Public Disclosure Template
(Direct Operation)

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A. Investment Summary tab

Disclosed Date:	[•] _____, 2019
Project Name:	Puerto Salaverry
Project Number:	12828-01
Investment Type:	Direct loan
E&S Category:	B
Projected Board Approval Date:	November 11, 2019
Borrower:	Salaverry Terminal Internacional, SA ("STI")
Sponsoring Entity:	Trabajos Marítimos, SA ("TRAMARSA")
Sector:	Transportation
Financing Requested:	Up to US$60,000,000
Financing Currency:	USD
Project Country:	Peru
Team Leader:	Aldo R. Malpartida Velásquez
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Project Scope and Objective:

The Project consists of the design, financing, construction, and operation of the Port of Salaverry in Trujillo, Peru. The Port has been in operation since the 1960s and is the natural import/export terminal of the city of Trujillo (the third largest in Peru, with a population of 1 million) and the nearby agribusiness and mining regions. In October 2018, a concession through an international tender was granted to TRAMARSA, by means of which it assumes responsibility for the extension of the facilities and the operation and maintenance (O&M) of the Port for 30 years. Salaverry is a multipurpose terminal. It moves various types of cargo, such as wheat, corn, sugar, fertilizers, mining concentrates, and others. It is mainly an import terminal, but has the potential to expand exports significantly, mainly due to recent and important agribusiness developments in the Port's area of influence.

The concession requires implementing investments in six phases. Phases 1 and 2 are mandatory and are not subject to capacity utilization, while the others will be triggered when the terminal reaches certain volume thresholds. The proposed financing is for Phases 1 and 2, and for the early implementation of some of the functional components of Stages 3 and 4 that provide operational flexibility to the Port (thus improving its competitiveness).

The Port will charge fees for standard services (ship, cargo, and passenger services, etc.). The concession contract sets the maximum regulated fees that may be charged by the Concessionaire. Fees will be reviewed

every 5 years from the start of operations of Phases 1 and 2, based on inflation minus the increase in the productivity factor. This follows the general concession regime for private ports in Peru, of which TRAMARSA is the largest local operator, with two other port concessions in operation. The credit transaction consists of an 8-year short-term loan, with an underlying instrument of up to 18 years.

The Project's area of influence includes four regions (Ancash, La Libertad, Lambayeque, and Cajamarca) that represent more than 12% of Peru's national GDP. Upon completion of the Project, the Port of Salaverry will be able to receive larger vessels and offer a more comprehensive set of services, which will ultimately strengthen global competitiveness in the region. The 2.5 million metric tons per year that the Port currently manages is expected to double at the end of the life cycle of the concession. In addition, technological improvements are expected to increase the efficiency of the Port, reducing logistics costs for the benefit of the region's exporters and importers.

B. Environmental and Social Review Summary

1 Scope of the Environmental and Social Review

This transaction involves the design, financing, construction, and operation of the Port of Salaverry, also known as the Port of Salaverry Terminal, which is located in Trujillo, Peru ("the Project"). The Port, a multipurpose terminal of great potential that mobilizes various types of cargo (wheat, corn, sugar, fertilizers, mining concentrates, etc.), is mainly an import terminal that has the potential to become an export port due to the recent development of major agribusinesses in the region.

The Consortium Transportadora Salaverry SA, formed by the companies Tramarsa and the shipping company of the same name, was awarded the concession of the Salaverry Multipurpose Port Terminal ("TPMS") in May 2018 and incorporated Salaverry Terminal Internacional SA ("STI", "the Concessionaire" or "The Client"), the entity that started the modernization and operation of the Salaverry Port.

The concession requires implementing investments in six phases. Phases 1 and 2 are mandatory and are not subject to capacity utilization, while the others will be executed when the terminal reaches certain volume thresholds. The proposed financing is for Phases 1 and 2 and the early implementation of some of the functional components of Stages 3 and 4.

Phase 1 consists of modernizing the wharf infrastructure and implementing facilities for operations involving the indirect unloading of bulk shipments, plus dredging activities (which were already executed in 2018 and will not use the income from this financing). Phase 2 considers modernizing and developing Port equipment and increasing storage capacity, among other works that will provide operational flexibility to the Port (thus improving its competitiveness).

The scope of IDB Invest's environmental and social (E&S) review included an analysis of the Project's environmental and concession permits; virtual and face-to-face meetings with the Client's representatives; documents associated to manuals, procedures, permits, and operating reports; and an Environmental and Social Due Diligence visit to the city of Salaverry in Peru, which comprised the following activities: (i) a meeting with the Concessionaire's E&S, social responsibility or management, and occupational health and safety (OHS) personnel; (ii) an inspection visit to the Port, its ancillary facilities and its immediate area of influence; and (iii) interviews with personnel of the National Port Authority (NPA) of Peru, agency in charge of supervising the execution of the Concession and the promotion of commercial and logistic activities in the Port's premises.

2 Environmental and Social Categorization and Rationale

This is a **Category B** Project under the IDB Invest Environmental and Social Sustainability Policy, since its environmental and social (E&S) risks and impacts are expected to be reversible and mitigable through available measures and existing technologies.

The possible risks and impacts of the Project's construction, modernization and improvement activities include: i) altering the marine-coastal morphology due to dredging and the disposal of material in previously authorized marine areas; ii) hazardous and non-hazardous waste generation; iii) air emissions (mainly combustion gases from construction machinery and equipment); iv) wastewater generation; v) noise pollution and vibration generation; vi) earthworks and soil compaction; vii) OHS risks; viii) changes in the local and regional economy; ix) impact on community health and safety due to the increase in vehicular traffic; and x) possible impacts on artisanal fishing activities due to the increase in vessel movements.

During operation and maintenance ("O&M"), the most important environmental risks and impacts are related to: i) alteration of the marine-coastal morphology due to dredging and the disposal of material in previously authorized marine areas (biannually); ii) occupational health and safety risks; iii) solid (hazardous and non-hazardous) and liquid waste (domestic wastewater) generation; iv) air emissions (mainly combustion gases from ships and vehicles that transport goods); and v) resource use, mainly electricity and water.

Due to its location, the Project is subject to natural hazards, such as earthquakes, fires, floods, hurricanes or storms, and strong swells, which present a moderate to low risk in terms of both possible damage to the Port's physical infrastructure and to its users.

The Project will trigger the following International Finance Corporation (IFC) Performance Standards (PS):

- PS 1: Assessment and Management of Environmental and Social Risks and Impacts
- PS 2: Labor and Working Conditions
- PS 3: Resource Efficiency and Pollution Prevention
- PS 4: Community Health, Safety and Security
- PS 8: Cultural Heritage

3 Environmental and Social Context

The Terminal Portuaria Multipropósito de Salaverry (TPMS, for its acronym in Spanish) is located in northern Peru, in the province of Trujillo, 15 kilometers south of the city of the same name and approximately 560 km north of Lima. The port, built between 1960-1964, is one of the four facilities built by the Port Administration of the Ministry of Finance of Peru in an attempt to increase the national port capacity.

In May 2018, the Ministry of Transportation and Communications (MTC) awarded Salaverry Terminal Internacional SA (STI) a 30-year concession to modernize and refurbish the TPMS. To this end, STI will work to raise the Port's operating standards through the provision of infrastructure and state-of-the-art technology, offering its users a complete stevedoring service that includes indirect shipping, stacking and unstacking, internal transport at the Port, cargo handling, and free storage for 10 days.

Since the Port is an existing and operational facility, the environmental conditions of the concession area have been fully altered, and the Project's impacts on the soil, flora, and fauna will therefore be of little or no significance. Additionally, there are no watercourses or bodies of water on land that would be significantly affected by the Project.

The socioeconomic environment of the Project's area of direct influence consists of the town of Salaverry Tradicional (adjacent to the TPMS and its access road), whose main economic activity is retail trade (13.71%), followed by fishing (12.77%), urban transportation (6.15%), and agriculture (5.91%).

Fishing, which is mainly artisanal, occupies 12.77% of the economically active population and utilizes the Salaverry artisanal fishing dock and, occasionally, the facilities of the TPMS. According to the baseline information, the fishing areas for small vessels (barges or boats of half to three tons) within five nautical miles are not in the maritime maneuvering area of the TPMS, but are dispersed from Razuri to the vicinity of Guañape Island. Likewise, other identified fishing areas that will not be affected by the maritime maneuvers of the TPMS are those beyond five miles, from Cao to Punta Gorda, where seasonal (summer and winter) deep-sea fishing with medium (4- to 12-ton) vessels takes place.

Tourism, an activity that has gained traction in the last five years, will benefit from the Project and will generate seasonal mobility toward the district (between January and March), activating recreation areas near the beach and their associated activities such as food sales, boat rides, and surf school.

Given that the Port is operational, the following E&S permits were available when the concession was granted: i) an Environmental Impact Statement (EIS) for the TPMS Maintenance Dredging activities and its Directorial Resolution (DR) No. 186-2015-MTC/16; ii) an Environmental Adequacy and Management Program for the TPMS and its DR No. 480-2017-MTC/16; iii) a Supporting Technical Report (STR) for the TPMS dump extension and the replacement of dredging equipment and its DR No. 471-2018-MTC/16; iv) a second STR for the Update of the Initial Dredging Technical File in the TPMS and its DR No. 812-2018-MTC/16; v) DR No. 1216-2018-MGP/DGCG, which authorizes the increase in the annual dumping volume from dredging operations to 2.6 million m^3, and DR No. 001-2019-MGP/DGCG, authorizing the dumping of an additional volume of 1.0 million m^3 from dredging activities.

In compliance with Peru's environmental legislation (General Environmental Law No. 28611 and National Environmental Impact Assessment System Law No. 27446, its Regulation, Supreme Decree No. 019-2009-MINAM, and amendments in force), STI prepared a Detailed Environmental Impact Study (EIS-d) for the Project, which was submitted in May 2019 for the approval of the National Environmental Certification Authority for Sustainable Investments (SENACE, for its acronym in Spanish).

4 Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1 Assessment and Management of Environmental and Social Risks and Impacts

4.1.a E&S Assessment and Management System

STI has defined, documented, implemented, and maintained a Comprehensive Management System (CMS) in keeping with the requirements in force of International Standards ISO 9001, ISO 14001, ISO 45001, PBIP Code[1] 2004, ISO 28000, ISO 22301, and ISO 27001. The CMS is documented in the CMS Policy, the CMS Manual, and its standards, procedures, guidelines, and records. The documents are disseminated and controlled through the CMS Support software, which has the necessary controls to identify, read, store, protect, retain, and delete the records entered into the system.

The CMS satisfies the requirements of PS1. Its implementation and ongoing improvement is done through the CMS Committee, which is formed by the General Manager, who chairs it, the Administration and Finance Manager, the Engineering Manager, the Operations Manager, the Head of Operations, the Head of Projects, the Head of Human Resources, and the CMS Coordinator.

[1] PBIP - Protección de Buques de Instalación Portuaria (Protection of Port Facility Vessels).

4.1.b Policy

STI has a CMS Policy that satisfies the requirements of PS1 and that includes commitments and conditions for quality-controlled operations, the environment, and safety. This policy is the written statement of the General Management's commitments. It is disseminated to all levels of the organization and reviewed annually.

The dissemination of the CMS Policy to stakeholders is done through the available means of communication defined in the Internal and External Communication Procedure (PDSTI-A-0026). This activity is complemented by dissemination and awareness meetings included in the Annual Training Plan.

4.1.c Identification of Risks and Impacts

The Detailed Environmental Impact Study (EIS-d) prepared for the Project, in addition to satisfying the requirements of PS1 and Peru's environmental legislation (Law No. 28611 and Law No. 27446 with its Regulation, Supreme Decree No. 019-2009-MINAM, and amendments in force), which fulfills the requirements of PS1. Due to the fact that the Port is in operation, the EIS contains a chapter on the Identification and Assessment of Environmental Liabilities; another, on the Classification of Environmental Impacts, describes the impacts and risks associated with each stage of the Project, including temporary works, construction, repair and refurbishment of various structures, closure and decommissioning of construction fronts, and maritime and land activities.

The CMS Manual also states that STI has documented procedures, such as "Aspect Identification and Environmental Impact Assessment", "Identification of Hazards, Risk Assessment, and Control Measures"; "Identification, Assessment, and Degree of Supply Chain Risks", whose objectives are to monitor operations and activities and detect, prevent, and control those that have or may have a significant impact on the environment or have significant associated risks in terms of OHS or the protection of cargo, infrastructure, and equipment.

STI's risk assessment and hazard and impact identification will be reviewed every year by the corresponding head offices. The environmental, social and occupational health and safety risk matrix and the matrix to record, monitor, and control the obtainment of operating permits will also be updated regularly.

4.1.d Management Programs

For its existing operations, STI has the TPMS Environmental Adequacy and Management Program (EAMP), issued to Empresa Nacional de Puertos, SA by the MTC (DR No. 480-2017-MTC/16).

The EIS-d for the new Project activities includes an Environmental Management Strategy (EMS) that contains the following plans and programs:

i) an Environmental Management Plan (EMP) that contains the E&S measures for the Project construction and O&M phases, including; a) the management of ancillary facilities, quarries, waste dumps, and dumps for the material dredged during Project activities; b) a Solid Waste Management Program (SWMP); c) an Effluent Management Program; d) a Road Sign Program; e) a Safety Program; f) an Environmental Program; g) an OHS Program; h) a Wild Flora, Fauna, Aquatic Ecosystems and Fragile Ecosystems Management Program; and i) a Hazardous Materials Management Program;

ii) an Environmental Monitoring Plan, which defines the monitoring of the physical environment (air quality, ambient noise levels, vibrations, sea water, marine sediments, soil, liquid effluents) and the biological environment (aquatic ecosystems and bioaccumulation, terrestrial fauna and flora, invasive species and vectors);

iii) a Social Management Plan, which seeks to foster an environment of neighborliness, cordiality, and trust with all stakeholders, providing for the management of any possible or existing social conflicts that may arise as a result of the Project execution;

iv) an Environmental Training and Education Program, which seeks to create environmental and industrial safety awareness in all personnel (direct workers and workers engaged by third parties) involved in the execution of TPMS activities, so that their activities are developed with respect for the environment and an awareness of the hazards they are exposed to if they fail to be conscientious in the execution of these activities; and

v) a Decommissioning Plan, which includes the actions to be executed upon completion of the Project construction activities.

4.1.e Organizational Capacity and Competency

STI has a dedicated E&S and OHS organizational structure that satisfies the requirements of PS1. As set forth in the CMS, the CMS Committee, in addition to being committed to the development, implementation, and continuous improvement of the system, is also in charge of allocating resources for the effective functioning of the CMS and its dissemination to all levels of the company.

4.1.f Emergency Preparedness and Response

STI has defined possible emergencies (both in terms of the environment and of health and safety) and prepared the corresponding response plans to prevent and mitigate adverse situations. These management instruments are regularly evaluated in close consultation with the relevant stakeholders. STI has: i) a Response Plan for Spills of Hydrocarbons and Harmful Substances into the Sea; (ii) an Emergency Plan contained in the Port Security Procedures Manual (PSPM) and Port Facility Protection Plan; and iii) a Crisis Management Program. These plans or programs specify communication channels and the channels for reporting to the authorities.

In March 2019, STI developed an Emergency Plan as part of the Special Port Facility Certification (Code No. PLAN-PDSTI-S-0007), in order to comply with Board of Directors Agreement Resolution No. 003 and 005-2006-APN/DIR and to raise the awareness of, train and educate the personnel responsible for anticipating, mitigating, and addressing the different types of emergencies that could arise in storage, transportation, and hazardous cargo handling areas and activities in an organized, timely and efficient manner. The latter is important due to the proximity of the Port to the Ethyl Alcohol Storage and Pumping Plant. - Coazúcar (managed by Corporación Azucarera del Perú, SA).

The Emergency Plan satisfies the requirements of PS1, as it contains: (i) a description of the Special Port Facility, together with the Emergency Plan organization chart and the identification of the Emergency Management Committee; (ii) a risk assessment; (iii) a description of the operational and physical measures and the response operation to be implemented in the facilities; (iv) emergency procedures in the event of fire, explosions, hydrocarbon and hazardous material spills into the sea or on land, earthquakes, grounding and stranding, and tsunamis and tidal waves; (v) a description of post-emergency actions; (vi) education, training, and drills; and (vii) the Emergency Plan review and update procedure.

As for equipment and infrastructure, the Port has a fire fighting system and a water tank with a capacity of 800 m^3 located at the summit of Cerro Carretas. This fire protection system will be modernized in accordance with the new distribution and operating conditions of the Port.

The Emergency Plan provides that all personnel involved (brigades, security office, surveillance agency, Emergency Management Committee, etc.) must receive some degree of certification under Standard OSHA 29 CFR 1910.120, which must be validated and audited by a reputable certifying company.

The Management of the Security Office, in coordination with the Institute for Port Education and Training (INFOCAP, for its acronym in Spanish), will prepare the Annual Training Program for all STI personnel

on issues related to: firefighting; response to incidents involving hazardous materials; first aid; and response to spills of hydrocarbons and harmful substances into the sea. The Security Office and INFOCAP will develop an induction program on security issues for all workers engaged by third parties, customers, and users, and for all personnel working inside the Port facility.

The Crisis Management Program, which includes measures to address and manage social crisis situations in the TPMS area of influence, aims to: i) identify crisis situations; ii) adequately control and mitigate, in the shortest possible time, the occurrence or imminence of the impacts or damage causing the crisis; iii) safeguard assets based on the order of priority defined for this, e.g.: (a) the safety of STI personnel, contractors, or subcontractors, (b) the environment (water, air, and land resources), and (c) STI facilities; and (iv) propose and adopt measures to re-engage in dialog.

4.1.g Monitoring and Review

STI has a Legal Compliance Identification, Access, and Evaluation Procedure, which sets out the guidelines for accessing, verifying, and evaluating compliance with applicable legal requirements. In this regard, based on the permits required for each stage of the Project (e.g., construction, pre-commissioning, O&M and decommissioning), STI shall submit the following permits:

- SENACE resolution (Environmental Certification) approving the Project EIS.
- Archaeological Monitoring Plan, adhering to the regulations of the Ministry of Culture and PS8.
- Technical file issued by the Municipality to obtain the Construction Permit.
- Certificate of Building Safety Technical Inspection, issued by the National Center for Disaster Risk Estimation, Prevention, and Reduction (CENEPRED, for its acronym in Spanish).
- Operating permit issued by the Municipality.

STI is responsible for ensuring the implementation of the follow-up, monitoring, and control plans described in the Project EMPs. In this sense, STI will develop a compliance matrix and key performance indicators (KPIs) to measure the effectiveness of the EMP and the fulfillment of the Project's legal and contractual obligations during the construction and O&M phases (Action 1.1 of the ESAP). This matrix will include:(i) the identification of the competent Authority granting the authorization or issuing the permit; (ii) issuance and effective dates; (iii) the name of the STI employee responsible for the corresponding follow-up/compliance; and (iv) communication and future compliance procedures.

Additionally, STI will prepare, either through an internal audit or through an external, independent E&S expert endorsed by the National Environmental Authority (external audit), a consolidated annual report on the compliance status with all environmental, social, and OHS policies applicable to the Project, including the progress of CMS actions with regard to the defined KPIs, as well as the compliance status with the IDB Invest E&S Sustainability Policy (Action 1.2 of the ESAP).

4.1.h Stakeholder Engagement

STI has a Community Engagement Procedure that dictates strategies for effective communication and good relations with the population in the Project's area of influence and with stakeholders, setting out protocols for: (i) interviews with authorities and stakeholder representatives; (ii) informative meetings with stakeholders; (iii) media and social network management; and (iv) guided tours of the Port terminal's facilities. The work team in charge of implementing this procedure is formed by the Head of Social Management and a group of outreach workers.

However, in order to fully comply with the provisions of PS1, STI shall update its Community Engagement Procedure to include the following: (i) updated identification of all stakeholders, including the local

authorities and surrounding communities and neighbors (within a 500 m radius of the Project and those neighboring the Port access roads) that may have a stake in the Project; (ii) differentiated measures to enable the effective engagement of disadvantaged or vulnerable groups; (iii) a mechanism to ensure that community representatives accurately represent the views of the affected communities; (iv) details on how information is disclosed to stakeholders; (v) details on the stakeholder engagement process in these communities and how they can access the grievance mechanism; (vi) regular reporting on the company's E&S performance to stakeholders and the public at large; and (vii) mechanisms for implementing and disclosing the updated procedure to all its staff (Action 1.3 of the ESAP).

STI has an Internal and External Communications Procedure (PDSTI-A-0026), which applies both to its and to stakeholders, which sets forth the criteria and responsibilities to ensure proper communication between the different levels and responsibilities of the organization, in addition to regulating external communications with the relevant parties in view of the nature of the information before its disclosure.

STI has developed two participatory workshops to disseminate both the EIS and the progress and impacts of the Project commissioning with the relevant authorities and with the population at large.

4.1.i External Communication and Grievance Mechanisms

In its CMS Manual, STI has included the identification and analysis of its stakeholders through its Stakeholder Matrix Format (FORSTI-S-0040), in which it consolidates the relevant information on the requirements and expectations of these stakeholders. It also has a Grievance and Inquiry Response Procedure that was implemented by the Corporate Social Responsibility department of the Administration and Finance Management, which applies to all stakeholders. This procedure involves a grievance mechanism that can be accessed via e-mail, in person at the information office located within STI's facilities, or remotely via a telephone number. Likewise, it details the steps to resolve inquiries or grievances as quickly as possible, employing an easily understood and transparent process.

However, in order to comply with PS1 and because the Port operates 24 hours a day, 365 days a year, STI must adapt its procedure so as to provide an easily accessible and culturally appropriate mechanism that can be accessed at any time (e.g. an external mailbox or booth with printed or digital forms to register the grievance or inquiry); such procedure must provide that access to other applicable administrative or legal recourse— as merited by the severity of the violation—is not prevented (Action 1.4 of the ESAP).

4.1.j Ongoing Reporting to Affected Communities

STI maintains its Internal and External Communications Procedure (PDSTI-A-0026) to ensure suitable means of communication and to disseminate the results of compliance with objectives, internal audits, corrective actions, changes in the CMS, significant environmental matters, and significant OHS and security risks. It is the responsibility of the Area Managers to communicate these results, for which purpose the following mechanisms have been implemented: i) regular meetings with the Area Managers and Area Heads or Supervisors; and ii) wall newsletters, posters, brochures, e-mails, etc.

According to the Internal and External Communications Procedure, the approach to external communications that refer to significant environmental matters, OHS risks, and safety and security risks, and the recording of the decisions made in response to them, is the responsibility of each respective Section Head.

Additionally, STI provides information on the Project, its services, Social Management, FAQs, news, and official documents, on its website (https://www.sti.com.pe/) and through social media at https://www.facebook.com/SalaverryTerminalInternacionalSTI/

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

Human Resources Policies and Procedures

STI has a series of instruments for human resource management. These include: (i) 2018 Internal Labor Regulations (ILR), endorsed by the La Libertad Regional Directorate of the Ministry of Labor and Employment Promotion (MTPE, for its acronym in Spanish), which contains the terms and conditions governing employee recruitment and hiring; working days, working hours and breaks; vacations; paid and unpaid leave; wages and benefits; employer and employee rights and obligations; behavior and disciplinary measures; property security; risk prevention; and workers with disabilities; among others; and ii) a Compensation Policy, the purpose of which is to implement, maintain and administer an employee benefits plan, ensuring internal equality with no discrimination of any kind, taking into account the labor market and external competitiveness and promoting high performance, not exceeding the allocated budget.

All these matters involving labor and working conditions are managed by the Head of Human Resources (HR), with the support of the HR assistants.

Working Conditions and Terms of Employment

STI's ILR, which adheres to Peru's Labor Code and to the conventions of the International Labor Organization (ILO), provides for the principles of gender equality and non-discrimination, equal opportunity, the prohibition of child labor, fair treatment, prohibition of workplace harassment and penalties for sexual harassment, a contract with suitable working conditions and terms of employment, and notice of dismissal and severance pay. All STI personnel undergo training on the ILR and must sign a statement of knowledge, understanding, and compliance with the mentioned regulations at the end of the corresponding induction.

However, in order to fully comply with PS2 and the Peruvian Labor Code, STI will submit the following: (i) employment procedure and evidence of its implementation for workers engaged by third parties, whose terms and conditions of employment and termination adhere to local and International Labor Organization (ILO) regulations, including, at a minimum, regulations to prevent child labor and forced labor; and (ii) procedures to manage and monitor the performance of workers engaged by third parties (Action 2.1 of the ESAP).

Workers' Organizations

STI complies with Peru's 1993 Political Constitution, the labor laws that provide for freedom of association and the formation of unions (Supreme Decree No. 010-2003-TR), and ILO international conventions and treaties related to workers' rights, including Convention No. 87 concerning Freedom of Association and Protection of the Right to Organize and Convention No. 98 concerning the Right to Organize and Collective Bargaining. Likewise, it has an active relationship with the Port of Salaverry Stevedores' Unions, the Port of Salaverry Stevedores' and Port Pilots' Guild Union, and the Salaverry Hydrobiological Products Stevedoring Association, among other trade unions.

Non-discrimination and Equal Opportunity

Peru is a signatory to several ILO international conventions and treaties relating to workers' rights, including Convention No. 100 on Equal Remuneration and Convention No. 111 concerning Discrimination in Respect of Employment and Occupation.

Grievance Mechanism

STI has a Grievance and Inquiry Response Procedure. However, this procedure must be modified to allow anonymous grievances or inquiries to be received and processed (Action 2.2 of the ESAP).

4.2.b Protecting the Workforce

Peru is a signatory to several ILO international conventions and treaties relating to workers' rights, including Convention No. 138 concerning Minimum Age for Admission to Employment, Convention No. 182 concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labor, Convention No. 29 concerning Forced or Compulsory Labor, and Convention No. 105 concerning the Abolition of Forced Labor. The country also has extensive labor legislation that regulates, among other aspects, the duration of the workday, working hours, overtime, paid leave, minimum wage, family allowance, legal bonuses, and minimum OHS conditions.

4.2.c Occupational Health and Safety

STI has an Annual Occupational Health and Safety Plan (AOHSP) and an Internal Occupational Health Safety Regulation (IOHSR), both of which adhere to the National Standard on Port Security and Peru's Occupational Health and Safety regulations. Both the AOHSP and the IOHSR are mandatory for STI personnel; port workers and users both inside its facilities and outside of them, persons working on behalf of STI; and contractors, subcontractors and freelancers who conduct their activities partially or totally within the TPMS.

The AOHSP defines Risk Assessment and Hazard Identification activities through the Hazard Identification and Risk Assessment and Control Procedure (PDSTI-S-0003). It also contains a list of general procedures that comprise the AOHSP, which include procedures for: i) work with hazardous goods; ii) alcohol detection; iii) various types of work, such as work at height, mechanical heavy lifting, hot work, work with electrical risk, etc.; and iv) personal protective equipment (PPE). The AOHSP also provides for internal OHS inspections, occupational health aspects to ensure the health of its workers (regular medical check-ups), as required by the Ministry of Health, scheduled drills, audits, statistics, and the implementation and review plan.

The IOHSR provides that the organization of the TPMS Risk Prevention and Safety Division is the responsibility of: i) the General Management, which will provide the necessary resources for its compliance; ii) the CMS Committee, which will evaluate the progress and safety status of the Port facility; iii) the Head of Security and Safety, who will supervise compliance with regulations, inform the CMS Committee about the safety progress and status and forward the information to the NPA in the event of harm to workers' health, and the result of the audits; iv) the Area Heads or Coordinators, who, along with the Head of Security and Safety, will manage and assign the PPE; and, finally, v) the OHS Committee, which, among its most important functions, will approve the IOHSR, the AOHSP, the Annual OHS Training Plan for workers, and conduct regular audits, promote commitment, collaboration, and active participation among all employees, report and investigate the causes of all reportable incidents and accidents to the relevant authorities, verify compliance with and the effectiveness of the recommendations to prevent the reoccurrence of accidents and the occurrence of occupational diseases, and make recommendations to improve working conditions and environment.

STI has an Accident and Incident Registration, Investigation, and Analysis Procedure (PDSTI-S-0004), which includes a description of the investigation of the causes of all incidents and accidents reportable to the relevant MTPE authorities and compliance with the recommendations to prevent the reoccurrence of said accidents or the occurrence of occupational diseases.

STI also has an Annual Occupational Health and Safety Program, which details a schedule for the implementation and oversight of the initiatives in the OHS Plan.

4.2.d Workers Engaged by Third Parties

STI requires all companies providing outsourced services in the Port to sign a Statement of Commitment with the CMS Policy. This statement defines the conditions to be met by all workers engaged by third parties, which include compliance to and enforcement of STI's internal regulations on Security and Safety,

compliance with the OHS legislation in force, the use of PPE suitable to the risk involved in the activity, refusal to engage in illegal activities inside its facilities, compliance with the safety policy, and the proper management of the waste generated by its operations. The AOHSP also sets out the obligation of contractors, subcontractors, and suppliers to comply with the provisions of the IOHSR.

To comply with PS2, however, STI shall develop a Policy for the Employment and Provision of Services of Workers Engaged by Third Parties that clearly provides for compliance with the Peruvian Labor Code and the international conventions of the ILO, and that allows it to: i) ensure that its contractors which employ these workers are legitimate companies and have implemented an appropriate CMS that allows them to operate in a manner consistent with the provisions of PS2; ii) set forth policies and procedures to manage and review the performance of such third-party employers through commercially viable means incorporated into the text of the contractual agreements; and iii) ensure that workers engaged by third parties have access to the grievance mechanism, either that of the Contractor or that of the Sponsoring Entity (Action 2.3 of the ESAP). Likewise, STI will develop a training program on the Policy for the Employment and Provision of Services of Workers Engaged by Third Parties.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

Greenhouse Gases

STI shall develop a Greenhouse Gas Emissions Prevention Program for the O&M phase of the Project (Action 3.1 of the ESAP), which will define and require the implementation of a specific procedure to estimate the greenhouse gas (GHG) emissions of its own facilities or those under its control inside the physical boundaries of the Project, in addition to the indirect emissions resulting from energy production and the transport of materials off site, for both the construction and O&M phases. In addition, STI shall: (i) define and require the implementation of an energy efficiency program or procedure; and (ii) adopt a suitable solid waste sorting process.

Water Consumption

The estimated annual water demand of the TPMS is 24,640 m3/year (approx. 0.78 l/s). It has an 800 m3 drinking water tank located on the north side of Cerro Carretas, which is supplied by the public water utility company SEDALIB, SA.

The Project, however, lacks a program to raise awareness about water consumption for the construction and O&M phases. In this regard, STI shall develop a Water Consumption Awareness and Reduction Program for both phases of the Project that includes: i) monitoring of the monthly water consumption indicator; and ii) an operating procedure triggered by any variation or alteration in consumption, to correct the cause (Action 3.2 of the ESAP).

Energy

Electricity for the TPMS operations is supplied by the public grid, whose service is provided by the company Hidrandina. Its use is prioritized for general lighting, the administrative building, and the operations area. In addition, the TPMS has two generator sets for use in the event of a power outage. There are also three electrical substations: substation No. 1 (main substation, located in the Thermal Power Plant), which is fed from the public 33 kV grid, and substations No. 2 and No. 3 (auxiliary substations). During the operation phase, the demand is estimated at 4 MW.

However, as part of the Energy Efficiency Program proposed to reduce GHG emissions and minimize the carbon footprint of the Project's operations, STI shall: (i) identify measures to reduce the use of fuels and electricity; (ii) analyze alternatives to utilize renewable energy sources; and (iii) analyze the feasibility of implementing the following comprehensive energy saving measures: replacing low-efficiency air

conditioning systems with high-efficiency equipment and ozone-friendly refrigerants (e.g., replacing the use of R22 as a refrigerant), installing LED lights in operating, storage, and parking areas, automating processes through programmable logistics controls, applying inverter technology to maximize efficiency in the equipment with the highest demand, such as industrial cooling and air conditioning systems, and using insulating and thermo-acoustic materials to reduce heat transfer and eliminate noise (Action 3.3 of the ESAP).

4.3.b Pollution Prevention

Effluents

The TPMS is connected to the public sewage network provided by SEDALIB, SA for the control of liquid effluents. Nevertheless, the Operations Building has two septic tanks, one located between Wharf 1 and Wharf 2, and the other located near the Coazúcar Plant facilities, both with an average capacity of 3 m3. The liquid effluents treated in these tanks are discharged into the sea through a pipeline located between the wharfs, complying with environmental water quality regulations (RA No. 010-2016-ANA), and the solid waste generated in the septic tanks is collected and disposed of by a Solid Waste Management Company (SWMC) authorized by the Ministry of the Environment (MINAM, for its acronym in Spanish).

To manage effluents from ships, STI also has an Oily Mixture and Wastewater Management Procedure that satisfies the requirements of Annexes I, IV, and V of MARPOL 73/78 on the proper disposal of these types of waste.

Solid Waste

STI has an SWMP that allows it to properly manage solid waste from its generation to its final disposal. STI will implement a temporary warehouse to store waste in the manner appropriate to its nature (hazardous or non-hazardous) until its final disposal. Non-hazardous solid waste will be transported to a landfill by the Municipality or an authorized SWMC.

To manage their waste, vessels shall subcontract an SWMC to provide waste transfer services from ships berthing at the TPMS. Likewise, the control of said activity will be performed in accordance with the provisions of the NPA and DR No. 213-2018-MTC/16 “Guidelines for the Development of a Comprehensive Ship-Generated Waste Management Plan under the MARPOL Agreement: Oily Mixtures, Wastewater, and Garbage”.

Noise, Vibration, and Air Quality

Noise, vibrations, and air quality levels will be monitored as part of the EMS throughout the construction and O&M phases. As part of the Physical Environment Monitoring Program (air quality, ambient noise, vibrations, water, effluents, and sediments), a baseline measurement will be taken before the start of the construction phase and repeated every quarter during the construction phase and semiannually during the O&M phase (or with the frequency proposed by the National Environmental Authority). The permissible parameters and limits for environmental conditions measurements will be those set forth in the legislation in force and in the IFC Environmental, Health, and Safety Guidelines for Ports, Harbors, and Terminals. Should there be any discrepancy between them, the most stringent will be used.

Hazardous Materials Management

STI will not generate hazardous waste. However, one of the Project activities will be the dismantling of asbestos decks in the sugar warehouse, warehouse No. 1, and their annexes, and their replacement by Aluzinc type TR-4 sheets. This activity will be classified as risky and will adhere to the procedures provided for in the Regulations for the Management and Handling of Waste from Construction and Demolition Activities approved by SD No. 003-2013-VIVIENDA. The waste will be considered hazardous and will be handled, stored, and removed for final disposal as provided for in the EMS SWMP.

STI will not transport its hazardous solid waste outside its facilities. It will be managed by SWMCs, as set forth in Law No. 28256 that regulates the overland transport of hazardous materials and waste. The final disposal of hazardous solid waste removed from the TPMS will be recorded by means of the Hazardous Solid Waste Management Manifesto of the Regulations of the Comprehensive Solid Waste Management Law (SD No. 014-2017-MINAM).

4.4 Community Health, Safety and Security

4.4.a Infrastructure and Equipment Design and Safety

The new structures of Phases 1 and 2 of the STI Project shall be designed and built by competent and renowned contractors experienced in the construction and operation of this type of works, using international best practices and in keeping with the applicable national and international guidelines, standards, and building codes.

Fire Protection System

The TPMS will have a firewater network fed by two 450 m^3 water tanks that will be located in the northern part of the TPMS, as well as a pumping yard that will drive the water toward the hydrant system that will surround all the Port components.

In keeping with Technical Standard A. 130 - Safety Requirements of the National Building Code (SD No. 011-2006-VIVIENDA), the design of the Life and Fire Safety (L&FS) Systems or Facilities of the Project's warehouses and facilities will satisfy the international standards of the National Fire Protection Association (NFPA). In this regard, STI will provide certification from a qualified professional acceptable to IDB Invest, who will verify that the fire protection systems design of new and existing facilities satisfies the L&FS requirements of the IFC General Environmental, Health, and Safety Guidelines and that said design is fully compliant with the international L&FS code and Peruvian law. After construction, a qualified L&FS professional acceptable to IDB Invest will inspect the Project and issue a certificate that the Project buildings and facilities were built as per the previously approved L&FS design and that all L&FS devices were installed as designed and tested as required by international requirements (Action 4.1 of the ESAP).

Road Safety

Even though STI has an Internal Traffic Regulation (REG-I-001) that satisfies the National Standard on Port Security (RAD No. 010-2007-APN/DIR), one aspect that could negatively affect the safety of the communities is the increase in cargo vehicle traffic on the only access road to the TPMS. STI will therefore prepare a Road Safety Management Plan specifically for the Project access roads that adheres to the National Traffic and Vehicle Regulations, which will include measures to mitigate possible impacts on the affected communities, especially during the construction phase, but including the O&M phase and changes in vehicle composition in the analysis (Action 4.2 of the ESAP).

4.4.b Security Personnel

STI has a Port Facility Security Plan (PFSP), in keeping with international regulations (The International Convention for the Safety of Life at Sea [SOLAS], International Ship and Port Facility Security [ISPS] Code), and local regulations of the MTC (RM No. 330-2004-MTC-02) and the NPA (RAD 013-2209-APN/DIR), as well as a PSPM. The PFSP defines the existing security system guidelines and procedures (e.g. Private Surveillance Services, perimeter fence, CCTV system, lighting, protection vessel, pedestrian and vehicular access controls, etc.), the role and responsibilities of the Port Facility Security Officer, the communication system's codes and procedures, the procedure to safeguard classified information, the mechanisms to verify security system records, inspection and audit guidelines and procedures, the procedures for submitting failure reports and reports on situations that may affect the security system, safety guidelines for emergency situations (e.g., catastrophes, fires or explosions, evacuations, spills, etc.), staff

education and training, among others. Additionally, STI has a Port Security Agent Manual that describes the activities and profile of security personnel (EST-S-0036).

STI has a private security service to safeguard the TPMS facilities (mainly at its accesses or customs). STI will therefore provide the necessary evidence to verify that, under the contracts entered into with these companies, it will be able to: (i) conduct reasonable investigations to ensure that security personnel do not have a criminal record and have not been involved in cases of abuse; (ii) verify details of necessary training in relation to the use of force; (iii) verify restrictions on the use of firearms; and (iv) identify details of E&S awareness training, including issues of respect for human rights (Action 4.3 of the ESAP).

4.5 Land Acquisition and Involuntary Resettlement

The Project will be developed within the State Concession area, so it does not involve any involuntary resettlement and/or economic displacement of any kind.

4.6 Biodiversity Conservation and Natural Habitats

The Project will be executed on land already under concession (the Port has been in operation since 1960). The aquatic concession area has been dredged on multiple occasions (records show a dredging EIS dated 2015), and, due to its sedimentary nature, it lacks vegetation. Similarly, according to the EIS-d, the land concession area is mainly desert and the presence of salt grass and wetland vegetation (mainly beach purslane) is scarce (barely 5% of the land area) and temporary (mainly in summer), so no significant impact is expected from the Project development.

4.7 Indigenous Peoples

The Project will be developed in the coastal city of Salaverry, a main city in the north of Peru. There are no indigenous peoples in the Project development area.

4.8 Cultural Heritage

4.8.a Chance Find Procedures

The EIS-d reports that no archaeological evidence was found on the surface within the areas of direct influence of the Project (El Molón beach). However, STI shall obtain a Certificate of Absence of Archaeological Remains for the concession area and subsequently implement and execute an Archaeological Monitoring Plan for works that involve earthmoving. It shall also prepare a Chance Find Procedure (Action 8.1 of the ESAP) that satisfies the requirements of PS8.

5 Local Access of Project Documentation

STI discloses official information on the Project on its main website: https://www.sti.com.pe

6 Environmental and Social Action Plan (*In tabular format*)

A summary of the Environmental and Social Action Plan (ESAP) can be found in Annex 1.

C. Contact Information

For project inquiries, including environmental and social questions related to an IDB Invest transaction please contact the client (see **Investment Summary** tab), or IDB Invest using the email

divulgacionpublica@iadb.org. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to mecanismo@iadb.org or MICI@iadb.org, or calling +1(202) 623-3952.

Annex 1: Environmental and Social Action Plan (ESAP)

No.	Reference	Measure	Final Product/Deliverable	Expected Completion Date
PS 1: Assessment and Management of Environmental and Social Risks and Impacts				
1.1	Monitoring and Review Indicators	1. Develop a compliance matrix with a set of KPIs that shall be monitored and met in order to measure the effectiveness of the EMP and the fulfillment of all Project legal and contractual obligations during the construction and O&M phases. This compliance matrix shall include: (i) the competent Authority granting the authorization or issuing the permit; (ii) issue and effective dates; (iii) the person within STI who is responsible for follow-up/compliance; and (iv) communication and future compliance procedures.	1. Compliance matrix with a list of the Project management and success KPIs.	1. 90 days after signing the loan agreement.
1.2	Project Compliance with Applicable Standards	1. Prepare, through an internal audit or an external, independent E&S expert endorsed by the National Environmental Authority (external audit), a consolidated annual report on the compliance status of all environmental, social, and OHS policies and measures applicable to the Project works, including the progress of CMS actions with regard to the defined KPIs, as well as its compliance status with the IDB Invest E&S Sustainability Policy and the IFC Performance Standards.	1. Periodic environmental and social compliance report.	1. Annually over the life of the loan.
1.3	Stakeholder Engagement	1. Update its Community Engagement Procedure to include the following: (i) updated identification of all stakeholders, including the local authorities and surrounding communities and neighbors (within a 500 m radius of the Project and those neighboring the Port access roads) that may have a stake in the Project; (ii) differentiated measures to enable the effective engagement of disadvantaged or vulnerable groups; (iii) a mechanism to ensure that community representatives accurately represent the views of the affected communities; (iv) details on how information is disclosed to stakeholders; (v) details on the stakeholder engagement process within these communities and how they can access the grievance	1. Copy of the updated Community Engagement Procedure.	1. 90 days after signing the loan agreement.

No.	Reference	Measure	Final Product/Deliverable	Expected Completion Date
		mechanism; and (vi) regular reporting on the company's E&S performance to stakeholders and the public at large.		
		2. Define the mechanisms for implementing and disclosing the updated Community Engagement Procedure to all staff as part of its Training Program.	2. Copy of the implementation and disclosure mechanism as part of the Training Program.	2. 90 days after signing the loan agreement.
1.4	External Grievance Mechanism	1. Adapt the Grievance and Inquiry Response Procedure so as to provide an easily accessible and culturally appropriate mechanism that can be accessed at any time (e.g. an external mailbox or booth with printed or digital forms to register the grievance or inquiry); without such procedure preventing access to other applicable administrative or legal recourse, as merited by the severity of the violation.	1. Copies of the updated Grievance and Inquiry Response Procedure.	1. 90 days after signing the loan agreement.
			2. Reports of the grievances processed by the mechanism.	2. With each E&S compliance report.
PS 2: Labor and Working Conditions				
2.1	Working Conditions and Terms of Employment	1. Develop and implement: (i) an employment procedure for workers engaged by third parties, whose terms and conditions of employment and termination adhere to local and International Labor Organization (ILO) regulations, including, at a minimum, regulations to prevent child labor and forced labor; and (ii) procedures to manage and monitor the performance of workers engaged by third parties.	1. Copy of these procedures for STI.	1. 90 days after signing the loan agreement.
2.2	Internal Grievance Mechanism	1. Adapt and implement the Grievance and Inquiry Response Procedure to satisfy the requirements of PS2, so that any type of inquiry or grievance by any employee, contractor, or subcontractor can be raised and responded to anonymously.	1. Copies of the updated Grievance and Inquiry Response Procedure.	1. 60 days after signing the loan agreement.
			2. Copies of evidence of its implementation in the Project.	2. With each E&S compliance report.

No.	Reference	Measure	Final Product/Deliverable	Expected Completion Date
2.3	Workers Engaged by Third Parties	1. Develop a Policy for the Employment and Provision of Services of Workers Engaged by Third Parties that clearly provides for adherence to the Peruvian Labor Code and the international conventions of the ILO, and that allows it to: i) ensure that those who employs these workers are legitimate companies of proven integrity that have implemented an E&S Management System that allows them to operate in a manner consistent with the provisions of PS2; ii) set forth policies and procedures to manage and review the performance of such third-party employers through commercially viable means incorporated into the text of the contractual agreements; and finally iii) ensure that workers engaged by third parties have access to the grievance mechanism, either that of the Contractor or that of the Sponsoring Entity.	1. Copy of STI's Policy for the Employment and Provision of Services of Workers Engaged by Third Parties.	1. 90 days after signing the loan agreement.
		2. Create a training program on the Policy for the Employment and Provision of Services of Workers Engaged by Third Parties for its implementation and disclosure to all STI personnel who contract outsourced services.	2. Copy of STI's Training Program on the Policy for the Employment and Provision of Services of Workers Engaged by Third Parties.	2. 90 days after signing the loan agreement.
PS 3: Resource Efficiency and Pollution Prevention				
3.1	Greenhouse Gases (GHG)	1. Develop a Greenhouse Gas Emissions Prevention Program for the O&M phase of the Project, which will define and require the implementation of a specific procedure to estimate the GHG emissions of its own facilities or those under its control inside the physical boundaries of the Project, in addition to the indirect emissions resulting from energy production and the transport of materials off site.	1. Copy of Greenhouse Gas Emissions Prevention Program, for the O&M phase of the Project.	1. 30 days prior to the Project start of operations.
			2. Copies of proof of its implementation.	2. With each E&S compliance report.
3.2	Water Consumption	1. Develop a Water Consumption Awareness and Reduction Program for the Project's O&M phase in order to comprehensively implement the following water saving	1. Copy of the Project Water Consumption.	1. 30 days prior to the Project start of operations.

No.	Reference	Measure	Final Product/Deliverable	Expected Completion Date
		measures: i) monitoring of the monthly water consumption indicator; and ii) an operating procedure triggered by any variation or alteration in consumption, to correct the cause.	Awareness and Reduction Program. 2. Copies of proof of its implementation.	2. With each E&S compliance report.
3.3	Energy Efficiency	1. Develop and implement an Energy Efficiency Program that should: (i) identify measures to minimize the use of fuels and electricity; (ii) propose measures for the maximum use of heat and/or cogeneration; (iii) analyze alternatives for the use of renewable energy sources; and/or alternatives; (iv) minimize the carbon footprint of the Project's operation; and (iii) analyze the feasibility of implementing and executing energy saving measures across the board.	1. Copy of the Project Energy Efficiency Program. 2. Copies of proof of its implementation.	1. 30 days prior to the Project start of operations. 2. With each E&S compliance report (see No. 1.2).
PS 4: Community Health, Safety and Security				
4.1	Fire protection systems	1. Provide certification from a qualified professional acceptable to IDB Invest, who will verify that the fire protection systems design of new and existing facilities satisfies the L&FS requirements of the IFC General Environmental, Health, and Safety Guidelines and that said design is fully compliant with the international L&FS code and Peruvian law.	1. Copy of the Certification of the fire protection systems design of existing facilities and new Project facilities.	1. 90 days after signing the loan agreement, for existing facilities and 30 days prior to the start of construction of the Project's new facilities.
		2. Provide certification by a qualified professional acceptable to IDB Invest that verifies that the Project buildings and facilities were built as per the previously approved L&FS design and that all L&FS devices were installed as designed and tested as required by international requirements.	2. Copy of the certification that the fire protection systems of the new facilities of the Expansion Program have been built.	2. 30 days prior to the Project start of operations of the new facilities.
4.2	Road Safety	1. Prepare a Road Safety Management Plan specifically for the Project access roads that includes measures to mitigate possible impacts on the affected communities.	1. Copy of the Road Safety Management Plan for Project access roads.	1. 30 days prior to the start of construction of the Project.

No.	Reference	Measure	Final Product/Deliverable	Expected Completion Date
4.3	External Security Policy and Protocols	1. Provide a copy of the contract entered into by STI and the security company or companies, in order to verify, among other aspects, that it includes clauses that allow it to (i) conduct reasonable investigations to ensure that security personnel do not have a criminal record and have not been involved in cases of abuse; (ii) verify details of necessary training on the use of force; (iii) verify restrictions on the use of firearms; and (iv) identify details of environmental awareness training.	1. Copy of the contracts between STI and the security company(ies).	1. 90 days after signing the loan agreement.
PS 8: Cultural Heritage				
8.1	Cultural Heritage	1. Prepare a Chance Find Procedure for the execution of any additional works associated with the Project that require earthmoving and/or earthworks, in keeping with the provisions of PS8.	1. Copy of the Chance Find Procedure.	1. 30 days prior to the start of execution of any additional works associated with the Project that require earthmoving and/or earthworks.