

Environmental and Labor Issues:

This is a category III project according to the IIC's environmental and labor review procedure 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 liquid effluent management, solid waste management, impacts on local flora and fauna, personal safety and emergency response, labor practices, and social and community issues.

Social and Community Issues: Asociación Arariwa is a non-profit, nongovernmental organization committed to regional development through the promotion of sustainable rural development and cultural identity. To achieve this, it provides training to local residents, offers advisory services to producers, and works to promote the rational use of natural resources, with an emphasis on food security and nutrition. One of Arariwa's main spheres of action is isolated rural communities with few resources, but that strive to keep up their traditions and cultural identity. Huacahuasi is one such community. MLP is working closely with Asociación Arariwa on a socially inclusive tourism project in the Department of Cuzco. Financed through an IDB technical cooperation agreement, the project's objective is to develop a number of inbound tourism businesses that are viable from the sociocultural standpoint, as well as economically, financially, and environmentally. In response, the Huacahuasi community has expressed interest in taking part in the project. On March 15, 2012, a meeting was held with 190 Huacahuasi residents—approximately 70 percent of the community—who voted to approve an agreement with MPL to develop tourism. Under that agreement, the community would provide the land for the construction of an MLP lodge. The agreement addresses, inter alia, the community's stake in the earnings from the operation, the supply chain preference for purchasing locally-produced goods, labor, and outsourced services. To this end, community members would receive support from Arariwa in the form of training and microenterprise advisory services.

Impact on Local Flora and Fauna: The Huacahuasi mountain lodge would be nestled in a rural area among small-scale grazing and agricultural operations. The lodge is slated to be built into a mountainside overlooking an area of sparse vegetation and steep slopes. In fact, the project's construction will not significantly impact local flora and fauna. Human activity in the areas surrounding MLP's mountain lodges is primarily geared toward conservation and environmental protection. This concept appeals to MLP's target population who value natural tourism and scenic beauty. As with the company's existing network of mountain lodges along the Salkantay trail, MLP guides will receive specialized training in conservation-related topics that they in turn share with visitors, pointing out where different species nest, feed, mate, as well as the migratory routes taken by local wildlife. This approach allows people to observe animals without disturbing them.

Architecture and Energy Conservation: The architecture of the lodges will be designed to help the facilities blend into the existing landscape, thereby reducing to a minimum their visual impact. Their architecture also incorporates local materials and media—e.g., stone, adobe, wood, and straw—as well as cultural features that mesh the lodges' design with the region's traditional construction. The lodges are also designed to optimize energy efficiency, utilizing sunlight and natural ventilation together with state-of-the-art insulation techniques to minimize the need for heating in a climate marked by extremes. The design of the lodges also calls for high-performance solar and space water heaters.

Liquid Effluent Management: Wastewater generated by the mountain lodges are treated in a multi-stage physicochemical treatment system. Wastewater is initially treated to retain solids and grease and is then channeled for primary treatment into a dual chamber septic tank to facilitate the decantation of solids. Secondary treatment consists of a slow percolation filtering process and

subsequent chlorine disinfection, following which the water is moved through a series of soak pits. The sludge resulting from the process is dried by evaporation, stabilized with lime, and returned to the soil. All cleaning products used in the lodges are biodegradable.

Solid Waste Management: Most of the solid waste generated at the lodges is domestic waste. Organic residues suitable for composting will be composted and used in gardens and nurseries. Any waste that cannot be transformed or reused will be removed from the area and disposed of in accordance with local regulations in coordination with the pertinent authorities. MLP encourages recycling and reducing the use of plastic products, such as bags and bottles. It also promotes the use of bulk dispensers over individually packaged consumer items at its lodges.

Construction Safety, Fire Safety, Personal Safety, and Emergency Response: The lodges will be built in accordance with local building codes governing earthquake-resistant dwellings. Signage indicating safe areas and safe and direct evacuation routes will be posted. MLP will have a contingency plan; an emergency committee responsible for coordinating efforts, resources, and communications; and a first-aid brigade trained to respond in the event of fires, earthquakes, landslides, accidents or health problems, rescues, and evacuations. The plan covers all MLP activities in the lodges and beyond, particularly outdoor activities. In the event of an emergency, the company has a network of outside agencies it can turn to for help—e.g., police, civil defense, health ministry, fire department, armed forces, and municipal authorities. MLP also requires its visitors to be covered by insurance policies that include medical evacuation coverage.

All MLP lodges have emergency response equipment, including equipment for fire suppression, first aid, basic search and rescue, and radio communications. MLP's emergency brigades are required to carry out regular exercises and drills.

MLP's safety regulations also apply to its suppliers. Specifically, transport companies that carry the company's visitors are subject to strict safety rules that apply both to their vehicles and drivers.

Impact on Air Quality: The main air emissions would occur during the construction phase, originating from contractors' vehicles and machinery. In addition to gas emissions from internal combustion engines, the project would also generate fugitive dust from vehicular traffic. With a view to mitigating gas emissions, engine maintenance will be performed regularly and in accordance with manufacturer technical specifications. Once the lodges begin operating, air emissions will be insignificant—limited to the facilities' gas-fired electric generators. For this purpose, MLP has opted to use generators employing state-of-the-art combustion technology. Inasmuch as these generators produce fewer emissions of nitrous oxides, carbon monoxide, and particulate matter, they are more environmentally friendly. In addition, the generators produce very low levels of noise. In any event, electricity from the grid will be used whenever possible.

Labor Practices and Social Issues: MLP is in compliance with domestic labor laws and International Labour Organization (ILO) standards. The minimum working age at the company is 18 years of age. MLP employees do not belong to a labor union. Employees and their immediate families receive medical insurance coverage through Peru's social security system (ESSALUD). All personnel providing services to the company are duly registered on its payroll and comply with the applicable Peruvian legislation.

The company's training plan not only provides employees with opportunities to acquire job-specific training, but also know-how and skills not ordinarily available to them in the workplace (e.g., languages and computing), thereby enhancing employee personal development. With regard to MLP guides, in addition to receiving extensive vocational training on cultural issues and the natural environment, their training emphasizes aspects of safety, rescue, and first aid.

The company has an employee handbook. All employees are provided with a copy of the handbook and undertake to comply with its provisions in the performance of their duties. New employees are required to undergo orientation exercises and specific training for the job they are to perform. In addition, a series of individual manuals have been developed detailing the duties and responsibilities of each job within the organization. Employees are obliged to comply with the content of these manuals.

Monitoring and Compliance: MLP shall prepare an environmental and social action plan (ESAP) satisfactory to the IIC to ensure compliance with domestic regulations and the IIC's environmental and workplace safety and health guidelines. As part of the ESAP, an annual report shall be prepared to monitor changes in environmental, health, and safety guidelines.