

This is a category III project according to the IIC's environmental review procedure because specific impacts may result which can be avoided or mitigated by adhering to generally recognized performance standards, guidelines and design criteria. The principal environmental and labor issues related to this project include liquid effluent treatment, solid waste disposal, gaseous emissions, ambient air quality, fire safety and emergency response, fuel storage, and employee health and safety.

Environmental and Labor Issues:

Environmental Compliance: In Peru the Environment and Natural Resources code (D.L. No. 613) and the Promotion of Private Investment law (D.L. No. 757) require and define the contents of an EIA for all new investments that have impacts that might be harmful to the environment. Similarly for the industrial/manufacturing sector the Environment Protection for the Development of Manufacturing Industries law (D.S. No. 19-97-ITINCI) requires an EIA and Declaration of Environmental Impacts (DIA) for new companies. Companies with existing operations are required to present a Program of Environmental Improvements and Management (Programa de Adecuacion y Manejo Ambiental - PAMA) demonstrating how it proposes to become compliant with the Manufacturing Industries law. Tecnofil has submitted a DIA with respect to its expansion project and is in the process of implementing a PAMA through the ISO 14000 certification of its operations.

During the appraisal, Tecnofil provided information, including a copy of its DIA and ISO 14000 schedule, on how it is addressing and plans to address environmental and labor issues and demonstrate that the proposed project will comply with applicable national, regional, and IIC requirements. A summary of how environmental and labor issues are being addressed by Tecnofil is provided below.

Environmental Highlights:

1. **Liquid effluents:** Tecnofil does not generate large volumes of industrial liquid effluents. Tecnofil's liquid effluents generated from the industrial processes are discharged directly to the municipal sewerage system (SEDAPAL) and are in compliance with the system's requirements. Some exceedences in World Bank levels for discharge to surface waters were observed for copper and zinc. This will be monitored to evaluate the nature of the solution that needs to be applied as the plant upgrades are implemented. Liquid effluents from Tecnofil's testing laboratory are discharged into a treatment tank and then into the SEDAPAL system, and are also in compliance with the system's requirements. Grease from the kitchen is separated using traps and domestic effluents are discharged to the municipal system.
2. **Solid waste:** Most of the solid wastes generated by Tecnofil are metallic scraps that are recycled. The residual wastes are sent to the municipal dump.
3. **Gaseous emissions and ambient air quality:** The primary sources of emissions are Tecnofil's foundries. The modernization projects in the plants include extraction hoods and ducting that direct emissions to bag filter units. Additionally, Tecnofil has developed a program for the analysis of air emissions in the plant area. If the analysis reveals that permissible levels are exceeded, Tecnofil will develop a corrective action plan (CAP).
4. **Fire Safety and emergency response:** Tecnofil has a fire prevention system in place, including a fire emergency response plan. The Company has a designated fire brigade available at all times, and regularly conducts fire training and drills. The plants are equipped with fire extinguishers and sand boxes are placed strategically throughout the facilities.
5. **Fuel storage:** The fuel used at Tecnofil is mainly LPG that is stored in an area that is enclosed by a safety fence. Small amounts of #2 diesel are also used which is stored in two 3,000-gallon

underground tanks. The tanks are inspected on a regular basis by the Ministerio de Industrias, which issues operation licenses. Tecnofil has an inventory of all waste generated at the facilities and a procedure for handling and storing hazardous materials.

6. **Occupational health and safety:** Tecnofil's plants receive periodic inspections by the Ministerio de Salud (DIGESA), to determine Tecnofil's compliance with environmental and occupational health and safety regulations. Based on these inspections, a series of measures to improve Tecnofil's daily activities are being implemented, including training and constant follow-ups on the employees' knowledge of health and safety regulations.
7. **Noise levels** at certain areas of the facility exceed the norms established by the Peruvian Government. Tecnofil, through the Centro de Prevención de Riesgos del Trabajo (CEPRIT) is in the process of implementing a program called Programa de Conservación de la Función Auditiva. This program involves preventive and corrective measures to detect the frequency of illnesses related to constant exposure to high noise levels. In addition, it was recommended that employees have an annual medical check-up. Tecnofil provides its employees with personal protective equipment (PPE) when working in areas of high noise level. Training programs in the use of PPE are also provided to all Tecnofil employees. The Ministerio de Trabajo has approved Tecnofil's occupational health and safety program. The Company's Committee for Occupational Health and Safety oversees the implementation of training programs.
8. **Labor:** All employees will comply with Peruvian minimum age standards and will not be prevented from the rights of association or collective bargaining. Employees are provided with competitive wages, health insurance and benefits that amply surpass the minimum requirements of Peruvian laws.
9. **Community:** Tecnofil has a series of programs ranging from cottage industry skills training to counseling of adolescents and health services that it provides for its employees and their families.

Monitoring and reporting: IIC will evaluate the project's compliance with the applicable environmental and labor requirements during the lifetime of the project by requiring annual monitoring reports. The reports prepared by the company will cover the ongoing performance of project-specific environmental, health and safety, and social activities, as reflected in the results of periodic and quantitative sampling and measuring programs. Periodic site supervision visits will also be conducted.