

1. Overview of Scope of IIC E&S Review

The Project team visited the Project facilities and offices of AIH Group companies on May 3-6, 2016. During this visit, meetings were held with company managers and AIH managers, as well as AIH environmental and legal advisors. According to the environmental classification of the General Directorate of Environmental Affairs of the Ministry of Production of Peru, the project is classified as Category I, as it is expected to produce moderate negative environmental impacts. This categorization means an environmental impact statement (EIS) must be submitted. Terrano S.A. prepared an EIS in October 2013. It was approved by the ministry in June 2014. During the visit, the project team received a copy of the EIS and other project documents.

2. Environmental and Social Classification and Rationale

This is a category B project according to the IIC's Environmental and Social Sustainability Policy because it could produce certain effects that may be avoided or mitigated by following generally recognized performance standards, guidelines, or design criteria. The main environmental and labor considerations related to the Project are efficient resource use and pollution prevention, workplace and labor conditions, and community health and safety.

3. Environmental and Social Context

The Project land is located adjacent to the Jorge Chávez International Airport in Lima, Peru. The property is located in a special trade zone, as designated by the zoning plan of the General Office of Urban Development of the Provincial Municipality of Callao, which allows this type of development. Terrano S.A. has land totaling 14.25 hectares directly connected to the airport area, of which 3.4 hectares will be used for the Project. The building that will house the logistics center consists of a 2,200 m² warehouse with 500 m² of space on the second floor for offices and various staff services. It also has a 2,250 m² dolly track with a land connection to the airport's runways, a parking and maneuvering yard for trucks, and parking for automobiles.

There are two shanty towns located in the Project's direct area of influence, known as 200 Millas and 25 de Febrero. The area has an early education and primary school, as well as a primary care health facility. The main economic activity of the people who live there is retail commerce.

4. Environmental Risks and Impacts and proposed mitigation and compensation measures

4.1 Assessment and Management of Environmental and Social Risks and Impacts

Servicios Aeroportuarios Andinos S.A. (SAASA) will be in charge of operating Lima Hub. This Andino Group company focuses on operating airport services such as cargo handling areas and ramp services in four Peruvian airports (Lima, Cuzco, Arequipa, and Tacna). SAASA's operations at the Lima airport are ISO 9001, ISO 14001, OHSAS 18001, and BASC certified. It also holds the ISAGO certification granted by the IATA, which assesses the safety of land operations at airports. SAASA has a comprehensive management system (CMS) that includes quality assurance, security, and workplace safety programs. SAASA's policy is part of the CMS. The Project's main risks have to do with handling hazardous cargo, waste disposal, working conditions, health and safety, workers' rights, and community relations. In order to provide information and open up a line of communication with the population located in the Project's direct area of influence, on September 28, 2013, a workshop was held that included the participation of company representatives, their environmental consultants, representatives of the regional government, local leaders, and members of the populations of the 200 Millas and 25 de Febrero shanty towns. At the workshop, the Project was presented along with its environmental implications, and the participants' questions and concerns were addressed. During the exchange with the locals, the Project was not criticized. Rather, they expressed interest in any jobs that might be created and in the possibility of the company providing assistance in improving the shanty towns' infrastructure. The company has already improved the roads in the neighborhood, and during the construction phase, its contractors employed local labor

4.2 Labor and Working Conditions

Estimates are that 350 people will work on the Project during the operation phase. SAASA's CMS includes a procedure for evaluating and selecting its staff. Also, internal labor rules and internal workplace health and safety rules are in place as part of the CMS. All staff must be aware of these rules and follow them. Management of labor relations is handled in accordance with these rules, without prejudice to the legal remedies available to workers under local labor laws. Peruvian law guarantees freedom to organize, although SAASA staff are not members of any union.

There is also a central workplace health and safety committee that includes representatives of both the workers and the company. This committee approves the internal workplace health and safety rules and the internal workplace health and safety program. This involves participating at all levels of the drafting, putting into action, dissemination, and evaluation of policies and plans, promotional activities, training, and verification of compliance with issues related to health, safety, accident prevention, and work related illnesses. The safety standards of the ramp and cargo operations must comply with the standards of the General Directorate of Civil Aeronautics (GDCA).

4.3 Resource Efficiency and Pollution Prevention

Significant water use is not expected, as it will be consumed mainly by staff for personal use, plus by a reserve for fighting fires. All the water for cargo terminal use will be extracted from wells drilled on site. The company already has exploration permits for these wells. It will later need extraction permits.

The issues involving waste disposal, handling of hazardous substances and waste, and everything having to do with protecting the health and safety of workers are addressed in the internal workplace health and safety rules. Waste management is being handled by a third party service provider (BEFESA).

Motorized equipment is subject to regular air emissions testing, pursuant to current law. Sanitary provisions are also in place for controlling vectors. Vehicle maintenance, refueling, and battery charging will all be carried out in areas that are equipped for such activities.

4.4 Community Health and Safety

According to the seismic zoning map drawn up by the National Institute for Civil Defense, the project area is in Zone III, classified as highly seismically active.

Airport security is regulated by the GDCA. The airport has an environmental and occupational health and safety committee, an operational safety committee, and an emergencies committee. The companies that operate in the airport form the committees, in which incidents, accidents, and joint activities are discussed. The GDCA takes action in the event of incidents or accidents. SAASA's emergency plan is coordinated with Lima Airport Partners ("LAP"), the airport operator. SAASA must have its own fire brigade, which acts jointly with the LAP's in the event of an emergency. They train together as well. Hazardous goods that are moved through the terminal will be segregated from the other cargo and handled in special facilities. They will also have special documentation and be handled by trained personnel. The building has a pressurized firefighting pipe network, a water storage tank, and a motorized pump run by a diesel engine.

4.5 Land Acquisition and Involuntary Resettlement

The land where the project is located was acquired previously by the AIH Group and used for other activities. There are no issues related to land acquisition or resettlement of people.

4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The project area is classified as Sub Tropical Desiccated Desert with virtually no vegetation. It is not home to any emblematic fauna, and the area has already been affected by human activities.

4.7 Indigenous Peoples

No impact on indigenous populations.

4.8 Cultural Heritage

The Project has an absence of archeological remains certificate issued by the National Institute for Culture. To obtain the certificate, Terrano SA had to submit an archaeological evaluation project and commit to complying with an archeological monitoring plan during the construction phase. No finds were reported during construction.

1. Environmental and Social Action Plan

| # | Description | Action Required | Indicator | Deadline |
|---|---|--|---------------|-----------------------|
| 1 | Environmental and Social Management System (ESMS) (Extends to contractors) | Design and implement an ESMS in the framework of the CMS and adapted to the Lima Hub operations containing the following elements: 1. Company sustainability policy. 2. Legal compliance matrix, with information on permits or pending authorizations (well water extraction, sanitation, power hookups, vehicular access, airport operations permits, etc.) 3. Identification of environmental and social risks and impacts. 4. Establishment of compliance objectives. 5. Establishment of programs and procedures. 6. Establishment of budgets, compliance responsibilities, and training. 7. Monitoring and oversight program. | ESMS delivery | Prior to disbursement |
| 2 | Health and Safety Plan (HSP) (Extends to contractors) | Design and implement an HSP in the framework of the CMS and adapted to the Lima Hub operations containing the following elements: 1. Identification and assessment of the risk of accidents and occupational illness. 2. Safe work procedures, including description of personal protective equipment. 3. Training plans. 4. Emergency procedures. 5. Investigation of accidents and incidents. 6. Monitoring and oversight program. | ESMS delivery | |
| 4 | Solid and semisolid waste management: | Develop a solid waste management plan that distinguishes between hazardous and nonhazardous waste and establishes procedures for storage and final disposal. | Plan delivery | |
| 5 | Community relations plan | The aim of the plan is to have a mechanism for complaints and inquiries that serves as a link between the community and company management. The community can then submit complaints or suggestions and the mechanism can help resolve potential conflicts early. | Plan delivery | |