



EMPRESA DE GENERACIÓN ELÉCTRICA CHEVES S.A.



Cheves Project

HEALTH, SAFETY, ENVIRONMENTAL AND SOCIAL FRAMEWORK FOR CONSTRUCTION

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APPENDICES

Appendix A	SN Power's Health, Safety, Security and Environment Policy
Appendix B	Cheves Project – Peruvian Legal Framework
Appendix C	CCH's Quality, Health, Safety, Environmental and Workers Policy
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Appendix E	Topics for Environmental Management Plans
Appendix F	Ecological Flow Management Plan
Appendix G	Integrated Social Management Plan
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Appendix I	CCH's Code of Conduct

1 PURPOSE

This document describes the objectives, deliverables and obligations for the Cheves Project (the Project) related to Health, Safety, Environmental and Social management.

2 ABBREVIATIONS AND DEFINITIONS

2.1 ABBREVIATIONS

CCH	Constructora Cheves (Contractor responsible for the Civil Work)
ESIA	Environmental Social Impact Assessment
ESMP	Environmental Social Management and Monitoring Plan
HSES	Health, Safety, Environmental and Social
IFC	International Finance Corporation
JSA	Job Safety Analysis
O&M	Operation & Maintenance
Osinerghmin	Supervising Organism on Energy and Mining Investments – The Peruvian regulator and auditor government entity for energy and mining investments
(Cheves) Project	(Cheves) Project Construction Organisation
SN Power	Statkraft Norfund Power
SNPP	SN Power Peru

2.2 DEFINITIONS

Relevant definitions for the Project can be found in the SN Power “Specification for Health, Safety, Environmental and Social Management”.

3 SN POWER POLICIES

SN Power’s “Occupational Health and Safety, Security and Environment Policy” is part of the Group Policies. The purpose of this policy is summarized in Appendix A.

4 REQUIREMENTS AND STANDARDS

The Cheves Project shall comply with regulatory Requirements set forth in laws and regulations in Peru, project requirements described in SN Power documents, including general standards and guidelines mentioned in these documents.

4.1 REGULATORY REQUIREMENT

The following laws and regulations shall be complied with:

- Cultural Heritage Laws
- Relevant Environmental Legislations in Peru
- Relevant regulations/requirements/standards issued by the Ministry of Environmental Affairs
- Relevant regulations/requirements/standards issued by the Ministry of Energy and Mines
- Relevant regulations/requirements/standards issued by the supervising Organism on energy and Mining Investments (Osinerghmin)
- Labour Laws
- Regional and Local Governments Laws
- Peasant Communities Law
- Regulations applicable at Cheves project sites

A list detailing the current Peruvian Legal Framework for the Cheves Projects has been enclosed in Appendix B.

Peruvian Legislative body has introduced numerous new pieces legislation since the Projects inception. To ensure that the Project identifies and complies with all applicable legislation a Legal and Other Requirements Procedure will be developed. This procedure will detail how new Peruvian legislation is identified in advance and distributed to the relevant users.

4.2 SN POWER REQUIREMENTS

SN Power's requirements towards HSES are stipulated in the following documents:

- SN Power Procedure Management of HSE and CSR in Construction
- SN Power Specification for Health, Safety, environmental and social management
- SN Power Emergency Response Plan for SN Power's Corporate Head Office

Normative and informative references to international standards and guidelines are included in these documents.

4.3 CHEVES PROJECT SPECIFIC REQUIREMENTS

The ESIA is based on Peruvian requirements, international requirements normally used in Project financed by international development banks. The project specific requirements are detailed in the ESMP.

Commitments acquired by the ESIA are considered obligations and if not complied with, Cheves can be fined and requested to stop the construction works by Osinerghmin.

4.4 INTERNATIONAL STANDARDS AND GUIDELINES

Additional international standards and guidelines that are applied are:

International Finance Corporation - IFC¹:

- Performance Standards on Social and Environmental Sustainability (April 2006)
 - PS1 Social & Environmental Assessment and Management Systems
 - PS2 Labor and Working Conditions
 - PS3 Pollution Prevention and Abatement
 - PS4 Community Health, Safety and Security
 - PS5 Land Acquisition and Involuntary Resettlement
 - PS6 Biodiversity Conservation and Sustainable Natural Resource Management
 - PS7 Indigenous Peoples
 - PS8 Cultural Heritage
- General Environmental, Health and Safety Guidelines (April 2007)

Other international standards:

- Equator Principles
- Environment Canada. Canadian Water Quality Guidelines for the Protection of Agriculture Water Uses (EQC)
- Ministry of Housing, Spatial Planning and Environment of Holland. The Building Materials Decree, 1995; The Circular on target values and intervention values for soil remediation; Annexes A to D.
- Organisation for Economic Cooperation and Development: The OECD Guidelines for Multinational Enterprises.

5 ORGANISATION AND RESPONSIBILITIES

5.1 BACKGROUND & PROJECT STATUS

The project is owned 100% by SN Power through a Special Purpose Company called Empresa de Generación Eléctrica Cheves S.A (Cheves). Pending the Investment Decision 28th September 2010 the Early Work will start in October 2010 and includes mobilization of the Civil Contractor, construction of access roads and erection of camps. The construction phase will commence in January 2011.

5.2 COMPANY STRUCTURE

Cheves was established in 2002 and is wholly owned by SN Power through the Singapore chain of companies and the Peruvian entity SN Power Peru Holding SRL. The current company structure is shown in Figure 1. An O&M agreement will be set up between SNPP and Cheves prior to start of operations.

¹ The IFC Performance Standards are also the applicable environmental and social standards used by Equator Principles Financial Institutions for project finance in developing countries.

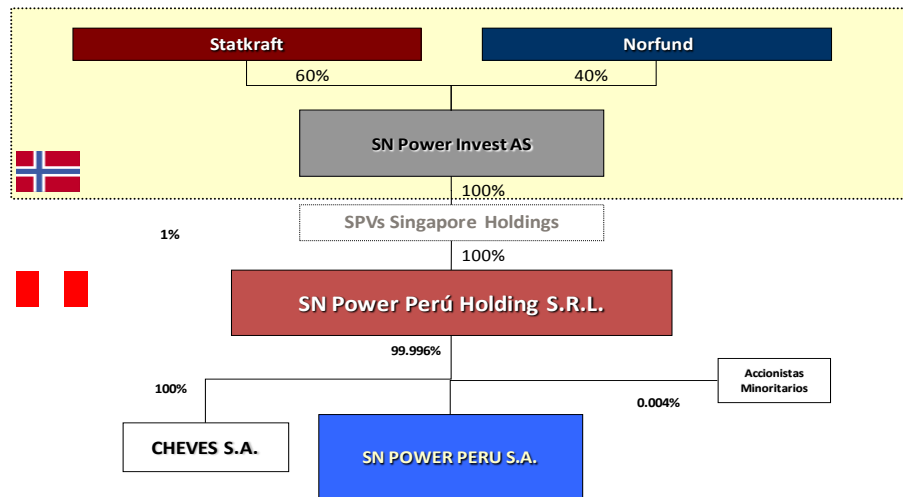


Figure 1 Peru Company structure

5.3 PROJECT GOVERNANCE

The Project Construction Organisation (Project) and the roles and responsibilities are shown below in the Figure 2. In setting up this organisation, SN Power has drawn on lessons learned from previous project execution as elaborated below.

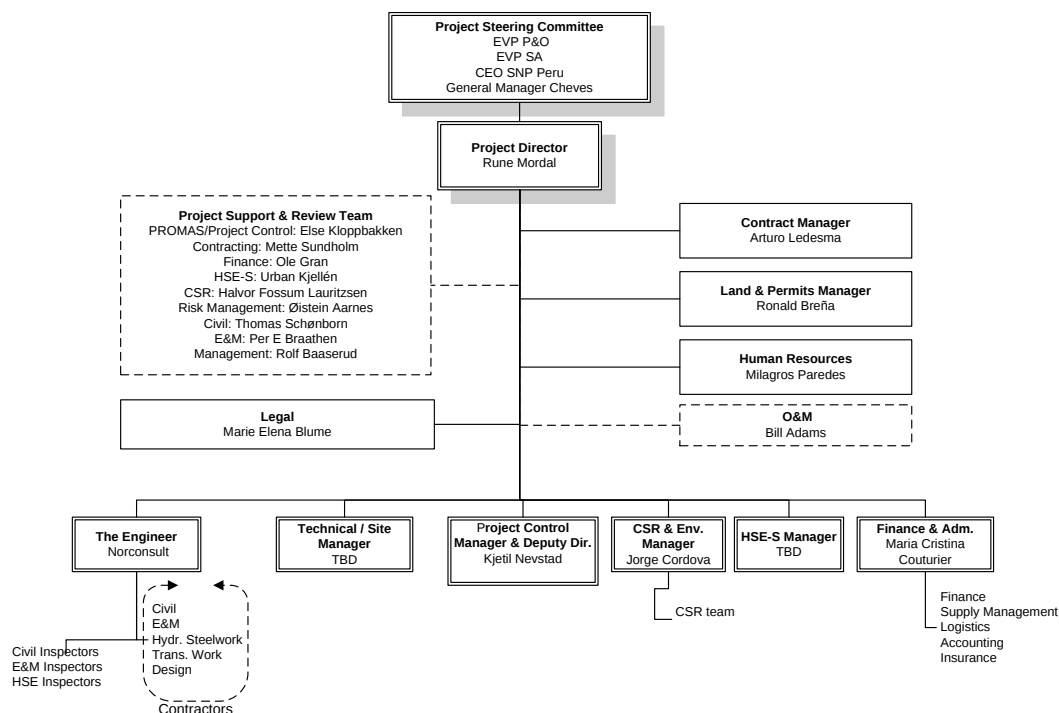


Figure 2 Cheves project organisation

The following principles will govern the Project Construction Organisation:

The Project Steering Committee (PSC) is the sponsor of the project and provides management support and control. The PSC will meet at least once a month and be managed by EVP Projects & Operations. The other members of the PSC will be the EVP South America and the CEO SN Power Peru / General Manager Cheves SA.

The Project Organisation will be headed by a **Project Director**, who will be fully responsible for the execution of the project. The Project Control Manager has been appointed **Deputy Project Director** to ensure management of the project at all times.

The Project Organisation under the Project Director comprises the following entities:

The Owner's Project Team will manage the overall project execution against the Project's objectives and the plans laid within any area such as HSES, quality, schedule and cost. SN Power personnel will be fully assigned to the Project Organisation and be responsible for their functions. The Project will draw on resources and services from SN Power Peru, such as HR, payroll, finance & accounting, logistics through a Service Agreements.

A Project Review and Support Team consisting of the global functional heads in SN Power and external experts, if required, will be assigned to the Project. Their function is to ensure that the Project adheres to SN Power standards within their functional area. Such functional compliance will be ensured through individual review agreed with the Project Director and through joint reviews defined in the Owner's Project Schedule to facilitate "sign-off" of functional compliance. In addition, the individuals of the Project Review and Support Team will provide support to project team members on functional / professional matters. The persons assigned to the Project Review and Support Team are identified in the Project Charter and approved to perform their function through the signatures of the SN Power EVP's being responsible for the various functions.

The Engineer will be engaged through a Consultant Agreement and will have a key project control and management function. They will perform detailed design, manage the interfaces between the key individual contractors, and will provide construction management and on-site inspection. The Engineer will have weekly meetings individually with the Contractors and monthly coordination meetings with all Contractors, jointly. The Owner's Project Team and the Engineer will meet weekly.

Key Contractors and Suppliers will be contracted by the Owner to provide engineering, procurement, manufacturing and/or construction, which eventually will comprise the Permanent Works. The Project will adopt a split contract regime under the FIDIC system. The Civil Contractor will be assigned overall responsibility for security and HSE systems at the Project Site.

5.3.1 ROLES AND RESPONSIBILITIES

HSES is a management and line responsibility throughout the entire project team. Each individual is responsible for HSES within his/her area. Responsibilities of the different roles in the Project Construction Organisation are described in Table 1 below.

Table 1 Roles and responsibilities within the Project Construction Organisation

Roles	Responsibilities
Project Steering Committee	• Provide the project mandate to the Project Director. • Undertake strategic decisions based on approved Project Charter. • Approve forecast and baseline revisions of cost, schedule and organisation. • Support/instruct/direct/review the Project Team.

Project Director	• Ensure, by use of SN Power expertise, quality HSE management of all project activities • Ensure by effective use of the experienced project team and the Engineer that project objectives are met. • Provide active day to day management of the activities of the Engineer • Monitor and ensure project performance as per PROMAS. • Communicate and liaise between PSC and project team. • Ensure by effective use of the experienced project team that project deliverables are completed in time • Delegate authority to team members to achieve project deliverables. • Review and recommend project quality plan
Project Control Manager	• Ensure development, implementation and active utilization of a cost control mechanism. • Ensure and monitor planning, schedule and reporting in order to secure completing the work within the major Contract milestones in time. • Prepare regular reports to stakeholders. • Follow up and report challenges to fulfilment of CP's. • Ensure, by use of in-house and the Engineer's expertise, the development, implementation and active utilization of a Document Control system • Coordinate the follow up of the project Risk Management system.
HSE Manager	• Provide expertise and report challenges towards compliance with contractual HSE requirements • Identify need of and provide expertise for additional HSE training. • Monitor performance and report to stakeholders • Liaise with HSES Manager of Contractors
Contract Manager	• In charge of contracting process with respect to methodology and FIDIC. • Issue tender documents. • Establish and follow up of procurement guideline. • Manage all contracts and agreements not managed by the Engineer. • Manage interface between Project, COES and grid operator and prepare for compliance with all requirements and procedures for a smooth and timely connection to the grid on completion of the Project.
Legal Manager	• Provide legal support to project team as needed • Follow-up scope and plans with local law firms
Technical / Site Manager	• Manage overall technical aspects of the project, including preparation of detailed technical specifications. • Serve as technical interface among The Engineer, consultants, panel of experts and review team. • Ensure adherence with international standards, codes and industry practise • Ensure the technical/economical optimization of the project. • Ensure technical risk management and technical performance. • Ensure compliance with relevant health, safety and rehabilitation legislation.
Land & Permits Manager	• Supervise daily negotiation activities with landowners and authorities. • Coordinate with the CSR Manager the supporting activities and communicational strategies. • Follow up on permits and licenses plan. • Coordinate work of lawyers and consultants.
CSR-E Manager	• Manage the activities of the CSR field representatives. • Coordinate with the Land & permits Manager and support the negotiation process with communities. • Implement CSR projects in communities according to CSR Plan. • Manage stakeholders and communities. • Prepare CSR reports. • Ensure the fulfilment of the EIA at Site.
HR Manager	• Responsible for providing HR-services to the project.

Finance & Adm. Manager	• Support the project with back office services as Supply Management, Logistics, Accounting and Insurance. • Responsible for follow up of Lenders.
Project Support & Review	• Ensure quality and standards of deliverables. • Provide expert opinions. • Audit project deliverables. • Prepare project audit reports.

5.4 CIVIL CONTRACTOR

Cheves has signed a Letter of Intent with Constructora Hochtief Tecsca, main shareholder of Constructora Cheves SAC (CCH), which is the Civil Contractor for the project. As the Civil Contractor also has been nominated as the Principal Contractor, CCH has the overall responsibility for co-ordinating the Work at the site so that the provision in Contractor's HSES Management Program is complied with. The Principal Contractor is also fully responsible for co-ordinating the HSE activities of each Contractor at the site and for security and emergency preparedness on site. Further requirements to this responsibility are described in SN Power's Specification for "Health, safety, environmental and social management".

CCH's Quality, Health, Safety, Environmental and Workers Policy have been enclosed in Appendix C and CCH's preliminary organisation chart has been enclosed in Appendix D.

5.5 OTHER CONTRACTORS

The Contracts for the Electro-Mechanical work and the Transmission line have yet not been awarded.

6 KEY RISK & IMPACTS MANAGMENT

6.1 RISK MANAGEMENT

The Project monitors and controls risks according to SN Power's methodology for "Enterprise Risk Management". The latest risk evaluation resulted in 12 High risks and 30 Medium risks. Mitigation will be according to evaluations that are performed presently, and eventually according to recommendations and lineaments described in documents developed by the Principal Contractor.

Additionally, an active execution risk process will be established as part of the daily management of the construction work.

The main risks that have been identified through internal workshops and analysis are shown in Table 2 below.

Table 2 Main Risks

ID	RISK CATEGORY	Name	Before actions
R-0150	HSE	Traffic accident->injuries, loss of lives	HIGH
R-1988	HSE	Lack of establishment of HSE management plan for C contractor during construction-> delay of start up	MED
R-1055	CSR	Coexistence Program may not be successfully implemented => CSR policies are not completed	HIGH
R-1048	CSR	Local Communities reject the project => Project interruption (during development or construction)	MED
R-1054	CSR	Unmanaged expectation of local hiring and social investments => delays, cost increase and reputation	MED

Other HSE risks identified at an earlier stage of the project have been mitigated by different means, for example modified construction methods.

6.2 IMPACTS SUMMARY

Main mitigation activities defined for the project relate to the impacts identified in the ESIA which are described below for construction and operation accordingly. These impacts will be mitigated and, if possible, counteracted by applying environmental management tools described in chapter “7.2 Cheves Environmental Management Plan”.

Details regarding the impacts and mitigations can be found in the ESIA’s Walsh chapter “6.0 Identificación y evaluación de impactos” and chapter “9.0 Medidas de Mitigación”

Construction – Physical Environment:

- Water

During construction activities watercourses may be subject to impacts that could affect the quality of the water generating turbidity due to the emission of particles, and also, there is a risk of contamination due to hydrocarbon or effluent management, mainly when activities are conducted nearby the Huaura and Checra rivers. The most important impacts due to the modification on the physical-chemical characteristics of the water might be reflected on agricultural activities which are developed downstream of the Picunche dam.

During preconstruction an internal assessment has concluded that due to the difference of altitude between the tunnels and the hot-springs, the possibility for the Cheves tunnelling work to affect the hot-springs is highly unlikely.

- Atmosphere

Air quality will also be subject to impacts that come from the construction phase due to the generation of particles and combustion gas emissions (vehicles, equipment and machinery), as well as from noise and vibrations which affect workers and wild fauna located on the direct area of influence.

- **Geology and geomorphology**

The most important activities during the construction phase are excavation, earthwork and disposal of excess material, which may cause slope instability and the appearance of areas that are prone to erosion.

- **Soil and usage**

In addition, soil occupation will temporarily affect farming areas due to the construction of camps and offices (compaction, loss of edaphic material, inappropriate waste disposal) or will limit their usage as evidenced in the case of the electroduct which covers the farming areas of sugar cane. Also, the risk of soil contamination due to environmental accidents caused by the use of non-metallic mineral resources is identified.

On the other hand, some areas will be permanently occupied due to the flooding of the retention area (dam), with a minor impact upon the use of these soils; however, important changes are expected within the natural stream of superficial drainage.

Construction - Biological Environment:

- **Flora**

The most important impacts on the flora relates to limited loss of vegetation coverage, mainly around the camp areas, storage facilities and workshops altering the habitat of the species when the individuals are removed. However, during the construction clearing-out phase the affected areas will be reforested.

- **Fauna**

The wild fauna will be affected by the disturbance in its habitat (presence of dust, noise and vibrations), it is possible to temporarily transfer some species, which are not within the protected species list or at risk of endangerment. However, there is the risk of commercialization of natural species or loss of individuals during the filling of the dams which will be negotiated when suitable.

Construction - Socioeconomic Environment:

- **Demography**

During the construction phase, migration could increase due to the search of trade (direct or indirect) and labour opportunities, which could create a temporary benefit for the community. However, there is also the risk of generating an increase on contagious-infectious diseases or social problems related to uncontrolled induced development.

- **Land acquisition:**

The dam and associated facilities, including the transmission line will require acquisition of land that is not currently occupied or used for livelihoods, except for a minor section

that is likely to affect ten apple growers. No physical displacement of population will be required.

- Human Capital

The population of the populated centres within the areas of the concession could be affected by noise and dust emissions that will be generated during the construction, which may cause discomfort and rejection towards the project. In addition, during the construction phase, risks of accidents could arise due to explosive handling, landslides, high levels of noise and emissions of dust particles, circulation of vehicles, equipment and tool handling, human error and reckless actions. These impacts must be mitigated and, if possible, counteract them by applying environmental management tools described herein.

- Economy

During the construction phase, the demand for basic services, temporary jobs and commercial activities will increase, this will improve the quality of life and the family economy of the population; however, it could also present difficulties regarding the circulation of vehicles on communication roads affecting economic activities and tourism.

- Aesthetic and human interests

This Project will alter the view of the landscape, which will also last during the operation phase but in less intensity, since the application of the Construction Clearing-out Plan will recover the original characteristics of the areas that were temporarily occupied. Regarding the archaeological values that may be affected, rescue and protection measures will be taken to reduce the probability of damage.

Operation – Physical Environment:

- Water

During the operation phase, hot springs within the Huaura take-up area might be subject to impacts regarding its use, utilization and handling; however this issue has been analyzed during the pre-construction phase and found to be unlikely to materialise. Nevertheless, additional monitoring has been recommended during construction and the first year of operation. In regard with surface waters, quality risks will only be related to the inappropriate application of the Waste Management Plan, effluent management and dam operation.

- Hydrobiology

The results of the Ecological Flow Management Plan have confirmed that the variety of the hydro biological resources in the rivers is limited. The main identified species are benthonics and planktonics. The conservation of the species from Huaura and Checras rivers, downstream from the take-up works and the Picunche dam, will depend on the maintenance of the environmental stream so that no alteration of their habitat is generated.

Operation - Socioeconomic Environment:

The socioeconomic area is expected to strengthen since the economic activity, even tourism could increase, and this could be directly and indirectly reflected on the families who will be involved in the operation of the central office.

7 CHEVES HSES MANAGEMENT PLANS

The Project's and Contractors' HSES Plans will be aligned with SN Power corporate policies, national regulations, international requirements. The detailed requirements to the HSES Management Plans are found in SN Power's specification for "Health, Safety, Environment and Social Management" and in the "Environment-Social Management and Monitoring Plan" developed by the Cheves Project Construction Organisation.

Chapter "5.2 HSES Programs" SN Power's Specification for "Health, safety, environmental and social management" details how all Contractors' HSES Management Plans will be handled by the Project prior to and during construction. Contractors are responsible to approve the Subcontractors' Management Plans and submit them to the Project.

7.1 CHEVES HEALTH & SAFETY PLAN

The Principal Contractor, CCH is responsible to develop the Project's Health and Safety Plan. The directions in this plan will apply to all Contractors working on the project site.

Additionally, all other Contractors and Subcontractors have to develop their own Health and Safety Plan reflecting their own organisation and scope of work.

A typical table of contents of such a plan is detailed in appendix 1 in SN Power's specification for "Health, Safety, Environment and Social Management"

7.2 CHEVES ENVIRONMENTAL MANAGEMENT PLAN

The Principal Contractor, CCH is responsible to develop the Project's Environmental Management Plan(s). The directions in this plan will apply to all Contractors working on the project site.

Based on the impacts summarised in chapter "6.2 Impacts summary", a table including the most relevant topics that the Environmental Management Plan(s) has to deal with has been enclosed in Appendix E.

Additionally, all other Contractors and Subcontractors have to develop their own Environmental Management Plans reflecting their own organisation and scope of work.

The detailed requirements to these plans are stipulated in the Project's Environmental Management and Monitoring Plan, included in the ESIA.

7.3 ECOLOGICAL FLOW MANAGEMENT PLAN

The Ecological Flow Management Plan aims to ensure that the variety and diversify in the river, in the sections where the project will be executed, are protected.

The Ecological Flow Management Plan is enclosed in Appendix F.

CCH will be responsible to implement this plan.

7.4 INTEGRATED SOCIAL MANAGEMENT PLAN

The Cheves Project will be responsible to manage the social responsibilities that are identified in the ESIA.

The Project has in place an Integrated Social Management plan covering issues related to community engagement (including disclosure and public consultation), land acquisition and rehabilitation of those economically displaced, local recruitment and grievance redress management, among other key social management issues. All these issues will be managed taking into account the cultural particularities of the Rural Andean Communities present in the Project's area of influence.

The Integrated social Management Plan is enclosed in Appendix F.

7.4.1 SUMMARY OF COMMUNITY ENGAGEMENT DURING CONSTRUCTION

Disclosure & Public Consultation:

Public consultation procedures shall be carried out throughout the construction phase of Cheves Project. In rural communities, these procedures shall include informative workshops, public meetings and other workshops that are not legally mandated. These workshops shall all be carried out by Cheves Project with the participation of Project Contractors.

Cheves Project, with assistance from the Contractors, shall explain working conditions and restrictions that will be applied with regards to local hiring and procurement. Communication and consultation shall consist of constant feedback and shall foresee and mitigate environmental and social problems that may arise during Project development.

Cheves Project community relations officers will meet with each community, several times, to explain the procedures for compensating land owners and land possessors for the use of land for the Project, for access roads and other temporary uses. Local people will participate in all land appraisals, and will negotiate as a group, in their own language, to ensure a fair and transparent negotiation.

The grievance procedure will also be carefully explained to rural communities and to local workers, so that they may voice complaints verbally or in writing, through their community relations officer or at the work site.

Cheves Project will implement social monitoring, whereby local people, chosen by their communities, will receive training and support from Cheves Project to monitor the construction activities for environmental and social impact.

Grievance:

Cheves Project's Community Relations Officers (CROs) will be in constant contact with the rural communities. Community leaders and social monitors will receive frequent visits from

the CROs, and when there are construction activities in a particular community, the CROs will make daily visits.

Community members will be encouraged to express grievances, either in writing or verbally, directly to the CROs. If they make a verbal complaint, the CRO will help them express it in writing. If the local population has a complaint, the Company must learn about it as soon as possible, to take timely action.

The CRO will channel the grievance to the SN Power Complaint Centre, which will investigate the claim and determine mitigating action(s). If the claimant accepts the mitigation, s/he will sign a letter of acceptance and the matter will be considered closed. If s/he does not accept the mitigation, the matter will be sent to an independent body (e.g. the regional ombudsman) for a second opinion. If the claimant accepts the mitigation proposed by the second opinion, s/he will sign a letter of acceptance, and the matter will be closed.

If the claimant rejects the second opinion, s/he has the right to pursue the grievance in the Peruvian legal system, although SN Power hopes to resolve as many issues as possible before they become court cases (as explained in SN Power Grievance Procedure).

Planned activities:

Likewise, during Construction Stage of Cheves Hydropower Plant, CSR activities are classified mainly in the following programmes:

- Local Development Programme: Productive projects with a sustainability focus will be implemented. The implementation of these projects will prioritize the establishment of strategic alliances with other institutions.
- Communications Program: A communicational strategy and key messages are under elaboration in order to express clearly to the stakeholders about relevant information related to the Project: technical design, environmental impacts, local employment, land acquisition process, and other topics of frequent request. Informative material such as brochures, videos, and so on are some components considered in this program.
- An External Communications Plan will develop dialogue mechanisms, information exchange and participative spaces in order to incorporate and manage the expectations and perspectives of the local population, opinion leaders and the different social groups that express interest in the Cheves Project.
- Temporary Local Workforce Hiring Program: Program aimed to adequately manage expectations of employment, creating skills and opportunities for the local workforce. (See chapter 11.3 Local hiring procedure)
- Grievance Redress Program: Program oriented to attend complaints submitted by the population, which may arise as a consequence of the activities thereof. Complaints may involve aspects related to the construction of the project, social and environmental performance processes such as negotiations for easements or economic, social and cultural impacts.
- Program for Local Environmental Monitoring and Management: It is aimed to develop a monitoring program that incorporates the participation of the local population, authorities and organized civil society in the socio-environmental monitoring programs of the project.

- Local Product Acquisition Program: Contribute to the vitalization and stimulation of the local economy, creating a market for goods and services that may be served by qualified and competitive suppliers and contractors.

8 TRAINING

8.1 TRAINING OF OWN EMPLOYEES

Prior to commencement of construction SN Power will arrange an HSE Workshop. The workshop deals with HSE in Greenfield Projects and the participants will be employees of the Cheves Project Construction Organisation, including representatives from the Engineer. Additional representatives from CCH are also invited.

Currently the workshop's agenda includes:

- HSE in SN Power
- Defining the HSE standard in Project development and Construction
- PROMAS – It's application in Project development and Construction
- Management of HSE in design and construction
- Safety for underground works
- SN Power's toolbox – theory and practice:
 - Hazard recognition
 - Risk Assessment
 - Management site inspections
 - Incident reporting and investigation
 - Order and housekeeping, waste handling etc.
 - Audits
 - Emergency Response Planning
- Site visit for practical training in Job Safety Analysis and Management site inspection

Additional information will be provided in arranged meetings for associates of the Cheves Project Construction Organisation before commencement of the Early Work and Construction Work. These meetings will emphasise the importance with:

- HSE as a management and line responsibility
- Familiarisation with Contract requirements
- Familiarisation with documents developed by CCH
- Familiarisation with project specific system
- Expectations to own employees

8.2 TRAINING OF CONTRACTORS

The requirements to training of Contractors is stipulated in chapter 5.6 "HSES induction and training" in SN Power's Specification for "Health, safety, environmental and social management".

CCH is as the Principal Contractor responsible to develop the Induction course that shall be used on site for all personnel that are going to work within the site, including Project personnel.

CCH is also responsible to develop a Personal HSES Handbook that shall be distributed to all personnel working on the site. The requirements to this handbook are specified in chapter “5.5 Personal HSES Handbook” in SN Power’s Specification for “Health, safety, environmental and social management”.

9 MONITORING AND REPORTING

According to chapter “5.7 Reporting of incidents” and “5.8 Contractor’s HSE inspections” in SN Power’s Specification for “Health, safety, environmental and social management” all Contractors shall have a documented procedure for reporting of incidents and establish an HSE inspection plan.

10 COMPLIANCE ASSURANCE

An HSES Compliance Assurance Procedure will be developed before commencement of Early Work by the Project. This procedure will explain how the Project Construction Organisation will be working in regard to HSES to ensure Contractors compliance to Contract requirements.

This procedure will as a minimum include details about how the following will be organised:

- Verification and acceptance/approval of relevant Contractor documents
- HSES Meeting and which other meetings that shall have HSE on the Agenda
- Inspections and organised Safety Walks
- Follow-up of incidents reported by Contractors
- Investigations
- Corrective mechanisms
- Collection of HSES statistics and how this shall be utilised
- Preparation of HSES statistic reports
- Audits
- Liaise with Regulatory agencies of Peruvian authorities, etc

It will be emphasised that HSES is a management and line responsibility and that all personnel in the Project are requested to take responsibility for HSES and follow up on HSES as part of their normal job duties.

Dedicated resources from SN Power will be present on the Cheves project site from start-up of Early Work to ensure that HSE construction requirements are implemented and are an integral part of the normal working routines. In addition, Cheves Project Construction Organisation will include an HSE Manager that together with the Engineer’s HSE Coordinator and Safety Inspectors will have the responsibility to follow up on construction safety, in cooperation with the Contractors.

11 GUIDELINES

Based on the requirements mentioned in the following chapters, the Principal Contractor will develop detailed Procedures, Instructions and Method Statements including HSE, as well as Risk Assessments for specific work tasks.

11.1 CAMP REGULATIONS

The temporary construction camp that will be built to serve employees of the Project and Contractors during the construction phase of the project will comply with Article 97 of the Security and Safety on Worksite Regulation for Electrical Activities, approved by Ministerial Resolution N 161-2007-MEM/DEM.

Detailed requirements to the Contractor's camps can be found in the Contract for Cheves Hydropower Project, Volume 3a Specifications in the chapters:

- 1.12 Contractor's Camps, Offices, Canteen, workshop etc.
- 1.13 Contractor's Other Temporary facilities
 - 1.13.1 Water supply
 - 1.13.2 Sewage System
 - 1.13.3 Solid Wastes
 - 1.13.4 Power Supply

11.2 WORKER CODE OF CONDUCT

SN power's Code of Conduct document has been enclosed in Appendix H.

Hochtief's Code of Conduct applies to CCH and has been enclosed in Appendix I.

Additional safety rules of conduct on the construction site will be included in the Health and Safety Management Plan developed by the Principal Contractor CCH.

11.3 LOCAL HIRING PROCEDURE

The working conditions in Peru are regulated by the Peruvian Constitution under the Chapter of Social and Economic rights, article 22 to 29. These Articles are rather general, but it's further developed in more details in many different types of laws and regulations, depending on the type of work, person, location, etc.

Chapter "5.17 Local employment" in SN Power's Specification for "Health, Safety, environmental and social management" establish that the Contractors are required to develop a local employment program. General requirements to working conditions are included in Appendix 3 in the same document.

CCH will as the Principal Contractor and the main employer in the project, develop the Procedure for Local Hiring. Further to this CCH's Worker's Policy is included in Appendix C.

11.4 ROAD AND TRAFFIC SAFETY MANAGEMENT

As preparation to the construction phase of the project, a Road Risk Assessment has been performed with the objective to register and assess geological and other natural risks along the approximately 60 km long public road from Sayan to Churin. The sections that have been registered with the highest risk and probability of an incident during the construction period will be improved or mitigated with other means. However as this is public road, possible improvements have to be coordinated with Peruvian authorities.

However, as the traffic safety on the same road is considered to be a hazard as well, a Road Risk Assessment with the objective to consider the road and traffic safety is about to be carried out. The intention with this assessment is to identify the sections with the highest risk and probability of a traffic incident, and suggest mitigation action to reduce this risk.

As the Principal Contractor, CCH is responsible to develop a Traffic Management Plan. The requirements to this plan are stated in chapter “5.11 Transportation safety” in SN Power’s Specification for “Health, safety, environmental and social management”. The Traffic Management Plan would also need to cover the access road between Sayan and Churrin mentioned above and include a description of temporary mitigation actions that would be necessary until the sections with highest risks have been improved.

CCH has so far submitted a preliminary Traffic Management Plan² in Spanish.

11.5 EXPLOSIVES HANDLING AND STORAGE

The storage of explosives need to be kept at an authorized powder magazine by the General Direction of Security Control of Guns, Explosives and Ammunition (DISCAMEC) of the Ministry of Interior. Its design and function shall be adjusted to what is established in Supreme Decree N° 019-71-IN, which approve the Regulation of Explosive Control for Civil Use. The following details can be mentioned:

- Distance from buildings, train rails, and roads
- Safe T-barricade (natural or artificial)
- Its locations and construction shall avoid sinister possibilities
- Assure that the explosives are on a dry and ventilated environment, not exposed to drastic temperature changes
- Avoid any kind of subtractions
- DISCAMEC will supervise de powder magazine
- Inside the powder magazine, the explosives shall be located on top of wooden grids, with a fire retardant treatment, which shall avoid any direct contact with the ground
- Towers of boxes shall not be taller than 2 meters, measured from the ground. Every box shall be placed in a way which the tag label can be read
- A space of at least 5 centimeters shall be considered when placing the boxes (laterally), in order to guarantee air circulation
- Towers of boxes shall not be placed against the power magazine walls. A distance of at least 1 meter shall be considered
- Trained workers shall be in permanent supervision of the power magazine
- In case of emergency, political and police authorities could order its evacuation or protection

The responsibility of this issue the Contractors and this has been stipulated in the Contract for Cheves Hydropower project in Volume 3a Specifications, chapter 1.13.8 Explosives.

11.6 TUNNELLING HEALTH AND SAFETY

² The Traffic Management Plan developed by CCH has still not been reviewed by the Project as it has only been submitted in Spanish

Cheves Project's requirements to the Contractor's tunnelling health and safety are found in Chapter "5.12 Health, safety and environmental care in tunnelling" in SN Power's Specification for "Health, safety, environmental and social management".

The Contractors shall comply with BS6164 "Code of practice for safety in tunnelling in the construction industry".

11.7 EMERGENCY PREPAREDNESS AND RESPONSE PLANS

The requirements for emergency preparedness are described in Chapter "5.19 Emergency Preparedness" in SN Power's Specification for "Health, safety, environmental and social management".

The Principal Contractor is responsible to develop the "Cheves Emergency Preparedness plan", including safety plot plans, notification and communication plan, action plans, organisation and external resources for the construction site.

All other Contractors are also responsible to develop "Emergency preparedness and response plans" relevant for their scope of work and organisation.

The Cheves project would also need to develop a notification and communication plan that is harmonised with the "Cheves Emergency preparedness plan" and SN Power's "Emergency Response Plan for SN Power's Corporate Head Office".

Appendix A

SN Power's Health, Safety, Security and Environment Policy

SN Power's Health, Safety, Security and Environment policy



SN|POWER

POWERING DEVELOPMENT

- Aim for zero accidents in all our activities.
- Support a company culture which puts people first by making health and safety a primary objective in the planning, design, construction, operation and maintenance of power plants.
- Ensure that all employees of SN Power, its subsidiaries, associated companies and contractors are entitled to a working environment which is free from hazards to their health.
- Apply the precautionary principle and seek to minimise potential negative impact on the environment through a combination of careful planning, design, and operational measures.
- Ensure adequate protection of SN Power personnel and assets against natural disasters and deliberate ill-intentioned acts (security threats) through a combination of preventive and emergency response planning measures.
- Be proactive by promoting the use of safety analysis and the reporting of all unwanted occurrences.
- Ensure continuous improvement in HSE performance through the planning, implementation, execution and monitoring of the necessary programs and systems.
- Ensure that laws and regulations in the field of HSE that apply to SN Power's activities are understood and adhered to.
- Ensure open communication of HSE hazards and impacts of SN Power's activities with own employees and stakeholders.


Øistein Andresen
President & CEO

Appendix B

Cheves Project – Peruvian Legal Framework

- Peruvian Political Constitution.
- General Environmental Law, Law N° 28611.
- National System of Environmental Impact Assessments Law, Law N° 27446.
- National System of Environmental Management, Supreme Decree N° 008-2005-PCM.
- Regulation for Law N° 27446, National System of Environmental Impact Assessments Law, Supreme Decree N° 019-2009-MINAM.
- National System of Environmental Evaluation and Auditing Law, Law N° 29325.
- Law for Private Investment Growth, Legislative Decree N° 757.
- Penal Code, Legislative Decree N° 635.
- Electrical Concessions Law, Legislative Decree N° 25844
- Environmental Protection on Electrical Activities Regulation, Supreme Decree N° 029-94-EM
- Liquid Effluents Permissible Maximum Levels produced by electrical energy generation, transmission and distribution activities, Directorial Resolution N° 008-97-EM/DGAA.
- Security and Safety on Worksite Regulation for Electrical Activities, Ministerial Resolution N° 161-2007-MEM/DEM.
- General Water Law, Legislative Decree N° 17752.
- General Water Law Regulation, Supreme Decree N° 261-69-AP.
- Organic Law of Natural Resources Sustainable Exploitation, Law N° 26821.
- Forest and Wild Fauna Law, Law N° 27308.
- Forest and Wild Fauna Law Regulation, Supreme Decree N° 014-2001-AG.
- Conservation and Sustainable Exploitation of Biological Diversity Law, Law N° 26839.
- Protected Natural Areas Law, Law N° 6834.
- Regulation on National Environmental Quality Standards of Air, Supreme Decree N° 074-2001-PCM.
- Regulation on National Environmental Quality Standards for Noise, Supreme Decree N° 085-2003-PCM.
- General Health Law, Law N° 26842.
- Solid Waste General Law, Law N° 27314.
- Solid Waste General Law, Supreme Decree N° 057-2004-PCM.
- National Cultural Heritage General Law, Law N° 28296.
- Regulation of Citizenship Participation for Energy Activities, Ministerial Resolution N° 535-2004-MEM/DM.
- Regional Government Organic Law, Law N° 27867.
- Municipalities Organic Law, Law N° 27902.
- Bases of Decentralization Law, Law N° 27783.

Appendix C

CCH's Quality, Health, Safety, Environmental and Workers Policy

QUALITY POLICY

HOCHTIEF Construction AG has a corporate philosophy towards quality management which is laid down in the Guiding Principles. This philosophy overlays all companies within HOCHTIEF Construction AG and is translated into working practices through the Management System of HOCHTIEF Construction AG.

The Supervisory Board of Constructora CHEVES embraces the philosophy without reservation and herewith declares its ability and readiness to establish a project management system in accordance with the Management System of HOCHTIEF Construction AG and contractual requirements on the Cheves Hydropower Scheme Contract. The project will be aligned to requirements of ISO 9001:2008.

To remain competitive in the business, commercially and quality wise, we, the undersigned, have committed ourselves to fulfil the Owner's expectations and needs in accordance with contract requirements.

In support of our commitment, the requirements of the Project Management System, as described in principle in the Project Quality Plan and the HOCHTIEF Construction AG's Management Manual, shall be applied within our organisations and on the Project as appropriate.

It is our intention that the requirements laid down in the Project Quality Plan are understood and implemented at all levels of the organisation. Unquestioning adherence to procedures, however, is bureaucracy and should be avoided at all costs. A continuous improvement of the system is a commitment of the management and personnel of the Project.

Our joint aim shall be that all works through the contract are performed on schedule in a safe, efficient, environmentally sensitive and cost effective manner and in compliance with contractual requirements, including requirement from international and multilateral lenders, such as IFC EHS Performance Standards.

Subcontractors/suppliers of the Project shall be required to demonstrate commitment to quality as described in the Project Quality Plan.

HEALTH & SAFETY POLICY

Constructora CHEVES is fully committed to achieving and maintaining a high standard of Health & Safety for its employees and to creating a safe working environment at all times. The project will be aligned to requirements of BS 18001.

The objectives are to identify and minimize the risk of injury and health hazards of all persons who are affected by Constructora CHEVES activities as well as to reduce, by all practicable means, the number of accidents, dangerous incidents, damage to property and hazards to Health & Safety at the place of work.

In order to achieve these objectives, the Constructora CHEVES will:

- Provide safety advice and expertise to assist managers and all employees to undertake their work in a safe and responsible manner.
- Ensure that the legal obligations of Constructora CHEVES and its employees working on the Cheves Hydropower Scheme are fully observed by all its employees and that contract conditions regarding health and safety and HOCHTIEF Construction AG Management System and procedures are adhered to.
- Provide, develop and maintain a Safety Management System as a framework and guide for safe working practices and procedures.
- Issue a copy of the Constructora CHEVES Safety Policy and Safety Management System to all appropriate staff and require that it be properly maintained and readily accessible.
- Require all staff to be aware of their safety responsibilities, and to comply with the Constructora CHEVES Safety organisational and procedural arrangements detailed in the Safety Management System.
- Give staff the necessary authority and responsibility not only for their own safety, but for that of their colleagues by undertaking their work in a safe and responsible manner.

ENVIRONMENTAL POLICY

Our aim is the avoidance, minimization and operation control of the environmental impact of the Cheves Hydropower Scheme. All protected species identified in the Environmental Statement will be subject to specific mitigation and monitoring plans. The project will be conformable with requirements of IFC Performance Standards and in alignment with ISO 14001.

The main objectives of the Environmental Management System are:

- To Perform all our activities in stewardship with the environment.
- To Control of access and construction activities to minimize disturbance to existing habitats and landscape in context to that essential for the conduct of work.
- To control construction activities to minimize disturbance to existing historic and archaeological features.
- To assure that any unavoidable disturbance is mitigated, compensates and/or offset in accordance to best industry practice.
- To define soil and peat handling strategies to provide safe storage and optimize reinstatement processes.
- To adopt natural regeneration as the preferred method of establishing and restoring habitat types.
- To minimize waste streams and optimize the use of materials on the project.
- To minimize the impact on the local community and local businesses.
- To prevent significant water course reduction, pollution and sedimentation.
- To develop a high level of environmental awareness amongst project staff.
- To comply with environmental legislation and Planning Conditions

Employees, visitors and subcontractors are to fully support this policy through their active participation and co-operation.

WORKERS POLICY

Constructora CHEVES acknowledges that the company is not only responsible for working conditions towards its own employees, but also shares responsibility for working conditions under which the employees of subcontractors perform their work.

Therefore Constructora CHEVES requires that subcontractors and partners adhere to the conditions and standards of Peruvian Law and in alignment to IFC Performance Standard 2 is committed to ensure that:

- Work is freely chosen,
- Employees are free to negotiate collectively,
- There is no discrimination in employment and promotion,
- There is made no use of child labor,
- There is made no use of forced labor,
- Wages and salaries are paid in accordance to Peruvian prevailing practices,
- Working hours are limited and compensated in accordance to Peruvian prevailing practice,
- Working conditions are adequate and comparable to industry standards.

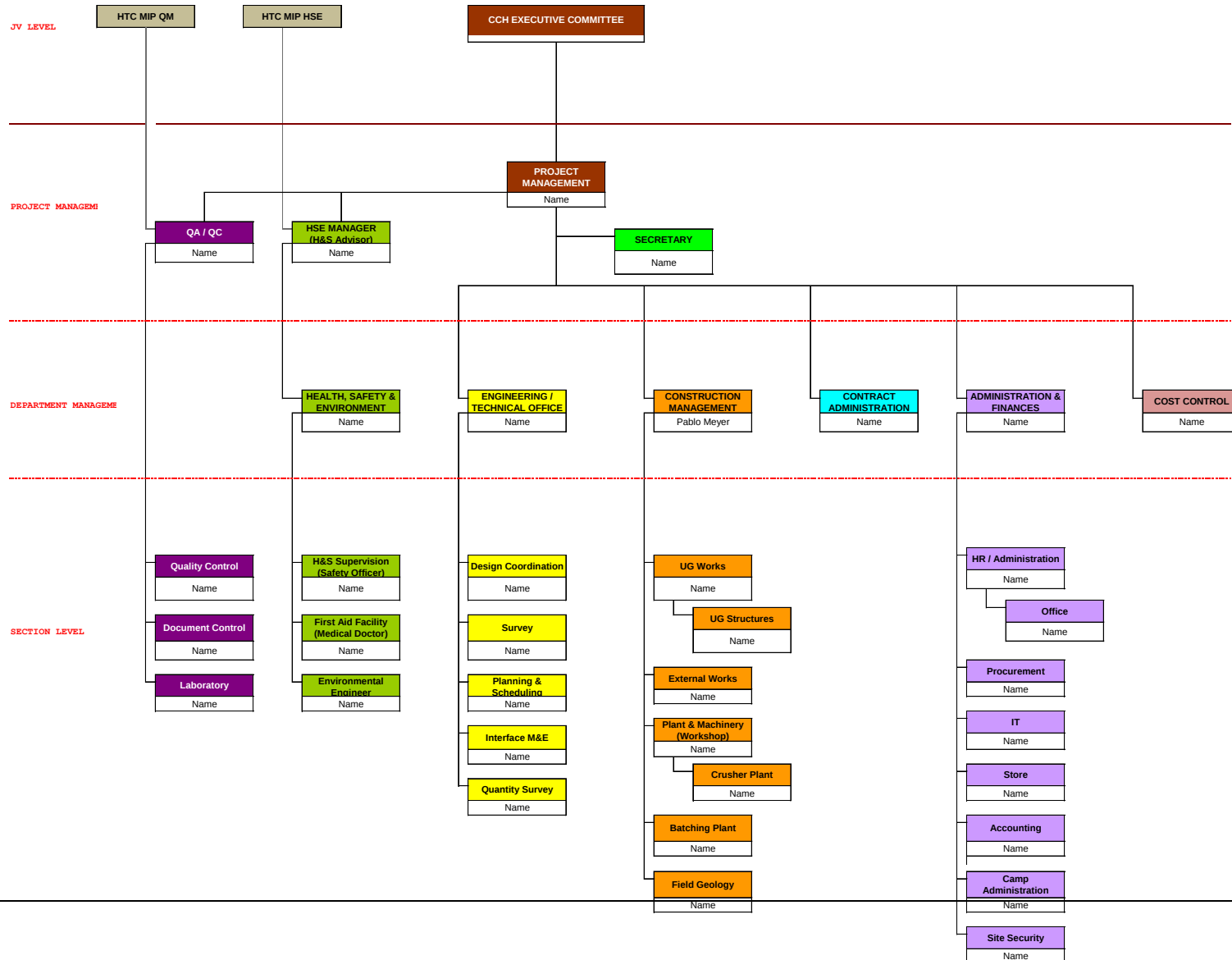
Employees of Constructora CHEVES are informed orally and in written word of any provision of this document.

Constructora CHEVES requires its subcontractors to support the Code of Conduct and to ensure also that their own subcontractors fulfill the here made commitments, in every activity which is connected to economic activities of Constructora CHEVES.

Appendix D

CCH's Organisation chart

PERU - HPP CHEVES
CCH Organisation Structure Execution Phase



Appendix E

Topics for Environmental Management Plans

N°	Environmental Aspect	Potential Impact	+ / -	Stage	Significance	Management Plan
1	Surface water	Water quality modification (by turbidity and/or effluents)	-	Construction Operation	Low Significance	Water Quality Monitoring Plan Solid Waste Management Plan
2	Surface water	Water quality affectation (agricultural use)	-	Construction	Low Significance	Water Quality Monitoring Plan Solid Waste Management Plan
3	Underground water	Thermal water pattern modification (underground and thermal water interrupt)	-	Construction Operation	Moderate Significance	Thermal Water Quality Monitoring Plan
4	Atmospheric	Atmospheric quality modification by particulate material and gases emission	-	Construction	Low Significance	Air Quality and Emissions Monitoring Plan
5	Atmospheric	Atmospheric quality modification by noise & vibrations increase	-	Construction	Low Significance	Noise and Vibrations Monitoring Plan
6	Geology and Geomorfology	Slope instability and erosion	-	Construction	Low Significance	Environmental management Plan Procedures for excavation, tunneling, earthworks, spoil areas and explosives handling.
7	Soils	Riverside soils erosion	-	Construction	Low Significance	Prevention Mitigation and Correction Program
8	Soils	Soil quality modification and compaction	-	Construction	Low Significance	Prevention Mitigation and Correction Program Solid Waste Management Plan
9	Flora & Fauna	Loss of vegetation coverage and disturbance in fauna habitats.	-	Construction	Low Significance	Flora and Fauna Care Plan Revegetation Plan
10	Ecosystem	Benthic and planktonic habitat affectation downstream intake/dam	-	Operation	Moderate Significance	Ecological Flow Management Plan
11	Landscape	Landscape negative affectation	-	Construction	Low Significance	Environmental Management Plan Construction Clearing Out Plan
12	Archaeology	Affectation of cultural heritage	-	Construction	Low Significance	Archaeological Monitoring Plan
13	Socio-economic	Potential social disturbs/ Land acquisition / problems increase	-	Construction	Low Significance	Integrated Social Management Plan
14	Socio-economic	Land use /basic social services demand increase	-	Construction	Low Significance	Integrated Social Management Plan
15	Socio-economic	Turism/ Heavy-freight carrier transit difficults	-	Construction	Low Significance	Traffic Management Plan
16	Health & safety	Accidents generation by explosives handling and landslides	-	Construction	Moderate Significance	Prevention Mitigation and Correction Program Accidents Contingency Plan HSES Manual
17	Health & safety	Vehicle accident cases increase by Project transportation	-	Construction	Low Significance	Prevention Mitigation and Correction Program Traffic Management Plan
18	Socio-economic	Temporary direct /indirect employment generation	+	Construction	Moderate Significance	Integrated Social Management Plan
19	Socio-economic	Family economics improvement	+	Construction Operation	High Significance	Integrated Social Management Plan

Appendix F
Ecological Flow Management Plan

Appendix G
Integrated Social Management Plan

Appendix H

SN Power's Code of Conduct

Appendix I

CCH's Code of Conduct