps. Observations: No field observations were raised requiring follow up. A request for additional information was included, details and maps on bofedales and rock areas.
	Area Inspected: Six day social audit of the Sierra Spread. Areas and topics evaluated included Participatory Monitoring and Social Program, Code of Conduct, permitting and Land and Easement process. Observations: Project vehicles were identified entering community lands in non-compliance with the Code of Conduct. PERU LNG sent the community authorizations to OSINERGMIN as evidence the Project is in compliance with procedures.

Table 4.2.3 – Pipeline Corrective Actions

Type	Document N°	Prepared Date	Current Status	Target Date	Closed Out Date	Description of the observation
CAR	01/TEC/PL/CAR/008	21/07/08	Open	05/08/08		During the construction of the Huancacasa Access Road material was side cast off the access road. In addition no erosion control or drainage devices were installed.
CAR	01/TEC/PL/CAR/009	21/07/08	Closed	05/08/08	18/09/08	During the construction of La Bolivar Access Road material was side cast off the access road. In addition no erosion control or drainage devices were installed.
CAR	01/TEC/PL/CAR/010	21/07/08	Open	05/08/08		During RoW works, between KP 277+600 and 280, material was side cast off the road. In addition none or inadequate control or drainage devices were installed.
WIN	01/TEC/PL/WIN/020	02/08/08	Closed	05/08/08	18/08/08	During construction and operation of Huancaccasa Camp, contractor inappropriately discharged black and grey waters.
WIN	01/TEC/PL/WIN/018	06/08/08	Closed	01/09/08	27/08/08	During pipe trenching and lowering of the special crossings construction phase, Chance Find 28, located at KP 366+212, was affected.
WIN	01/TEC/PL/WIN/019	06-Aug-08	Closed	01/09/08	22/08/08	During the pipeline clearing and grading activities, between KP 78+600 and 79+300, where the archaeological site 79-01 is located, no monitor archaeologist from Contractor was found.
WIN	01/TEC/PL/WIN/021	26/08/08	Closed	27/08/08	12/10/08	KP 43+500 - KP 43+600, Socos, Patibamba - Some Subsoil from trench and running track/row working area was bumped on top of topsoil stockpile on left hand side of RoW (looking positive).
CAR	01/TEC/PL/CAR/012	04/09/08	Closed	11/09/08	29/09/08	Failure to implement adequate sediment control measures during earth moving activities and site preparation for river crossing.
TWS	01/TEC/PL/TWS/001	09/09/08	Open	01/10/08		Installation of an unauthorized makeshift camp in the Chiara community. This camp included a number of tents installed on an already existing concrete slab within the perimeter of the property.

Table 4.3.6 Participatory E&S Monitoring Program - Main Activities and Findings

MAIN ACTIVITIES PERFORMED DURING THE QUARTER
▪ Two training and awareness workshops delivered to PERU LNG community relations and environmental staff. ▪ Implementation of three main centers for the following three operational fronts: San Miguel, Ayacucho and Chincha. These operational fronts ensure appropriate coverage for communities possibly affected by the project. ▪ Thirty workshops to introduce the program to the target population. ▪ Registration of 34 local monitors proposed by communities by the following criteria: i) local resident, ii) able to read and write, iii) trusted by their community being validated by his/her community during an in assembly. ▪ Development of socio-environmental monitoring forms ▪ Execution of training (initial phase) under the "learning by doing" approach, which allowed alternation between the theoretical sessions and field outings. ▪ Execution of the first pilot experience conducted in Tupac Amaru de Patibamaba community with the participation of 6 local monitors proposed by the community.
FIRST MONITORING PILOT EXPERIENCE MAIN FINDINGS
▪ High expectations about the program in general, mainly by the young participants ▪ Local monitor satisfaction of having access to follow up PLNG social-environmental performance ▪ Perception of growth by being direct players in the vigilance process of environmental impacts ▪ Motivation to extend the monitoring framework from PLNG activities to the environmental management in their community. ▪ Reception of comments to adjust monitoring forms ▪ Concerns about potential damages in the environment and accidents related to construction activities ▪ Request of more information about the pipeline operation stage and the potential risk of natural gas release.

Table 4.3.7 – Overall results of meetings - Pipeline Stakeholder Engagement Plan

Subject / Concern	Recurrence	%
Construction activities	327	28%
Stakeholder engagement & social monitoring	284	24%
Social investment	223	19%
Land & Easement	100	8%
Grievances management	64	5%
Local hiring	53	4%
Environmental and Cultural Heritage Topics	63	5%
Incidents prevention and management	43	4%
Others	29	2%
	1186	**100%**

Table 4.3.8-1 Pipeline Local Hiring

Region	July	August	September
Ayacucho	86	236	179
Huancavelica	6	103	116
Ica	36	43	57
Total	128	382	352

Table 4.3.8-2 Pipeline Local Purchasing Details

Contractor	Purchasing in Ayacucho (US$)	Purchasing in Pisco, Ica (US$)	Total (US$)
Pipeline Contractor	98,089	91,364	189,453

Table 4.3.9 Livelihood Restoration Assistance Action Plan Quarterly Progress Update

MAIN ACTIVITIES PERFORMED DURING THE QUARTER

- Definition of target population through the prioritization of stakeholders (communities & families) in five categories, according to the complementary vulnerability analysis.
- Document approved by the Agencies as meeting form and content.
- Completion of the Terms of Reference for assistance programs complied by :
  - ***Families Financial Resources Management Orientation Service***, to restore, upkeep or improve the families economy via the access to and appropriation of tools for the management of the temporary income generated by the Project, by acquisition of the easement of their land, and temporary jobs created; amongst others. The idea is to cover all additional orientation needs which may arise with respect to the management of exceptional funds received by the families within the area of direct area of influence of the project.
  - ***Community Organization Strengthening Orientation Service***, to assist the communities in the development of their skills for the sustainable management of the resources generated by the Project, specifically in the management of exceptional funds obtained in lieu of the easements; as well as interweave all other acts carried out within the framework of the Social Investment Program being implemented within the area of direct area influence of the project.
  - ***Priority Technical Assistance***, to provide special attention to the affected families and communities on a priority basis, in the execution of the technical assistance services given by the Social Investment Program of PERU LNG, complementing such activities with specific assistance, if required. The PERU LNG Social Investment Program includes technical assistance in productive subjects and in matters associated with the management of natural resources. It expects to cover all assistance aspects relevant to the livelihood reestablishment.
- The invitation to bid for the implementation of these three components is scheduled for November and December 2008.

Table 4.3.10 Pipeline Compensation Payments

SIERRA	Total	Negotiated	First Payment	Second Payment	Third Payment
Communities	34	32	32	28	0
Private Owners	87	87	87	78	0
Possessors	1456	1287	1287	1062	268

COAST	Total	Negotiated	First Payments	Second Payments	Third Payments
Private Owners	322	322	322	322	256

Table 4.4 – Pipeline ESIPs status

ESIP	Main Activities and Current Status
Waste Management ESIP	▪ Waste continues to be managed effectively by Pipeline Contractor. ▪ This quarter nearly 12% of the waste has been recycled. ▪ Patibamba main waste storage area was completed and has been operating effectively.
Wastewater Management ESIP	▪ Contractor continues to manage the discharge of effluents. Their Sanitary Engineer continues to identify areas for improvement. ▪ These are the main action/activities implemented by the Pipeline Contractor to improve treated effluent standards in wastewater treatment plants (WWTP): - Operators training carried out by WWTP Specialized Company (Plants Provider) with the supervision of Contractor HSE department. - Inspection of the operation conditions of the WWTPs by Plants Provider and Contractor's Sanitary Engineer. - Activated Sludge transferred to Santa Beatriz WWTP. This was done to improve the biological processes. The sludge came from San Clemente sewage treatment plant. - Extension of the storage system for treatment effluents in Huancaccasa. - Extension of infiltration bed, extension of the equalization tank, construction of a trap for Solids, Oil and Grease and construction of a contact chamber in Patibamba. - Implementation flow controls in Huaychao, Las Nubes, Patibamba and Acocro. - Implementation of a new infiltration bed in Las Nubes 2 camp. - Installation of a static mixer in Las Nubes 2 camp. ▪ With the implementation of these measures there has been a significant increase in the standards of the treated effluent for all the WWTPs, but further work is required.
Pollution Prevention ESIP	▪ Camp management and operations continued this quarter with one camp (El Carmen) closing and reinstatement activities commencing. ▪ Dust management continues to be an area where Contractor needs to improve. ▪ More targeted road watering activities are required, to ensure that the sensitive areas are covered as a priority.
Ecological Management ESIP	▪ Contractor's ecologist team continues to review the ROW in advance of construction activities, identifying fauna necessary for translocation. ▪ Specific attention was paid to the Pisco river crossing which has lead to the translocation away from the crossing of 2,245 juvenile shrimp, 239 adult shrimp and 689 juvenile and adult blue carp.
Pipeline Footprint ESIP	▪ Pipeline Contractor has continued with the development of Environmental and Social Impact Assessments for camps, pipeyards, access roads and shooflies that are not in the original ESIA ▪ No infrastructure has been constructed or even considered within Bofedales.
Erosion Control and Reinstatement ESIP	▪ During this quarter both Bofedales construction and winterization works commenced. ▪ A Method Statement was developed in September for the Bofedales located at KP 100 but construction works were unable to commence due to the community blockage in Chiara community (See Table 6.2-3). ▪ Winterization was undertaken and completed between KP 32 and 38 (Uras) in September with the main aim of slope protections and sediment control. ▪ Works also scheduled to commence at KP 74-76 around Secceslembras Stream
Biorestoration ESIP	▪ No biorestoration activities have taken place this quarter or on the project to date. ▪ The seeding season is between October and December
Hydrostatic Water Management ESIP	▪ The ESIP was approved by PERU LNG this quarter and issued to the Agencies for comment.
Compliance Monitoring ESIP	▪ Monitoring of construction, waste management and pollution prevention activities continued this quarter.

Table 4.5 - 1 – Pipeline Contactor Key Performance Indicators

Peru LNG - Pipeline (Contractor) Environmental Key Performance Indicators										
Theme	ID	Key Performance Indicator	Reporting unit	Description	Performance Targets	Monitoring Frequency	July	August	Sept	Comments
							Score	Score	Score	
Management	EPL1	NCRs CARs and WINs	#	Analysis of new NCRs / CARs / WINs, those closed out, those remaining and those closed out within / outside timescales	90% closed within timescale	Monthly			66%	There has been an improvement in the close out timings during the quarter with the percentage closed out in time reaching 66%, however the statistics do not show the very aggressive timescales that PERU LNG is setting. These aggressive timescales are set to ensure quick implementation of the mitigation measures. I future all close out dates will be discussed with the contractor, but PERU LNG shall still insist on aggressive close out dates.
Management	EPL2	OSINERGMIN Observations	%	% of OSINERGMIN observations closed out within given timescale	100%	Monthly	100%	100%	100%	All OSINERGMIN observations were closed during their inspections, no observations were recorded in the findings report.
Management	EPL3	Audits and Inspections	%	% of Contractor audits and inspections completed vs. planned	80%	Quarterly	74%			Techint as part of their Management System have implemented a regime of inspections to be conducted by differing levels of management within the organization. To ensure that this % is increased during the next quarter individuals who have met their targets have had the frequency decreased, those who have not have had their inspection frequency increased.
Waste	EPL4	Waste reused/ recycled	%	Analysis of waste disposal documentation to determine % of waste reused/ recycled against disposed	Measure	Quarterly	12%			During the quarter 108.95 tons of waste was disposed of while 12.74 tones were recycled.
Waste	EPL5	Waste Accumulation Area	#	Number of CARs or NCRs raised against waste management activities	0 Non compliances	Monthly	0	0	0	No CARs were raised against waste management activities this quarter
Footprint	EPL6	Extra land take	Ha	Measure of additional land take above that identified within the ESIA, broken down in to ROW / additional facilities	Measure	Monthly	ROW	351		As this is the first quarterly report all additional land take areas have been reported. There are currently 6 camps open in the Sierra spread and 6 in the Coast spread with El Carmen currently being demobilized and reinstated. For the ROW it includes the additional lands on steep ridges, river crossings, temporary pipeyards and all other additional areas identified during the pre construction survey
							Facilities	56		
Footprint	EPL7	Road upgrades	Measure	Number of upgrades and amount of km to give indication of infrastructure improvements done as a result of the project	Measure	Quarterly	Upgrades	16		This quarter 16 access roads have been upgraded this equates to 312 km
							km	312 km		
Footprint	EPL8	New or upgraded bridges	Measure	Number of new bridges or bridge upgrades, indication of infrastructure improvements done as a result of the project		Quarterly	0			No bridges have been constructed or upgraded.

Peru LNG - Pipeline (Contractor) Environmental Key Performance Indicators

Theme	ID	Key Performance Indicator	Reporting unit	Description	Performance Targets	Monitoring Frequency	July	August	Sept	Comments
							Score	Score	Score	
Cultural Heritage	EPL9	Chance finds	#	Number of chance finds not in compliance with the chance finds procedure	0 Non compliances	Monthly	0	0	1	One archaeological CAR was raised in September, this was related to the lack of archaeological cover during clear and grading activities.
Erosion Control and Reinstatement	EPL10	Erosion Control Devices	#	Number of erosion control devices installed against plan	100%	Monthly	100%	100%	100%	No CARS were against the none installation of erosion control equipment.
Erosion Control and Reinstatement	EPL11	Erosion Control Performance	#	Number of CARs and WINs related to the poor performance of installed erosion control devices	Measure	Monthly	3	0	0	3 CARs were raised in July for the side casting of material. All three were raised within the same week, two were for the side casting off access roads, these until this point were not subject to the development of a grading plan, therefore no specific measures were identified. Since this point grading plans shall be developed for all new access road construction activities
Spills and Emergency (Pollution Prevention)	EPL12	Spills to land and water	#	Analysis of number of spills between 1 and 10 Liters, 10 to 159 Liters, over 159 liters (government reportable) and to water	0 reportable spills	Monthly	0	0	0	A number of small spills have occurred this quarter but none classed as reportable to the government under local regulations or as part of the KPIs. Of the small spills all have been cleaned up within 24 hours (EPL13)
					0 spills to water		0	0	0	
Spills and Emergency (Pollution Prevention)	EPL13	Spills reporting and clean up time	%	Number of spills reported and cleaned up within 24 hours of the event	100%	Monthly	100%	100%	100%	See EPL12
Pollution Prevention	EPL14	Chemical, paint, oil and fuel storage	%	Number of CARs or NCRs raised against chemicals, paints, oils and fuel used and stored on site	0 Non compliances	Monthly	0	0	0	No CARs have been raised for the storage of chemicals, ules or paints this quarter.
Ecology	EPL15	Camilid Injuries	#	Camilid injuries directly or indirectly attributable	0	Monthly	0	0	0	No camelid injuries have occurred as a result of the project activities this quarter.
Ecology	EPL16	Bofedale Crossings	m2	Area of crossing reduced from ROW for bofedale crossings	Measure	Quarterly	NA	NA	NA	The method statement for the Bofedale at KP 100 was completed this quarter, however, no bofadales have been crossed.
Hydrotest	EPL17	Water Use	%	Analysis of hydrotest records to determine % water reused during filling of line segments	Measure	Hydrotest Schedule	NA	NA	NA	No mainline hydrotest activities have taken place during this quarter.
Hydrotest	EPL18	Discharge Standards	Measure	Compliance against key project discharge standard (Do, TSS,pH,fe)	Measure	Hydrotest Schedule	NA	NA	NA	No mainline hydrotest activities have taken place during this quarter.
Hydrotest	EPL19	Abstraction Limit	#	Number of Non-Compliances with the 30% abstraction limit from all abstraction points	0	Hydrotest Schedule	NA	NA	NA	No mainline hydrotest activities have taken place during this quarter.

Table 4.5 - 2 – Pipeline Social Key Performance Indicators

PERU LNG - Pipeline Social Key Performance Indicators														
Theme	ID	KPI	Reporting Unit	Description	Performance Targets	Monitoring Frequency	Reportable	Jul-2008		Aug-2008		Sep-2008		Comment
								Input field	Score	Input field	Score	Input field	Score	
Land Compensation	SPL1	Public Consultation	#	Plan to have 3 meetings per community during first 6 stages of acquisition	3 per community	Monthly	Number of meetings per community	3		2		2		6 first stages have been completed for the total of 408 kilometres of Right of Way on July. The following meetings have been conducted to execute the second payment of the contract.
Land Compensation	SPL2	Negotiation versus imposition	%	% of negotiated agreements verses total agreements	90%	Monthly	Agreements signed	276	99%	277	100%	278	100%	Negotiation with Chiquintirca has been completed on August and Zunino case on September.
							Total of number of landowners	278		278		278		
Land Compensation	SPL3	Responding to complaints	%	% of complaints about easement acquisition closed out and documented within one month of receiving complaint	90%	Monthly	Number of complaints responded	16	100%	1	100%	3	100%	During this quarter 20 Complaints related to easement adquisition were received and solved.
							Number of complaints received	16		1		3		
Grievances and Complaints	SPL4	Responding to complaints	%	% of environmental or social complaints closed out and documented within one month of receiving complaint	90%	Monthly	Number of complaints responded	26	96%	13	100%	12	86%	During this quarter 54 Social & Environmental Complaints were received: 51 solved and 4 in proccess.
							Number of complaints received	27		13		14		
Stakeholder Engagement	SPL5	Communication	%	% of meetings completed verses plan	100%	Monthly	Number of meetings executed	405	100%	459	100%	322	100%	Every month target was exceeded
							Number de meetings planned	300		300		300		
Stakeholder Engagement	SPL6	Coverage	#	# of participants from each community attending meetings	Measure	Monthly	Number of total of participants in meetings and workshops	417		1501		457		
Local Hiring	SPL7	Hiring of Peruvian Workforce	%	Peruvian workforce employed as a percentage of total	Measure	Monthly	Peruvian workforce	262	90%	474	91%	506	97%	Data provided by the contractor related to total of Peruvians hired during each month vs total workforce hired
							Total workforce	291		523		520		
Local Hiring	SPL8	Hiring of Local Workforce	%	Unskilled and skilled labor secured from local villages as a percentage of total Peruvian workforce	Measure	Monthly	Local communities workforce	128	49%	382	81%	352	70%	Data provided by the contractor related to total of local people (from communities)hired during each month vs total Peruvian workforce hired
							Peruvian workforce	262		474		506		
Community Safety	SPL9	Training	%	% of the workforce trained per plan	100%	Quarterly	Workforce trainned	100						100% of workforce have been trainned on community safety.
Community Safety Transportation	SPL10	Training	#	# of community members trained on transport safety issues	#	Quarterly		131						During this quarter 7 workshops (131 attendees) have been executed to reinforce the initial trainings.

Table 5.2.1 – Results of Plant and Quarry Internal Audits

MONTH	DESCRIPTION OF OBSERVATIONS AND FINDINGS
July	**QUARRY ESIP – Marine EPC Contractor** Areas inspected: Quarry, maintenance areas, storage areas, screens, Quarry Haul Road and environmental records. Observations: No observations or non conformances were raised requiring follow up. Main Findings: ▪ Quarry Key Environmental Issues and commitments were well managed in general terms in the inspected facilities and project areas. ▪ All of the commitments from the Quarry ESIP were being properly addressed. ▪ There were two environmental requirements set forth in the Quarry ESIP that were not addressed fully in the field due to safety/incident prevention factors. These requirements include the refueling of light machinery using a fixed tank or at the machine shop and the need to cover rock loads to prevent dust emissions. Currently, the contractor: - Uses an authorized refueling tanker to provide fuel to the light towers on the quarry platforms. This minimizes the risk of spill associated with daily transport of multiple mobile hydrocarbon-bearing equipment. - Does not cover the loads of the large rocks (from which no dust is emitted), being transported from the quarry to the marine facility due to the risk factor of placing covers which would require working at height amongst heavy rock loads at a high frequency day and night. In both cases, it is thought that the current practices are in line with the principles of pollution prevention and are appropriate when compared to the risk potential. ▪ 42 out of 42 environmental key issues were being appropriately managed according to the standards set in the EIA and corresponding ESIPs.
August	No Audits were scheduled or conducted in August. The internal audits calendar does not include monthly audits to the ESIPs and is based on a general audit program that is adjusted according to the needs observed in the field.
September	**COMMUNITY SAFETY AND TRANSPORTATION ESIP – Plant EPC Contractor** Area inspected: Route of transport, communications, process of transport, social risk assessment, community relations records. Observations: No field observations were raised requiring follow up. Main Findings: ▪ Quarry Key Environmental Issues and commitments were well managed in general terms in the inspected facilities and project areas. ▪ The Contractor had a number of tools in place in order to meet the commitments described in PERU LNG's Community Safety and Transport Contractor Management Plan and their corresponding ESIP. ▪ Recommendations were included for Contractor to improve the communication between its Logistics team and PERU LNG Community Affairs teams to make sure appropriate notification to the community are carried out and heavy haul activities are adequately monitored. ▪ Recommendations were included for Contractor to disseminate more widely the call-in telephone number to better receive information requests or any grievances associated with the transport activities.

Table 5.2.2 - 1 – Results of the Plant and Quarry IESM Audit

PLANT AND MARINE FACILITIES – OBSERVATIONS
▪ No major observations or findings were raised.
RECOMMENDATIONS
▪ With regards to the Fishermen Compensation Plan, it would be interesting to pursue arrangements with financial institutions that can provide micro-credit or other forms of financial assistance as a source of complementary funding for social projects such as to increase leverage and hence the multiplier potential. Such arrangements would also be interesting in the context of other social projects currently being promoted by Peru LNG and EPC Contractors. ▪ A new set of Key Performance Indicators should be adopted in order to measure results of social investment initiatives currently being implemented by Peru LNG and EPC Contractors. ▪ Retrenchment of construction labor will begin to take place in less than a year. Possible linkages between social investment projects currently in progress and outplacement of construction workers should be studied in advance. Similarly, new social investment projects which can somehow assist in dealing with the retrenchment issue as it arises should begin to be considered.

Table 5.2.2 - 2 – Results of Plant and Quarry OSINERGMIN Audits

MONTH	DESCRIPTION OF FIELD OBSERVATIONS
July	**ENVIRONMENTAL INSPECTION TO THE PLANT AND MARINE FACILITIES** Area inspected: Three days inspection to different open work fronts in the plant and marine facilities. The audit covered EIA commitments focusing on Waste Management and Compliance Monitoring. Observations: No field observations were raised requiring follow up. The auditors mentioned that potentially an observation regarding waste stream identification could be raised. However OSINERGMIN is reviewing the EIA commitments further and has not yet submitted an observation officially.
August	**ENVIRONMENTAL INSPECTION TO THE PLANT AND MARINE FACILITIES** Area inspected: Three days inspection to the plant and marine facilities. The audit covered EIA commitments focusing on Waste Management and Compliance Monitoring. Observations: No field observations were raised requiring follow up. **ENVIRONMENTAL INSPECTION TO THE QUARRY** Area inspected: Two days inspection to the quarry and quarry haul road. The audit covered EIA commitments in general. Observations: No field observations were raised requiring follow up. **SOCIAL INSPECTION TO THE PLANT** Area inspected: Three days inspection to the plant and plant's social area of influence. The audit covered the community communication program, local hiring, PERU LNG's EIA Community Relations Plan and community environmental monitoring. Observations: No field observations were raised requiring follow up.
September	**ENVIRONMENTAL INSPECTION TO THE PLANT AND MARINE FACILITIES** Area inspected: Three days inspection to the plant and marine facilities. The audits covered EIA commitments focusing on Waste Management and Compliance Monitoring. Observations: No field observations were raised requiring follow up. **ENVIRONMENTAL INSPECTION TO THE QUARRY** Area inspected: Two days inspection to the quarry and quarry haul road. The audit covered EIA commitments in general. Observations: No field observations were raised requiring follow up. **ENVIRONMENTAL INSPECTION TO THE DREDGING MONITORING PROGRAM** Area inspected: Three days inspection to the ongoing marine environmental dredging monitoring program. Observations: Six field observations were opened during the field inspection related to monitoring activities. The observations came through an official communication from OSINERGMIN on September 09. PERU LNG has responded to these non material observations.

Table 5.2.2 - 3 – Open OSINERGMIN Observations

N.	Date	Observation	Action Taken	Status
1	Q3 2007	One previous OSINERGMIN observation remains open. This observation relates to the need to sign an agreement (Convenio) with the national police.	The formal agreement with the police of Chincha and Cañete is still pending and under review by governmental parties.	Pending
2	22/07/08	OSINERGMIN informed that PERU LNG is storing rocks in the platforms called K5 A, K5 B, K5 C and K5 D. The installation and operations on these platforms hadn't been considered in the Project's Quarry ESIA, approved by D.R. N° 291-2006-MEM/DGAAE For this reason, OSINERGMIN requested PERU LNG to update the Environmental Management Plan of the Project's ESIA and submit it to the DGAAE for its evaluation.	On August 26, through letter PLNG-ENV-PT-078-08; PERU LNG clarified that activities carried out in Quarry Haul Road's easement are being executed under the applicable mining regulations and therefore the observation is not applicable. Also PERU LNG explained that any potential impacts from this activity were analyzed in the EIA and that for this reason PERU LNG has monitoring stations at the beginning, middle and the end of the Quarry Haul Road. Monitoring didn't reveal any additional impacts.	Pending OSINERGMIN response
3	09/09/08	OSINERGMIN communicated that PERU LNG has implemented partially the Environmental Monitoring Program of Total Suspended Solids (TSS) during Dredging activities because the sampling of this parameter is performed only once a week rather than daily. For this reason, PERU LNG must implement its Environment Monitoring Program according to ESIA commitment.	On September 25 through letter PLNG-ENV-PT-090-08, PERU LNG clarified that according to the ESIA's observation N° 36, the TSS daily monitoring can be done using turbidity measurements, using a Correlation Curve between TSS-NTU. Daily turbidity measurements are being undertaken and therefore PERU LNG is compliant with this commitment.	Pending OSINERGMIN response
4	09/09/08	OSINERGMIN communicated that PERU LNG has implemented partially the Environmental Monitoring Program of Turbidity during Dredging activities, because the sampling of this parameter is only performed once a day. For this reason, PERU LNG must implement its Environment Monitoring Program according to ESIA commitment (in Annex 06, Dredging EIA) that indicates "turbidity monitoring will be performed twice a day, at the beginning and in the middle of dredging activity".	On September 25, through letter PLNG-ENV-PT-090-08, PERU LNG clarified that monitoring of turbidity was established in datasheets SM-2 and SM-2R in the Environmental Management and Monitoring Programs of the original and amended ESIAs, respectively, where it specifies that should be daily. Therefore, PERU LNG is compliant with its commitments. Furthermore, annex 06, where it says that should be done at the beginning and at the end of the journey (does not say twice a day) makes reference to the EIA datasheet SM-2R for specific requirements.	Pending OSINERGMIN response
5	09/09/08	OSINERGMIN communicated that PERU LNG has implemented partially the Environmental Monitoring Program of Turbidity during Disposal of Dredged Material activities, because the sampling of this parameter is only performed once a day. For this reason, PERU LNG must implement its Environmental Monitoring Program according to ESIA commitment (in the dredging ESIA submitted as an appendix) that establishes "the turbidity monitoring will be performed twice a day, at the beginning and in the middle of disposal activity".		Pending OSINERGMIN response
6	09/09/08	OSINERGMIN communicated that PERU LNG had not submitted Contractor's onsite laboratory accreditation. The laboratory is used for monitoring of dredging activities.	On September 25, through letter PLNG-ENV-PT-090-08, PERU LNG clarified that the only parameter that is measured in Contractor's Laboratory is TSS analysis for the purpose of updating the TSS-NTU correlation curve. However, PERU LNG accepted the recommendation and Contractor will send the TSS samples to a certified laboratory.	Pending OSINERGMIN response
7	09/09/08	OSINERGMIN communicated that PERU LNG had not submitted the calibration certificates for "Memmert 100-800 Oven" and "Sartorious CPA 3235 Analytical balance", equipment that is used for dredging monitoring being self performed by Contractor.	On September 25, through letter PLNG-ENV-PT-090-08, PERU LNG submitted Oven vendor letter which indicates that this equipment doesn't need calibration; Additionally the calibration certificate for the analytical balance was attached to close this observation.	Pending OSINERGMIN response
8	09/09/08	OSINERGMIN communicated that PERU LNG had not submitted the Sea Water Monitoring Protocol that is being used by Contractor.	On September 25, through letter PLNG-ENV-PT-090-08, PERU LNG submitted the Dredging Environmental Monitoring Procedure to close this observation.	Pending OSINERGMIN response

Table 5.2.3 – Plant and Quarry Corrective Actions

Type	Document N°	Prepared Date	Current Status	Target Date	Closed Out Date	Description of the observation
NCR	01/CDB/QM/ECA/NCR/006	21/08/08	Open	Next Survey	Next Survey	Marine EPC Contractor failed to undertake daily turbidity monitoring as required by SM-2R of the EIA. Contractor replied that the samples were not taken due to unsafe sea conditions and maintenance of the survey vessel

Table 5.3.1 – Marine Monitoring Activities

Monitoring Activity	Frequency	Description / Results
Marine construction (general) Seawater quality surveys (Marine EPC Contractor)	Quarterly	▪ In August, monitoring of 10 established stations in the marine construction area at three depths, totaling 28 samples ▪ Analyzed for physical-chemical parameters, including metals. ▪ All values below the maximum permissible limits indicated in the EIA (Class VI of the general Water Law) and Compliance Monitoring Contractor Management Plan (CMP). ▪ Only slight variations, within limits, from baseline levels were detected for Dissolved Oxygen, Conductivity, Total Dissolved Solids, Chloride Ions and Sodium. Other results are consistent with baseline.
Marine construction (dredging) Turbidity and Arsenic surveys (Marine EPC Contractor)	Daily / weekly	▪ Dredging activities undertaken over 19 days in August and 10 days in September. ▪ Turbidity monitoring undertaken at EIA-defined points in the dredged area and dump area. ▪ 14 stations, each at 3 depths were sampled ▪ On two occasions, sampling did not occur due to severe sea conditions, which made sampling too hazardous. ▪ Water samples taken weekly to be analyzed for arsenic as required by the EIA. ▪ Results for turbidity and arsenic within the established maximum permissible limits.
Marine Sediment and Ecosystem monitoring (PERU LNG)	Quarterly	▪ Winter Marine survey (July) was carried out by ERT and Knight Piesold, including strong participatory approach involving a large group of stakeholders. ▪ Monitoring included the sampling of 10 transects including control areas, analyzing water quality, sediment sampling (granulometric and organic matter), macrobenthos sampling, fish sampling, plankton sampling, artisanal fishing and palabritas sampling. ▪ Monitoring results indicate that the marine environmental parameters are consistent with baseline conditions. ▪ Results from this sampling event will be compiled in the next Annual Report.

Table 5.3.7-1 – Plant, Quarry, Marine Local Hiring Details

Description	July	August	September
Plant EPC Contractor	**639**	**718**	**928**
Chincha	307	342	438
Cañete	332	376	490
Marine EPC Contractor	**220**	**233**	**237**
Chincha	125	129	130
Cañete	95	104	107
Total	**859**	**951**	**1,165**

Table 5.3.7-2 – Plant, Quarry, Marine Local Purchasing Details

Contractor	Purchasing in Chincha (US$)	Purchasing in Cañete (US$)	Total (US$)
Plant EPC Contractor	234,448	450,062	684,510
Marine EPC Contractor	88,684	151,692	240,376
Total (US$)	323,132	601,754	924,886

Table 5.3.8 – Chincha and Cañete Office Visitors

Office	Area	Claims/ Grievances	Fishermen	Job Inquiries	General Consultation	Received Mail	Delivered Mail	Notifications	TOTAL
Cañete	Plant	0	39	251	47	0	0	0	**337**
	Pipeline	0	0	1	0	0	0	0	**1**
Chincha	Plant	0	10	293	9	8	0	0	**320**
	Pipeline	0	0	308	0	3	0	0	**311**

Table 5.3.9 - Status Report on Fishermen Compensation Plan

ACTIVITIES	STATUS	GOAL	STATUS
1. PREPARATORY			
1.1 Meetings for presentation of the Fishermen Compensation Plan	Completed	17 meetings held	100%
1.2 Project Sample	Completed	1 project sample made (Chincha and Cañete)	100%
1.3 Implementation of technical assistance and institutional strengthening	Completed	1 hired specialized institution	100%
1.4 Definition of the agreements to be used for the legal closure of the compensation agreements	Completed	2 completed and approved agreement models	100%
1.5 Definition of contract term for the establishment of the trust fund where the compensation funds of the fishermen associations will be established.	In process	1 signed contract	100%
2. IMPLEMENTATION			
2.1 Agreements reached with associations	In process	10 signed agreements	60%
2.2 Agreements reached with independents	In process	304 agreements	62%
2.3 Associations' account opening	In process	11 accounts opened	60%
2.4 Identification of business ideas / projects	In process	Business plans developed for associations and independents	40%
2.5 Creation of SMEs or productive projects	In process	SME and productive projects created	0%
3. EXECUTION			
3.1 Projects or businesses under development	Not executed	Sustainable businesses and projects generate income for fishermen	0%
3.2 Technical assistance to business and projects in execution	Not executed	Assistance, problem identification and corrective actions.	0%
4. GRIEVANCES			
4.1 Incorporation requests to the Compensation Process (as affected) presented by independent fishermen	In process	All requests have been responded	100%
4.2 Requests and grievance refers to Compensation Process presented by fishermen associations	In process	All requests have been responded	100%

Table 5.3.10 - Community Investment (Additionality Programs)

PROJECT	MAIN ACTIVITIES UNDERTAKEN DURING THE REPORTING PERIOD
Agricultural Promotion - AgroProgreso	▪ Coordination and supervision of the field and desktop activities carried out by the implementing partner (CIED) ▪ Desktop activities included market study, baseline study and the preparation of technical files for small infrastructure improvements (vineyards). ▪ Implementation of scheduled workshops in Chincha and Cañete to the Technical Assistance Groups.
Supply Chain Management	▪ Worked with the IFC procurement coordinator to develop and send out the Terms of Reference for the selection of the implementation partner. Reviewed proposals received from bidders. ▪ SwissContact-Recursos selected as the implementation partner.

Table 5.4 – Plant, Quarry and Marine CMPs/ESIPs status

CMP / ESIP	Main Activities and Current Status
Waste Management	▪ Permanent monitoring of contractor records on waste management ▪ Contractors continue training on Waste Management. ▪ Continuing reuse of treated wastewater for dust control ▪ Maximizing reuse of material onsite, including wood and waste concrete
Pollution Prevention	▪ Daily visual inspections of work areas undertaken to assess need for dust ▪ Managing dust emissions through application of treated wastewater ▪ Continued emissions testing for vehicles and equipment as per EIA requirements
Dredging	▪ Verification of Marpol certification of vessels used for dredging undertaken. ▪ EIA-required arsenic speciation profile sediment sampling prior to dredging. Results are consistent with other baseline data, showing non-toxic form of arsenic. ▪ Daily turbidity monitoring undertaken during dredging. ▪ Weekly arsenic monitoring in sea water during dredging
Quarry	▪ All Quarry facilities are installed. ▪ Improvements made to vibrating and static screen, including screening and sprinklers to minimize dust emissions ▪ Monitoring performed in the quarter as per EIA requirements included: Air quality and noise monitoring, Fauna monitoring and Cacti monitoring of experimental plots. ▪ Groundwater wells monitored at Topara to determine water levels and chemistry. No impact from Quarry activities has been identified. ▪ Vibration monitoring at Topará. No impact from Quarry activities has been identified. ▪ Monthly noise monitoring at Topará. Same as above
Compliance Monitoring	▪ Monthly / Quarterly monitoring undertaken as per the EIA including: - Potable and bottled water monitoring - Monitoring of effluent from wastewater treatment systems - Noise monitoring at plant and quarry - Sea water quality monitoring - Rio Cañete water sampling - Monthly monitoring of Tillandsias internal nursery has revealed a declining trend of live individuals, which is consistent with the external natural control sites.
Hydrostatic Test	▪ Hydrostatic tests to HDPE Firewater line commenced, using potable water, no additives. Water stored for reuse between pipe sections, then released to wastewater treatment plant.
Cultural Heritage	▪ INC supervision of Plant, Marine and Quarry. Some recommendations to improve signage and benchmarks of identified sites provided. Work will be undertaken in Q4. ▪ Chance Finds procedures in place.
Community Safety and Transport	▪ Contractors continue to deliver material in accordance with the CMP. ▪ PERU LNG notification of transport occurring through radio announcements ▪ In September, an internal audit was undertaken. See Section 5.2.1 for further information.
Recruitment, Procurement and Community Liaison	▪ Contractors continue to deliver information on PERU LNG Project Policies and the Code of Conduct to workers. ▪ Contractors are hiring local workforce from Chincha and Cañete through recruitment offices. ▪ Project workers are trained by the contractors and sub contractors providing training opportunities and skills development. ▪ Ongoing implementation of Contractor's social programs as per the Community Relations Plan and EIA requirements.

Table 5.5 - 1 – Plant, Quarry and Marine Environmental Key Performance Indicators

PERU LNG - PLANT, QUARRY AND MARINE ENVIRONMENTAL KEY PERFORMANCE INDICATORS								Jul-2008		Aug-2008		Sep-2008		Comment
Theme	**ID**	**KPI**	**Reporting Unit**	**Description**	**Performance Targets**	**Monitoring Frequency**	**Reportable**	**Input field**	**Score**	**Input field**	**Score**	**Input field**	**Score**	
Management	EPT1	NCRs CARs and WINs	Number (#)	Analysis of new NCRs / CARs / WINs, those close out, those remaining and those close out within / outside timescales	90% Closed within timescale	Monthly	Number of NCRs, CARs and WINs programmed to close	0	100%	1	0%	2	50%	1. Aug: Wastewater treatment plant required assessment report and fixes, delaying achievment of target date. Closed
							Number of NCRs, CARs and WINs closed out on time	0		0		1		2. Sept: Target date not achieved due only to failure of contractor to respond to nonconformance formal way. Closed
Management	EPT2	Audit and Inspections	Percentage (%)	Percentages of contractor audits and inspections completed versus planned	80%	Quaterly	Number of audits and inspections planed (OSINERGMIN, Lenders, Internal)	Quarterly KPI	Not applicable	Quarterly KPI	Not applicable	27	100%	
							Number of audits and inspections planed (OSINERGMIN, Lenders, Internal) completed	Quarterly KPI		Quarterly KPI		27		
Management	EPT3	OSINERGMIN Observations	Percentage (%)	Percentage of OSINERGMIN observations close out within given timescale	100%	Monthly	Number of OSINERGMIN observations	1	100%	0	100%	6	100%	
							Number of OSINERGMIN observations closed out on time	1		0		6		
Waste	EPT4	Waste reused / recycled	Percentage (%)	Analysis of waste disposal documentation to determine % of waste reused/recycled against disposed	0 Non compliances	Monthly	Volume / Mass waste able to be recycled	35680	100%	21420	100%	20470	100%	
							Actual Volume / Mass waste recycled	35680		21420		20470		
Waste	EPT5	Waste accumulation area	Measure	Number of CARs or NCRs raised against waste management activities	90%	Monthly	Number of CARs or NCRs emitted	0	100%	1	100%	0	100%	
							Number of CARs or NCRs related to waste	0		0		0		
Emissions / Discharges	EPT6	GHG Emissions	Measure	Analysis of total diesel and other fuel sources to determine TOTAL GHG Emissions	Measure	Monthly	Diessel consumption (tonnes)	615	Not applicable	652	Not applicable	724	Not applicable	
							Gasoline consumption (tonnes)	0		0		0		
Emissions / Discharges	EPT7	Treated Effluent Discharges	Number (#)	Number of non conformant situations (e.g. plant disruptions) for any of the parameters listed in the EIA for treated effluent	20% reduction of non conformant situation vs previous year	Quaterly	Number of effluent samples taken	Quarterly KPI	Not applicable	Quarterly KPI	Not applicable	9	67%	Previous year's data not applicable (All WWTPs not functioning.) Noncompliances (phosphorus and nitrogen) being tracked.
							Number of non compliances (for any parameter)	Quarterly KPI		Quarterly KPI		6		
Emissions / Discharges	EPT8	Hydrotest Discharge Standards	Measure	Compliance against key project discharge standard for hydrotests performed in the LNG Plant (DO, TSS, pH)	Measure	Hydrotest's Schedule	Number of samples taken	0	100%	0	100%	1	100%	
							Number of non compliances (for any parameter)	0		0		0		

PERU LNG - PLANT, QUARRY AND MARINE ENVIRONMENTAL KEY PERFORMANCE INDICATORS														
Theme	ID	Key Performance Indicator	Reporting Unit	Description	Performance Targets	Monitoring Frequency	Reportable	Jul-2008		Aug-2008		Sep-2008		Comment
								Input field	Score	Input field	Score	Input field	Score	
Freshwater	EPT9	Use of river water	Percentage (%)	Analysis of abstraction rates to determine % of river water used / total water used	%	Monthly	Total volume used in the project	16784	0%	22038	0	24841	25%	
							Volume extracted from Cañete river	0		4057		6292		
Potable Water	EPT10	Potable Water	Percentage (%)	Satisfactory operational testing of coliform bacteria densities (based EIA standards), fraction time	95%	Monthly	Total of samples taken	3	100%	3	100%	3	100%	
							Number of non compliances for coliforms	0		0		0		
Spills and emergency	EPT11	Spills to land or sea	Number (#)	Analysis of number of spills between 1 and 10 liters, 10 to 159 liters, over 159 liters (goverment reportable) and to the sea	0 repotable spills 0 spills to sea	Monthly	Number of spills between 1 and 10 liters to the land	4	Not applicable	1	Not applicable	4	Not applicable	
							Number of spills between 10 and 159 liters to the land	0		0		1		
							Number of spills over 159 liters (reportables)	0	100%	0	100%	0	100%	
							Number of spills to the sea (reportables)	0	100%	0	100%	0	100%	
Spills and emergency	EPT13	Spills reporting and clean up time	Percentage (%)	Number of spills reported and cleaned up within 24 hours of the event	100%	Monthly	Number of spills	4	100%	1	100%	5	100%	
							Number of spills reported and cleaned on time	4		1		5		
Spills and emergency	EPT14	Repeat spills	Number (#)	Number of spills that have occurred previously from the same source	0%	Monthly	Number of repeat spills / leaks to land from the same source	0	100%	0	100%	0	100%	
Pollution Prevention	EPT15	Chemical, paint, oil and fuel storage	Number (#)	Number of CARs or NCRs raised against chemicals, paints, oil and fuel used and stored on site	0 Non compliances	Monthly	Number of CARs or NCRs	0	100%	0	100%	0	100%	
Pollution Prevention	EPT17	Turbidity during dredging	Percentage (%)	Satisfactory operational testing of turbidity (based on EIA standards), fraction of time	0.9	Monthly	Number of samples taken	0	100%	753	100%	420	100%	
							Number of non compliance for turbidity	0		0		0		
Cultural Heritage	EPT18	Chance finds	Number (#)	Number of chance finds not in compliance with chance finds procedure	0 Non compliances	Monthly	Number of chance finds in non compliance with procedure	0	100%	0	100%	0	100%	

Table 5.5 - 2 – Plant, Quarry and Marine Social Key Performance Indicators

PERU LNG - PLANT, QUARRY AND MARINE SOCIAL KEY PERFORMANCE INDICATORS														
Theme	ID	KPI	Reporting Unit	Description	Performance Targets	Monitoring Frequency	Reportable	Jul-2008		Aug-2008		Sep-2008		Comment
								Input field	Score	Input field	Score	Input field	Score	
Fishermen Compensation	SPT1	Compensation	Percentage (%)	% Compensation agreements with associations	100%	Quarterly	Agreements signed	Quarterly KPI:				5	50%	Cumulative progress to date Target to be achieved in Q1 2009
							Total number of associations					10		
Fishermen Compensation	SPT2	Compensation	Percentage (%)	% Compensation agreements with independent fisherman	100%	Quarterly	Agreements signed	Quarterly KPI				188	62%	Cumulative progress to date Target to be achieved in Q1 2009
							Total number of independent fishermen					304		
Fishermen Compensation	SPT3	Compensation	Percentage (%)	% Development of business plans	100%	Quarterly	Fishermen participating in business plans	Quarterly KPI				342	40%	Cumulative progress to date Target to be achieved in Q1 2009
							Total number of fishermen					848		
Fishermen Compensation	SPT4	Compensation	Percentage (%)	% Projects or businesses under development	Measure	Quarterly	Number of businesses developed in the Quarter	Quarterly KPI				0	Not applicable	Small businesses for fishermen to be implemented 1 Q 2009
							Businesses for fishermen in the Compensation Plan					0		
Grievances and Complaints	SPT5	Response to complaints	Percentage (%)	% of complaints responded with respect to those received	100%	Quarterly	Number of Complaints responded	Quarterly KPI				0	100%	
							Number of Complaints received					0		
Grievances and Complaints	SPT6	Difficulty level of complaint resolution	Percentage (%)	% of complaints solved in the first and second response	≥ 80%	Quarterly	Number of Complaints solved	Quarterly KPI				0	100%	
							Number of Complaints received					0		
Grievances and Complaints	SPT7	Recurrent issues	Number (#)	# recurrent complaints per category (environmental, social, negotiation, etc.)	Measure	Quarterly	Number of recurrent complaints received	Quarterly KPI				0	0	No complaints received in the Quarter
Stakeholder Engagement	SPT8	Communicatio n	Number (#)	# of workshops and public audiences organized by the Project	Measure	Quarterly	Number of workshops	Quarterly KPI				23	23	Number of workshops of the Fishermen Compensation Plan
Stakeholder Engagement	SPT9	Coverage	Number (#)	# of participants (by community) in the workshops and public audiences organized by the Project	Measure	Quarterly	Number of participants	Quarterly KPI				376	376	Number of participants of the Fishermen Compensation Plan
Local Hiring	SPT10	Peruvian Workforce	Number (#)	# of Peruvian workforce	Measure	Monthly	# of Peruvian workforce employed per month	2271		2549		3038		
Local Hiring	SPT11	Local Hiring	Percentage (%)	# of Employed workforce from Cañete and Chincha	50% each	Monthly	# Workers from Cañete - %	427	50%	480	50%	597	49%	
							# Workers from Chincha - %	432	50%	471	50%	568	51%	
Local Purchasing	SPT12	Local Purchasing	US$	Cost of goods & services purchased locally during the different phases of the Project	Measure	Quarterly	Cost of goods & services purchased locally during the quarter	Quarterly KPI				$924,886		
Community Investment	SPT13	Local community projects	Percentage (%)	% Total expenditure respect to the total cost budgeted	100% at the end of implementation	Quarterly	Expenditure	Quarterly KPI				17%		Expenditure based on progress achieved by the end of the reporting period (AgroProgreso).
							Budget							
Community Training	SPT14	Training	Number (#)	# of community members trained during the reporting period	Measure	Quarterly	Number of trained community members	344		1124		3163		

Table 6.1 - 1 – Quarterly ESHS Training statistics

Month	Component	Area	Trainings	Attendees	Man-Hours
July	Pipeline	H&S	57	3907	3221
		E&S	17	1328	6064
	Plant, Quarry, Marine	H&S	384	5310	3454
		E&S	246	3639	1155
August	Pipeline	H&S	66	4944	2938
		E&S	33	2044	6555
	Plant, Quarry, Marine	H&S	491	7694	2485
		E&S	295	5246	1533
September	Pipeline	H&S	101	5107	3795
		E&S	26	1394	6344
	Plant, Quarry, Marine	H&S	470	6923	5652
		E&S	296	7338	2112
TOTAL	Pipeline	H&S	224	13958	9954
		E&S	76	4766	18963
	Plant, Quarry, Marine	H&S	1345	19927	11591
		E&S	837	16223	4800
	Project	**ESHS**	**2482**	**54874**	**45308**

Table 6.1 – Quarterly ESHS Training subjects

Area	Component	July	August	September
H&S	Pipeline	Defensive Driving Personal Protective Equipment Job Hazard Analysis Cause of Accidents Use of MSDS Hand Protection Drugs and Alcohol Awareness for Drivers River Crossing Safety	Defensive Driving Confined Space Accident Diffusion Road Safety Electrical Risks Excavations First Aid, Job Hazard Analysis Hand Protection Emergency Response Grinder Safety Confined Spaces Occupational Health	Defensive Driving Respiratory Protection Use of Safety Checklists Lifting Equipment Piping Transportation Off Road Course First Aid Job Hazard Analysis Hand Protection Dehydration Convoy Handling Ergonomics Occupational Health
	Plant, Quarry, Marine	Risks at work Housekeeping H&S Orientation Fire Protection Fall Protection Hot Work Permits Respiratory Protection Defensive Driving Confined Spaces	Safety Rules & Good Habits Human Factor Defensive Driving Personal Protective Equipment Personal Hygiene Safety Signage Scaffolds H&S Orientation Fall Protection Respiratory Protection Confined Spaces Incidents Analysis and Diffusion	Use of slings & Lifting Operations Personal Protective Equipment Safety at Home Defensive Driving Alcohol and Incidents Fatigue Symptoms Housekeeping Incidents Reporting H&S Orientation Fall Protection Respiratory Protection Confined Spaces
E&S	Pipeline	Adequate handling of spills Solid Waste Management Effluent Management Code of Conduct	Refueling Activities Capture of Juvenile Larvae and Adult Shrimp Care of and Protection of Aquatic Fauna, Pisco River Waste Management in the RoW	Handling Spills at Torobamba River Sewage Treatment Plant Management Dust Management Noise Control Care of Fauna Code of Conduct
	Plant, Quarry, Marine	Hazardous Materials Waste Management Water Pollution & Conservation Spill Response Housekeeping Code of Conduct	Cultural Heritage Conservation of Flora and Fauna Spill Response Waste Management Water conservation Code of Conduct	Environmental Risk in Construction, Environmental Legislation Environmental Inspections Dust Control Water Pollution and Conservation Code of Conduct

Table 6.2 -1 Grievances Status for the Pipeline

Description	July	August	September	TOTAL
SOLVED	42	14	16	72
IN PROCESS	1	0	1	2
TOTAL	**43**	**14**	**17**	**74**

Table 6.2-2 – Classification of received grievances for the Pipeline

DESCRIPTION	JULY	AUGUST	SEP	TOTAL	%
Infrastructure damages (fences, channels)	5	4	3	12	16
Environmental grievances	13	4	3	20	27
Related to construction activities	3	3	3	9	12
Information requests	0	0	1	1	1
No authorized entrance to premises	0	1	0	1	1
Local Hiring	6	1	4	11	15
Land & Easement Negotiation	16	1	3	20	27
TOTAL	**43**	**14**	**17**	**74**	**100**

Table 6.2-3 – Main causes for stoppages

Description	Number	Percentage	Status
Local Hiring	21	43%	solved
Land & Easement	16	33%	solved
Related to construction activities	9	18%	solved
Environmental & Cultural Heritage	2	4%	solved
Construction licenses demands	1	2%	Being Addressed
TOTAL	49		

Table 6.3-1 E&S Permits obtained for the Plant, Quarry and Marine

Date of request	Description of Request Permit	Institution	N° of Document	Date of approval
11-Feb-08	Authorization to use eriazo lands called K5 platform for transfer, transport and storage of rock.	MINAG	R.M. N° 05502008-AG	08/07/08
12-Mar-08	Sewage Water Treatment System permit extension for Marine EPC Contractor at Main Camp.	DIGESA	R.D. N° 3730/2008/DIGESA/SA	17/09/08

Table 6.3-2 E&S Permits obtained for the Pipeline

ADTR	No Permits
Water Extraction, Temporary	4
Water Extraction (dust suppression)	7
River Fording	2
Water Extraction (hydrostatic test)	1
Temporary Storage of Material (storage of rocks within riverbeds)	2
Installation of Culverts	1
DIGESA	
Domestic Sewage Treatment Plants	6
Potable Water Systems	4
Gobierno Regional Ayacucho	
Water Use (Principal Aqueduct Special Project Rio Cachi)	1

Table 6.5 – List of approved documents under Schedule 5.17 (g) Part A of the CTA

Environmental and Social Deliverables:	Deadline	Progress / Status
1) Contractor EHS Training Plan	30-Aug	Approved
2) Transportation ESIP	30-Aug	Approved
3) Biorestoration ESIP	30-Aug	Approved
4) Ecological Management ESIP	30-Aug	Approved
5) Trenching and Ditching Procedure	30-Aug	Approved
6) Updated Stakeholders Engagement Plan	30-Aug	Approved
7) Updated Rural Andean Community Management Strategy	30-Aug	Approved
8) Grievance Procedure	30-Aug	Approved
9) Commence monitoring under the Community Environmental Monitoring Program. Present implementation schedule.	30-Aug	Approved
10) Updated Framework Plan for Investment in Community Development	30-Aug	Approved
11) Livelihood Restoration Assistance Action Plan	30-Aug	Approved
12) User-friendly summary description of the Grievance Procedure, including a flowchart	30-Aug	Approved
13) Corporate Ecological Management Plan	30-Aug	Approved
14) Biodiversity Monitoring Program	30-Aug	Approved
15) Progress report of the Fisherman Compensation Plan	30-Aug	Approved