



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

## **Security Management Strategy for Plant and Pipeline Construction**

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## 1.0 INTRODUCTION

PERU LNG S.R.L. (PERU LNG) is developing a liquefied natural gas (LNG) export project (the Project) that includes:

- An LNG plant (Plant), located on the Pacific coast of Peru, approximately 170 km south of Lima, which includes marine facilities and a quarry.
- A natural gas supply pipeline (Pipeline) to transport the gas from the upstream facilities at KP 211 on the Camisea pipeline to the LNG plant.

The Project will include Engineering, Procurement & Construction contractors for the Plant and Marine facilities (EPC Contractors) and a construction contractor for the Pipeline (Construction Contractor); (Contractors, when referenced together)

In the early 1980s, a persistent economic crisis and hyperinflation in Peru caused the Government's popularity to slide. More seriously, cultivation of illegal coca leaves in the eastern Andes and the emergence of the left-wing terrorist organizations, Sendero Luminoso (Shining Path) and Movimiento Revolucionario Tupac Amaru (MRTA) destabilized the country. Human rights problems featured prominently in Peru during the violent conflict between Shining Path, the government and the armed forces in the 80s and 90s.

Today, both terrorist organizations are mostly inactive and the Government of Peru is fully committed to meeting international standards in the observance of human rights. The country returned to the jurisdiction of the Inter-American Court of Human Rights in January 2001. However, extreme poverty, particularly in the rural areas of the country where terrorist groups were once widespread, remains a significant problem.

Therefore, the potential for serious violence in Peru is currently limited to some districts in the Andes. Despite its carefully chosen Pipeline route, the Project faces potential threats in those areas.

This document presents the overall security strategy that will be implemented to face these potential threats and other security risks. This document includes the commitments of PERU LNG to manage security risks in full compliance with the laws of Peru and international best practice, as detailed in the following sections. The specific measures to be followed to maintain Project security are not discussed in great detail due to the confidentiality issues related to maintaining the effectiveness of PERU LNG's methods.

## 2.0 POLICY AND LEGAL CONTEXT

### 2.1 Community Relations Policy

As operator of PERU LNG, COLP adheres to the PERU LNG Corporate Community Relations policy, which reads as follows:

*PERU LNG S.R.L. has a responsibility to conduct business in a way that benefits the communities in which we operate and society as a whole. We accomplish this by being responsible corporate citizens in the communities where we live and work. Our success depends upon the competency of our people, protection of the natural environment, and the value we bring to communities. Our company builds a legacy of trust by developing and operating oil and natural gas projects around the world in a manner that is healthy, safe and respectful of human life and the environment. To ensure the long-term success of both our company and the community, we believe in a proper balance between the economic viability of our projects and the broader needs of the communities in which we work.*

*At PERU LNG S.R.L., we are committed to the following community relations principles:*

- *Conducting operations according to high standards for personal integrity and ethical behavior;*
- *Respecting the laws and regulations of the governments with whom we work and the beliefs and values of communities;*
- *Providing an open exchange of information that is clear and relevant between communities, leaders, affected parties and PERU LNG;*
- *Communicating expectations for community relations with all our employees and the Contractors; and*
- *Routinely reviewing the effectiveness of our community relations programs.*

The above policy has been signed by the General Manager of PERU LNG.

## **2.2 Legal Context**

According to the Peruvian Constitution, the state guarantees the nation's security by means of the National Defense System.

The Ministry of Defense is the central agency of the National Defense System, and is the administrative agency of the Peruvian Government's Executive Power responsible for the formulation, execution and supervision of the state general policies within the scope granted by law. The Ministry of Defense is formed by the Bureau for the Minister of Defense (including its advisory offices) and the Executive Body, which encompass the Peruvian Armed Forces (the Army, the Navy and the Air Force).

The Ministry of Defense has to comply with the following general functions:

- Guarantee, through the Armed Forces, the independence and integrity of the territory of the Republic of Peru.
- Assure the participation of the Armed Forces in the economic and social development of the country and in emergency management.

The Armed Forces operate under a set of specific laws and are commanded by their General Commanders, who report to the Minister of Defense. The most important responsibilities of the Armed Forces are:

- Participate in the economic and social development of the country, in emergency management, in the fight against illegal drugs and in the defense of human rights.
- Guarantee internal order during the State of Exception declared by the President of the Republic. There are two scenarios where the State of Exception can be declared:
  - State of Emergency: In case of disturbance of the peace or internal order, catastrophes or serious circumstances that affect the Nation. In this scenario the privileges of constitutional rights related to freedom, personal security, non-violation of property, and freedom of assembly, among others can be suspended or restricted. During the State of Emergency the Armed Forces assume the overall control of the country.
  - State of "Sitio" - in case of invasion, exterior war, civil war or imminent danger. Similarly to above, fundamental rights may be restricted or suspended.

The Peruvian National Police, which is part of the Ministry of the Interior, is an institution of the Peruvian state created to achieve the following objectives: guarantee internal order, free

exercise of the fundamental rights of the people and normal development of citizen's activities. Its members safeguard the law, order and the security of the entire Republic, and have the ability to be involved in all matters related to the fulfillment of its principal objectives, as stated above. Some of the specific functions of the National Police are to:

- Maintain security and public order, to allow freedom to exercise fundamental rights of the people, stated in the Peruvian Constitution.
- Prevent, dispute, investigate and/or denounce, if applicable, the crimes, felonies and infractions contemplated in the Criminal code and the special laws.
- Guarantee the security of all citizens
- Participate in the fulfillment of the provisions related to the protection and conservation of natural resources, the environment and the security of cultural and archeological National heritage.
- Oversee the security of public goods and services, in coordination with corresponding state entities.
- Participate in National Defense, emergency management as well as in the economic and social development of the country.

### 2.3 Agreements with the Peruvian Government

On January 12, 2006, PERU LNG signed with the Peruvian Government, represented by the General Hydrocarbon Bureau of the Ministry of Energy and Mines, an "Investment Agreement for the Installation, Operation and Maintenance of a Natural Gas Processing Plant", which grants PERU LNG all the benefits contained in the Hydrocarbon Law (Law 26221), its regulations and amendments.

Article 13.4 of the agreement provides that the Peruvian Government, through the Ministry of Defense and the Ministry of the Interior, will provide PERU LNG, when possible, the necessary security measures for the installation, operation and maintenance of the LNG Plant.

All security actions, standards and policies of PERU LNG comply with Peruvian laws and regulations.

PERU LNG has also signed agreements with the local Peruvian Government security forces in Chincha and Cañete (which are the two closest municipalities to the LNG Plant) to share information related to the security of the Project, including claims or reports of violations to the Peruvian laws and regulations by Project and Contractors' staff. PERU LNG intends to also reach similar agreements with local Peruvian Government security forces along the Pipeline route.

### 2.4 International Standards and Guidelines

PERU LNG is committed to the development of an Environmental and Social Management System that is consistent with international requirements, and specifically those of the Inter-American Development Bank and International Finance Corporation (IFC). Detailed and complimentary guidance has been obtained from the "Voluntary Principles on Security and Human Rights" (the Voluntary Principles). The Voluntary Principles are supported by the Governments of the United States, the United Kingdom, Norway and the Netherlands plus many companies operating in the extractive and energy sectors and non-governmental organizations, all with an interest in human rights and corporate social responsibility.

## 2.5 IFC Environmental and Social Performance Standards

In 2006, the International Financial Corporation (IFC) issued new Environmental and Social Performance Standards which, together with PERU LNG corporate policies, define the safety and security measures for the Project by ensuring that the safeguarding of personnel and property is carried out in a legitimate manner that avoids or minimizes risks to the community's safety and security. Performance Standard 4 specifically addresses security and ensures that:

- Potential risks imposed by Project security measures are assessed.
- Suitable methods to assess and mitigate potential risks are identified.
- Risks associated with the deployment of government security personnel are managed.
- Any violations to government law or PERU LNG policies by security or any other personnel directly associated with the Project are evaluated.

## 2.6 Voluntary Principles on Security and Human Rights

The primary objective of the Voluntary Principles is to guide companies in maintaining the security of their operations within an operating framework that ensures respect for human rights. Accordingly, PERU LNG:

- Acknowledges that security is a fundamental need, shared by individuals, communities, businesses, and governments. PERU LNG recognizes that security and respect for human rights can and should be consistent;
- Understands that governments have the primary responsibility to promote and protect human rights and that all parties to a conflict are obliged to observe applicable international humanitarian law. Further, PERU LNG recognizes the common goal of promoting respect for human rights, particularly those set forth in the Universal Declaration of Human Rights, and international humanitarian law;
- Is mindful of the highest applicable international standards, (e.g., the UN Code of Conduct for Law Enforcement Officials and the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials);
- Recognizes that some Project activities have potential to affect local communities and recognizes and values the importance of engaging with the communities, civil society and the Government of Peru to contribute to the welfare of the community in which PERU LNG operates while mitigating any potential for conflict where possible; and,
- Understands that useful, credible information is a vital component of security and human rights, and recognizes the importance of sharing and understanding best security practices and procedures, country human rights situations, and public and private security, subject to confidentiality constraints.

## 3.0 General Principles of Security

PERU LNG manages security in full compliance with the laws of Peru and international best practice. The Project does and will continue to work with Peruvian Government authorities to ensure that awareness of security risks is shared with Contractors' staff and, when appropriate, with the project affected communities. The Project will ensure all Contractors

adhere to the security and human rights principles outlined in this document and monitor their performance against them.

PERU LNG and “Compañía Operadora de LNG del Peru” (COLP), in its role as the Operator of PERU LNG, are committed to ensure a peaceful and secure environment for both Plant and Pipeline construction and operation. The Project will hold Contractors to the standards of PERU LNG, which are referenced and detailed within our Contractor Management Plan (CMP) and Environmental and Social Implementation Plan (ESIP) documents. Therefore, the process of aligning our core values and community relations policy with those of the Government of Peru and International Financial Institutions will be achieved, as detailed in the following sections.

### **3.1 Working with the Government of Peru**

Overall responsibility for the defense and security of the PERU LNG facilities rests with the Government of Peru. PERU LNG recognizes the need for close cooperation, liaison and coordination with the relevant state forces of law and order to ensure the security of the Project. PERU LNG takes all possible steps to work with the Government of Peru to ensure that socially and ethically sensitive means are used to police the Pipeline right of way and Plant facilities, especially with regard to the use of firearms.

In the event that PERU LNG feels it necessary to request assistance from the government's security services, PERU LNG anticipates that the company's restrained and respectful approach to conflict resolution will be followed by the government's security services due to the continual communication with the Peruvian Government that PERU LNG has undertaken. This has proven extremely effective to date. However, this situation is continuously monitored and should there be a need to reinforce the principles outlined in this document, PERU LNG will proceed through continual communication and in the spirit of cooperation that has been characteristic since the project started.

Cooperation includes monitoring the security practices at the PERU LNG Pipeline, Plant, and the upstream facilities (part of the Camisea Development). Information of possible impending risk to people working on the Project will be reviewed with due regard to human rights. This information will be delivered to the security forces, or acted upon when received from the security forces, only when it represents a clear risk to PERU LNG or the associated facilities in Camisea. PERU LNG will not provide legal or financial aid to the Government of Peru's forces of law and order.

### **3.2 Working with the Project Affected Communities**

The cooperation of the local communities, as stakeholders in PERU LNG, is considered to be critical to security and human rights. PERU LNG achieves cooperation through its Community Relations Officers who maintain regular contact with Non-Governmental Organizations (NGOs), community leaders and other members of the local communities in order to understand their issues, minimize impacts and create community benefits.

The security of the community is recognized as being equally important to the security of people working on the Project. PERU LNG will demonstrate its contribution to this principle by continuing frequent communications and adopting a participatory approach to environmental, social, health, safety and security activities within the communities. The Project will record and report any human rights allegations received from the community and influence as much as possible, the ethical behavior of the Contractors and local forces as they relate to the Project.



PERU LNG also consults with the “Ronderos” of each community. The Ronderos are community members who patrol their own area. They were first created during the disturbances of the 1980's and still exist today maintaining law and order in remote areas of the Andes. The Ronderos often provide good local security information and have already assisted PERU LNG when a potentially dangerous situation occurred by helping to evacuate visitors to their area as a simple precautionary measure. Preference will be given to hiring local security guards from project affected communities wherever possible.

### 3.3 Grievance Mechanisms

PERU LNG conducts investigations for any report or accusation of unlawful or abusive acts by security or other PERU LNG or Contractor's personnel related to security management and implements appropriate measures to prevent recurrence through the activation of the appropriate Grievance Procedures detailed in the Grievance Management Plan.

### 3.4 Private Security Forces

None of the private security forces working for PERU LNG or Contractor's security staff will be armed. Specialist security support would be provided by members of the national police or armed services who will respect national laws on the use of firearms and Company policy of safety, security and human rights. PERU LNG's approach to managing private security forces is in line with the Voluntary Principles of Security and Human Rights. Specifically, the following principles shall be complied with at all PERU LNG locations, as follows:

- Private security shall observe the policies of PERU LNG regarding ethical conduct and human rights; national law as well as observance of international humanitarian law.
- Private security shall maintain high levels of technical and professional proficiency at all times, particularly with regard to the local use of force.
- Private security shall exercise restraint and caution in a manner consistent with applicable international guidelines regarding the local use of force, including the UN Principles on the Use of Force and Firearms by Law Enforcement Officials and the UN Code of Conduct for Law Enforcement Officials.
- Private security shall have policies regarding appropriate conduct and the local use of force (e.g., rules of engagement). Practice under these policies should be capable of being monitored by PERU LNG or, where appropriate, by independent third parties such as the International Financial Institutions.
- All allegations of human rights abuses by private security shall be recorded. Credible allegations shall be properly investigated in accordance with the Grievance Management Plan. If allegations against private security providers are reported to the national law enforcement agencies, PERU LNG shall monitor the status of the investigation until full and proper resolution.
- Private security shall only provide preventative and defensive services and shall not engage in activities under the responsibility of state military or national police enforcement agencies.
- Private security shall be required to demonstrate that they (a) do not employ individuals implicated in past misconduct and/or human rights abuses, (b) will use force only when necessary and to an extent proportional to the threat, and (c) will not



violate the rights of individuals while exercising the right to exercise freedom of association and peaceful assembly, to engage in collective bargaining, or other related rights of PERU LNG or Contractor's employees as recognized by the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

- In cases where physical force is used, private security should properly investigate and report the incident to PERU LNG. Private security should refer the matter to local authorities and/or take disciplinary action where appropriate. Where force is used, medical aid should be provided to injured persons, including to offenders.
- Private security shall maintain the confidentiality of information obtained as a result of its position as security provider, except where to do so would jeopardize the principles contained in this document. In an additional effort to ensure that any private security service working in connection with the Project does not exceed its authority, PERU LNG will follow additional voluntary principles and guidelines, as follows:
  - PERU LNG will consult and monitor private security providers to ensure they carry out their obligation to provide security in a manner consistent with the principles outlined above.
  - Where appropriate, PERU LNG and Contractors will employ private security providers that are representative of the local population.
  - PERU LNG will review the background of private security providers, particularly with regard to the use of excessive force.

It is PERU LNG intent that only qualified, properly trained private security companies be involved with the Project. PERU LNG, through COLP, has thoroughly evaluated the different security companies present in Peru and has developed a list of approved private security companies for the EPC Contractors to use. This evaluation took into account the relevant international standards with respect to training, such as respect for human rights, firearm use provisions, and compliance with national laws and regulations.

### 3.5 Identifying and Managing Risks

Risks are actually assessed on a continuous basis through regular communications between PERU LNG, the Government of Peru and the national law enforcement agencies to identify the risks presented by the potential for violence and to identify appropriate predictive and preventive measures.

PERU LNG's main risk management strategy revolves around the gathering of relevant security information, be it from public information sources (newspapers, magazines, TV, radio, etc), or information provided by the Peruvian Government security forces.

Through the involvement of their shareholders as partners in the Camisea project, PERU LNG has obtained a comprehensive understanding of the root causes and nature of past conflicts. By executing the Security Strategy detailed in this document, PERU LNG ensures the ongoing security of all employees, project affected communities and the Pipeline and Plant assets. Through regularly updating risk assessments the Project, PERU LNG has developed a sound knowledge base and has developed processes for making suitable security-related decisions.

These processes provide an integrated means for examining and evaluating risks and selecting risk-reduction actions; establishing and tracking security plan effectiveness; and establishing security conditions and specific protective measures based on the threat level.

Risk assessments consider the available security and human rights records of public security forces, local and national law enforcement services, private security services and individuals employed or contracted by PERU LNG and Contractors. Risk assessments are ongoing in real time with restrictions and mitigation measures communicated as necessary by email.

The Country's security agencies are regularly consulted and they have demonstrated a sincere willingness to respect PERU LNG policies. They have actively helped to develop appropriate measures to ensure adequate security in all the areas where the Project currently operates.

Risk assessments are constantly updated to consider the potential for future disturbances that may result from past conflicts such as coca leaves trafficking, among other threats. During periods of increased threats, inter-company cooperative efforts (sharing knowledge and experience) for specific locations or allowing limited access to facilities and entrances only after positive identification are more frequent.