



**Environment, Social, Health and Safety
Management System (ESHS MS)**

Local Hiring and Purchasing Plan

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1.0 INTRODUCTION

1.1 BRIEF PROJECT OVERVIEW

PERU LNG S.R.L. ("COMPANY") plans to construct and operate a natural gas liquefaction plant ("LNG Plant") and marine export facility to be located on the Peruvian coast, at approximately KM 169 of the South Pan American Highway, south of the city of Lima and approximately 80 KM north of the city of Pisco. Natural gas will be transported to the LNG Plant through the existing Camisea-Lima Pipeline Transportation System (PTS, or Transportadora de Gas del Perú [TgP] pipeline) up to KP 211. From this point, a 408 km long 34-inch buried pipeline ("Pipeline") will be constructed and operated by COMPANY to provide the required natural gas for the LNG plant.

A quarry ("Quarry") will also be developed to provide building materials for the marine export terminal and breakwater to be constructed. Natural gas for the LNG project will be sourced from the Malvinas Gas Separation Plant located to the southeast of the proposed LNG plant, which in turn will obtain the gas from Block 56 of the Camisea gas fields. Block 56 is considered the main source for natural gas for the LNG Plant, as the gas from this block has been slated for export. However, if additional reserves are necessary, Block 88 of the Camisea gas fields would be the supplementary source to the extent that reserves exceed the local market requirements.

Compañía Operadora de LNG del Perú SAC (COLP) has been appointed by COMPANY to manage construction and operation of the project.

1.2 INTRODUCTION TO THE PLAN

Construction projects and, later, operational facilities often generate employment expectations in their areas of influence. However, the local labor demand is usually very limited compared to what is available in more centralized urban areas. A relatively important number of local, mostly unskilled, workers are needed during the project construction phase, but labor requirements decline dramatically after this phase is concluded (construction is expected to be completed late in 2009 and early in 2010, depending on Project component). Typically, the limited and temporary nature of the project labor demand does not fulfill local expectations and brings about a collective uneasiness in the communities located in the Project area of influence.

In addition, mismanagement of the local hiring process can generate undesired social impacts in small and traditional communities. Because local incomes are low, especially in rural areas, employment in and selling to the project is very attractive for local people. As a result, they tend to eagerly compete for jobs in the project even to the detriment of their local household economic situation and traditional way of life. Therefore, an ill-conceived hiring plan can, in the long term, cause social conflicts and economic problems to the intended beneficiaries.

The project has made social commitments in order to deal with local expectations and risks. Most of these commitments are outlined in the Project's Environmental and Social Impact Assessments (ESIAs) for the natural gas pipeline, the plant, and the quarry (to supply rock to construct a breakwater for the marine export terminal), carried out in accordance with Peruvian laws and international standards. For example, COMPANY has made commitments in the plant ESIA in relation to local hiring for the unskilled job opportunities and local purchasing in the areas of influence (mainly in Chincha and Cañete) during the construction phase.

Regarding the pipeline, it has been stated in the ESIA (Volume I) that the labor requirement will vary as the project develops, and it will depend on the execution schedule, the staff availability, the work front, and the specific site conditions. In addition, the ESIA (Volume III) indicates that labor will be hired from the villages near the pipeline route, following progress that is being made by the construction activities. In this sense, COMPANY is committed to adhere to applicable law and international standards.

Following these commitments, COMPANY has developed a Local Hiring and Local Purchasing Plan which will govern COMPANY and CONTRACTOR hiring processes and purchasing programs in the Project area of influence (See the Appendices A and B). The Local Hiring Plan and Local Purchasing Plan are presented as distinct sections in this document, which bridges the two plans into a unified approach.

1.3 CROSS-REFERENCES

- Grievance Procedure
- Stakeholder Engagement Plan
- Rural Andean Community Management Strategy
- Recruitment, Procurement and Community Liaison Contractor Management Plan (Pipeline and Plant)
- Community Relations Plan (associated with Pipeline, Plant and Quarry ESIAs)
- Glossary

2.0 LEGAL FRAMEWORK AND INTERNATIONAL STANDARDS

All labor hiring and administration must comply with the Peruvian labor laws with regard to hiring practices, applicable supervision, salaries, social benefits, time off, etc. and with the commitments made by COMPANY.

The 1993 Political Constitution of Peru (hereinafter, the Constitution), must be taken into account, as in its Article 2, it states an individual's primary right to equality before the law. In this sense, the Constitution states that nobody may be discriminated against due to his/her origin/background, race, language, religion, opinions, economic condition or any other condition whatsoever.

Moreover, Article 23 in the Constitution states that the various forms of work are to afford protection to working mothers, working children, and working challenged people. It also states that no labor relations can limit the exercise of the constitutional rights or neglect or demean a worker's dignity. Finally, this article states that nobody may be forced to work with no salary or without his/her free consent.

Regarding worker rights, Article 24 in the Constitution states that workers have the right to an equitable and sufficient salary for the material and spiritual well-being of the worker and his/her family. It also states that a worker's salary and social benefits provided by an employer have priority over any other of the employer's obligations, and that minimum salaries are regulated by the Government with the participation of the organizations representing workers and employers.

Finally, Article 26 in the Constitution states that the following principles are to be respected in labor relations:

1. Equal opportunities with no discrimination;
2. The constitutional and legal rights may not be waived; and,

3. Interpretations of ambiguities in laws must favor the worker.

It must be pointed out that worker rights, such as salaries, work shifts, time off, social benefits, and others, are contained in norms and special laws that offer clearly-defined protection to the workers.

Purchasing of local goods and services are regulated under the Civil Code of Peru, which includes provisions regulating business relationships. The Civil Code contains rights, obligations, limitations, etc. of formal agreements as well as provisions that cover circumstances where no contractual agreement exists.

In addition, the International Finance Corporation (IFC) Performance Standards and International Labor Organization (ILO) Guidelines have been taken into account for both the Local Hiring Plan and Local Purchasing Plan in this document. Specifically, IFC Performance Standard No. 2 and the associated Guidance Note have been incorporated as they pertain to local hiring/labor and local purchasing. As IFC Performance No. 2 incorporates specified ILO conventions, these too are incorporated in the Local Hiring Plan and Local Purchasing Plan, as applicable. These conventions are:

- ILO Convention 87 on Freedom of Association and Protection of the Right to Organize
- ILO Convention 98 on the Right to Organize and Collective Bargaining
- ILO Convention 29 on Forced Labor
- ILO Convention 105 on the Abolition of Forced Labor
- ILO Convention 138 on Minimum Age (of Employment)
- ILO Convention 182 on the Worst Forms of Child Labor
- ILO Convention 100 on Equal Remuneration
- ILO Convention 111 on Discrimination (Employment and Occupation)

3.0 LOCAL HIRING PLAN

The Local Hiring Plan has been developed to organize and enhance Project employment opportunities for local people in a culturally appropriate manner and in accordance with COMPANY social policies and commitments.

3.1 OBJECTIVES

This Plan's overall objective is to define the process and guidelines for hiring local workers in the Project's area of influence, within the framework of COMPANY commitments. Local Worker is defined as any person who is employed by COMPANY or any of its CONTRACTORS or subcontractors and resides in the Project area of influence since before the start of Project activities. The specific objectives are to:

- Develop procedures and practices that maximize opportunities for hiring local workers and that intend to minimize project-related social risks in the areas of influence.
- Develop transparent procedures that allow access to Project jobs by the local population in an organized and fair manner.
- Establish a hiring process that respects local cultural and social norms in order to facilitate local participation and avoid conflicts and other negative social impacts.
- Promote fair practices in the hiring of local workers that protect against unauthorized third-party job brokers, child and forced labor, and discrimination.

It should be noted that although this plan is particularly detailed with regards to unskilled local workers, both skilled and semi-skilled workers will be sought as well from the local pool of candidates, if available. Project CONTRACTORS will seek skilled and semi-skilled candidates from the area of influence of the Project and will fill as many available positions as feasible with candidates having suitable experience. CONTRACTORS will provide training to suitable local candidates with the intent of qualifying them for applicable skilled and semi-skilled positions.

3.2 SCOPE

This Plan pertains to the hiring of local workers for the Project, encompassing all areas of operation and where potential workers may originate. It includes the construction period and extends into the early stages of operation, after which the Plan will be reviewed and modified to incorporate improvements learned from the construction phase and any changes in social, economic, or political conditions. The Plan comprises the procedural and practical approach to hiring for COMPANY and its CONTRACTOR and subcontractors.

In addition, the Plan incorporates agreements made by COMPANY regarding labor and hiring, such as the Agreement for the plant site signed by COMPANY and the regional Governments of Lima and Ica, the Provincial Municipalities of Cañete and Chincha, and the Peruvian Congress's Pro-Investment Commission, on October 18, 2004, pertaining to the target distribution of unskilled labor hires between Cañete and Chincha.

As for the Andean region, there is not an accurate figure of available jobs for local people yet. Preferably, CONTRACTOR's job requirements will be filled proportionately among the communities within the pipeline area of influence, with priority given to those communities directly impacted by construction activities.

3.3 RESPONSIBILITIES

3.3.1 Company Community Affairs Department

COMPANY Community Affairs Department will:

- Supervise the local hiring process followed by CONTRACTOR to ensure conformance with COMPANY commitments and with the objectives of this Plan.
- Communicate with local communities related local hiring issues and oversee CONTRACTOR communications on employment-related topics, such as skilled, semi-skilled and unskilled positions, timing of jobs, benefits, medical requirements, etc., and to verify that the local hiring procedures are correctly applied.
- Provide accurate and timely information to the stakeholders about local hiring issues and adequately consolidated information provided by other departments and CONTRACTORS.
- Obtain, organize and document feedback from the project stakeholders regarding perceptions, concerns and requests related to local hiring.
- Evaluate and transmit the feedback obtained from stakeholders to COMPANY's construction management and CONTRACTORS so that this information, if applicable, can be addressed in project decision-making and design.
- Inform to COMPANY's construction management about all social incidents (potential and registered) which involves CONTRACTOR local hiring actions.
- Advise stakeholders of the need to ensure that commitments related to local hiring are documented and agreed upon by both CONTRACTOR and COMPANY.

The two main teams of community relations officers (CROs) in the coast and highlands are formed by the following groups:

The coastal supervisor and CROs will cover the pipeline area of influence from KP 408 to 275 divided into three sections of attention. There will be four CRO positions during pre-construction and six during the construction stage in total for the western segment.

SECTION	DISTRICTS COVERED
I	San Vicente de Cañete and Grocio Prado
II	Alto Larán, El Carmen, Pueblo Nuevo and Chinchá Alta
III	Huáncano, Independencia and Humay

The highland supervisor and CROs will cover the pipeline area of influence from KP 0 to 275 divided into five sections of attention. There will be ten CRO positions during pre-construction and fifteen during the construction stage for the entire central segment.

SECTION	COMMUNITIES COVERED
I	Chiquintirca Anchihuay Virgen de Cocharcas de Cochas Uras Tupac Amaru General Córdova de Soccos Santa Magdalena
II	Huaychao Accocro Pomapuquio Virgen de Asunción de Seccelambras Pinao Yantapacha Yanapiruro-Ichubamba
III	Llachocmayoc San Juan de Cochabamba Alta Allpachaca Toccyascca Paucho Rosaspata Tambocucho Urpaypampa Sallalli San José de Mayobamba
IV	Vinchos Occollo Paccha
V	Churia Llillinta Ccarhuaccpampa Pillpichaca Santa Rosa de Tambo Huaytará Ayavi Huancacasa

Permanent and effective coordination will be secured through:

- Daily meetings in the field between CROs of each section
- Daily coordination between the CR Supervisor and CROs
- Weekly meetings between Supervisor and CROs

- Weekly meeting between CR Manager and CR Supervisors
- Daily coordination between CR Manager and CR Supervisors
- Writing and circulation of written reports

3.3.2 Contractors

Although COMPANY has the ultimate responsibility for all of its operations; CONTRACTOR has the following specific responsibilities:

- CONTRACTORS are expected to follow all Company policies, including the present document and those that pertain to local hiring activities and for commitments made and documented by COMPANY.
- CONTRACTOR must execute the local hiring process in accordance with Peruvian legislation and regulations.
- CONTRACTOR is responsible for supervising their subcontractors and for coordinating their hiring to ensure conformance with COMPANY policies and commitments.
- CONTRACTOR will provide to COMPANY Community Affairs Department, on a regular and timely basis, information pertinent to the local hiring process.
- CONTRACTOR Community Relations team shall be proactive and available to participate in COMPANY's public consultation and disclosure activities. This participation, intended to allow for specific CONTRACTOR questions related to local hiring to be answered, must be coordinated with COMPANY Community Relations teams in advance.
- CONTRACTORS shall not make any direct agreements with local communities without prior coordination of such actions with COMPANY.
- CONTRACTOR will propose alternatives to activities associated with impacts on local hiring which are of concern to stakeholders.
- CONTRACTOR will participate in all coordination meetings related to local hiring requested by COMPANY Community Affairs in daily, weekly and extraordinary cases.
- Plant and Quarry CONTRACTOR:
 - Shall conduct the local hiring process –in coordination with COMPANY Community Relations Department– through the Recruitment Centers and according to the procedure described in the present plan.
 - Will report to COMPANY Community Relations Department status, tracking, grievances and incidents related to local hiring process on a daily, weekly and extraordinary basis.
- Pipeline CONTRACTOR:
 - Shall provide information related to local personnel requirements to COMPANY Community Relations Department in a timely and regular manner. Information shall be provided at least five days in advance at the level of COMPANY Community Relations Officers in each pipeline section. Estimates of total personnel requirements by pipeline section shall be provided at least two weeks in advance.
 - Will report to COMPANY Community Relations Department status, tracking, grievances and incidents related to local hiring process on a daily, weekly and extraordinary basis.

3.4 CRITERIA FOR LOCAL LABOR SELECTION

Clear and consistently-applied criteria for hiring local workers are critical to maintaining community support and achieving a balanced workforce that meets Project objectives. As

stated earlier, “local worker” (or “local employee”) is defined as any person who is employed by COMPANY or any of its CONTRACTORS or subcontractors and resides in the Project area of influence since before the start of Project activities. Similarly, “local population” refers to the people born and living, or living for a long period, in the provinces included in the Project area of influence. Therefore, COMPANY will require that the place of residence of the prospective workers is established by any reasonable means.

Specific commitments to the Provinces of Cañete and Chincha have been made by COMPANY for plant construction to maintain an approximately equal ratio of unskilled local workers from each province. Therefore, plant construction labor will be selected, within the ratio criterion agreed with Cañete and Chincha, based on CONTRACTOR needs and applicant qualifications, training and experience. For pipeline construction labor needs, differences in population needs (based to a large degree on input received from public consultation), distribution, and communal structure between the Coast and Andean regions dictate the need for slightly different criteria.

Skilled/semi-skilled and unskilled local hiring in the Coastal region and skilled/semi-skilled local hiring in the Andean region will be based on CONTRACTOR requirements as well as on the job applicants’ skills, experience, and training. For unskilled positions in the Andean region, CONTRACTOR requirements will be met in conjunction with a distributive criterion among the Rural Andean Communities (hereinafter communities) located along the pipeline path where the work is occurring. This criterion is intended to spread the work (specifically, the salaries related to the work) among as many people as feasible with the goal of avoiding a disproportionate share of the jobs going to relatively few people.

Communities will make a list of available personnel, following their customary organization. Accordingly, COMPANY has agreed with the communities that all applicants for jobs will be proposed at a community assembly with all the community and its authorities invited, to achieve transparency. Each community will determine and authorize the list of applicants (both men and women) for the available positions. In this way, socio-cultural structures in the communities that are within the Project’s area of influence will be respected.

Although the Project recognizes gender inequalities in employment access, gender is not a criterion to fill local positions. Since gender roles are sharply defined in traditional Andean cultures, and it has traditionally been a man’s role to work outside of the home, prioritizing women for work in the Project beyond their interest following social norms can cause uneasiness in local households. Therefore, the Project is planning alternatives for improving the lives of women in its area of influence through investing in community/social programs.

The Project is committed to offering open access to local employment and to respecting local culture and customs. Therefore, the Plan will allow the local organizations and families to decide who can better fill the open positions, assuming the candidates are deemed capable of performing the work satisfactorily and have the required skills. Work opportunities will be communicated widely and openly by CONTRACTOR with COMPANY’s Supervision, without coercion or manipulation to favor certain groups or individuals to apply for any specific positions.

3.5 LABOR RELATIONS CONDITIONS AND MANAGEMENT

COMPANY has adopted labor relations policies and procedures that are consistent with IFC’s Performance Standard No. 2 Labor and Working Conditions. Therefore, COMPANY or its CONTRACTORS will supply their personnel with information regarding their rights under the national labor laws, including their rights related to salary and benefits. COMPANY or its

CONTRACTORS will inform their personnel in writing about working conditions and terms under which they are being hired.

In addition, COMPANY and its CONTRACTORS will:

- Not object to their workers becoming affiliated with labor organizations, nor will workers be prohibited from collective negotiations. Employers will work fairly with workers who participate in labor organizations and will not discriminate or retaliate against such workers.
- Maintain a non-discriminatory policy with regards to workers affiliated or not affiliated with labor organizations. In order to minimize conflicts with labor organizations, this policy will be publicly disclosed at all venues considered necessary, including mass media. Dialogue with labor organizations will always be welcomed, but the policy of non-discrimination between affiliated and non-affiliated workers will not be negotiated, as it is one of the core principles embodied in the different ESIs. COMPANY community relations staff will supervise, as mentioned later in this document, the hiring of local workers. This supervision is intended to achieve full compliance with the non-discriminatory policy described above.
- Hire local workers based on competence, and not by influences or the pressures of a community or interest group, except as noted in the Criteria for Local Labor Selection above.
- Carry out a hiring process that will be transparent, thus avoiding favoritism. This will be achieved, for example in the case of rural communities along the pipeline route, with the candidates being proposed by the community itself in an internal general assembly. In the same manner, when the candidates are selected for employment, a general assembly will be the venue where the announcement will be made. Furthermore, if a candidate is not selected, he or she will be informed about the reasons behind this rejection.
- Train the local workers on health and safety, environmental protection and community relations, just as the other employees.

Training will be delivered in a manner relevant to the target audience. For example, simple and common language (in the Andes region, inductions and all general communication with the communities, applicants, and local hired workers will be communicated in Quechua), thus preventing as much as possible, any technical terms that are hard to understand. Also, a question and answer session will be held once the training session is completed.

- COMPANY or its CONTRACTORS shall not use any type of forced or manipulated labor. In order to prevent this situation, no local workers will be hired through unauthorized third parties, such as job brokers. Hiring will be conducted in coordination with CONTRACTOR and COMPANY community relations organizations, and under COMPANY's supervision.
- COMPANY or its CONTRACTORS shall not hire any staff under 18 years old.
- Each CONTRACTOR will comply with the hiring and labor laws of Peru.
- CONTRACTOR will clearly explain salaries to all local workers during the hiring process.
- CONTRACTORS will make every effort to apply the same payment scale, offer the same benefits and maintain comparable working conditions for the same type of work for all of their workers at all work sites, subject to restrictions applicable to specific work sites.
- CONTRACTOR will supply local workers with personal protective equipment (PPE) required to perform their jobs safely and minimize the risk of injury.

3.6 CODE OF CONDUCT

COMPANY and Project CONTRACTORS will implement control and verification measures to ensure conformance with the Code of Conduct (CoC). These measures include induction and a signed acknowledgement from each worker, follow-up training, inspections, audits, corrective actions, sanctions, dismissal of workers who do not comply with the CoC, etc.

In coordination with COMPANY, CONTRACTOR will educate the workers about the Project's area of influence and any other specific places where the CoC must be followed. Obviously, some CoC restrictions will not be applicable for local workers, such as the restriction of spending their days off in their communities in contact with the local population. Moreover, while local workers will not be restricted from consuming alcohol during their time off in their own communities, consumption of alcohol or being under the influence of alcohol is prohibited while at work, regardless of where that Project work occurs. These and similar exceptions and nuances will be explained during inductions and follow-up training.

3.7 GRIEVANCES

COMPANY has developed a Grievance Procedure that applies to the local population and which includes local workers for complaints that are not specifically labor relations¹ issues (See the Grievance Procedure). As stated in the Grievance Procedure local workers may submit such claims through the community relations representatives, the Project offices in the communities, or by making use of the suggestion boxes to be placed in work areas (mainly at the camps).

Labor relations complaints will be received and resolved by the corresponding employer, applying established employee relations and dispute resolution procedures. However, as these grievances and their resolution may impact COMPANY's relationship and reputation with the communities and populated centers, all such complaints and proposed resolutions will be reported to COMPANY Community Affairs Manager or his/her designee. Local workers will be informed that they may consult with the CROs (or other community relations representatives) on any grievance, but it is the responsibility of the employer human resources organization to resolve the issue in compliance with applicable regulations and Project standards while coordinating with COMPANY's Community Affairs department.

3.8 LOCAL HIRING PROCESS

CONTRACTORS are required to submit their hiring procedure to COMPANY for review and approval prior to hiring local workers. These procedures will define CONTRACTOR-specific processes, instructions, and criteria that will meet the framework COMPANY requirements outlined in this Plan. In general, the hiring process will consist of the following basic steps:

3.8.1 Local Worker Pre-Selection

The following will be taken into account for the pre-selection of local workers considered for hire:

- For each pipeline work front, workers will be assigned to their own community area.
- CONTRACTOR will be in charge of staffing but will coordinate with COMPANY community relations team.

¹ Labor relations issues include salary, work schedule, working conditions, employee benefits, etc.

- CONTRACTOR will attempt to hire an equitable number of workers from each community in the sector.
- In order to show that a person is “local”, and in accordance with Peruvian Labor regulations that require that all workers possess a valid identity document, he/she will have to show his/her DNI or any other official and valid identity document that shows he/she has lived in the community before the Project started (see Criteria for Labor Selection). However, to avoid impeding access for vulnerable groups, COMPANY will provide assistance, if needed, to the populations that require a DNI in the form of coordination with the appropriate authorities and /or financing of the paperwork required.
- In Cañete and Chinchipe, a residence certificate or other verifiable form of identification will be required, and preference will be given to those who were born there or who have lived in the area for several years, in order to prevent migration to the area of people who are looking for jobs.
- In the Andes, community relations personnel will coordinate with the local authorities in order to determine who the native and long-term local residents are in areas where residence certificates are not available.

3.8.2 Pre-registration and Labor Demand

In Cañete and Chinchipe pre-registration of potential workers (see Criteria for Local Labor Selection) will take place in COMPANY community relations offices or in CONTRACTOR Recruiting Centers (see below). Candidates will submit the following basic information:

- Place of Birth
- Residency and years of residency
- Labor experience and Curriculum Vitae
- Other pertinent experience
- Job preferences and constraints

A database of applicants received at COMPANY’s community relations offices will be available to all CONTRACTORS. All CONTRACTORS must first refer to this database in filling their available positions. Hiring personnel not included in the data base is permitted only when no suitable candidate in the database is available to fill the position.

In the Andean region:

- CONTRACTOR will provide a list of the required positions to the community relations staff, which based on the database of communities, will inform appropriate community leaders about the available jobs. In this sense, the community relations staff will act as a recruitment center. Decisions regarding the final applicant list for consideration by CONTRACTOR will be obtained at a community assembly with the authorities and the community attending. The community relations representative will also give notice to the applicants who are finally selected by CONTRACTOR.
- If some of the applicants are determined to be unsuitable for the job, a new request will be made to the community for additional applicants through the authorities (in conjunction with the assembly process, as applicable) by indicating the reasons why these candidates are not deemed suitable for the job.

3.8.3 Recruiting

Recruiting Centers in Chincha and Cañete

For the plant construction phase, the process for hiring local workers has been implemented, including workshops and meetings held by COMPANY and through mass media communications, such as local radio and newspapers. Approximately 10,000 local people have submitted their résumés to COMPANY Chincha and Cañete community relations offices. This information is kept in a database that is used by CONTRACTORS at their recruiting centers (Chincha and Cañete).

The Recruiting Centers will manage the databases gathered by COMPANY since 2005 and will be in charge of contacting the applicants for the various jobs. The jobs will be filled as closely as possible in the previously-agreed proportions (50% in Cañete and 50% in Chincha) and by following the order in which the résumés were received.

For pipeline construction hiring of local workers, the call for local labor in the communities will be coordinated through the community relations representatives in a similar manner.

The Recruiting Centers will keep a description of each job (responsibilities, experience required, etc), and will have an evaluation system for the applicants (education, competence, previous experience, skills, training, etc.).

Filling local worker positions will be coordinated with COMPANY, as it will have a community relations worker in each of the offices to supervise the hiring process. Recruiting will be direct, and not through agencies or any other intermediaries. In this way, problems such as the existence of “bogus” employees, misrepresentations, etc. will be prevented.

Recruiting in the Andes

In the gas pipeline’s area of influence, CONTRACTOR will have Quechua-speaking staff with the required social skills to carry out the staffing in the rural communities. COMPANY will utilize its history of working and consultation with the communities to supervise CONTRACTOR in identifying candidates in accordance with local communal structure and customs. CONTRACTOR will have a community relations officer assigned to each work section, who will coordinate with COMPANY community relations team.

3.8.4 Registration

CONTRACTOR will keep a record for each local worker hired, and a copy will be submitted to COMPANY community relations team. The record will include the employee’s name, date of hire, community, district, province, and position.

A record for each one of the applicants will also be kept, which will be for the Project’s internal use. This record will show the position for which the applicant is intended. As to the towns and villages, the local population will not only apply for unskilled jobs, but they will also apply for skilled and semi-skilled jobs, such as secretaries, accountants, etc. This record will show the position for which each person is applying (mason, administration, worker, etc.). The record will also show the date when the applicant was informed about an interview(s) or when to start working, if the person is a native and/or resident in the local area, his/her address, etc.

3.8.5 New Local Worker Incorporation

- As required by Peruvian legislation and as applicable, it will be mandatory that selected staff submit a copy of their DNI, criminal records certificate, residence certificate, work certificates from previous jobs, marriage certificate, social security card and ESSALUD card, AFP (Retirement Funds Administration agency) agreement (if they have one), birth certificate, and school certificates of their children aged 3 to 21.
- The selected workers will undergo a medical check to determine their health for evidence of alcohol and/or drug use.
- The selected applicants will report to the Human Resources office to be given their security/safety equipment (boots, hardhat, safety eyewear, etc.). They will also be given a copy of the results of their confidential medical check, Human Resources internal policy, internal work rules, Code of Conduct, applicable policies, security/safety and environmental manuals, internal security rules, and any additional information required by Peruvian legislation.
- All employees will carry a photo-identification with a recent photograph to be supplied by the employer.
- All new employees will fill in a personal entrance form, with their personal and family data. These documents will be signed by designated CONTRACTOR supervisory staff.
- During the induction, CONTRACTOR will provide relevant information about itself and its role in the project. In the Andes, an induction will be provided in the Quechua language, if preferred by the new employees.
- CONTRACTOR will supply information to each new employer to ensure transparency to and understanding of the hiring and salary determination processes. While each CONTRACTOR negotiates independently of each other for workers, it is important to explain the workers that equivalent conditions will be offered to all Project workers for similar jobs, and salary determination will also be explained.
- New employees will be given a schedule and work timetable. Each worker will be given a control card that will be used to record his/her working hours during the day.
- After the Code of Conduct induction, the workers will sign a compliance agreement. They will also go through security/safety, community relations, and environmental inductions before officially entering the worksite. Workers will also be given short talks and other formal trainings at work on subjects such as: community relations, first aid, human health (i.e. how to prevent sexually-transmitted diseases (STD), water-transmitted diseases, contaminated foods, etc.).
- All people hired as drivers will go through a vehicle safety driving course.
- Trading or exchanging jobs is forbidden.

3.8.6 Local Worker Termination

Prior to termination of employment, the worker will be given written notice and a document showing his last day at work. A copy will be provided to the worker and a copy will be retained by the employer for a period of 5 years after termination of employment. Workers will be required to return any PPE to the employer that could be used or misconstrued to identify him/her as a Project worker. Any other PPE that is safe for use by other Project workers should also be returned upon request by the employer.

Once the workers leave the project, they will be given a certificate that states the time they served as a Project worker, their positions, and the training they were given.

3.9 TRAINING PLAN AND SCOPE

In the LNG plant area of influence, COMPANY and/or Project CONTRACTORS have set up a training program to develop job skills in the population, and therefore, improve access to jobs at the plant during construction and operation. Also, workers at the plant will be given specific training on subjects that are relevant to, and required during the construction stage, in order to help them qualify to extend their employment with the Project.

Employment in the pipeline's area of influence will be developed by sections being constructed. Therefore, it is expected that construction-related employment for individual workers will be of relatively short duration. Workers will, however, receive training applicable to performing their jobs competently and safely.

3.10 INFORMATION DISCLOSURE

CONTRACTORS will announce available positions in a transparent and organized manner (for example, at the Recruitment Centers, at meetings with the communities, etc.), in coordination with COMPANY Community Relations area. In the case of the Plant's area of influence, a single channel will serve to organize applications and the various requirements from CONTRACTORS and subcontractors. In order to achieve this, recruitment centers have been set up (one in Chíncha and one in Cañete) with a centralized database. In the pipeline's area of influence, the communication about the process will be carried out through the community relations workers who pay regular visits to the local populations and their leaders.

CONTRACTOR messages to the communities will be reviewed and approved by COMPANY prior to delivery. They will include at least the following information.

- An explanation of the different Project construction stages
- Type and number of positions generated by the Project
- Employment duration
- Work and salary conditions
- Hiring procedure
- Selection procedure
- Communication process to candidates

Figures 1 and 2 below represent the estimated CONTRACTORS construction schedule and manning curve for the construction of the LNG Plant. While these estimates will vary as the Project progresses, this manning curve represents a reasonable estimate of total Peruvian employment (skilled, semi-skilled and unskilled) for the LNG Plant construction. The unskilled portion of this set will be recruited from Chíncha and Cañete, as detailed in Section 3.8.3.

Figure 1 – Estimated Construction Schedule for Plant Construction



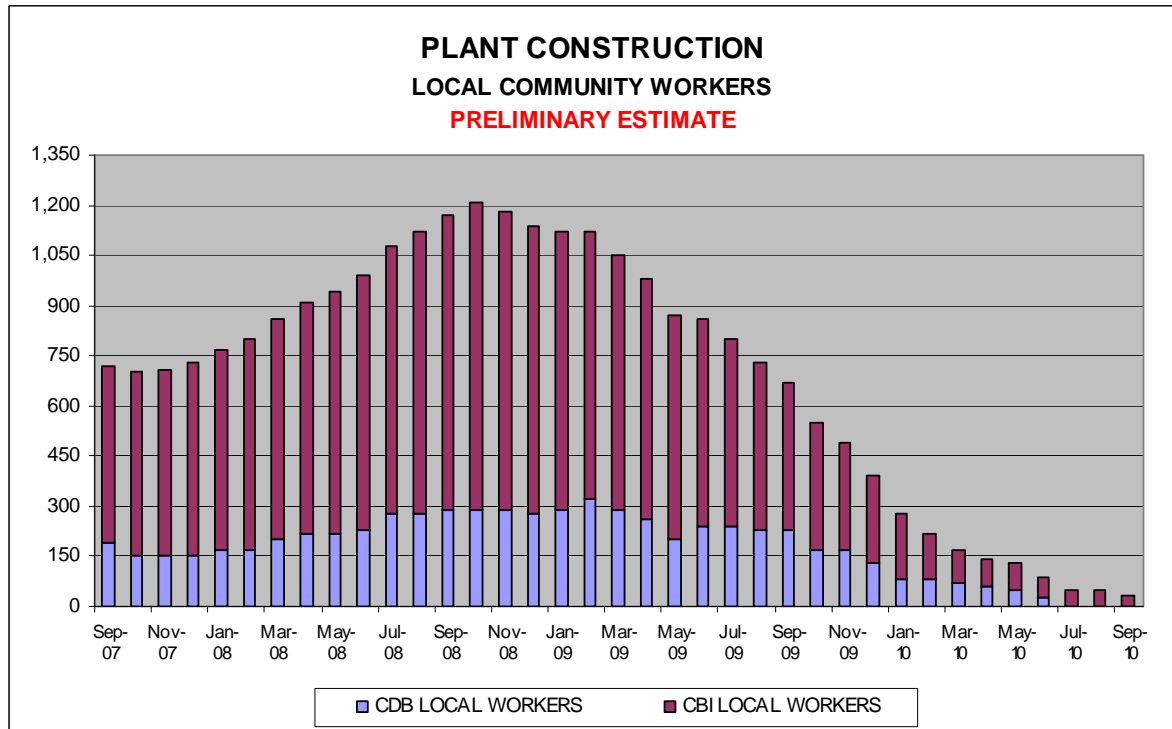


Figure 2 – Manning Curve for total number of Peruvian workers estimated to be hired for the construction of the LNG Plant

Workers for the quarry and marine construction are included in the numbers representing CDB local workers.

With regards to pipeline construction, labor requirements for the pipeline will vary as the work progresses and will depend on the schedule, personnel availability, the work front and specific conditions of the site. An approximate peak of 2,500 workers will be required during the construction phase. The number of workers will be determined by the construction contractor once the design is final. Skilled and unskilled labor will be needed for the construction of the gas pipeline. It is estimated that approximately 600 positions will be distributed among the residents of the area of influence of the project. It is expected that local personnel will be hired to the maximum extent possible, depending on the manpower available and their qualifications. The pipeline contractor will determine the associated manning curve.

In the Andean rural communities, the Project will schedule meetings to inform the local population. These meetings will be used to explain the local hiring procedure in Spanish and in the local native language, i.e. in Quechua.

In the more populous villages and towns, only a limited percentage of the population would be expected to attend this type of meeting; therefore, it will be necessary to use other means of communication, such as:

- Informational handouts, posters, etc. written in clear and concise language with illustrations, such as, charts and pictures, as applicable
- Electronic means such as websites and email
- Meetings with authorities, leaders, and local representatives
- Video presentations
- Radio and TV spots
- Newspaper announcements

3.11 REPORTING AND MONITORING

COMPANY Community Relations Area is in charge of monitoring compliance with the Plan. Community Relations Supervisors will oversee and direct the work of Community Relations Officers, while the latter will monitor and supervise the hiring process followed by CONTRACTORS. In particular, CONTRACTORS have the following commitments:

CONTRACTORS monitor their own conformance with this Plan and must keep hiring records to demonstrate their conformance.

CONTRACTORS must report to COMPANY community relations at agreed intervals the number of workers, their names, where they work, their hometowns, number of men and women, positions, and classification as skilled, semi-skilled or unskilled positions. COMPANY will have access to the database at all times.

CONTRACTORS will report to COMPANY on the training programs: dates, type of training (short talk, course, etc.), topics, attendee names, attendance percentage of total workers for CONTRACTOR, and any improvement ideas.

CONTRACTORS' community relations workers will keep a record of the workers' grievances or claims, and these will be reported in writing to COMPANY Community Relations. The qualitative description for each case (what the claim was about and how it was resolved) will be equally if not more important than the figures or number of claims reported, because reporting could be discouraged if too much emphasis is placed on such numbers.

Each week, CONTRACTOR will report to COMPANY on any changes that have occurred among the staff, such as, the number of hired and dismissed people (including reason for dismissal), reassignments, etc.

A sample form for reporting on local hiring activity to COMPANY is included in Appendix 1. In addition, the following key performance indicators are expected to be monitored for local hiring at the plant and quarry:

- Peruvian workforce employed as a percentage of total, with a target to be defined with CONTRACTOR
- Employed workforce from Cañete and Chincha as a percentage, with a target of 50% each

The key performance indicators to be monitored for local hiring at the pipeline are:

- Peruvian workforce employed as a percentage of total
- Unskilled labor secured from local villages as a percentage of total Peruvian workforce

4.0 LOCAL PURCHASING PLAN

4.1 PURPOSE

The Project is purchasing and will continue to purchase goods and services from local suppliers. CONTRACTORS have evaluated the capacity of local suppliers to provide goods and services of suitable quality, and at desired quantity, timeliness, and cost. However, it is beneficial to establish mechanisms and procedures for local purchasing in order to maximize

benefits to the local population and minimize negative impacts. Therefore, the Local Purchasing Plan establishes the framework for optimizing the local supply chain in consideration of local capacity and social implications.

4.2 OBJECTIVES

This Plan's overall objective is to set the guidelines for local purchasing in the Project's area of influence, within the framework of the commitments assumed by COMPANY.

The specific objectives are the following:

- Promote Project purchasing from local suppliers in order to maximize economic opportunities for local people while minimizing negative socio-economic impacts.
- Build local supply chain capacity to meet Project demands and future market opportunities.
- Provide transparent procedures and processes that allow local access to information and mechanisms related to Project purchasing of local goods and services.
- Consider social and environmental aspects and practices in selection of suppliers.
- Provide the appropriate training, coaching and support through local programs such that local providers of goods and services achieve the necessary requirements and criteria demanded by the project.

4.3 SCOPE

The scope of this Plan is the purchase of goods and services from local suppliers during the construction period (2007-2010), primarily for construction activities in the area of influence of the LNG plant. Pipeline construction labor and local supplier demands will be lower and more dispersed than for plant construction, and thus the utilization of local suppliers and the impacts on the local population in the pipeline area of influence are anticipated to be comparatively minor with respect to those for the LNG plant. Therefore, this Plan has been developed primarily for plant construction activities, and its principles are applicable only in a limited way to pipeline construction activities. In regards to purchasing of goods and services during the operations phase, the quantities and economic value of such purchasing will be lower than construction demands over similar timeframes, but the sustained long-term demand at lower levels suggests the need for an operations-phase Local Purchasing Plan that COMPANY anticipates will be developed in 2009.

The Local Purchasing Plan is intended to include purchasing activities by COMPANY and its CONTRACTORS/subcontractors.

The Project defines local suppliers² as: a) providers of goods and services that are established and have existed for at least 5 years within the area of influence of the Project, b) enterprises owned or operated by people born and living or living for a long period of time in the provinces included in the Project area of influence, and from which enterprises the local population derives benefits, or, c) providers of goods and services that have been established in the provinces included in the Project area of influence for less than 5 years but which have demonstrated by their local investment, or other means, their intent to remain long-term in the area.

² Local suppliers may provide as evidence of residence their National Identification (DNI), in the case of persons, or their Registro Único de Contribuyente (RUC), in the case of enterprises.

4.4 RESPONSIBILITIES

4.5.1 COMPANY Community Affairs Department (Plant, Quarry and Pipeline Community Relations teams)

COMPANY will assume the responsibility for managing COMPANY purchasing of local goods and services and the supervision of CONTRACTOR purchasing of local goods and services. The overall program for local purchasing will be coordinated between COMPANY Community Relations group and CONTRACTOR organizations to ensure that established purchasing procedures are followed, end-user requirements are met, and that broader community social and economic factors are included in the process.

COMPANY regional community relations supervisor or his/her delegate will coordinate with CONTRACTORS and local suppliers and will supervise local purchasing activities with respect to social issues management and the Community Relations Plan. This supervision is also intended to ensure transparency and consistency among CONTRACTORS. The regional community relations supervisor will report verbally and in writing directly to the Community Affairs Manager.

4.5.2 Contractors

Although COMPANY has the ultimate responsibility for all of its operations; CONTRACTOR has the following specific responsibilities:

- CONTRACTORS must follow all Company policies, including the present document and those that pertain to local purchasing activities and for commitments made and documented by COMPANY.
- CONTRACTOR must execute the local purchasing process in accordance with Peruvian legislation and regulations.
- CONTRACTOR is responsible for supervising their subcontractors and for coordinating their purchasing activities to ensure conformance with COMPANY policies and commitments.
- CONTRACTORS are responsible for maintaining records on planned purchases and local purchases to demonstrate conformance with this Plan.
- CONTRACTOR will provide to COMPANY Community Affairs Department, on a regular and timely basis, information pertinent to the local purchasing process.
- CONTRACTOR Community Relations team shall be proactive and available to participate in COMPANY's public consultation and disclosure activities. This participation, intended to allow for specific CONTRACTOR questions related to local purchasing to be answered, must be coordinated with COMPANY Community Relations teams in advance.
- CONTRACTORS shall not make any direct agreements with local communities without prior coordination of such actions with COMPANY.
- CONTRACTOR will propose alternatives to activities associated with impacts on local purchasing which are of concern to stakeholders.
- CONTRACTOR will participate in all coordination meetings related to local purchasing requested by COMPANY Community Affairs in daily, weekly and extraordinary cases.
- Plant and Quarry CONTRACTOR:
 - Shall conduct the local purchasing process –in coordination with COMPANY Community Relations Department– involving the Chambers of Commerce of Chinchá and Cañete and according to the procedure described in the present plan. These agencies will be consulted, as needed, to coordinate with

COMPANY and its CONTRACTORS in order to identify options to meet Project demand with local suppliers as well as to inform their members about associated business opportunities and constraints.

- Will report to COMPANY Community Relations Department status, tracking, grievances and incidents related to local purchasing process on a daily, weekly and extraordinary basis.
- Pipeline CONTRACTOR:
 - Shall provide information related to local purchasing requirements to COMPANY Community Relations Department in a timely and regular manner.
 - Will report to COMPANY Community Relations Department status, tracking, grievances and incidents related to local purchasing process on a daily, weekly and extraordinary basis.

4.5 LOCAL PURCHASING PROCESS

The local purchasing process must successfully address Project needs as well as consider social and economic conditions and sensitivities of the local market and population.

4.5.3 Definition of Requirements and Criteria

CONTRACTORS will define and publicly disclose their demand based on construction and staffing schedules. Among the requirements and criteria to be considered in determining local capacity to meet Project demand are:

- Quality specifications
- Quantity – availability in comparison to existing local demand
- Timeline for product or service delivery
- Duration of product or service need
- Cost (including associated transportation)
- Potential environmental and social impacts
- Reliability of supplier and product or service
- Service after purchase

CONTRACTORS will analyze the ability of individual suppliers and of the local supply chain to meet Project requirements. COMPANY is committed to provide assistance to local suppliers through training and coaching programs, such that they are able to meet the requirements and criteria demanded by CONTRACTORS.

4.5.4 Local Supply Chain Evaluation

The local capacity to supply goods and services, such as through small and medium enterprises (SMEs), to meet Project requirements and criteria will be compared against the national and international market to provide comparable or better goods and services. Local suppliers will be given preference when comparable or better goods and services can be obtained at competitive costs as compared to national or international suppliers.

The ability of the local supply chain to absorb temporary high demand without resulting in critical shortages or significant increases in cost for the local population will be considered in evaluating potential local purchases. In addition, the feasibility of upgrading local producer equipment or practices to meet defined requirements and criteria will be considered in evaluating local suppliers. Such upgrades will be considered as a component of CONTRACTOR's community development investment, which will provide added benefit to the Project.

Evaluations of local suppliers and capacity will be coordinated, as appropriate, with the Chambers of Commerce of Cañete and Chincha.

4.5.5 Coordination

CONTRACTORS' community relations officers will coordinate local goods and services purchases through a unified channel (CONTRACTOR and subcontractors), in order to organize local purchasing activities and monitoring data under a common control center. CONTRACTOR will coordinate with COMPANY community relations team and will report local purchasing activities to COMPANY on a regular basis. Local purchasing activities will be approved and supervised by COMPANY.

Each CONTRACTOR is required to coordinate within its own organization to ensure that the purchase of local goods and services is accomplished in a controlled and fair manner. Purchases from informal vendors or suppliers that have not been legally established in good standing with regulatory authorities are prohibited. All local purchases of goods and services will be executed with a formal agreement between the customer and supplier, except for small purchases made at established retail outlets. Any other exceptions must be approved by CONTRACTOR Project Manager. Terms and conditions of the agreement, including requirements and payment, must be clearly outlined, as well as any exceptions or restrictions that may apply. CONTRACTOR will ensure that terms and conditions have been adequately explained to suppliers that are not familiar with such formal agreements, prior to signing.

Focusing the purchase of goods and services from legally-established suppliers will also minimize the influx of illegal opportunistic suppliers to the area.

4.6 INFORMATION DISCLOSURE

COMPANY will disclose information about Project demand through open meetings in coordination with the Chambers of Commerce of Chincha and Cañete. In these meetings, the Project will give at least the following information.

- An explanation of the different Project construction stages
- COMPANY commitments and CONTRACTOR duties
- Project demand cycle and limits
- Project current demand for products
- CONTRACTORS' conditions for purchasing local products and services
- Typical contracts and payment characteristics
- Purchasing procedure and responsibilities
- Successful previous experiences of local purchasing
- Names and contact information of the personnel in charge of local purchasing

In addition to these meetings, COMPANY will publish key aspects of the information outlined above in newspapers having major local circulation and in their offices in Chincha and Cañete.

4.7 GRIEVANCES

COMPANY has developed a Grievance Procedure for local population which includes local suppliers with complaints of a non-commercial or non-contractual nature. These claims may be submitted through the community relations officers or by the Complaint Centers located in Chincha and Cañete.

For grievances of a commercial or contractual nature, local suppliers will proceed as provided in their contracts or other written agreements (including purchase orders and service orders) with COMPANY or Project CONTRACTORS. In cases not covered in contracts and agreements, suppliers may pursue legal remedies as provided the Civil Code. The Civil Code (Book VI of Civil Code: Obligations) applies to those subjects not expressly addressed in contracts.

The remedy to an alleged breach of obligations on the part of COMPANY or a CONTRACTOR would commence with a notice of the alleged breach and the request to meet unfulfilled obligations. If both parties cannot arrive at an agreement, the affected party may request or demand the fulfillment of the obligation through the applicable courts, although this situation will be avoided by COMPANY and Project CONTRACTORS if a reasonable settlement is possible.

4.8 REPORTING AND MONITORING

COMPANY community relations personnel will supervise COMPANY and CONTRACTOR local purchasing activities, which must comply with COMPANY commitments and established procedures.

CONTRACTORS must report all details about local purchasing (suppliers, amount, payments, etc) to the Community Affairs Manager or his/her designee. A sample for reporting local purchasing activities is provided in Appendix 1. In addition, the following key performance indicators are expected to be monitored for local purchasing at the plant and quarry:

- Cost of goods/services purchased locally during the different phases of the Project with respect to the total expenses in goods/services.

COMPANY monitoring program will be designed to include the following:

- Verify CONTRACTOR performance in considering and evaluating local suppliers
- Inspect work sites to confirm that local suppliers are being utilized and that they are providing goods and services under formal agreements
- Ensure the transparency and consistency of the purchasing activities among CONTRACTORS.
- Verify that information is being adequately and properly disclosed regarding procurement of goods and services
- Assess effectiveness of grievance management in relation to this Plan
- Obtain feedback on local purchasing activities from local suppliers and populations
- Verify effectiveness of CONTRACTOR monitoring program

APPENDIX 1: Local Hiring Monthly Report and Local Purchasing Monthly Report Forms

Local Hiring Monthly Report

Month: **xxxxxx**

Indicator	Just contractor xxx									
	Cañete				Chincha				Others	
Hiring	Unskilled	Semiskilled	Skilled	No longer at site	Unskilled	Semiskilled	Skilled	No longer at site	Skilled	No longer at site
Women										
Men										
Total	0	0	0	0	0	0	0	0	0	0
TOTAL	0				0				0	0

Indicator	Subcontractors of xxx									
	Cañete				Chincha				Others	
Hiring	Unskilled	Semiskilled	Skilled	No longer at site	Unskilled	Semiskilled	Skilled	No longer at site	Skilled	No longer at site
Women										
Men										
Total	0	0	0	0	0	0	0	0	0	0
TOTAL	0				0				0	0

Indicator	Contractor xxx (TOTAL)									
	Cañete				Chincha				Others	
Hiring	Unskilled	Semiskilled	Skilled	No longer at site	Unskilled	Semiskilled	Skilled	No longer at site	Skilled	No longer at site
Women	0	0	0	0	0	0	0	0		
Men	0	0	0	0	0	0	0	0		
Total	0	0	0	0	0	0	0	0	0	0
TOTAL	0				0				0	0

Local Purchasing Monthly Report

Month: **xxx xxx**

Indicator	Contractor xxx xxx	
	Cañete	Chincha
Purchase USD \$		
Food		
Lodging		
Fuel		
Supplies		
Materials		
Services		
Equipment		
Subcontractors		
TOTAL	- USD	- USD