

Social Compliance Audit Report and Corrective Action Plan

Project Number: 51162-001
December 2017

Spayka Limited Liability Company High Efficiency Horticulture and Integrated Supply Chain Project (Armenia)

Prepared by ERM Group, Inc. for Spayka Limited Liability Company

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Prepared for:

Social Compliance Audit Report of Spayka LLC



Final Report



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Social Compliance Audit Report

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ERM confirms that this Report has been prepared with all reasonable skill, care and diligence and in conformity with the professional standards as may be expected from a competent and qualified consultant acting as Environmental Consultant having experience in providing services for projects with similar scope of work, complexity, issues and scales.

This Report has been prepared in accordance with the terms of the contract concluded with the *Spayka LLC* and the generally accepted environmental consulting practices and for intended purposes stated in the Contract. The conclusions and recommendations made in this Report are based upon information obtained directly by *ERM*, as well as information provided by third parties, which we believe to be accurate.

This Report has been prepared for the *Spayka LLC* and we accept no responsibility for third parties whatsoever who may use all or portions of the information contained in this Report. The conclusions and recommendations made in this Report are related directly to period of survey on the site and to results of meetings with *Spayka LLC* Representatives.

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GLOSSARY AND ABBREVIATIONS

ADB	Asian Development Bank
AMD	Armenian Dram
CAP	Corrective Action Plan
CIS	Commonwealth of Independent States
DFI	Development Finance Institution
EFR	External Factors Review
ESMP	Environment and Social Management Plan
GAP	Gender Action Plan
GMP	Good Manufacturing Practice
GRM	Grievance Redressal Mechanism
Ha	Unit for hectares (1 ha = 10,000 square metres)
HR	Human Resources
IEE	Initial Environment Examination
ILO	International Labour Organisation
IMS	Integrated Management Systems
IP	Indigenous Peoples
IR	Involuntary Resettlement
ISO	International Standardization Organisation
RA	Republic of Armenia
RFI	Request for Information
SCA	Social Compliance Audit
SEP	Stakeholder Engagement Plan
SPS	Safeguards Policy Statement
UAE	United Arab Emirates

EXECUTIVE SUMMARY

Spayka LLC is Armenia's largest exporter of fruits and vegetables to Russia and other CIS countries and is an international transportation company with annual export volumes of over 95 thousand tons of products (2016). The company was established in 2001 as a freight forwarding and transportation company and has seen an organic phase of growth and diversification from fruit procurement, processing to the acquisition of greenhouses and orchards between 2012 and 2016.

Spayka LLC intends to establish a semi-closed greenfield greenhouse for tomato and bell pepper production under a phased investment program. The first phase is under consideration for potential financing through the ADB.

The proposed greenhouse will be developed on a land plot of 47.76 hectares (ha) which has been allotted to Spayka LLC by the Yerevan Municipal Authorities in July 2017. ADB's financing is limited to the greenhouse activities (30 hectares) and other associated infrastructure and administrative buildings that will be developed within the 47.76 ha plot.

ERM Eurasia Limited (ERM) has been commissioned by the ADB and Spayka LLC to undertake a Social Compliance Audit (SCA) in line with the relevant SPS requirements as well as applicable regulations of the Republic of Armenia (RA). As Spayka LLC has facilities and assets under construction and operations (in addition to the proposed greenhouse), the SCA was conducted at two levels:

- An assessment of Spayka LLC's corporate social management systems (human resources, land procurement, project development, contractor management, stakeholder engagement, procurement etc.) which are likely to have implications on the overall project development of the greenfield greenhouse; and
- An assessment of social sensitivities and risks of the greenhouse project.

Review of Social Management Systems of Spayka LLC

The key findings that have emerged as an outcome of the SCA for Spayka's existing assets and facilities include:

- **Organisation Structure:** Spayka is yet to put in place a formal structure to govern environment, health and safety and social performance management across its operations;
- **HR Policy:** Human resources and working conditions at Spayka LLC are governed by their internal Code of Conduct (Internal Disciplinary Rules). It is understood that a stand-alone HR policy is under preparation and will be developed by April 2018;
- **Litigations and disputes:** Spayka LLC has not reported any litigation and/or dispute linked to land agreements for their facilities, any accidents or incidents or worker related disputes;
- **Land procurement:** The provisions of Eminent Domain do not apply for business projects such as Spayka's. Spayka facilities have either been allocated by local governments through an allotment, a lease or have been purchased as a part of voluntary land transactions. None of the specific

facilities where land was procured (e.g. the orchards) entailed any physical or economic displacement;

- **Stakeholder Engagement:** Spayka LLC does not have a formal mechanism to identify stakeholder groups and manage engagement processes. This is carried out informally based on needs of existing operations or expansion plans. Spayka will need to establish a formal and documented internal and external grievance redressal mechanism;
- **Contractor Management:** Discussions with the Projects Department indicated that there is no formal contractor management system with respect to selection of contractors, determining contractual provisions linked to compliance/labour/safety requirements, training of contractors and their monitoring;
- Certain **community health and safety issues** associated with a large fleet of trucks and their cross-country transportation and offsite emergency response management have been identified for Spayka's operations;
- Finally, a review of the **procurement process** from over 10,000 farmers in Armenia has indicated certain gaps with respect to documentation, grievance redressal, agricultural extension services and coordination of the harvest.

With respect to labour and working conditions, Spayka LLC was assessed to be in compliance with requirements under the Labour Code, 2004 with respect to payment above minimum wages, working hours and workplace conditions. However, gaps were observed with respect to:

- Employment contracts and their inclusions with respect to wage calculation and variable pay as well as duration of engagement;
- Need to establish mechanism to ensure monitoring of compliance with ILO core labour standards of Spayka subsidiaries and third-party companies;
- Payment of regular hourly rates (instead of premium rates) for overtime work hours; and
- Monitoring compliance of third-party workers and construction workers with respect to labour and working conditions.

Key Social Issues for the Greenhouse Project

The proposed greenfield greenhouse has been planned as a new energy saving and energy efficiency semi-closed greenhouse for tomatoes and bell peppers with indoor and limited outdoor vegetable production. The greenhouse complex is located within the boundaries of Yerevan municipality in Shengavit administrative district, approximately 5 km from Spayka's corporate office.

Assessment of Social Impacts

The proposed greenhouse project will not entail any adverse social impacts linked to land acquisition, resettlement, impact on common property resources, ethnic minorities and/or cultural sites. There are no legal stipulations on sanitary zone requirements for greenhouse construction projects in the Republic of Armenia.

The nearest residential community is located at a distance of approximately 600 m, and hence, there may be temporary construction phase impacts linked to traffic congestion, influx of migrant workforce into the immediate vicinity and nuisance impacts linked to dust, noise and air emissions. During the operations phase, it is understood that the proposed technology does not provide for the use of pesticides to protect plants from pests and diseases.

The project does not envisage use of any local resources such as groundwater or any common property land or surface water bodies. Local development is anticipated due to employment and procurement opportunities for local residents.

A specific Initial Environment Examination (IEE) is being separately developed to incorporate mitigation measures for construction-phase and community health and safety impacts. The IEE will need to be formally disclosed to the local communities and key implementation partners, i.e. the construction contractors.

Land Allotment

47.76 ha of land was allotted by Yerevan Municipality to Spayka LLC through a donation agreement in July 2017 after which a land property certificate was registered. While the land is formally owned by the government and was found to be devoid of any settlement, cultivation or any other use at the time of Spayka's interest in early 2017, the municipality had compensated erstwhile land users in 2012 based on their rights of use for the land as a communal farm (kolkhoz) during the Soviet era. Spayka has confirmed that the land has been registered in its favour and that there are no litigations or disputes associated with the same.

Local Employment Commitments

The land donation agreement between Yerevan Municipality and Spayka LLC was found to incorporate specific conditions on employment for the greenhouse operations. For the ADB financed component within 47.76 ha, approximately 160 construction workers will be engaged and during operations 240 workers and 35 administrative staff will be employed.

Gender Aspects

A majority of the operations phase workforce (in particular greenhouse workers and workers engaged in sorting as well as housekeeping of facilities) to be female. This was confirmed by the Human Resources Department. Spayka commits to employ at least 65% women greenhouse workers. Spayka indicated that they will prioritize local workers from surrounding communities. ADB and Spayka have developed a Gender Action Plan with specific mainstreaming indicators.

Stakeholder Engagement and Grievance Redressal

No specific public meetings and/or engagements have been undertaken by Spayka to disclose or disseminate information on the project in general amidst the local communities. Consultations with local residents indicated that while

they were aware of a potential greenhouse project of Spayka coming up, no specific information on timelines, exact activities and/or local employment requirements had been made available till date. Some of the residents raised concerns on environmental impacts in the construction phase as well as a general expectation on jobs. Spayka LLC is yet to put in place a grievance redressal mechanism for the new greenhouse project.

Corrective Action Plan

ERM has recommended that Spayka LLC incorporates the following elements/components within its proposed integrated management system (IMS) that is under development:

- Alignment to the requirements of ADB SPS (2009), ILO Conventions ratified by the RA, and IFC PS (2012);
- A generic policy on stakeholder engagement and grievance redressal in order to put in place a framework that can be extended to the proposed greenhouse; and
- Thematic standard operating procedures (SOPs) on land procurement, fleet transportation, offsite emergency response, contractor management and procurement which will be extended to the proposed greenhouse.

Spayka is also developing a Human Resources Policy (corporate level) to complement the existing Code of Conduct which will be enhanced based on the measures suggested under the CAP, including principles on equal opportunity, gender mainstreaming, non-tolerance of child labour and forced labour etc. This HR policy will also be applicable for all staff and workers engaged at the proposed greenhouse.

The proposed greenhouse project for consideration by ADB has been assessed as Category C for ADB SR 2 (Involuntary Resettlement) and ADB SR 3 (Indigenous Peoples). A Corrective Action Plan (CAP) has been recommended for the proposed greenhouse which includes:

- Extension of corporate social management systems (once these are developed) for the proposed greenhouse project;
- Develop and implement a Stakeholder Engagement Plan and Grievance Redressal Mechanism prior to start of construction activities;
- Prepare a stand-alone HR policy for the proposed greenhouse (including standardised employment contracts and overtime policy);
- Include specific compliance requirements on labour and working conditions as a part of the EPC agreement prior to construction;
- Develop a Local Employment, Procurement, Recruitment and Training Plan for the new greenhouse focused on the Norgavit, Shengavit and Nor Kharberd communities to meet the conditions stipulated under the donation agreement;
- Implement Gender Action Plan for the proposed greenhouse and related corporate activities based on timelines agreed with ADB.

1 INTRODUCTION

1.1 PREAMBLE

ERM Eurasia Limited (ERM) has been commissioned by the Asian Development Bank (ADB) and Spayka LLC to undertake Social Compliance Audit (SCA) in relation to the development of a greenfield greenhouse project (the Project) at Yerevan Municipality, Yerevan, Republic of Armenia proposed for financing.

This social compliance audit report has undertaken a gap assessment with respect to the applicable standards (*Section 1.3.1*) at two levels:

- An assessment of Spayka LLC's corporate social management systems which are likely to have implications on the overall project development of the greenfield greenhouse; and
- An assessment of social sensitivities and risks of the greenhouse project.

Based on the key non-conformances and social risks that have been highlighted, a Corrective Action Plan (CAP) has been proposed with recommendations and the associated timelines for completion to support Spayka LLC in meeting ADB's Safeguards Policy Statement (SPS) 2009. This report is based on a site assessment and management interactions from 18th to 22nd September 2017, documents shared by Spayka LLC as of 1st November 2017; and subsequent stakeholder consultations undertaken on 4th and 5th of October 2017 followed by a second site visit with the ADB team from 1st to 3rd November 2017.

1.2 PROJECT BACKGROUND

1.2.1 About Spayka LLC

Spayka LLC (Spayka) was established in 2001 as an Armenia-based freight forwarding and transportation business and exports of fruits, vegetables and dairy products. Spayka has a diversified set of operations that range from their own greenhouses, orchards, processing facilities, cold storage warehouses and other logistics facilities. Currently, the company manages a fleet of over 213 trucks; more than 200 contracted trucks and containers in Yerevan and along the Armenia-Georgia border.

Spayka has over 1021 staff and workers on the direct payrolls of the company along with another 500 temporary harvesting workers and 100 third-party entities. Spayka recently acquired an operational greenhouse from a company named Greenhouse LLC in Shahumyan village, Ararat region.

In addition, the company plans to establish a semi-closed greenfield greenhouse for tomato and bell pepper production within the boundaries of Yerevan municipality in Shengavit administrative district ⁽¹⁾.

1.2.2 *ADB Transaction Context*

It is understood that the proposed greenfield greenhouse investment program will be implemented across two phases, of which the first phase is under consideration for potential financing through the ADB. The Project entails the construction of a 30 hectare (ha) greenhouse along with associated infrastructure and administrative buildings within a larger land plot of 47.76 hectares (ha) through the use of semi-closed technological solutions.

Target export markets will be the Russian Federation and the United Arab Emirates (UAE). The Project will be developed over the 2017–2018 period. Total project cost is estimated at \$60 million, including construction and installation of drip irrigation system. The company intends to fund \$10 million through internally generated cash flows and to borrow up to \$32 million from the ADB as Project Finance.

1.3 *OBJECTIVES AND SCOPE OF WORK*

In line with ADB's Safeguard Policy Statement (SPS) requirements, the Social Compliance Audit has been undertaken to support the parties' arrangements of the project's financing process. For projects involving facilities and assets that already exist or are under construction, a social compliance audit, including on-site assessment, is required to identify past or present concerns related to impacts on the involuntary resettlement and Indigenous Peoples is required to support ADB's investment decision.

The objective of the compliance audit is to determine whether actions were in accordance with the national laws and standards and ADB's safeguard principles and other social requirements and to identify and plan appropriate measures to address outstanding compliance issues. Where noncompliance is identified, a corrective action plan agreed on by ADB and the borrower (in this case, Spayka LLC) is to be prepared.

1.3.1 *Applicable Standards*

The Social Compliance Audit has been undertaken with reference to the following:

- Relevant social regulatory requirements of the Republic of Armenia, notably:
 - Land Code of the Republic of Armenia (RA), 2001 (as amended);
 - Civil Code of the Republic of Armenia, 1998 (as amended);
 - Labour Code, 2004 (as amended);

(1) The area in the vicinity of the new greenhouse site was used for chemical production and power generation in the Soviet Era. However, this is no specific designation of the area as industrial.

- Specific community health and safety themes (with potential implications or social impacts) within ADB SPS SR 1 (Environment Assessment);
- ADB SPS (2009) in particular SR 2 (Involuntary Resettlement) and SR 3 (Indigenous Peoples);
- Other ADB safeguards such as Social Protection Strategy (2001), ADB Policy on Gender and Development (1998), Public Communication Policy (2011);
- Core ILO Labour Conventions ratified by Armenia on Child Labour, Discrimination, Forced Labour and Freedom of Association;
- Any other relevant international treaties to which Armenia is a signatory.

1.3.2 *Focus Assessment Parameters*

The SCA has included an assessment of the following:

- Existing social management systems at a corporate level linked to their relevant and/or implications on the proposed greenhouse project;
- Social performance and compliance assessment of a sample of existing operations and ongoing construction activities especially on labour and working conditions and community health and safety;
- Any social risks and sensitivities associated with the proposed greenhouse.

Each of the above had a defined set of parameters as a part of the Terms of Reference agreed between ADB, Spayka LLC and ERM.

1.4 *METHODOLOGY*

1.4.1 *Inception*

ERM mobilized a team across its offices in Russia and India (along with local experts based in Armenia, i.e. ATMS Solutions) to provide E&S specialists for undertaking the assignment. Discussions were held between ADB and ERM in August and October 2017 to confirm the scope of the assignment; the status of operations/activities on site and the planned timelines to undertake documentation review and the site visit.

1.4.2 *Documentation Review*

ERM conducted a desktop review of relevant social documents provided by Spayka based on the Request for Information (RFI) sent to the company. Subsequent to the site visit, the RFI was updated with additional documents and clarifications. Annexure A captures a summary of the key documents/information that was made available.

External Factors Review

ERM also undertook a review of available public information on Spayka LLC with respect to the following:

- Available information on any regulatory and/or civil society litigation against the project; and
- Available public information on any specific aspects that concern previous transactions of development finance institutions (DFIs), if any.

1.4.3

Site Visit

An ERM and ATMS core team of two social specialists undertook a site assessment of Spayka LLC's activities from 18th to 22nd September 2017. Thereafter, ATMS specialists undertook two other stakeholder interactions on 4th and 5th of October, 2017 and during ADB's visit to the site between 1st and 3rd November 2017.

The subsequent table provides an overview of the key activities and stakeholder consultations undertaken during the site visit:

Table 1.1 *Summary of Site Visit Activities*

Date	AM	PM
18 September 2017	Arrival into Yerevan, Armenia and interactions with ATMS	Brief Discussions with Spayka's Corporate Finance Representatives on the transaction
19 September 2017	<ul style="list-style-type: none"> • Opening Meeting at Spayka office with Projects Team, Finance Team; • Interview with representatives of the Human Resources Department 	<ul style="list-style-type: none"> • Visit to Spayka corporate facilities including cold storage warehouses and food processing set up; • Interview with representatives of the Fleet Management Department;
20 September 2017	<ul style="list-style-type: none"> • Visit to the radish and apple orchard at Alapars Village (~40 km from Yerevan); • Discussion with female workers at the orchard and the orchard management team 	<ul style="list-style-type: none"> • Discussion with Qagcrashen Municipality on Spayka's fruit and vegetable procurement process; • Discussion with small and medium farmers that supply to Ararat Fruit; • Discussion with coordinator of Ararat Fruit for Artashat Region
21 September 2017	<ul style="list-style-type: none"> • Visit to the Operational Greenhouse Facility; • Discussions with two groups of workers (male and female); • Discussions with Avagyan - construction contractor 	<ul style="list-style-type: none"> • Visit to the new greenhouse site in Shengavit district
22 September 2017	<ul style="list-style-type: none"> • Documentation review at Spayka LLC Corporate office in Yerevan; • Discussions with sample Spayka drivers 	<ul style="list-style-type: none"> • Wrap up discussions and clarifications
4 th October 2017	To understand overarching community feedback, expectations and to obtain a sense of any offsite impacts around the existing operational and under-construction warehouse, a meeting was held with Mr. Serjik Babayan- the head of Shahumyan rural community	
5 th October 2017	Group Discussions with sample workers of Spayka's food processing facilities: A meeting was held at Spayka head office with 3 male workers (Ararat Fruit	

Date	AM	PM
	workmen) and 4 female workers (Ararat Fruit sorters) on their working conditions.	
1 st November 2017	<ul style="list-style-type: none"> • Spayka presentation- company's background and business perspectives in view of ADB's financing; • Meeting with Spayka HR to discuss Spayka human resource policy, labour requirements and gender measures; • Meeting with Spayka's Projects Team to discuss further schedule of meetings and visits as well as to discuss land acquisition process. 	
2 nd November 2017	<ul style="list-style-type: none"> • Visit to the proposed greenhouse site in Yerevan • Meeting with the Head of Nor Kharberd rural community; • Interview with Nor Kharberd community resident; • Interviews with the residents of Noragavit district of Yerevan; • Interview with Noragavit resident; • Group discussions with Noragavit residents 	
3 rd November 2017	<ul style="list-style-type: none"> • Meeting in Yerevan city administration with the Legal Department and head of Shengavit Administrative district • Meeting in the Ministry of Labour and Social Affairs with Mr. Jora Sargsyan- the head of Labor and Employment Department. 	

1.4.4 *Management Interactions*

The activities listed in *Table 1.1* included discussions and interactions with key management personnel that represent departments such as Projects; Corporate Finance; Fleet Management; Ararat Fruit/Procurement; Logistics; Human Resources; Security etc. At the time of the assessment Spayka LLC did not have a dedicated/separate environment and social manager/function.

1.4.5 *Stakeholder Consultations*

Some of the key internal and external stakeholder consultations that have helped in substantiating ERM's findings include:

- Discussions with fence line communities (especially around the new greenhouse location and around the vicinity of the existing greenhouse);
- Discussions with male and female staff and workers of Spayka LLC (over 40 personnel were covered through different group discussions);
- Interactions with Avagyan Construction LLC, engaged in ongoing construction activities, considering their involvement in the greenhouse project; and
- Representatives of rural municipalities and Yerevan city as well as key government sector representatives (such as the Department of Labour and Employment).

Annexure C includes a summary of these meetings.

1.4.6 *Analysis and Reporting*

Subsequent to the site assessment, a Key Issues Report was submitted on 4th October 2017. This was followed by additional documentation review as well as stakeholder consultations during a follow-up visit with ADB's team. Thereafter, ERM has prepared the SCA report to capture relevant scope and assessment parameters. The audit findings also provide recommendations against the gaps assessed and these recommendations have been collectively organized in the form of a Corrective Action Plan provided in *Section 4* for further discussion with Spayka LLC and the ADB.

1.5 *LIMITATIONS*

1.5.1 *Specific Limitations*

The Social Compliance Audit Report is to be reviewed keeping in mind the following specific limitations:

- It is understood that Spayka LLC intends to develop a blue cheese facility north of the site for the proposed greenhouse. This information was not provided during ERM's initial site visit and hence, this report does not include any findings pertaining to this activity;
- Annexure A provides an overview of the information/data provided by Spayka LLC that has been reviewed (including documents in Armenian and Russian). In addition, this annexure also captures specific information gaps that have limited our regulatory compliance assessment on labour and working conditions for Spayka as well as their construction-phase contractors (Avagyan Construction LLC);
- Kindly note that the scope of work did not include any sampling, analysis of environmental media, collection of primary data, engineering design or development of technical specifications or cost estimates among others.

1.5.2 *Uses of the Report*

ERM is not engaged in consulting or reporting for the purpose of advertising, sales promotion, or endorsement of any client interests, including raising investment capital, recommending investment decisions, or other publicity purposes. Client acknowledges this report has been prepared for their and their clients' exclusive use and agrees that ERM reports or correspondence will not be used or reproduced in full or in part for such purposes, and may not be used or relied upon in any prospectus or offering circular.

Client also agrees that none of its advertising, sales promotion, or other publicity matters containing information obtained from this assessment and report will mention or imply the name of ERM. Nothing contained in this report shall be construed as a warranty or affirmation by ERM that the site and property described in the report are suitable collateral for any loan or that acquisition of such property by any lender through foreclosure proceedings or otherwise will not expose the lender to potential environmental or social liability.

1.6

LAYOUT OF THE REPORT

The layout of the Social Compliance Audit Report is structured as follows:

- Section 1 (this section):* Provides an introduction, project background, objectives and scope of work and ERM's methodology along with any limitations;
- Section 2: Provides an understanding of Spayka's corporate profile and operations along with key findings;
- Section 3: Assesses key social risks and impacts for the proposed Greenfield greenhouse along with its conformance with respect to the applicable standards;
- Section 4: Summarises the key recommendations for regulatory non-compliances and gaps identified in the form of a Corrective Action Plan.

The main report is supported by the following annexures:

- Annexure A: List of Documents Reviewed and Key Information Gaps;
- Annexure B: Photo Documentation;
- Annexure C: Sample Minutes of Meeting with Key Stakeholder Groups;
- Annexure D: Land documentation for the new greenhouse (Property Certificate, Donation Agreement and summary translations).

2.1 COMPANY BACKGROUND

Spayka LLC is Armenia's largest exporter of fruits and vegetables to Russia and other Commonwealth of Independent States (CIS) countries and is an international transportation company with annual export volume of more than 95 thousand tons of products (2016). The company was established in 2001 as a freight forwarding and transportation company and has seen an organic phase of growth and diversification from fruit procurement, processing to its own greenhouses and orchards between 2012 and 2016.

The key Spayka facilities are as follows:

Table 2.1 *Overview of Spayka Facilities*

Detail	Description
Spayka Corporate Office	This includes the key management and staff, food processing and canary activities and cold storage warehouses in Yerevan occupying approximately 2.5 ha in the industrial zone of Yerevan;
Volvo Service Centre in Yerevan	Spayka operates approximately 213 Volvo truck refrigerators for international freight forwarding
Warehouses	Modern cold storage warehouses with a total area of approximately 15,000 m ²
Spayka plastics and packaging	Fruit and vegetable sorting/packaging facilities, and a plant manufacturing package boxes and pallets made of polystyrene foam (EPS) and PP
Orchards	<ul style="list-style-type: none"> 72 ha of orchards in Shenik, Armavir marz (30HA cherries, 17HA apricot, 4 HA plum); 75 ha of orchards in Alapars, Kotayq marz for apple and radish; Orchards are operated by local operational managers by control of agronomists from central office
Operational greenhouse at Artashat (55 ha) which was obtained through an acquisition of a company named Greenhouse LLC	Company is operating 35HA (A,B,C blocks) agriculture complex in Shahumyan village including 7 blocks of greenhouses 5-hectares each, cold storage for short term store, sorting and packaging facilities in Shahumyan Village. New 20HA greenhouses (D,E blocks) are under construction and will be in the operation at the end of 2017 at the same place. Total permanent workforce is more than 460 people. The main goal of the company in Shahumyan village is to expand the greenhouse farm for growing vegetables using modern technology for 55HA hectares of film greenhouses in 2017.
Logistics centre	Logistic center Bagratashen, Tavush marz with a cold storage facility of 2000 m ²

The key expansion plans of Spayka LLC entail ongoing construction (blocks D and E) at the Shahumyan operational greenhouse at Artashat and the new greenfield greenhouse within Yerevan (covered in Section 3 of this report). The following figure illustrates an overview of Spayka's value chain across its facilities.

Figure 2.1 Spayka Value Chain



- The company procures fruits and vegetables from approximately 10,000 farmers in Armenia and also procures select produce from other countries (e.g. mandarins from Georgia and melons from Iraq) as a part of Ararat Fruit and Ararat Food. Overview of the procurement process is as follows:



2.2 WORKFORCE

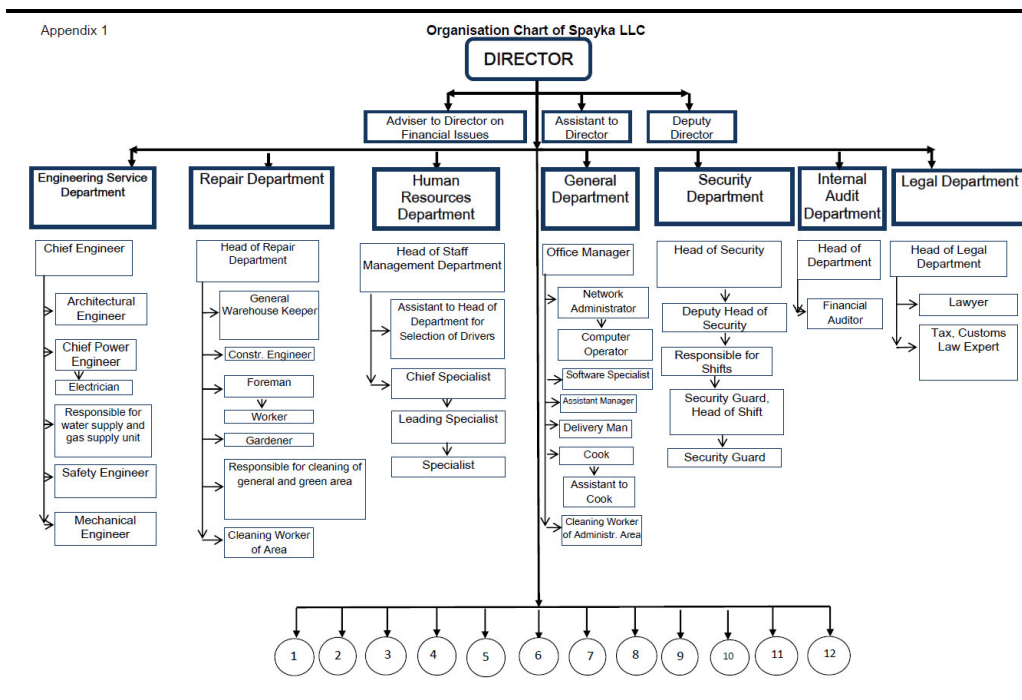
Spayka has a total workforce of 1021 staff and workers as indicated in the subsequent table:

Table 2.2 Workforce Details - Existing Facilities

Department	Male	Female	Total
Spayka administrative staff, Food processing (Ararat Food), Fruit stock piling (Ararat Fruit).	124	72	196
Volvo service centre	263	2	265
Alapars orchards	20	0	20
Shenik orchards	14	0	14
Bagratashen Cooling storages and logistic center	20	3	23
Greenhouse Complex	177	326	503
Total	618	403	1021

Spayka also engages approximately 400-600 workers as temporary harvest workers within orchards as also to support procurement activities through Ararat Fruit. The company also engages third party entities (~100 persons) through the provision of security, canteen, internal transport, housekeeping facilities and agents that coordinate the harvesting process during specific seasons.

The subsequent figure illustrates Spayka's organisation structure for operations. The company also has a separate Projects Department reporting directly to the Director which is in charge of all expansions. Spayka is yet to put in place a formal department on environment, health and safety and social performance management.



2.3

EXISTING MANAGEMENT SYSTEMS

ERM understands that Spayka is at an early/ conceptual stage of developing integrated EHS management system using ISO 22,000 on quality and food safety standards and ISO 14001 on Environment Management Systems. It is understood that a third-party entity will be engaged to support the company in developing a formal process of E&S risk identification, however, the terms of reference and/or work order of this entity was not made available for review. Presently, some of the existing EHS initiatives that are presently being implemented include:

- Spayka’s investment program for the greenhouses include rain water collection reservoir for efficient use of water sources;
- Basis for purchasing of equipment is designed with in-built prevention pollution and control facilities. Such an approach was reportedly used for the procurement of Volvo trucks and equipment installed in the cold warehouse and at the package production plant;
- Company is also in the process of developing a legal register to maintain environmental permits as well as put in place a mechanism to initiate the state environment expert review procedure as required.

Human resources and working conditions at Spayka LLC are governed by their internal Code of Conduct (Internal Disciplinary Rules) which regulates the following issues:

- Employees recruitment and lay off;
- Provisions of labour contracts;
- Employees work schedule;
- Employees recognition and disciplinary actions.

2.4 LITIGATIONS AND DISPUTES

Spayka LLC has not reported any litigation and/or dispute linked to land agreements for their facilities, any accidents or incidents or worker related disputes. It is understood that there was a fire in 2013-2014 at one of Spayka's warehouses in Yerevan, however, no details of this incident or any investigation reports have been made available.

2.5 KEY FINDINGS AND COMPLIANCE ASSESSMENT

This section reviews the social management systems, regulatory compliance and performance of Spayka LLC across their existing operations based on applicable ADB SPS requirements along with a reference to Armenian regulations. Certain themes that are part of ADB SPS SR 1 with implications for social impacts (e.g. community health and safety) have also been covered. These issues will be covered in detail as a part of the IEE being prepared for the greenhouse project.

The compliance status has been assessed according to the following definitions:

Table 2.3 Compliance Definitions

Rating	Definition
Aligned	Information available indicates that the Project/Company fulfils the requirement and/or is aligned with the intended outcome of the requirement.
Partially Aligned	Information available indicates that the Project/Company fulfils the requirement and/or is partially aligned with intended outcome of the requirement.
Not Aligned	Information available indicates that the Project/Company does not fulfil the requirement.
Insufficient Information	There is insufficient information to make an assessment of the level of alignment.
Limited Applicability	The specific standard/requirement has limited applicability in the present project context

The compliance assessment also includes recommendations and these have been suggested to Spayka LLC to enhance their existing systems.

Table 2.4 Gap Assessment as per applicable standards

S. No.	ADB Requirements/Other Applicable Requirements	Issue and Description of Observation	Level of Compliance	Recommendations
1. Specific Scope Parameters under Social Performance and Management Systems				
1.1	<ul style="list-style-type: none"> Assessment of the Company's process of identification of risks and impacts of the Company's business operations (materials, processes and services) including the Company' screening, categorization, planning and review procedures; Review of the management systems, mechanisms, policies and procedures in place for the management of social issues at the project sites, including organization, objectives, targets, training, performance monitoring and auditing, and staffing, budgeting, and management review; Adequacy of the institutional arrangement, management structures, human resources and capacities deployed by Spayka LLC at the corporate and project levels to manage the social impacts of its operations. 	<p>Spayka LLC is an entity that is engaged in a range of activities across freight forwarding, greenhouses, transportation and large-scale procurement and processing of agrarian produce. The company is yet to establish an overarching E&S policy statement and put in place a formal management system to identify and manage environment, health and safety and social risks and impacts. It is understood that the company intends to implement an integrated management system for quality, food safety, OHS and environmental management. However, ERM was not provided any documentation with respect to a defined scope, contract of a consultant or a timeline for implementation to confirm the same. In the absence of a formal system, Spayka presently does not have consistent mechanisms to manage their risks and impacts (including legal compliance as well as expansion plans for greenhouse development).</p> <p>Spayka LLC has an organization structure to support its diverse nature of operations across Projects, Engineering, Human Resources, Security, Legal and Repairs/Maintenance. The expansion at the existing greenhouse and the new greenhouse is being managed by the Projects Department and will be handed over to Engineering upon commissioning. Presently, Spayka does not have an EHS and Social function within the existing structure. There is limited awareness on assessing E&S risks and their management, including understanding legal compliance requirements.</p> <p>Each facility and type of operations at Spayka LLC entails environmental impacts (e.g. fleet transportation, usage of water and energy at the greenhouses and orchards etc.). However, there is currently no internal mechanism to identify indicators for management of E&S impacts, monitor their performance and report them internally or externally.</p>	Limited applicability	<p>As ADB's proposed investment entails project finance and not corporate finance, Spayka LLC is not obligated to develop a formal Environment and Social Management System aligned to ADB SPS.</p> <p>However, considering that Spayka is reportedly in the process of developing an integrated management system (IMS), it is recommended that this is aligned to the requirements of ADB SPS and IFC Performance Standards (2012) as good practice. In addition, the ESMS should cover the activities across its value chain (including procurement activities).</p>

S. No.	ADB Requirements/Other Applicable Requirements	Issue and Description of Observation	Level of Compliance	Recommendations
1.2	<p><u>Land Procurement:</u> Constitution of the Republic of Armenia establishes that "The private property may be alienated only in exclusive cases of prevailing public interests in the manner prescribed by the Law and <i>with prior equivalent compensation.</i>"</p> <p>Law On Alienation of property for the needs of the society and the state (Eminent Domain Law), 2006 regulates the whole process of involuntary land acquisition.</p> <p>Land Code, 2001 regulates private land procurement.</p>	<p>It is understood that the provisions of Eminent Domain do not apply for business projects such as Spayka's. Spayka facilities have either been allocated by local governments through an allotment, a lease or have been purchased as a part of voluntary land transactions.</p> <p>Considering the number of facilities and scale of operations, Spayka LLC requires a large land footprint, which mostly entails private land purchase in rural areas and which may entail economic and livelihood impacts. It is understood while none of the specific facilities where land was purchased (e.g. the orchards) entailed any physical or economic displacement, the actual land procurement process, safeguards applied and any residual risks and implications have not been documented. Usually, the Projects Department manages any land procurement. There is no documented procedure in place to guide Spayka's land procurement activities and implementation of safeguards.</p> <p>In the case of the greenhouse project (proposed under ADB financing) which includes supporting infrastructure and the site access roads will be fully implemented within the land plot donated by Yerevan municipality, so no additional land acquisition will be needed.</p> <p>The land donation for greenhouse construction purposes was done in accordance with the stipulations of the Land Code, 2001. The relevant Decision of Government (No 762-A dated by 23.07.2017) was adopted. The donation contract contains certain destination and conditions for provision of Yerevan municipality owned land plot for uncompensated use to Spayka LLC. Further information on the land allotment process (as well as the site history) is provided in <i>Section 3.1.1.</i></p>	Partially Aligned	<p>For the ADB Financed Project, no additional land will be acquired.</p> <p>Considering the land requirement for Spayka activities, as a good practice, Spayka LLC may consider to develop a Land Procurement Procedure aligned to the requirements of the Land Code, 2001 and ADB SPS SR 2 (voluntary land transactions / negotiated settlement) which will include the following:</p> <ul style="list-style-type: none"> • Specific avoidance criteria while identifying and selecting land, notably to minimize physical and economic displacement; • Safeguards in the land negotiation and purchase process; • Third Party validation of the negotiated settlement • Requirements for informed consultation and participation and documentation of all transactions.
1.3	<p><u>Requirements under SR 3 on Indigenous Peoples</u></p>	<p>In accordance to the Census of Armenia (2001), 98% of the total population is ethnically Armenian. The rest comprise of ethnic minority groups: notably Greeks, Russians, Assyrians, Kurds, Yezidi Kurds and Ukrainians. Of these the Yezidi Kurds are a culturally distinct group that practice their own religion and have nomadic and agro pastoral livelihoods sources.</p>	Not Applicable	-

S. No.	ADB Requirements/Other Applicable Requirements	Issue and Description of Observation	Level of Compliance	Recommendations
		Spayka's activities do not entail any specific adverse E&S impacts on Yezidi Kurds or any other ethnic minority groups that are distinct from their general interface with the Armenian community. Their facility (especially the new greenhouse location) has not impacted any Yezidi Kurd communities with respect to their livelihoods or cultural heritage.		
1.4	<p><u>Stakeholder Consultations- Enhancing Consultation and Participation</u></p> <p>ADB will require the borrower/client to carry out meaningful consultation with affected persons and communities in the implementation of all three safeguard policies.</p> <p>As required under SR 1: Carry out meaningful consultation with affected people and facilitate their informed participation. Ensure women's participation in consultation. Continue consultations with stakeholders throughout project implementation as necessary to address issues related to environmental assessment.</p>	<p>Spayka LLC does not have a formal mechanism to identify stakeholder groups and manage engagement processes. This is carried out informally based on needs of existing operations or expansion plans (see Section 3.3.4).</p> <p>Two key mechanisms which are relevant for their activities overall include:</p> <ul style="list-style-type: none"> • Making accessible an internal and external grievance mechanism to raise concerns linked to their activities across fleet transportation, procurement from farmers, ongoing construction activities etc. and • Disclosure of information on Spayka activities to local communities in a transparent manner along with communication on the E&S impacts that they entail and measures in place to minimize and/or mitigate the same. <p>Consultations with representatives of leaders and local communities of Shahumyan in the vicinity of the existing operational greenhouse indicate the following:</p> <ul style="list-style-type: none"> • Spayka is one of the largest employers for the Community population (around 70 people), and moreover Spayka pays around 3,500,000 AMD annual local taxes to Community budget, which is around 10% of Community's total budget incomes; • Local authorities are in charge only for construction permits, which have been applied by Spayka and issued by the rural municipality in due course; • Spayka complex is far from the community's residential area and there are no specific grievances linked to E&S performance or ongoing construction. 	Partially Aligned	<p>Spayka LLC will prepare a Stakeholder Engagement Plan (focused on the proposed investment plan) which will include:</p> <ul style="list-style-type: none"> • An identification of stakeholders (internal and external) to be consulted; • Type of information to be disclosed (including the medium, frequency etc.); • Mechanism by which regular progress or updates on the company's E&S performance is shared with the local community.
1.5	Grievance Redressal Mechanism to address grievances and determine extent to which stakeholder consultation and participation activities are integrated into	<p>Spayka does not have a formal and documented internal and external grievance redressal mechanism. With respect to internal grievances, Chapter 3 of Spayka's Code of Conduct states that "the employee can submit his/her complains or proposals to its intermediate superior or to HR department directly or through e-mail". No other process on anonymous complaints and/or resolution mechanism has been provided.</p> <p>Worker consultations across the operations indicated a range of informal grievance</p>	Not Aligned	Spayka LLC will develop a corporate-level Grievance Redressal Mechanism which will be extended for the new greenhouse construction and operations and which will be designed and tailored to include:

S. No.	ADB Requirements/Other Applicable Requirements	Issue and Description of Observation	Level of Compliance	Recommendations
	<p>business process. As required under SR 1: Establish a grievance redress mechanism to receive and facilitate resolution of the affected people's concerns and grievances regarding the project's environmental performance.</p>	<p>mechanisms:</p> <ul style="list-style-type: none"> In general, workers at the corporate office stated that the process is verbal, no documented grievance procedure. Grievances are raised in accordance with Spayka hierarchy, i.e. from sorters to senior sorters then to facility managers, then if suitable to Company's top management; Townhall meetings are held by Senior Management at the Volvo Service Centre and the operational greenhouse once in 2-3 months. Minutes of Meetings of the Volvo Centre (July 2017) and the Greenhouse (July 2017) indicated that the discussion is extremely high level and does not actually focus on a forum to highlight workplace concerns; Greenhouse workers usually approach their team leader and thereafter the shift agronomist; No specific mechanism was mentioned by female workers at the orchard. They had been raising the issue of workplace sanitation provisions (mobile toilets) with the management at the orchard and the central agronomist since 6-8 months, however, no specific intervention to address their concern had been implemented. <p>Local community representatives indicated that there are no specific concerns as most of Spayka's activities are away from residential settlements, however, there was no awareness on who specifically to approach in case of any issue.</p> <p>Farmers that are engaged in supply of fruits and vegetables reach out to harvesting agents and regional coordinators of Ararat fruits.</p> <p>Finally, there is no dedicated control room to regulate any community concerns on Spayka's transportation fleet related to any community health and safety, road safety and/or traffic incidents.</p>		<ul style="list-style-type: none"> Internal worker and third-party worker concerns; and Local community concerns around facilities and/or fleet transportation. <p>As a good practice, the corporate-level GRM should also be accessible to farmers within Spayka's supply chain and procurement network.</p> <p>Once the GRM is put in place, there will be disclosure to the local residents and other relevant external stakeholders on its accessibility. Specific principles around transparency, a specified tracking and closure process and the ability to provide anonymous complaints will be incorporated.</p>
1.6	<p><u>Contractor Management:</u></p> <ul style="list-style-type: none"> Review of the management systems, mechanisms, policies and procedures in place covering matters related to use and management of contractors and subcontractors; Review and assess contract 	<p>Spayka contracts specific activities to third-party workers (e.g. security at their Yerevan facility, catering for workers in Yerevan office and in greenhouse, construction of the greenhouse expansion and drivers during peak transportation requirements). Discussions with the Projects Department indicated that there is no formal contractor management system with respect to selection of contractors, determining contractual provisions linked to compliance/labour/safety requirements, training of contractors and their monitoring.</p> <p>Specific data/information has been requested from Avagyan Construction LLC who had engaged approximately 450-500 workers at the construction site within the existing greenhouse on licenses as well as labour compliance information.</p>	Not Aligned	<p>Spayka should incorporate appropriate measures into their existing contractor management process as follows:</p> <ul style="list-style-type: none"> Document the monitoring of the contractor's compliance to applicable legal requirements, the Labour Code, ILO core

S. No.	ADB Requirements/Other Applicable Requirements	Issue and Description of Observation	Level of Compliance	Recommendations
	documents to check how the ESMMP requirements from the ESIA (if exist) have been transferred to the Contractors/Sub-contractors agreements and determine adequacy of environmental provisions in the contract.			<p>labor standards and the terms of the contract;</p> <ul style="list-style-type: none"> Develop a process by which contractor performance is reviewed and any non-conformances are identified and are considered for renewal or repeat contracts.
1.7	<u>Supply Chain, Sourcing and Procurement</u> as provided in the SAI and IFC Handbook on “Labour Standards Performance in your supply chain	<p>Ararat Fruits Department manages the procurement of fruits and vegetables from approximately 10,000 farmers across Armenia. These farmers have been engaged with Spayka for at least 4-5 years and provide seasonal produce at designated locations arranged by municipal authorities across the year. The procurement activity is coordinated by “brigadiers” or middle men that have been identified by Spayka to manage each sub-region (2-3 municipalities) and delivery of produce takes place in the presence of Spayka (Ararat Fruit) representatives. Engagement with farmers at the “Narck-Khasara” municipality indicated that average profit for farmers with 7,000 m2 of farms is approximately USD 5000-6000/annum. Some of the key gaps that were observed in the procurement process include:</p> <ul style="list-style-type: none"> Limited documentation on the specific procurement process, quality control processes in place, criteria to select farmers and the entire contracting process; Training on agricultural extension services (to improve productivity and enable farmers to increase their benefits) is provided by agronomists engaged by Spayka, however, this is adhoc in nature and not formalized across regions; No grievance redressal mechanism has been put in place for farmers to raise any concerns. A recent news article indicated that Spayka did not provide per kg/tonnes payment as per the agreement made with the farmers and the municipality for 2017 (http://www.finport.am/full_news.php?id=30375&lang=3); There has been a gradual shift in cropping patterns since the farmers started supplying produce to Spayka from staples and vegetables to fruits. However, this has reportedly not led to any localized inflation or food security concerns. <p>Ararat Fruit also undertakes agricultural extension activities (not documented and without any specific training calendar) which includes awareness on consolidation of farms, ad hoc training through experts, provision of anti-hale nets, subsidies for drip irrigation etc.</p>	Limited Information	As a good management and risk mitigation measure (in view of the importance of direct procurement through farmers for Spayka’s activities), Ararat Fruit should develop a formal Procurement Management System to regulate the supply of fruits and vegetables from farmers in Armenia.

S. No.	ADB Requirements/Other Applicable Requirements	Issue and Description of Observation	Level of Compliance	Recommendations
2. Labour Requirements: This section provides an overview of the compliance with labour laws and ILO core labour standards as well as findings against the applicable labour standards and issues (covering regular staff, the workers outsourced from other agencies and temporary workforce).				
2.1	Overview of HR Policies and Procedures	<p>Spayka’s Human Resources Department coordinates the recruitment, contracting and working conditions for the 1021 staff and workers across departments. There is no formal human resources policy and procedure other than the Code of Conduct. However, it is understood that Spayka is in the process of developing one which is likely to be in place by April 2018.</p> <p>There is a need to update the code of conduct into an HR Policy document which will include:</p> <ul style="list-style-type: none"> • Provisions on equal opportunity employer, non-discrimination, gender mainstreaming, non-tolerance to forced labour and child labour; • With respect to legal requirements, the code of conduct does not have specific provisions setting the types of works prohibited for pregnant and lactating women. <p>There should be a reporting mechanism, communication and awareness generation activities with the employees about sexual harassment (posters, sessions on sexual harassment), provision included in employee contract, and internal mechanisms to address sexual harassment (reporting) set up.</p> <p>Company’s Human Resource Policy will ensure that pregnant women workers, and women who take care of their children under 1 year old will not be discriminated or negatively affected (i.e. moving them to less paying jobs or affecting other employment related issues such as seniority and opportunities for promotion)</p>	Partially Aligned	<p>Code of Conduct being developed by Spayka into an HR Policy to include proposed provisions.</p> <p>New Yerevan greenhouse to apply this HR policy.</p>
2.2	<p>The client will provide workers with the documented information that is clear and understandable in regards to their rights under national labour and employment law and any applicable agreements.</p> <p>Provisions of Employment Contract under the Labour Code, 2004</p>	<p>It is understood that there are different types of contracts (permanent contract and temporary) which determine the benefits to be availed. However, the provisions for wages, working hours and benefits are reportedly aligned to the Labour Code, 2004. This includes social security benefits, pre-employment medical screening, maternity benefits etc. Spayka is yet to provide information/ documentation to assess compliance to applicable labour legislations, especially for construction phase as indicated in Annex A.</p> <p>ERM reviewed sample contract agreements with drivers, administrative staff, greenhouse worker and a temporary worker. Spayka LLC’s employment contracts generally comply with the provisions set by the National Legislation, however, the following observations are pertinent:</p>	Partially Aligned	<p>All temporary workers at the orchard and for sorting within greenhouses should be provided a standardised contract and not one-month contracts as per the Labour Code.</p> <p>Wage calculation approach especially for variable pay needs to be incorporated in the Labour contract.</p>

S. No.	ADB Requirements/Other Applicable Requirements	Issue and Description of Observation	Level of Compliance	Recommendations
		<ul style="list-style-type: none"> The contract is in line with the stipulations of the national labor legislation, namely the Employer is obliged to provide all the measures to assure employee's safety in the workplace, The Employer is obliged to compensate over time work as per stipulated by the Labor legislation. The employee has the right to request her annual paid leave. The annual paid leave is 24 working days (as stipulated by the Labor Code). There are no contract provisions, which may be interpreted as "forced labour", "unfair wages or working conditions; The employment contracts with truck drivers do not include method for calculations of mark-ups for trips. There is generally lack of information on the variable pay aspect of different jobs; Contract for harvesting worker in Shenik Orchards was made only for one month. This is type of contract made with so called seasonal workers applied in orchards as well as in Artashat greenhouse (for sorting workers). There are no specific terms which are different from other contracts, except for the provision of renewal. 		
2.3	<p>The client will provide reasonable working conditions and terms of employment and will respect collective bargaining agreements.</p> <p>Working Hours and Overtime under the Labour Code, 2004 Minimum Wages: As defined by the law, in 2017 it is 55 thousand AMD a year. This is net income after deducting the 5% Social Payment for the pension program and 24.4% income tax. Shall not include bonuses, additional payments, overtime, awards, other incentives</p>	<ul style="list-style-type: none"> As per the reviewed employment contracts Spayka LLC assures the legal stipulations for working hours, overtime as well as additional payment for heavy and harmful work; Sample incomes for drivers, greenhouse workers and sorting workers was found to be compliant with minimum wage requirements; The employees and workers at Spayka LLC do not have any trade union; In Ararat Fruit there is strong distribution of wages per positions. Among the interviewed people there were 3 sorters with the salary of 95,000 AMD, one senior sorter with the salary of 110,000 AMD and 3 workmen with the salary of 110,000 AMD. The salaries are the same for all the employees for the same position. There is no fixed/ documented bonus system. Generally bonuses are linked with the performance, so they are paid mainly in harvesting period, when Ararat Fruit Workload work load is higher; Specific categories of workers (e.g. drivers as well as greenhouse workers and sorting workers) have a variable component to their salary which is based on performance (e.g. number of round trips for drivers). However, the specific policy and criteria has not been documented. In addition, the selection of workers into specific positions where variable pay is triggered is also not clear based on consultations with the greenhouse workers (difference between workers within the greenhouse and those engaged in sorting); Greenhouse workers indicated that overtime work is paid at the same rate as regular hours and not at a premium; 	Partially Aligned – based on information provided	<p>A formal overtime recording and payment policy should be developed for all facilities as a part of the HR policy.</p> <p>Spayka should develop a formal mechanism for all workers in the greenhouse (including third party entities) to assess compliance to applicable labour laws and by disclosure of benefits (e.g. bonus provisions) in a transparent manner.</p>

S. No.	ADB Requirements/Other Applicable Requirements	Issue and Description of Observation	Level of Compliance	Recommendations
		<ul style="list-style-type: none"> • Business hours are given in the Chapter 7 «Hours of business». Working hours per week are set as 40 hours per week (as stated by the Labor Code), from Monday to Friday 9:00-17:00, Saturday 9:00-15:00. There is also one hour break; • For the workers of greenhouse sorting facility shift work regime is set. There are 4 working groups work for 3 shifts: 8:00-15:00, 15:00-22:30, 22:30-8:00. While three shifts are working the 4-th shift has day-off. So workers of the every shift work 3 days and then 1 day for day off. For the shift workers the break time is set for 2 hours; • As per the sample of Labor Contract provided by Spayka shift workers are overpaid for working in weekend as well as for working at night time (as required by the Labor Code); • No discrimination cases have been identified in Spayka; • No collective dismissals or large scale retrenchments have taken place; • Overall, the key worker benefits include transportation, canteen and social security. 		
2.4	The client will not employ children in any manner. The client will also not employ any forced labour, which consists of any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty.	<p>Spayka Code of Conduct has a policy in place to not hire people under 18. There is also a reference to Article 153 of the Labour Code to regular working hours in case of underage workers being engaged. However, the specific provision for shorter work time of 36 hours for workers between 16-18 years is not included as per Article 140 of the Labour Code.</p> <p>While Spayka's operations do not engage any underage workers, based on discussions with representatives of Ararat Fruit, there is a possibility of workers between 16 and 18 years being engaged as temporary harvest workers as these are identified by intermediaries and brigadiers, and hence, the possibility of engagement of young workers cannot be excluded.</p>	Partially Aligned	<p>Spayka's Human Resources Policy should stipulate non-tolerance of child labour and that the minimum wage for work at Spayka facilities and their supply chain is 18.</p> <p>New greenhouse under ADB finance to include contractual provisions which do not allow the engagement of any worker under 18 years.</p>
3. Other Policy Requirements				
3.1	ADB Policy on Gender and Development: Information on company benefits and opportunities provided to women; and Proposed measures to promote welfare and opportunities for women	<p>Of the 1021 employees and workers engaged by Spayka (September 2017), approximately 39.4% are women. The total number of women managers in senior leadership roles is 5 (out of approximately 35 persons). Between September 2016-2017, a total of 764 women applied for work in Spayka, of which 227 women were recruited. The total number of applicants is reported to be 1000+.</p> <p>The Code of Conduct of Spayka LLC does not include any specific statement on gender equality and exclusion of gender discrimination.</p> <p>Spayka LLC does not have any specific gender mainstreaming safeguards. It is understood</p>	Partially Aligned	<p>Gender Action Plan for the new greenhouse agreed between ADB and Spayka includes (among other requirements):</p> <ul style="list-style-type: none"> • Provision of equal opportunity and non-tolerance to discrimination in HR policies;

S. No.	ADB Requirements/Other Applicable Requirements	Issue and Description of Observation	Level of Compliance	Recommendations
		<p>that the provisions of maternity benefit as per the Labour Code, 2004 are in place at Spayka LLC. This includes the following:</p> <ul style="list-style-type: none"> • Leave and compensation thereof as per the stipulation of number of days; • For a mother who resumes work before her child attains age of 1 year is prohibited from being engaged in hard or detrimental work, and being engaged for work on the days of rest; • Lactating women have additional break for at least every 3 hours at least 30 minutes. <p>Consultations with female employees and workers (corporate, orchards, greenhouses and processing facilities) indicated general satisfaction levels with Spayka's conditions and overall opportunities as well as the conducive environment provided to women.</p>		<ul style="list-style-type: none"> • New greenhouse to provide dedicated rest area for lactating women; • Workplace satisfaction survey for female employees and workers once every two years; • Specific initiatives to make grievance mechanisms accessible to women; • Inclusion of gender-based indicators across operations (over and above employment).
4.2	ADB Policy on Public Communication	Spayka LLC does not have a formal policy on external relations and public communication. These are managed by an internal department on Investor and Public Relations which handles liaising with statutory and government authorities in case there is a specific requirement. Usually, the HR and Projects team organises regular reporting and updates to key local authorities such as the Healthcare Department and the Department of Environment, Sanitation and Epidemiology.	Partially Aligned	Communication and disclosure of E&S performance and indicators to identified external authorities should be linked to the SEP.
4.3	Prohibited Investment Activity List (including child labour and forced labour)	The operations undertaken by Spayka LLC did not trigger any specific activities in ADB's Prohibited Investment Activity List. The agronomists at the operational greenhouse also specified that seeds are mostly imported from Holland and that no genetically modified seeds are used.	Aligned	-

3.1 PROJECT DESCRIPTION

Spayka LLC plans to construct a Greenfield greenhouse within Yerevan municipality. The project is being planned as a new energy saving and energy efficiency semi-closed greenhouse for tomatoes and bell peppers with indoor and limited outdoor vegetable production.

The greenhouse complex is located within the boundaries of Yerevan municipality in Shengavit administrative district, approximately 5 km from Spayka's corporate office. The other adjacent administrative settlements include Noragavit district of Yerevan and Nor Kharberd rural community of Ararat Region.

The site for the greenhouse complex has been allotted by the municipal authorities of Yerevan under the investment support policy decision "N 762-A" dated 23.06.2017 as per the provisions of the Land Code of RA, 2001. Information on the area and the history of the land has been provided in Section 3.1.1. The subsequent figure illustrates the onsite status as of September, 2017:

Figure 3.1 Illustrative Site Photographs

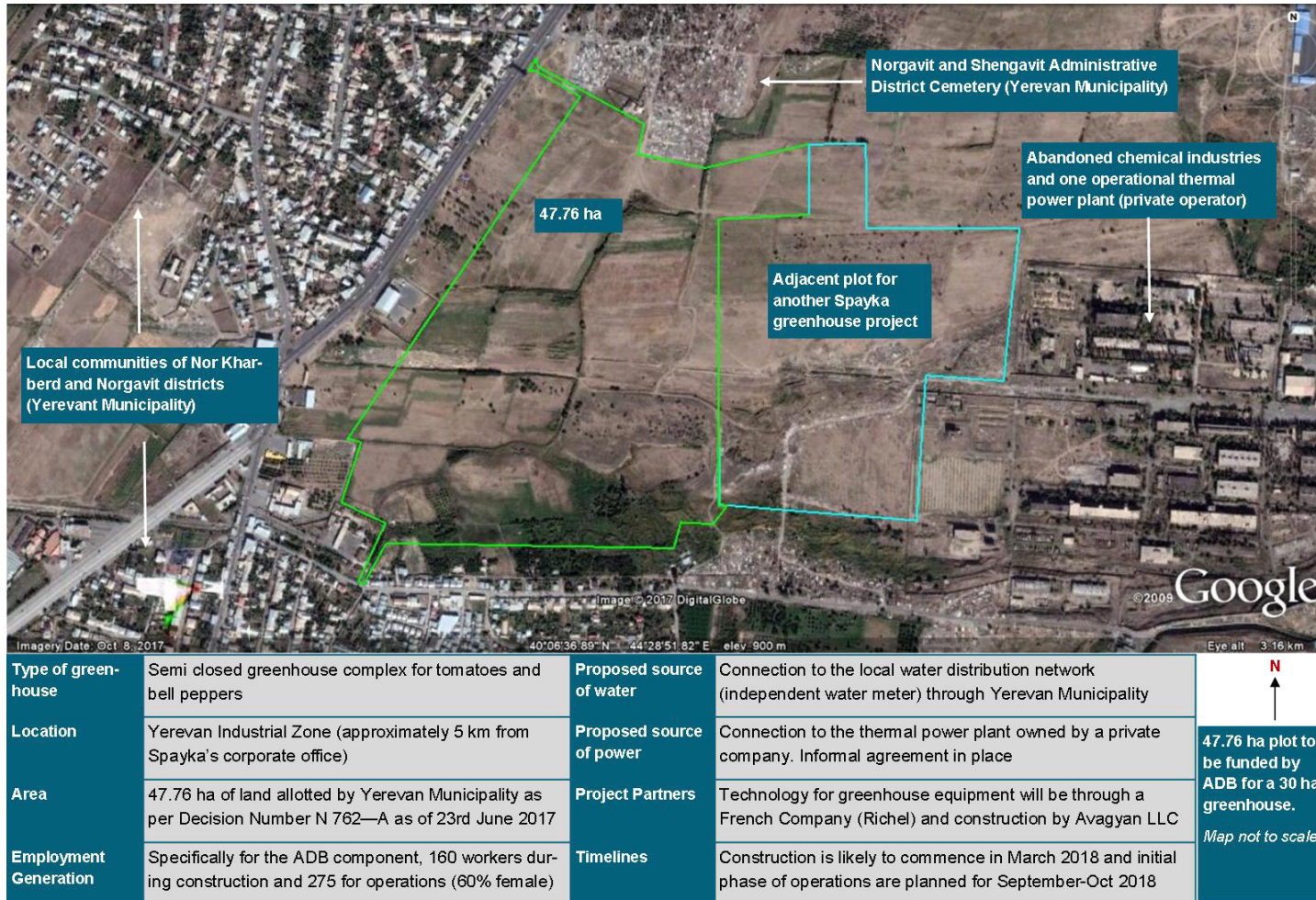


*Source: ERM Photographs, September 2017

The site is devoid of any dense vegetation or any structures and/or habitation. There are no large surface water bodies without or immediately adjacent to the site. Nor Kharberd rural community is the nearest residential settlement, located approximately 600 m from the site. There is a cemetery falling within Shengavit administrative district along the north-eastern site perimeter. No other culturally significant sites are present within the site boundary.

The following figure illustrates the proposed project layout and key information:

Figure 3.2 Greenhouse Project: Spayka



*Source: Adapted using Google Imagery and onsite observations

3.1.1 *Land Footprint and Allotment*

It is understood that 47.76 ha of land has been allotted by Yerevan Municipality to Spayka LLC through a donation agreement after which a land property certificate for the land was registered. Details of the same have been included in Annex D. A brief site history on land ownership and use has been provided subsequently:

Box 3.1 *Brief Site History*

It is understood that the land for the proposed Spayka greenhouse project was categorized as a communal farm (*kolkhoz*) during the Soviet era. The fall of the Soviet Union and the formation of the Republic of Armenia ended communal farming activities across Armenia, including the project site. The land came under the administrative jurisdiction of Shengavit community of Yerevan (known as Shengavit district after 2009).

It was reported that during the early 1990s, the land within the project boundary was cultivated by the residents of Noragavit based on informal land use permits issued by Shengavit community. It is understood that these permits were not legally binding or legally acknowledged documents and were made available as an informal right of use without any leasing charges for the land users. The Head of Legal Department of the Yerevan City Administration indicated that approximately 250 households were cultivating this land in the 1990s and gradually, this number reduced to around 4 households in the early 2000s (owing mostly to the growth of Yerevan city and other economic opportunities).

In 2008, as per the Local Governance Regulations adopted in December 2008, Shengavit community became Shengavit administrative district under Yerevan city and thus the land use permissions issued by the erstwhile Shengavit community were deemed terminated. In 2012 the Government through its decision No 633-N dated by 03.05.2012 approved the proposal of Yerevan Mayor for land alienation through direct sale of Yerevan community owned lands for the purposes of greenhouses construction. The Government also appointed the "Armenian Crop Promoting Centre" CJSC (a company with 49% stocks in Government ownership) to conduct project management. The idea was to establish PPP, where Yerevan municipality was to provide land plots for potential investors and "Armenian Crop Promoting Centre" CJSC was to mobilize investors in greenhouse business and to provide services to investors.

In accordance to the Land Code, 2001 and the government decision dated 3rd May 2012, the authorities are obligated to provide land to potential private entities/investors free of any encumbrances or free of any potential third party's rights or de facto use. Therefore, Yerevan Municipality initiated the process of identification of the land users and payment of compensation to de facto users of land plots under the rights provided by the erstwhile Shengavit Community. Representatives of Shengavit district administration reported that any and all households that were identified to be cultivating the land were provided 1600 AMD/m² for orchards and 800 AMD/m² for crops. It is understood that compensation was accrued by general households in Noragavit as well irrespective of whether they were found to be cultivating as on the specified compensation date (not available). Provisions for land users are not specified in the Land Code, 2001 and hence, it is assessed that additional safeguards were applied. It is understood that the local community agreed with the amount of the compensation and signed receipts in lieu of the amounts.

Further to the compensation, the plans for the proposed greenhouse did not materialise due to limited investor interest. The local authorities were not able to find any investors till Spayka's interest in early 2017 and hence, the land was barren without any use and/or cultivation since at least 2012.

Spayka LLC applied to the Mayor of Yerevan for the site in early 2017 reportedly after having undertaken visits and brief/informal feasibility assessments linked to access, utilities and available onsite and offsite infrastructure. As reported by Spayka's project department, the site was chosen based on the following key factors:

- Lack of any cultivation, use and/or habitation of the site;
- The available land was sufficient for the proposed project and no additional land requirement and/or acquisition was envisaged in its immediate vicinity;
- The site and adjoining vicinity did not have any sensitivity with respect to biodiversity, dense community settlements or sensitive receptors.


The Government adopted the Decision No 762-A dated by 23.07.2017 on approval of the investment programs presented by Spayka LLC (for greenhouse complex and a blue cheese facility). The Government also provided consent for donation of Yerevan municipality owned land plots to Spayka LLC as well as a Land Certificate (see Annex D). The following figure includes an English translation of the document dated 18th July 2017.

Box 3.2

Land Certificate

Translation from Armenian

**REPUBLIC OF ARMENIA
CERTIFICATE**



On state registration of rights with respect to real estate

The present certificate certifies it the state registration of rights with respect to real estate done in the united register book of state registration of the property dated on 07th of August, 2017. The *ownership* certificate is issued with the right of ownership right.

1. SUBJECT(S) ON REGISTERED RIGHT
<<SPAYKA>> LLC

2. PLACE OF LOCATION AND NAME OF THE REAL ESTATE
Yerevan, Shengavit, Artashat Highway 51/2

1. DOCUMENTS WHICH ARE BASIS FOR REGISTRATION
Decision of Yerevan Municipality N 246-A as of 11.07.2017, donation contract of the plot, N 5777 as of 18/07/2017.

4. DATA OF PLOT
Cadastr code: 01-011-0428-0047
Measure of the surface (ha): Destination 47, 76458
Use Goal or type of the plot: Industry, utility, production
Operating goal: agricultural industrial objects
Type of Right: ownership

Page 1
Certificate № 07082017-01-0151 CODE 7KCTA8DIJ4VQ

DATA OF BUILDINGS

1. Destination:
2. Data due to separate buildings:



Cadastr code	Type	Measure of the surface	Type of registered right

Name and surname of the officer realizing the registration: Hayk Gevorgyan
Position: Real Estate senior Register
Page 2
Certificate № 07082017-01-0151 CODE 7KCTA8DIJ4VQ

.....

*The translation has been made at the Translation Center «Aregak».
We bear the responsibility for the exactness of the translation and not the facts stated in the text.
Ministry of Justice of the Republic of Armenia, a translator taking part in the Notary Operations of
Ministry of Justice of RA.*

Director: K. Hakobyan
August 10, 2017

3.1.2

Key Social Permits and Licenses

Presently, ERM has assessed that the proposed greenhouse located within Yerevan Industrial Zone will not require a state-level environmental review procedure as per the RA Law on Environmental Impact Assessment and Expertise, adopted on 21.06.2014. However, an IEE is being prepared to align the project with ADB SR 1 requirements.

The land donation agreement between Yerevan Municipality and Spayka LLC was found to incorporate the relevant provisions of the Civil Code, 1998 and the Land Code, 2001 requirements pertaining to government allotment. It is understood that as per the land donation contract No 5777 (see Annex D) signed between Spayka and Yerevan Municipality, the following conditions were specified:

- Timeline for project completion: Before 2020, Spayka LLC is required to ensure the construction and operations of the greenhouse complex and an adjoining blue cheese factory;
- No later than six months of operation, Spayka LLC will assure at least 600 work places for at least 36 months.

It is understood that Spayka LLC is yet to put in place any specific strategy (including potential training requirements) to meet the commitment of local employment. However, discussions with the HR Manager of Spayka indicated that as an internal policy, the company is known to disseminate information on employment in advance and prioritise employment of local residents.

Spayka LLC has reported that there are no litigations pertaining to the land allotted by Yerevan Municipality for the proposed greenhouse project.

3.2

SOCIAL SETTING

As provided in Section 3.1, the site for the proposed greenhouse project falls within the jurisdiction of Yerevan municipality in Shengavit administrative district. There are two settlements (residential areas) in proximity to the project area, i.e. Noragavit district of Yerevan and Nor Kharberd rural community of Ararat Region.

The immediate vicinity of the site has at least 2-3 major industries (power and chemicals) that were set up during the Soviet era and have not been in active operations since at least 25 years. Only a privately owned power plant (Yerevan Thermal Power Plant) was found to be in active operations.

The following table summarises key socio-economic information on the nearby residential areas based on discussions with local residents:

Table 3.1 Socio-economic Profile

S. No	Indicator	Brief Description
1	Population	<ul style="list-style-type: none"> As per the National Statistical Service of Armenia (January 2016), the population of Nor Kharberd rural community was 7,046 residents or approximately 1985 households; Population data on Norgavit indicates that there are approximately 10,000 residents (2280 households) as of January 2016.
2	Social Groups	A majority of the residents are Armenians. There are some ethnic minority communities represented by the Yazidi families, however, these communities have been integrated into the mainstream and have the same rights and obligations of Armenians as per the Civil Code, 1998 (i.e. voting rights, property purchase etc.).
3	Livelihoods	A majority of the local population is engaged in orchards, vine growing, vegetable cultivation and staples. Livestock rearing (cattle and poultry) is also practiced.
4	Occupational Profile	In addition to agriculture, most families have a secondary income source in the industries and service oriented activities within Yerevan, considering the proximity to the city.

**Source: Secondary Information and Stakeholder Consultations*

There are 4 public institutions within a 3 km radius of the greenhouse (2 middle schools, 1 child care centre, 1 polyclinic). There are also 4 small size production facilities and 3 public catering facilities located in Noragavit district. All the above mentioned facilities are out of project direct impact area. Among the population of Noragavit district 115 households are recipients of social benefit system (around 5% of total number of households).

In general, the local community was supportive of any project development within the project site and was expecting Spayka LLC (or any other investor) to provide employment opportunities.

3.3 SUMMARY OF FINDINGS

Based on the context provided in Sections 3.1 and 3.2, the following section summarises key findings:

3.3.1 Land Requirements and Involuntary Resettlement Impacts

During the site assessment, the land for the proposed Greenfield greenhouse was found to be barren without any active income generating anthropogenic activities.

Spayka reported that the land allotment through Yerevan Municipality did not entail any involuntary resettlement (physical and/or economic). In addition, Spayka indicated that the entire project footprint/layout will be within the allotted land and no additional land acquisition is anticipated for the proposed investment.

A review of available information on the land allocation at Shengavit Administrative District and discussions with local community, especially residents of Norgavit indicate the following:

- Between 2012 and now, the land has not been used for any cultivation purposes and thus, there are no specific local communities/households that are dependent upon this land;
- The land allotment to Spayka did not entail any classical “land alienation” under the Law On Alienation of Property for the needs of the society and the state (Eminent Domain Law), 2006 as the land users did not have registered property rights or leasing agreements with the Municipality;
- However, these informal rights or de facto land use rights (Shengavit rural community to Norgavit residents before 2009) were reportedly settled in 2012 by Yerevan Municipality once the decision to approve the investment proposal was made by the government. It is understood that compensation was paid to households for the use of land based on their consent and that any reported objections were amicably settled.

The legislation envisages compensations only for the owners of alienated land, so the payment of compensations to DE FACTO land users (with no registered property rights) was considered as a good will of Yerevan municipality.

As confirmed by the Yerevan Municipal authorities and Spayka LLC, there are no legacy issues, disputes or litigations related to the land allotted for the greenhouse project.

Consultations in the vicinity of the site indicate the local expectation is priority employment for the residents of fence line communities and surrounding areas. It is understood that the Yerevan Municipality made certain employment commitment to the local communities in 2012 and presently, these have been transferred to Spayka’s project as per the land donation contract conditions.

<p>Involuntary Resettlement Category: The land procurement for the new greenhouse at Yerevan Municipality did not entail any economic and/or physical displacement of local communities with respect to Spayka’s project.</p> <p>It is understood that this land belonged to the government/municipal authorities and had been made available for individuals for de facto use prior to 2012. In 2012, the Municipality came up with an Investment Plan for the land to develop a greenhouse and reportedly provided compensation to households of Norgavit. The government appointed the “Armenian Crop Promoting Centre” CJSC (a company with 49% stocks in Government ownership) to conduct project management. The idea was to establish PPP, where Yerevan municipality was to provide land plots for potential investors and “Armenian Crop Promoting Centre” CJSC was to mobilize investors in greenhouse business and to provide services to investors.</p> <p>Discussions with local residents and local authorities indicate that to the extent feasible, principles around consideration of informal rights (usage of the land), compensation that was at replacement cost (based on consent of communities) and prior information was provided to minimize any loss of livelihoods.</p>		
Category A	Category B	Category C

3.3.2 Labour and Working Conditions

The following table provides an overview of the indicative workforce of the greenhouse project:

Table 3.2 Indicative Workforce

Phase	Employment for the ADB Project	Employment for the overall greenhouse (including adjacent plot)
Construction	160	220
Operations	275 (35 administrative staff and 245 workers of which 65% will be women)	550

*Source: Spayka LLC

Section 2 has summarised the findings with respect to human resources, labour and working conditions as well as contractor management. With respect to the new greenhouse, specific recommendations are suggested as follows:

- Extension of the HR policy (updated with the recommendations of the SCA) to the new project;
- Specific requirements that are to be added for all employment contracts for workers engaged in the new project;
- Contractor management safeguards, i.e. requirement to comply with the Labour Code as well as the Core ILO Conventions for their employees, workers and sub-contractors as well as monitoring mechanisms to be put in place by Spayka LLC.

3.3.3 Information on Ethnicity, Vulnerability and Impacts

As indicated in Section 3.2, there may be some ethnic minority groups, such as the Yezidi present in the local communities. However, this community is not categorised as indigenous and no indications of any adverse E&S impacts vis-à-vis Spayka’s proposed greenhouse project was noted.

<p>Indigenous Peoples: In accordance to the Census of Armenia (2001), 98% of the total population is ethnically Armenian. The rest comprise of ethnic minority groups: notably Greeks, Russians, Assyrians, Kurds, Yezidi Kurds and Ukrainians. Of these the Yezidi Kurds are a culturally distinct group that practice their own religion and have nomadic and agro pastoral livelihoods sources. Spayka’s activities do not entail any specific adverse E&S impacts on Yezidi Kurds or any other ethnic minority groups that are distinct from their general interface with the Armenian community. Their facility (especially the new greenhouse location) has not impacted any Yezidi Kurd communities with respect to their livelihoods or cultural heritage.</p>		
Category A	Category B	Category C

3.3.4

Gender Aspects

Based on observations at the existing facilities, it is understood that there is a likelihood of a majority of the operations phase workforce (in particular greenhouse workers and workers engaged in sorting as well as housekeeping of facilities) to be female. This was confirmed by the Human Resources Department.

Spayka requires 8 workers to manage each hectare of greenhouse. For the 30 hectares greenhouse under ADB financing, a total of 240 workers and 35 administrative staff will be engaged. Spayka commits to employ at least 65% women greenhouse workers. Spayka indicated that they will prioritize local workers from surrounding communities.

ADB and Spayka have developed a Gender Action Plan as follows:

Table 3.3 *ADB and Spayka LLC Gender Action Plan*

Outcome and Output	Actions and Indicators	Timeline	Responsible Agent
Outcome: 1. Agricultural production increased leading to increased food security, improved rural livelihoods.	Number of new greenhouse workers employed in Yerevan amounts to 240 employees (including at least 65% women) (2017 baseline: 60% of total employees currently employed)	2018–2020	Company
Output: 1. Farming operations increased 2. Farming operations contribute to the local economy 3. Employment and training opportunities for female employees increased and improved	1. 100% of women greenhouse workers trained in good agriculture practices and techniques and provided with safety training (2017 baseline: 0)	2018–2020	Company
	2. Provide designated areas for lactating mothers	2018–2019	Company
	3. Improving and ensuring separate toilets, ^a wash basins and bathrooms for men and women workers	2018–2019	Company
	4. Human resource policy to include provision on prohibiting sexual harassment in the workplace	2018	Company
	5. Human resource policy to include provision on ensuring equal opportunities ^b for female employees including gender equality in recruitment, training, parental leave, childcare provisions and equal pay for equal work (2017 baseline: no policy)	2018	Company
	6. Reporting mechanism, communication and awareness generation activities with the employees about sexual harassment (posters, sessions on sexual harassment), provision included in employee contract, and internal mechanisms to address sexual harassment (reporting) set up.	2019	Company

Outcome and Output	Actions and Indicators	Timeline	Responsible Agent
	7. Company Code of Conduct to include provision on pregnant women workers, and women who take care of their children under one year old: will not engage in tasks with dangerous factors and harmful conditions such as handling of fertilizers and harmful chemical, carrying of heavy loads, and those requiring working in elevated heights;	2018	Company
	8. At least 3 success stories from women on how their lives have improved for dissemination on Company and ADB's website	2019-2021	Company and ADB

^a Women's toilets with menstrual hygiene management including provision of adequate water and agents and spaces for washing and bathing and private disposal facility. As a general rule, Spayka will provide the toilets, wash basins and bathrooms following international best practices guidelines on minimum number of facilities required based on the number of workers present at the workplace at any given time. Ratio of 3:2 will be adopted i.e. 3 women toilets will be provided for every 2 male toilets. The ratio of male and female facilities will be adjusted based on the number male and female workers.

^b Company's Human Resource Policy will ensure that pregnant women workers, and women who take care of their children under 1 year old will not be discriminated or negatively affected (i.e. moving them to less paying jobs or affecting other employment related issues such as seniority and opportunities for promotion)

The IEE will also include specific mechanisms on informed consultation and participation to enable women workers to participate in the process as well as customising a project-specific grievance redressal mechanism that is accessible to women. In addition to the above provisions, a review of corporate management systems has indicated specific gender provisions around developing indicators and as a part of the supply chain.

3.3.5

Assessment of Social Impacts

The proposed greenhouse project will not entail any adverse social impacts linked to land acquisition, resettlement, impact on common property resources, ethnic minorities and/or cultural sites. There are no legal stipulations on sanitary zone for greenhouse construction projects.

The nearest residential community is located at a distance of approximately 600 m, and hence, there may be temporary construction phase impacts linked to traffic congestion, influx of migrant workforce into the immediate vicinity and nuisance impacts linked to dust, noise and air emissions. However, these can be mitigated by implementation of the Environmental and Social Management Plan to be proposed by the IEE.

During the operations phase, it is understood that the proposed technology does not provide for the use of pesticides to protect plants from pests and diseases. A biological method of protection using entomophags is used. Products' safety and quality is managed also through temperature control in cold storage room and during transportation. Microbiological testing between product changes and after chemical cleaning during sorting/grading in the cool room at sorting and packaging facilities is maintained to ensure management of cross-contamination.

As per the “Law on assurance of the sanitary epidemiological welfare of population of the Republic of Armenia”, 1992, Spayka is required to comply with specified sanitary and hygienic parameters on microclimate, air quality, noise, vibration, lightning.

The project does not envisage use of any local resources such as groundwater or any common property land or surface water bodies. Local development is anticipated due to employment and procurement opportunities for local residents.

The IEE will include an Environment and Social Management Plan (ESMP) focused on the construction and operations phase which will need to be disclosed as well as community to key implementation partners before start of construction activities.

3.3.6 Stakeholder Engagement and Consultations

Spayka LLC has been engaging with the following key stakeholder groups with respect to the greenhouse project:

- Local authorities in Shengavit district as well as Yerevan City Administration departments – this engagement has focused on the allocation of land for the project as well as any other permits that may be required;
- Representatives of the Yerevan Thermal Power Plant (privately operated) to pursue opportunities to share resources (steam, water and potential energy);
- Representatives of project partners, i.e. Avagyan Construction LLC for proposed construction activities and Richel (for the provision of equipment and technology).

No specific public meetings and/or engagements have been undertaken by Spayka to disclose or disseminate information on the project in general amidst the local communities. Consultations with local residents indicated that while they were aware of a potential greenhouse project of Spayka coming up, no specific information on timelines, exact activities and/or local employment requirements had been made available till date. Some of the residents raised concerns on environmental impacts in the construction phase as well as a general expectation on jobs.

The IEE will include an identification of project-specific stakeholders as well as a high level stakeholder engagement plan (SEP) for the project which will need to be implemented by Spayka LLC. Spayka LLC will conduct a public disclosure of the IEE Report and Environment and Social Management Plan (ESMP) in Norgavit and Nor Kharberd communities.

3.3.7 Grievance Redressal Mechanisms

Spayka LLC is yet to put in place a grievance redressal mechanism for the new greenhouse project. The SEP to be developed under the IEE will propose a suggested mechanism for grievance redressal which will need to be implemented as soon as possible, however, before the start of the construction phase activities.

This section summarizes the key recommendations that have emerged from the Social Compliance Audit for Spayka LLC. The recommendations have been organised at two levels:

- Suggested corporate-level social management systems/mechanisms; and
- Specific actions for the greenhouse project in the form of a Corrective Action Plan (CAP) which will be included as covenants agreed between the ADB and Spayka LLC under the funding/investment agreement.

4.1 RECOMMENDATIONS FOR SPAYKA LLC

4.1.1 *Inclusions within the proposed Integrated Management Systems*

ERM understands that Spayka LLC is in the process of developing an integrated management system (IMS) through a third party entity at a corporate level. The IMS will consider the following specific E&S safeguards so that the requirements under the management systems and procedures at a corporate level can be extended and implemented for the greenhouse in Yerevan:

- The IMS will be aligned to the requirements of ADB SPS (2009), ILO Conventions ratified by the RA, and IFC PS (2012) to the extent of their applicability for different procedures;
- The IMS will include a generic policy on stakeholder engagement and grievance redressal (including guidance, formats and templates) which will be implemented by different sites (including the greenhouse in Yerevan) across Spayka operations;
- Develop a Land Procurement Procedure aligned to the requirements of the Land Code, 2003 and ADB SPS SR 2 (voluntary land transactions and negotiated settlements) which will include the following:
 - Specific avoidance criteria while identifying and selecting land, notably to minimize physical and economic displacement;
 - Safeguards in the land negotiation and purchase process;
 - Requirements for informed consultation and participation and documentation of all transactions
- Specific standard operating procedures as follows on Fleet and Transportation Management which will cover community health and safety risks, mitigation and response procedures in addition to maintenance, driver training and supervision of contracted trucks/fleet;
- Offsite Emergency Response;
- Contractor Management Procedures which will include: (a) Development of selection criteria on the contractor's HSE records; (b) standard/template on HSE Requirements linked to environment management, health & safety, incident and accident reporting etc.; (c) Document the monitoring of the contractor's compliance to applicable legal requirements and the terms of the contract; (d) Develop a process by which contractor performance is reviewed and any non-conformances are identified and are considered for renewal or repeat contracts.

- The IMS will include a reference to a specific Procurement Management System (which should be developed by Ararat Fruit) to regulate the supply of fruits and vegetables from farmers in Armenia.

The responsibility of the IMS is with the Projects and Operations team. The above specific requirements will need to be included in the scope of work of the third party entity that Spayka LLC has reported to have engaged for IMS development. The overall timelines for the IMS will be four months so that they can be extended for the greenhouse in Yerevan based on the timelines provided in the CAP outlined in *Table 4.1*.

4.1.2

Inclusions within the HR Policy

It is understood that Spayka LLC is developing a Human Resources Policy (corporate level) to complement the existing Code of Conduct. This HR Policy will include the following specific requirements and will also be applicable to the Yerevan greenhouse:

- Non-tolerance of child labour and forced labour along with specific commitments on provision of minimum wage, equal opportunity and non-tolerance to engagement of young workers in the supply chain;
- Standardized employment contracts as per the provisions of the Employment Contract under the Labour Code, 2004 for all workers;
- Overtime recording and payment policy for all activities;
- Gender safeguards to be implemented which will include (but not be limited to):
 - Provision of equal opportunity and non-tolerance to discrimination in HR policies;
 - Requirements for pregnant women and lactating mothers in terms of workplace conditions;
 - Workplace satisfaction survey for female employees and workers once every two years;
 - Inclusion of gender-based indicators across operations (over and above employment) including the number of female farmers that have benefited from livelihood impacts through their engagement under Ararat Fruit; and
 - Specific initiatives to make grievance mechanisms accessible to women.

This will be the responsibility of the HR Department which is to be implemented by April 2018.

4.2

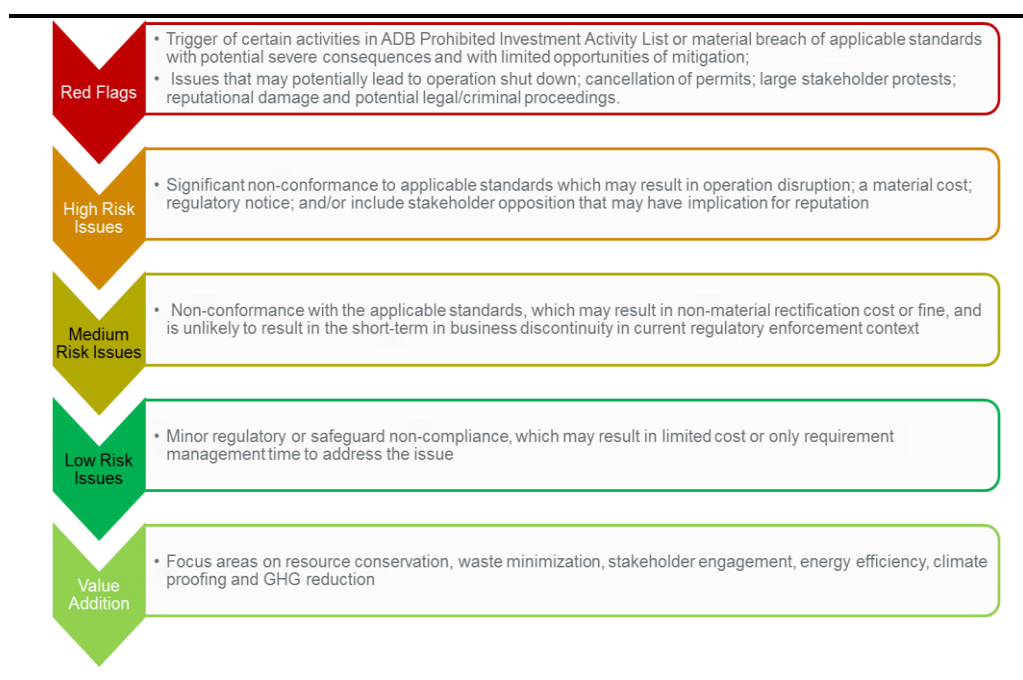
CAP FOR THE GREENHOUSE IN YEREVAN

The CAP provided in *Table 4.1*, has been organised as follows:

- Summary of Measures/Corrective Actions;
- Risk Categorization of the Recommendation (see *Figure 4.1*);
- Responsibility and Resources;
- Measurable Outcome that can be submitted to ADB; and

- Suggested Timeline for Completion (the timeline has been pegged to finalisation of the CAP or ADB’s approval of the CAP, i.e. from December 2017 onwards and in proposed in alignment with the greenhouse project timelines).

Figure 4.1 Risk Categorisation



The CAP has been prepared in consideration of the following:

- The SCA and CAP makes reference to an Initial Environment Examination (IEE) report which is being developed for the Yerevan greenhouse as a separate document to meet the requirements of SR 1 (Environment Assessment) of ADB SPS (2009) for Category B projects. This IEE will contain mitigation measures on community health and safety along with public disclosure requirements which have not been included in this CAP. This includes requirements under the “*Law on Assurance of the Sanitary Epidemiological Welfare of Population of the Republic of Armenia*”, 1992;
- The CAP recognises that the Social Compliance Audit has suggested specific corporate-level management systems (as outlined in Section 4.1 above) and that these would be implemented for the greenhouse in Yerevan; and
- The CAP has considered that Spayka LLC will engage Avagyan Construction LLC (who in turn will engage sub-contractors) to develop the greenhouse.

The CAP actions will become a part of the monitoring and reporting commitments under the Annual Monitoring Report (AMR) format that will be agreed between ADB and Spayka LLC.

Table 4.1 Corrective Action Plan for the proposed greenhouse project

S. No	Measures and/or Corrective Actions	Risk Category	Responsibility and Resources	Measureable Outcome (Deliverables to ADB)	Suggested Timeline for Completion (Based on ADB CAP Approval in December 2017)
1	<p>Spayka’s proposed Integrated (including Environmental and Social) Management System (IMS) development at a corporate level will be implemented for the greenhouse in Yerevan by putting in place a project-specific manual that will take into consideration:</p> <ul style="list-style-type: none"> • Extension of corporate policies and procedures on stakeholder engagement, contractor management (social and labour), and procurement (social and labour); • Social compliance requirements under the regulatory framework of Armenia (including ; • Requirements under ADB SPS (2009) and IFC PS (2012) to the extent of their applicability; • Recommendations in the IEE to manage and mitigate social risks identified across the project’s lifecycle. 	Medium Risk	Spayka Corporate Finance Team with the support of a third-party E&S firm	IMS Manual for the Greenhouse in Yerevan	Within 6 months from December 2017
2	Spayka LLC will implement the Stakeholder Engagement Plan developed under the IEE for the Yerevan greenhouse prior to start of any construction activities.	Medium Risk	Spayka Projects team and Operations team	Implementation Records of the Stakeholder Engagement Plan provided in the IEE	March 2018 (prior to start of any construction activity)
3	<p>Based on the corporate-level grievance redressal procedure to be developed at Spayka LLC, a project-specific grievance redressal mechanism will be put in place which will cover:</p> <ul style="list-style-type: none"> • Internal and third-party worker concerns on workplace conditions and any other E&S performance aspect of the greenhouse; • Surrounding communities and other interested stakeholders. <p>The implementation of the GRM will be undertaken (at a minimum) based on the following safeguards:</p> <ul style="list-style-type: none"> • Consultations with the representatives of the local communities on the specific mechanism, its suitability and accessibility before finalising it and disclosing the 	Medium Risk	Spayka Projects Team	Minutes of grievance mechanism disclosure and communication with contractors (as a part of the tender/bid process)	At least 1 month prior to start of construction/at the time of contracting

S. No	Measures and/or Corrective Actions	Risk Category	Responsibility and Resources	Measurable Outcome (Deliverables to ADB)	Suggested Timeline for Completion (Based on ADB CAP Approval in December 2017)
	<p>final GRM prior to construction; and</p> <ul style="list-style-type: none"> Each contractor (and their sub-contractors) will be required to communicate the existence of the GRM to their staff and workers that will be engaged in the greenhouse project; The GRM will have the ability to be accessible to any external stakeholder group to report E&S concerns/feedback for Spayka's consideration. 				
4	Based on the corporate HR Policy, a stand-alone human resources policy will be prepared for the greenhouse (including a policy to record and pay overtime work hours at a premium).	Medium Risk	Spayka HR Department	Greenhouse specific HR Policy	May 2018 (within one month of completion of corporate HR Policy, presently due in April 2018)
5	All employment contractors for workers engaged by Spayka (at all levels) and their contractors will have standardised provisions as per the Labour Code, 2004 as well as the wage calculation approach for variable pay.	Medium Risk	Spayka HR Department	Updated Employment Contract Format for all worker categories (including sorting, transport, supply chain etc.) associated with the greenhouse	Ongoing for any worker engaged for the greenhouse
6	<p>The following requirements will be part of the contract agreement to be executed with Avagyan Constructions LLC and any other contractors and sub-contractors:</p> <ul style="list-style-type: none"> Construction phase requirements of the ESMP (especially pertaining to social issues and impacts) will require to be a part of contract agreements with Avagyan and any other sub-contractors; Stipulation of compliance with the national labour laws and to take measures to comply with the core labour standards, even for sub-contractors; and Other safeguards part of the corporate contractor management systems. 	High Risk Issue	Spayka Projects Team	Contract Agreement with provisions of ESMP	At the time of contracting
7	For the new greenhouse project, Spayka LLC will develop a Local Employment, Procurement, Recruitment and Training Plan with the intent of prioritising skill-based and merit-based employment and procurement opportunities to local residents during construction and operations phase in order to meet community expectations and permit conditions. Spayka to monitor and include progress made on implementation of the	Low Risk	Spayka HR and Procurement Department	Submission of a Local Employment, Procurement, Recruitment and	The construction focused plan will be developed within 3 months and 6 months for the operations

S. No	Measures and/or Corrective Actions	Risk Category	Responsibility and Resources	Measurable Outcome (Deliverables to ADB)	Suggested Timeline for Completion (Based on ADB CAP Approval in December 2017)
	plan in the annual environment and social report to ADB.			Training Plan	focused plan
8	<p>Implement the Gender Action Plan (GAP) for the Yerevan Greenhouse as agreed with the ADB, which will include the following effective gender mainstreaming measures:</p> <ul style="list-style-type: none"> • Number of greenhouse workers employed in Yerevan amounts to 240 employees (including at least 65% women) (2017 baseline: 0); • Human resource policy ^(a) to include provision on prohibiting sexual harassment in the workplace as well as ensuring equal opportunities ^(a) for female employees including gender equality in recruitment, training and parental leave, childcare provisions and equal pay for equal work (2017 baseline: no policy); • Collect at least 3 success stories from women on how their lives have improved for dissemination on Company and ADB's website; • Women greenhouse workers trained in good agriculture practices and techniques – and provided with safety training - 100% women (2017 baseline: 0); • Provide designated areas for lactating mothers; • Improving and ensuring a separate toilets^{*(b)}, wash basins and bathrooms for men and women workers; • Company Code of Conduct to include provision on pregnant women workers, and women who take care of their children under one year old will not engage in tasks with dangerous factors and harmful conditions such as handling of fertilizers and harmful chemical, carrying of heavy loads, and those requiring working in elevated heights. 	Value addition	Spayka HR Department	Specific Gender Action Plan which will include the safeguards in addition to monitoring indicators and completion targets.	As per the timelines agreed for the GAP between 2018 and 2020

(a) Company's Human Resource Policy will ensure that pregnant women workers, and women who take care of their children under 1 year old will not be discriminated or negatively affected (i.e. moving them to less paying jobs or affecting other employment related issues such as seniority and opportunities for promotion).

(b) Women's toilets with menstrual hygiene management including provision of adequate water and agents and spaces for washing and bathing and private disposal facility. As a general rule, Spayka will provide the toilets, wash basins and bathrooms following international best practices guidelines on minimum number of facilities required based on the number of workers present at the workplace at any given time. Ratio of 3:2 will be adopted i.e. 3 women toilets will be provided for every 2 male toilets. The ratio of male and female facilities will be adjusted based on the number male and female workers.

Annex A

Information Reviewed and Data Gaps

- 30-20 gen plan scheme for the new greenhouse;
- ARM Spayka Gender Action Plan Draft for Discussion;
- Spayka Environment and Social Review;
- Number of Spayka Employees per Department (October 2017);
- Summary of Spayka Payroll Record (tabulated) for April 2016; August 2016; October 2016; and February 2016;
- Organisation Structure of Spayka dated 1st June 2017;
- Construction permits №№12-13 issued for the construction of greenhouses near the Shahumyan community;
- Contract dated 29.01.2016 with medical institution for workers' periodical medical examination
- Code of Conduct, Spayka LLC
- Working contract №1220 with driver
- Truck driver incentive order
- Working contract № 1707 with External Market Sales and Marketing Officer (Administrative staff)
- Working contract № 1618 with Artashat greenhouse gardener
- Working contract № 1750 with harvesting worker (seasonal) worker in Shenik Orchards
- Payroll for Shenik orchards harvesting workers, June 2017
- Protocols for management meetings in Volvo Service Center (31.07.2017, 04.09.2017)
- Protocols for management meetings in Artashat greenhouse (15.07.2017, 11.09.2017)
- Water permission №000161 for greenhouses near the Shahumyan community
- Contract №03401031 with "Shenik" water users association for irrigation water supply for the orchard near Bagramyan community
- Records of training drills conducted together with rescue service under the Ministry of emergency situations
- Land property certificate, Spayka LLC issued for greenhouse area (FMO section, 24,44 ha)
- Land property certificate, Spayka LLC issued for greenhouse area (ADB section, 47,76 ha)
- Land donation contract dated 18.07.2017 between Yerevan municipality and Spayka LLC.

The following information is pending as of 6th December 2017:

General Data

- FMO/Proparco Audit report if it is now available

Avagyan Construction Site

- Contract agreement with Avagyan for ongoing construction activities including act of responsibility of the constructor
- Sample payroll records for construction workers in July 2017;
- Sample contract with permanent workers on construction site;
- Sample contract with temporary workers on construction site;
- Contractor licenses that have been obtained for the construction site project;
- Organisation structure for the construction site;

Land Footprint of Spayka Facilities

Site/Asset	Area Purchased (Ha)	Mode of Purchase (through municipality/private land owners) and timeline	If private land owners, number of owners and average compensation per ha
Orchard A			
Orchard B			
Acquired Greenhouse - Artashat			
Logistic Centre			
Any other warehouse outside Yerevan			

- Any safeguards considered for: women, vulnerable social groups, religious minorities etc.
- Key Spayka organisation involved in land purchase and their roles;
- Agreement between Municipality and Spayka for the land for new green house;
- Land use agreement between Greenhouse LLC and Spayka for the 55 ha land;
- Examples of any benefits provided to land owners and/or communities where land was purchased (e.g. employment guarantee, funds for infrastructure etc.).

Overview of the Procurement Supply Chain

Item	Small Farmer	Medium Farmer	Large Farmer

Average size of farm (sqm or ha)			
Average cost of production - annual			
Average annual income from Spayka sale			
Estimate of number of such farmers in Spayka's supply chain			

- Number of farmers and intermediaries (brigadiers) as per regions – along with gender break up if available;
- Sample purchase agreement with individual farmers (at least three examples – one for different region);
- Sample purchase agreement with farmers union (at least three examples – one for different region);
- List of agriculture extension and training and awareness activities conducted with farmers (including number of beneficiaries);

Fleet Management

- Accident report for the vehicle overturned incident in Georgia in 2016;
- Overall list of traffic incidents for 2015, 2016 and 2017 which includes: Date, place, location, damages, details of any fatalities or injuries;
- Training calendar and records for drivers in 2016 and August 2017.

Annex B

Photo-documentation

Photo-documentation



Photo 1: View of the mud road used to approach the greenhouse and the Yerevan Thermal Power Plant in the background



Photo 2: General site view of the proposed greenhouse (no specific demarcation or fencing)

Project: Social Compliance Audit

Client: Spayka LLC and Asian Development Bank (ADB)

ERM Eurasia Ltd.
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Photo-documentation



Photo 3: View of the orchards at Artashat Marz



Photo 4: View of Shahmuyan Community near the operational greenhouse

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Photo-documentation



Photo 5: Municipal Warehouse for Fruit Procurement



Photo 6: Fruit Procurement Activities

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Photo-documentation



Photo 7: Interiors of the greenhouse



Photo 8: Interiors of the greenhouse

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Photo-documentation



Photo 9: Ongoing construction site activities



Photo10: Ongoing construction site activities

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Annex C

Sample Meeting Minutes

Basic details	
Location: Spayka head office	Village: Yerevan City
District: Yerevan City	Date: 05.10.2017
Purpose of the visit: Discussions on working conditions and labour issues	

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Key points Discussed :
<ul style="list-style-type: none"> • Number of years of engagement at Spayka: The attended employees have been working in Spayka for around 6-7 years; • Recruitment process: The employees learned about vacancy in Spayka through the announcement and passed interview with the management. Then they passed probation period before being employed; • Comparison of Spayka with other employers in the area (in terms of work conditions, salaries, benefits etc.): Spayka provides better working conditions compared with the other employers, namely better working environment, better working discipline, a bit higher salary which is paid in time (SG. timely payments of salary is an issue in Armenia); • Contract structures and its terms: They don't pay attention to their contract provisions, the only issue they know is that the salary fixed in the contract complies with the de facto paid salary; • Contract renewal process post annual appraisal: There is no annual appraisal of the contracts; contracts are made on permanent basis; • Communication to the workers about the wage raises and other benefits (e.g. bonus): In Ararat Fruit there is strong distribution of wages per positions. Among the interviewed people there were 3 sorters with the salary of 95,000 AMD, one senior sorter with the salary of 110,000 AMD and 3 workmen with the salary of 110,000 AMD. The salaries are the same for all the employees for the same position. There is no fixed/ documented bonus system, as far as I understood bonuses are paid on voluntaristic basis, decision is made on the top management level. Generally bonuses are linked with the performance, so they are paid mainly in harvesting period, when Ararat Fruit Workload workload is higher; • Workers' feedback on leaves policy and conditions of leaves to be availed: The employees are allowed to take leaves once a year 24 working days (SG. As requested by the legislation). The time for leave is arranged with the management; usually it is winter season, when the workload is relatively low. • The work schedule is 8 hours per day with one hour break from 9:00 to 18:00 (SG. as stipulated by the legislation). For the overtime work in Saturdays they get some additional compensation; • Drinking water and sanitation in their work areas: Drinking water is available at the processing facilities, bathrooms, change rooms are also available. Overall sanitation conditions are suitable; • Social security benefits provided by Spayka: The interviewed people are benefited from all the social security benefits envisaged by the legislation, namely compensations for maternity leaves, paid sick slips etc. No additional social security benefits are applied; • Specific conditions for female workers (if any): No specific conditions for female workers, except for restriction of female workers to undertake rough labor; • Health and Safety: Coverage during recruitment and joining. The workers passed induction training on health and safety during probation period; Annual medical check-up process: They pass induction and periodical medical check-up process; • Refresher trainings – type and content. Type- safety induction for personnel, Content- basics of health and safety, the content varies for different positions; • Type of incidents, first aid cases and accidents that have occurred: No major incidents so far, for the minor incidents they have first aid kits, the senior sorters and facility managers are aware of first aid skills;

- Awareness of fire evacuation and emergency response: The interviewed people demonstrated awareness of fire evacuation and emergency response plans;
- Grievance Mechanisms and processes: The process is verbal, no documented grievance procedure. Grievances are raised in accordance with Spayka hierarchy, i.e. from sorters to senior sorters then to facility managers, then if suitable to Company's top management;
- Response time taken by Spayka for grievance redressal: No fixed time;
- Workers' participate in the town hall meeting with the Spayka Director: Yes, for example the senior sorter attended the discussion has participated such a meetings for couple of times;
- Worker concerns: General concerns, availability of work in the future (linked with the Company's business perspectives, increase of wages etc.);
- Suggestions for improvement: No specific suggestions are to be mentioned.

Meeting Attended By :

- Mr. Suren Gyurjinyan- ATMS Solutions- Social Expert;
- A heterogeneous group of 3 male workers (Ararat Fruit workmen) and 4 female (Ararat Fruit sorters) engaged in the Yerevan site for food processing and refrigeration.

Basic details	
Location: Shahumyan	Village: Shahumyan
District: Shahumyan	Date: 04.10.2017
Purpose of the visit: Community Perceptions about the operational warehouse	

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Key points Discussed :
<ul style="list-style-type: none"> • Frequency of inspection of the greenhouse premises and the elements covered in it: The municipal authorities have no legal power to inspect business facilities (SG. That is true, municipal authorities have enforcement power only for activities, which are linked with the municipal services (waste collection, street cleaning and sanitary, municipal transport etc.). He visits the greenhouse area from time to time just to provide support or advice; • Spayka's overall performance: Extremely positive, He said that Spayka constructed the greenhouse complex on the lands which had not been suitable even for pasture, Spayka is the biggest employer for the Community population (around 70 people), and moreover Spayka pays around 3,500,000 AMD annual local taxes to Community budget, which is around 10% of Community's total budget incomes. • Any issues with respect to noise, dust, air emissions, ground water requirements etc: Spayka complex is far from Community's residential area, so no complains; • Any issues with respect to permits that Spayka needs and its compliance and feedback from authorities on Spayka: Local authorities are in charge only for construction permits, which have been applied by Spayka and issues by the rural municipality in due course; • Process and mechanisms of of grievance redressal: There have not been grievances so far, if grievance raised the head of community is ready to be a mediator between the Community's population and Spayka.
Meeting Attended By :
<ul style="list-style-type: none"> • Mr. Suren Gyurjinyan- ATMS Solutions- Social Expert; • Mr. Serjik Babayan- the head of Shahumyan rural community

DISCUSSION WITH FEMALE WORKERS AT OPERATIONAL GREENHOUSE

Basic details	
Location: Operational Greenhouse near Shahmuyan	Village: Shahmuyan
District: Shahmuyan	Date: 21 st September 2017
Purpose of the visit: Discussion on working conditions	

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Key points Discussed :
<ul style="list-style-type: none"> • There are about 64 sorting facilities. Details as follows: <ul style="list-style-type: none"> ○ 8 USD/day for 8 hours per day, ○ 10 USD/day for 8 hours per day, • Each greenhouse produces about 40kg in every sq. m. of area, • The entire workforce was recently appointed; • Payment of wages, entitlements and overtime: There are some examples of Overtime being paid over and above the ordinary wages; however not at a premium rate but as per the same ordinary wage rate that is paid per hour. Overtime reportedly does not exceed 1 hour a month. The male workers in the greenhouses are paid more than xxx. They are engaged in loading and unloading work. Bonus is paid only to those workers engaged at the greenhouse and not to those engaged at the sorting units; • There is flexibility to choose the type of work; • The team was not aware of any instance when they were rejected; • Grievance mechanisms: There is no formal grievance redressal system in place. Generally the workers report their concerns to their team leaders who then reports to the agronomist or the shift leader. The usual cases of grievances are related to leaving early for home and taking leaves due to sickness; • Leave structure: The workers were aware of the maternity leave benefit and xxx. However, they were not informed about this provision by the management; • The new joiners undergo induction training that also includes the basic requirements of health and safety at work e.g. operating a lift, boilers etc. There were no cases of first-aid reported. The workers were not aware of the procedure to be followed during an incident of fire or any other emergency; • The overall working environment was good with a responsive management; • The key area of improvement is regarding the salaries.
Meeting Attended By :
<ul style="list-style-type: none"> • Mr. Suren Gyurjinyan- ATMS Solutions- Social Expert; • Ms. Rutuja and Ms. Alexandra, ERM; • 10 Female and male workers at the greenhouse and sorting facilities.

DISCUSSION WITH FEMALE WORKERS AT THE ORCHARD

Basic details	
Location: Spayka Orchard	Village: Alaparh
District: Alaparh Municipality	Date: 20 th September 2017
Purpose of the visit: Discussions on working conditions	

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Key points Discussed :
<ul style="list-style-type: none"> • Use of Personal Protective Equipment (PPE) such as hats and gloves; • The working hours are between 9am and 6pm with an hour of break in between. There is a provision of weekly offs; • There are special vehicles arranged for transportation of these workers; • The average monthly wages are 4000 AMD per day for 8 hours of work. The overtime is paid at fixed value of 200 AMD for 2 hours of extra work. There is no practice of providing bonuses; • The workers were reportedly aware about the presence of snakes and insects in the area and the safety hazards posed by them; however were not aware of any other type of health or safety hazard at workplace. They reported cases of minor incidents such as cuts on fingers and no major accidents were reported; • The workers were not communicated about the provision of maternity leave. They were not aware that if pregnant they can be shifted to other department for work. As reported expecting women are not allowed to work during their pregnancy period in any department. Moreover, they are required to re-sign their contract with the employer after returning after maternity leave; • The workers are aware of Spayka's other rules and regulations; except for the grievance redressal mechanism. Furthermore the workers are not aware of whom to approach in case of any concern to be reported; • Rest rooms and lunch rooms: There is no provision for lunch rooms and the workers have their lunch in the open fields inside the site premises. Currently there is only 1 toilet at the site and there has been a request for a separate toilet near the fields; • The workers are not aware of company's leave policy. Currently the permission to avail a leave differs from case to case. There is a practice of taking seasonal breaks of 6-7 months during winter season every year; • Workers had requested the manager for facilities that are currently not offered to them. The manager has assured to respond to them after discussing the same with the management. The workers are satisfied with the work and optimistic about facilities being made available to them soon.
Meeting Attended By :
<ul style="list-style-type: none"> • A group of 6 female workers • Mr. Suren Gyurjinyan- ATMS Solutions- Social Expert; • Ms. Rutuja and Ms. Alexandra, ERM

DISCUSSION WITH FARMERS ENGAGED IN ARARAT FRUIT PROCUREMENT (NUMBER 2)

Basic details	
Location: Municipality townhouse	Village: Narck Khasrashah
District: Narck Khasrashah	Date: 20 th September 2017
Purpose of the visit: Understanding Spayka's fruit and vegetable procurement procedures.	

Important Notice: This document, intended for internal use of ERM, provides a working summary of the main facts captured during the meetings held, not formal minutes. It is therefore deliberately not exhaustive or chronological and, being provided for information, is not intended for official review or approval.

Key points Discussed :
<ul style="list-style-type: none"> • Spayka has leased a temporary storage facility where famers come to sell their produce; • Managers supply fruits from 600-700 households, • Spayka provides labour for harvesting and transporting the produce to warehouse at the municipal corporation, • The contract period of May to November indicates that some workers from Spayka are engaged on temporary basis; • Spring agronomies - Agents renew farms and open invitations for trainings in order to identify more problems related to the lack of plot; • Fertilisers only in case of need; • Prices of the products remain the same; • The key criteria to accept the products are their size and surface. However, products of other qualities are also accepted which is then sold to other companies; • There is no specific discrimination or favouritism between - ? • The average area is 8000 sq. m. For small (95%) the area ranges from 7000 to 10,000 sq. m. whereas for large (5%) it ranges between 2 ha and 4 ha. They were not able to provide for the cost, income, and margins; • 10000 USD income and 5000 USD profit in 7000 sq. m. of area of farming apricot, peaches, cherries, and plumes for which plots are divided due to the diversity in yields; • 10% of this is engaged in animal farming; • Supplying to Spayka since 2007; • No specific trends in cropping pattern were observed. Earlier majority of the land was used for cultivating vegetables that were sold in the local market. Present conditions are more suitable to grow fruit trees therefore a shift from wheat to fruits was observed. Fruits are now purchased at the local market or at subsistence level. Local village traders also purchase fruits; • Role of Municipal Corporation includes: Coordination, Proper information to farmers, provide a warehouse/space, and provide workshops. They don't play any role in payment of farmers; • The process of payment includes the following: <ul style="list-style-type: none"> ○ cash payments to farmers, ○ payment is made after the product is accepted, and ○ there are no famers' unions. • There are no formal grievance redressal mechanisms from Spayka and they approach the municipal authorities or brigadiers in case of any concerns.
Meeting Attended By :
<ul style="list-style-type: none"> • Municipal authorities • Groups of local farmers; • Mr. Suren Gyurjinyan- ATMS Solutions- Social Expert; • Ms. Rutuja and Ms. Alexandra, ERM

Basic details	
Location: Near new greenhouse	Village: Nor Kharberd
District: Yerevan	Date: 2 nd November 2017
Purpose of the visit: Overview of the socio-economic profile, dependence on Yerevan municipality land and perceptions about the project.	

Important Notice: This document, intended for internal use of ERM, provides a working summary of the main facts captured during the meetings held, not formal minutes. It is therefore deliberately not exhaustive or chronological and, being provided for information, is not intended for official review or approval.

Key points Discussed :
<p>Nor Kharberd rural community of Ararat Region is the nearest settlement to the project area outside Yerevan. The distance from the project area to the nearest residential house is around 600 m. As of January 2016 de jure population of Nor Kharberd was 7,046 residents (1985 households) . The prevailing majority of Nor Kharberd residents are Armenians. Ethnic minorities are represented by few Yazidi families. The minority people are generally well integrated with Armenian people; they do not have difficulties to communicate in Armenian language. The minority people have all the rights and obligations of Armenians (for example voting right, property purchase right, etc.). Therefore ethnic minorities of Nor Kharberd rural community are not classified into indigenous people.</p> <p>Agriculture is the most developed sector of the local economy. Nor Kharberd population is engaged in orcharding, vine growing, vegetable farming and crop farming. Some of households are also engaged in cattle farming and poultry farming. There are no industrial facilities in the Community. Since the community is in close proximity to Yerevan some of residents engaged in the industrial (especially for non-qualified job positions) and service sectors.</p> <p>Mr. Kakosyan has already noticed some developments in the project area; in the meantime he has not had information about the implemented project specifics. Mr. Sargsyan briefed about the implemented greenhouse complex and blue cheese construction projects. Then Mrs Principe asked whether within the project area have ever been used by the Community residents. Mr. Kakoyan mentioned that since the project area is located within Yerevan administrative boundaries, the project area land was used exclusively by residents of Noragavit district of Yerevan. In the last couple of years the project area land has been unused and has become a dump site. Mr. Kakosyan supported the project implementation in terms of visual amenity of the area (no waste is disposed anymore) as well as in terms of development of the local economy (employment opportunities, development of the local service sector etc.). He committed to support the project implementation. He also agreed to organize public discussions in the Community administration office if requested by Spayka/ ADB.</p>
Meeting Attended By :
<ol style="list-style-type: none"> 1. Mr. Kamo Kakosyan, Head of Nor Kharberd Rural Community, 2. Mrs Marife B. Principe- ADB Social Safeguards Officer, 3. Mr. Suren Gyurjinyan- ATMS Solutions- Social Expert, 4. Mr. Aram Sargsyan- Spayka, Technical Director

<i>Basic details</i>	
Location: Main settlement	Village: Nor Kharberd
District: Yerevan	Date: 2 nd November 2017
Purpose of the visit: General interviews	

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<i>Key points Discussed :</i>	
<p>Mrs Mkrtchyan's family lives in a private house, located in close proximity to the project area (around 650 m). Her family consists of 5 members, a wedded couple and 3 children. Her husband is disabled and is dealing with crop farming at the household plot. One of daughters is student, another one works in the small grocery in Yerevan. Her son left Armenia for temporary work in the Russian Federation.</p> <p>She was aware that the project owner is Spayka, but was not aware about the project specifics. Mr. Sargsyan briefed about the implemented greenhouse complex and blue cheese construction projects. She supported the project implementation mainly in terms of employment opportunities; she particularly would like her son to come back and to work in Spayka facilities.</p> <p>She also concerned about the potential environmental hazards coming from implementation of the project. She was informed by Mr. Sargsyan that the potential environmental impacts are under the consideration of Spayka, no significant environmental hazards/risks are expected.</p>	
<i>Meeting Attended By :</i>	
1.	Mrs Ruzanna Mkrtchyan, Resident
2.	Mrs Marife B. Principe- ADB Social Safeguards Officer,
3.	Mr. Suren Gyurjinyan- ATMS Solutions- Social Expert,
4.	Mr. Aram Sargsyan- Spayka, Technical Director

<i>Basic details</i>	
Location: Main settlement	Village: Norgavit
District: Yerevan	Date: 2 nd November 2017
Purpose of the visit: General discussions on socio-economic profile and perceptions towards the project.	
<i>Important Notice:</i> This document, intended for internal use of ERM, provides a working summary of the main facts captured during the meetings held, not formal minutes. It is therefore deliberately not exhaustive or chronological and, being provided for information, is not intended for official review or approval.	
<i>Key points Discussed :</i>	
<p>Noragavit is a private houses developed district located within Shengavit administrative district of Yerevan. Population is around 10,000 residents¹</p> <p>Interview with Noragavit resident Mrs Karine Mkrtchyan Mrs Mkrychyan family owns a small flower shop near to Noragavit cemetery along the access road to the project area. She told that there were many households cultivating land in the project area, but they stopped cultivation in 2012, because Yerevan municipality acquired the land for some business development purposes. According to her, people had long term leasing agreement with Yerevan municipality, and when the date of leasing agreement was expired the municipality did not extend it, proposing cash compensations instead. Her family had also cultivated a small land plot in the area, but since their land plot was out of the acquisition zone no compensation was paid to them. As far as understood by the interviewers their land plot was alienated in 2015 within the ADB financed Sustainable Urban Development Investment Program (Artashat highway construction section).</p> <p>Group discussions with Noragavit residents Interviewers talked with the group of Noragavit residents, who are living in close proximity to the project area along Artashat highway. There was also a family, which had an orchard in the project area. According to the family head after leasing agreements of people cultivating lands in the project area were expired, the municipality did not extend it, proposing cash compensations instead. All the land users got compensations calculated per square meter of used lands as follows: orchards- 1600 AMD/m², croplands 800 AMD/m². Interviewed people complained about the land acquisition, but in the meantime stressed that they had agreed to stop cultivation and get compensations instead. That time Noragavit residents were informed by Yerevan municipality that the land alienation zone should be used for greenhouses construction and they were promised for employment priority in the constructed greenhouses. They in a sense expect this promise to be fulfilled by Spayka as greenhouse complex project owner².</p>	
<i>Meeting Attended By :</i>	
1.	Mrs Marife B. Principe- ADB Social Safeguards Officer,
2.	Mr. Suren Gyurjinyan- ATMS Solutions- Social Expert,
3.	Mr. Aram Sargsyan- Spayka, Technical Director

¹ More data about Noragavit district will be gathered after meeting with Shengavit administrative district officials.

² Expectations of Noragavit residents were discussed with Spayka HR manager, who assured that dissemination of employment opportunities information in surrounding communities and giving employment priority to surrounding community residents is a part of Spayka recruitment policy.

<i>Basic details</i>	
Location: Yerevan City	Village: Yerevan City
District: Yerevan City	Date: 3rd November 2017
Purpose of the visit: General discussions on socio-economic profile and perceptions towards the project.	

Important Notice: This document, intended for internal use of ERM, provides a working summary of the main facts captured during the meetings held, not formal minutes. It is therefore deliberately not exhaustive or chronological and, being provided for information, is not intended for official review or approval.

<i>Key points Discussed :</i>	
<p>Mr. Gyurjinyan thanked Yerevan city administration officers for meeting and presented the scope of meeting, which is learn the background of municipality owned land plots donation to Spayka. As per Mr. Araqelyan Before collapse of the Soviet Union the land allocated for Spayka Greenhouse complex construction was used for agricultural purposes. It belonged to a communal farm (so called kolkhoz). After collapse of the Soviet Union communal farming activities in Armenia were stopped and the land became a property of Shengavit community of Yerevan (before 2009 Yerevan has a status of region divided to communities). Starting from early 90-th the land in the area was cultivated by Noragavit district residents, based on the so called land use "permissions" issued by Shengavit community. As noted by Mr. Araqelyan those "permissions" were not legally binding documents, therefore no leasing charge was envisaged for land users. Mr. Sargsyan stressed that initially there were around 250 households cultivating the land then the number of land users was dramatically reduced to around 4 households. After Yerevan city governance legal reforms in 2009, the land use permissions issued by Shengavit community were terminated.</p> <p>In 2012 the Government through its decision No 633-N dated by 03.05.2012 approved the proposal of Yerevan Mayor for land alienation through direct sale of Yerevan community owned lands for the purposes of greenhouses construction . To that end Yerevan municipality initiated process for payment of compensations to de facto users of land plots. As per the head of Shengavit administrative district compensations were provided to all the households, which had ever cultivated in the alienated area. The compensations were 1600 AMD/m² for orchards and 800 AMD/m² for crops. Even for households not cultivated at the compensation cut-off date compensations for crop were paid. All cultivating households agreed with the amount of compensations and signed sort of compensations receipt bill. As per Mr. Araqelyan the greenhouse construction investment project had not been implemented, so the land had become unused. In the beginning of 2017 Spayka applied to the Mayor of Yerevan to provide the land plot in the above mentioned area for greenhouse complex as well as blue cheese factory construction purposes. The Mayor of Yerevan submitted the relevant proposal to the Government. In June 2017 the Government through its Decision gave consent for donation of the project area lands to Spayka LLC for greenhouse construction purposes. Then the Mayor of Yerevan adopted the relevant land donation decree and donation contract was signed between Yerevan municipality and Spayka LLC. As per Mr. Araqelyan the project area land was donated specially for greenhouse construction investment project and Yerevan municipality is to monitor developments on the donated land plot to be in line with the investment program presented by Spayka. Mr. Araqelyan valued the project implementation in terms of sustainable development of the project surrounding area, especially Noragavit district of Yerevan. He noticed that the investment project to be implemented by Spayka might be considered as follow-up of ADB financed Sustainable Urban Development Investment Program, particularly construction of Artashat highway. Mr. Sargsyan committed to organize project public hearings for Noragavit residents, as well as to provide other support if requested.</p>	
<i>Meeting Attended By :</i>	
1.	Mr. Zaven Araqelyan- the head of legal department
2.	Mr. Aram Sargsyan- the head of Shengavit administrative district
3.	Mrs Marife B. Principe- ADB Social Safeguards Officer,
4.	Mr. Suren Gyurjinyan- ATMS Solutions- Social Expert,

<i>Basic details</i>	
Location: Yerevan City	Village: Yerevan City
District: Yerevan City	Date: 3rd November 2017
Purpose of the visit: General discussions on socio-economic profile and perceptions towards the project.	

Important Notice: This document, intended for internal use of ERM, provides a working summary of the main facts captured during the meetings held, not formal minutes. It is therefore deliberately not exhaustive or chronological and, being provided for information, is not intended for official review or approval.

<i>Key points Discussed :</i>	
<p>During the meeting Mr. Sargsyan was requested to provide clarifications on some provisions of the applicable national labor legislation.</p> <p>How the minimal wages are regulated? What are the legal proceedings to change the minimum wage? The minimum wage is regulated by the Law «On minimal monthly wage» adopted in 17.12.2003. The minimal monthly wages are changed through the amendments of the given Law. The last amendment was adopted in 01.12.2014, which set the minimal monthly wage as per 55,000 AMD.</p> <p>Which public authorities are in charge for enforcement of labor legislation?</p> <p>Enforcement of labor legislation in terms of correct and timely payments of wages and social benefits is done by the Tax service. Control of compliance of employees working conditions with the requirements of the national labor legislation is done by the Health inspection under the Ministry of Health.</p> <p>Is the work of underage people prohibited in Armenia?</p> <p>Employment of the children under 14 is prohibited. Employment of children of 14-16 is allowed only in the event of consent of one of the parents, adopter or guardian³. There are some special provisions for the work time for underage employees⁴. As per the article 257 of the Labor code the Government should adopt the types of work prohibited for underagers, pregnant and lactating women. This list is set by the Government Decision No 2308 dated by 29.12.2006. Underagers are subject for medical check-up before signing of labor contracts. Employees under 18 years of age must undergo a medical examination upon employment and with the defined regularity until they reach 18 years of age⁵.</p> <p>What are legal regulations for sick leaves?</p> <p>Sick leave benefits are not paid for the first working day, for the coming three working days sick leave benefits are paid by employer (which is not compensated), for the remaining sick leave period benefits are paid from the state budget. The maximum duration of paid sick leave is 3 months⁶.</p> <p>What are the legal regulations for investigations of accidents? Are there any regulations for compensations of employees?</p> <p>Occupational diseases and accidents are subject to mandatory registration by the employer (Article 261 of the Labor Code). The procedure for the registration of occupational diseases and official investigation is defined by the Decision of Government N 158-N dated by 23.03.2006. As per the Article 234 of the Labor Code Employee's occupational diseases, injures or death at the workplace are subject of employer's legal liability.</p>	
<i>Meeting Attended By :</i>	
1.	Mr. Jora Sargsyan- the head of Labor and Employment Department
2.	Mrs Marife B. Principe- ADB Social Safeguards Officer,
3.	Mr. Suren Gyurjinyan- ATMS Solutions- Social Expert

³ Article 4 of the Labor Code

⁴ Those limitations are: 24 hours per week for persons aged 14-16 and 36 hours per week for persons aged 16-18 (Article 140 of the Labor code)

⁵ Article 249 of the Labor Code

⁶ The Law «On temporary work inability benefits», Article 8

Annex D

Greenhouse Land Documentation



ՀԱՅԱՍՏԱՆԻ ՀԱՆՐԱՊԵՏՈՒԹՅՈՒՆ ՎԿԱՅԱԿԱՆ

ԱՆՇԱՐԺ ԳՈՒՅՔԻ ՆԿԱՏԱՍԱՐ ԻՐԱՎՈՒՆՔՆԵՐԻ
ՊԵՏԱԿԱՆ ԳՐԱՆՑՄԱՆ

Սույն վկայականով հաստատվում է «7» Օգոստոսի 2017 թվականին գույքի նկատմամբ իրավունքների պետական գրանցման միասնական մատյանում կատարված անշարժ գույքի նկատմամբ իրավունքի պետական գրանցումը հետևյալ տվյալներով.

1. ԳՐԱՆՑՎԱԾ ԻՐԱՎՈՒՆՔԻ ՍՈՒԲՅԵԿՏ (ՆԵՐ)

«ՍՊԱՅԿԱ» ՍՊԸ

2. ԱՆՇԱՐԺ ԳՈՒՅՔԻ ԳՏԼՎԵԼՈՒՄ ՎԱՅՐԸ ԵՎ ԱՆՎԱՆՈՒՄԸ

Երևան, Շենգավիթ Արտաշատի խճուղի 51/2

3. ԳՐԱՆՑՄԱՆ ՀԱՄԱՐ ՀԻՄՔ ՀԱՆԴԻՍԱԳՆԱԾ ՓԱՍՏԱԹՂԹԵՐԸ

Երևանի քաղաքապետի 11.07.2017թ. թիվ 2346-Ա որոշում, Հողամասի Լվիրաբերության 18.07.2017թ. թիվ 5777 կայմանագիր

4. ՀՈՂԱՄԱՍԻ ԲՆՈՒԹԱԳՐԵՐԸ

Կադաստրային ծածկագիրը՝ 01-011-0428-0047

Մակերեսի չափը (հա)՝ 47.76458

Նպատակային նշանակությունը՝ արդյունաբերության օբյեկտների օգտագործման եւ այլ արտադրական նշանակության

Գործառնական նշանակությունը կամ հողատեսքը՝ Գյուղատնտեսական արտադրական օբյեկտների

Գրանցված իրավունքի տեսակը՝ ՍԵՓԱԿԱՆՈՒԹՅՈՒՆ

Վկայական N 07082017-01-0151, գաղտնաբառ՝ 7KCTA8DII4VO

Էջ 1

5. ՀԻՆՈՒԹՅՈՒՆՆԵՐԻ ԲՆՈՒԹԱԳՐԵՐԸ

- 1) Նպատակային նշանակությունը՝
- 2) Բնութագրերը ըստ առանձին շինությունների՝

Հ/հ	Կադաստրային ծածկագիրը	Տեսակը	Մակերեսի չափը	Գրանցված իրավունքի տեսակը

Լրացուցիչ նշումներ և տեղեկություններ

Գրանցումը իրականացնող պաշտոնատար անձի անունը, ազգանունը՝ Հայկ Գևորգյան
 գրառնելով պաշտոնը՝ Երևանի տարածքային ստորաբաժանման անշարժ գույքի ռեգիստր
 Կ.Տ.



REPUBLIC OF ARMENIA
CERTIFICATE



On state registration of rights with respect to real estate

The present certificate certifies the state registration of rights with respect to real estate done in the united register book of state registration of the property dated on 07th of August, 2017.
The *ownership* certificate is issued with the right of ownership right.

1. SUBJECT(S) ON REGISTERED RIGHT

<<SPAYKA>> LLC

2. PLACE OF LOCATION AND NAME OF THE REAL ESTATE

Yerevan, Shengavit, Artashat Highway 51/2

1. DOCUMENTS WHICH ARE BASIS FOR REGISTRATION

Decision of Yerevan Municipality N 246-A as of 11.07.2017, donation contract of the plot, N 5777 as of 18/07/2017.

4. DATA OF PLOT

Cadastré code: 01-011-0428-0047
Measure of the surface (ha): Destination 47, 76458
Use Goal or type of the plot: Industry, utility, production
Operating goal: agricultural industrial objects
Type of Right: ownership

Page 1

Certificate № 07082017-01-0151 CODE 7KCTA8DIJ4VQ

DATA OF BUILDINGS

1. Destination:
2. Data due to separate buildings:

Cadastré code	Type	Measure of the surface	Type of registered right

Name and surname of the officer realizing the registration: Hayk Gevorgyan

Position: Real Estate senior Register

Page 2

Certificate № 07082017-01-0151 CODE 7KCTA8DIJ4VQ

*The translation has been made at the Translation Center «Aregak».
We bear the responsibility for the exactness of the translation and not the facts stated in the text.
Ministry of Justice of the Republic of Armenia, a translator taking part in the Notary Operations of
Ministry of Justice of RA.*

Director: K. Hakobyan
August 10, 2017



ՀՈՂԱՄԱՍԻ ՆՎԻՐԱԲԵՐՈՒԹՅԱՆ ՊԱՅՄԱՆԱԳԻՐ

ք.Երևան Երկու հազար տասնյոթ թվականի հուլիսի տասնութին

Երևան համայնքը (այսուհետ՝ Նվիրաբերող), ի դեմս Երևանի քաղաքապետ՝ Տարոն Մարգարյանի (նստավայրը՝ ՀՀ, ք. Երևան, Արգիշտիի վտղոց 1), որի անունից Երևանի քաղաքապետի 2017 թվականի հուլիսի 11-ի N 2346-Ա որոշման հիման վրա հանդես է գալիս՝ Երևանի քաղաքապետարանի աշխատակազմի անշարժ գույքի կառավարման վարչության պետ՝ Արսեն Մերյոժայի Անյանը, ծնված՝ 12.09.1977թ., մի կողմից, և «Սպայկա» սահմանափակ պատասխանատվությամբ ընկերությունը (ՀՀ, ք.Երևան, Արշակունյաց 252), ի դեմս սևօրեն՝ Դավիթ Ղազարյանի, որը գործում է կանոնադրության հիման վրա, որի անունից լիազորագրի համաձայն հանդես է գալիս Արկադի Միխայիլի Բասենցյանը, ծնված՝ 24.10.1985թ., (հաշվառման հասցե՝ ՀՀ, ք.Երևան, Յ.Լեփսիուսի 2 փող. տուն 22, անձնագիր՝ AR 0214637, տրած 24.03.2017թ. 007-ի կողմից) (այսուհետ՝ Նվիրաբերություն ստացող), մյուս կողմից, կնքեցին սույն պայմանագիրը (այսուհետ՝ նաև Պայմանագիր) հետևյալի մասին.

1. ՊԱՅՄԱՆԱԳՐԻ ՀԻՄՔԸ

- Հայաստանի Հանրապետության քաղաքացիական օրենսգրքի 605-րդ հոդված,
- Հայաստանի Հանրապետության հողային օրենսգրքի 65-րդ հոդված,
- Հայաստանի Հանրապետության կառավարության 2017 թվականի հունիսի 23-ի N 762-Ա որոշում:
- Երևանի քաղաքապետի 2017 թվականի հուլիսի 11-ի N 2346-Ա որոշում:

2. ՊԱՅՄԱՆԱԳՐԻ ԱՌԱՐԿՆ ԵՎ ՆՎԻՐԱԲԵՐՈՒԹՅԱՆ ՆՊԱՏԱԿՆ ՈՒ ՊԱՅՄԱՆՆԵՐԸ

2.1. Պայմանագրով Նվիրաբերողը Նվիրաբերություն ստացողին է նվիրաբերում սեփականության իրավունքով իրեն պատկանող՝ Հայաստանի Հանրապետության ք.Երևան Արտաշատի խճուղի հ.51/2 և հ.37/2 հասցեներում գտնվող՝ 76.4 (յոթանասուներկու ամբողջ չորս հարյուրերորդական) հեկտար ընդհանուր մակերեսով ((72.2 + 4.2) (յոթանասուներկու ամբողջ երկու հարյուրերորդական գումարած չորս ամբողջ երկու հարյուրերորդական)) հողամասը (այսուհետ՝ Հողամաս) (Հողամասերի հատակագծեր՝ 11.07.2017 թվական N1023-2017 և N1025-2017) ՀՀ կառավարության 23.06.2017 թվականի N 762-Ա որոշման N I հավելվածով հավանության արժանացած ներդրումային ծրագրի իրականացման համար, իր նպատակային և գործառնական նշանակությամբ օգտագործելու պայմանով: Սույն պայմանագրի իմաստով, ի թիվս այլոց, նվիրաբերության հանրօգուտ նպատակ և պայման է համարվում նաև Նվիրաբերություն ստացողի հետևյալ պարտականությունների կատարումը.



2.1.1. Նվիրաբերությունն ստացողի կողմից մինչև 2020 թվականը Հողամասում ջերմոցային համալիրի և բորբոսով պանրի գործարանի կառուցումը և շահագործումը՝ ապահովելով շուրջ 86 (ութսունվեց) միլիոն ԱՄՆ դոլարին համարժեք դրամի չափով ներդրում (հաշվարկվում է կառուցման շահագործման ընդունման պետական գրանցման պահի դրությամբ անկախ գնահատողի կողմից կառուցված շինության (ներառյալ շրջակայքի բարեկարգումը) և կահավորանքի, սարքավորումների ծախսային մեթոդով կատարված գնահատմամբ)։

2.1.2. Պայմանագրի 2.1.1 ենթակետով նախատեսված աշխատանքների ավարտից հետո ոչ ուշ քան վեցերորդ ամսվանից սկսած ապահովել յուրաքանչյուր ամսվա կտրվածքով առնվազն 600 (վեց հարյուր) մշտական աշխատատեղ՝ ոչ պակաս, քան 36 (երեսունվեց) ամիս։

2.2. Նվիրաբերողը երաշխավորում է, որ Հողամասն ազատ է որևէ ծանրաբեռնումից, գրավ դրված կամ արդիւանքի տակ չէ, ինչպես նաև ազատ է երրորդ անձանց պահանջներից։

3. ՄԵՓԱԿԱՆՈՒԹՅԱՆ ԻՐԱՎՈՒՆՔ

3.1. Հողամասի նկատմամբ սեփականության իրավունքը փոխանցվում է Նվիրաբերությունն ստացողին Պայմանագրից ծագող իրավունքը «Գույքի նկատմամբ իրավունքների պետական գրանցման մասին» ՀՀ օրենքի 24-րդ հոդվածի 6-րդ մասով սահմանված կարգով պետական լիազորված մարմնում գրանցելու պահից։

4. ԿՈՂՄԵՐԻ ԻՐԱՎՈՒՆՔՆԵՐԸ ԵՎ ՊԱՐՏԱԿԱՆՈՒԹՅՈՒՆՆԵՐԸ

4.1. Նվիրաբերողն իրավունք ունի՝

4.1.1. Նվիրաբերությունն ստացողից պահանջել կատարելու Պայմանագրով սահմանված իր պարտավորությունները, ինչպես նաև ներկայացնել ընթացիկ հաշվետվություններ սույն պայմանագրի 2.1 կետի կատարման վիճակի վերաբերյալ։

4.1.2. Ցանկացած ժամանակ ստուգել Նվիրաբերությունն ստացողի կողմից կատարված աշխատանքի ընթացքը՝ առանց միջամտելու Նվիրաբերությունն ստացողի գործունեությանը։

4.1.3. Օրենքով ն/կամ սույն պայմանագրով նախատեսված դեպքերում պահանջել նվիրաբերության վերացում։

4.1.4. Սույն պայմանագրով սահմանված դեպքերում Նվիրաբերությունն ստացողից պահանջել Պայմանագրով նախատեսված չափի տուգանքների վճարում։

4.2. Նվիրաբերողը պարտավոր է՝

4.2.1. Պայմանագրի 5.1. կետում նշված ժամկետում Հողամասը հանձնել Նվիրաբերությունն ստացողին։

4.3. Նվիրաբերությունն ստացողն իրավունք ունի՝

4.3.1. Նվիրաբերողից պահանջել Պայմանագրով սահմանված ժամկետում Հողամասը հանձնել իրեն:

4.4. Նվիրաբերություն ստացողը պարտավոր է՝

4.4.1. Կատարելու սույն պայմանագրով նախատեսված իր պարտավորությունները, այդ թվում՝ ապահովել նվիրաբերության պայմանների կատարումը,

4.4.2. Տիրապետել, օգտագործել, տնօրինել Հողամասը իր նպատակային և գործառնական նշանակությանը և սույն պայմանագրի պայմաններին համապատասխան,

4.4.3. Հողամասը կամ դրա մասը օտարել միայն Նվիրաբերողի համաձայնությամբ, որի դեպքում կկնքվի եռակողմ պայմանագիր՝ Պայմանագրով նախատեսված պարտավորությունները Հողամասի նոր ձեռքբերողի կողմից ամբողջությամբ ստանձնելու վերաբերյալ,

4.4.4. Հողամասը կամ դրա մասը գրավադրել կամ այլ կերպ երրորդ անձանց իրավունքներով ծանրաբեռնել միայն Նվիրաբերողի գիտությամբ, որի դեպքում Նվիրաբերություն ստացողին տրվում է գրավոր համաձայնություն՝ Պայմանագրի 8.1 կետով նախատեսված սահմանափակումների բովանդակության ու ծավալի մասին տեղեկատվությունը կնքվելիք պայմանագրում նախատեսելու պայմանով,

4.4.5. Նվիրաբերողին ներկայացնել Պայմանագրի 2.1 կետով նախատեսված պարտավորությունների կատարման վերաբերյալ հիմնավորող փաստաթղթեր,

4.4.6. Կրել սույն պայմանագրի նոտարական վավերացման և ծագող իրավունքների պետական գրանցման ծախսերը,

4.4.7. Գրանցել Հողամասի նկատմամբ սեփականության իրավունքը Պայմանագրին համապատասխան «Գույքի նկատմամբ իրավունքների պետական գրանցման մասին» Հայաստանի Հանրապետության օրենքի 24-րդ հոդվածի համաձայն:

5. ՀՈՂԱՄԱՍԻ շԱՆՁՆՈՒՄ-ԸՆԴՈՒՆՈՒՄ

5.1. Նվիրաբերողը պարտավոր է Պայմանագրից ծագող իրավունքների պետական գրանցման մասին Նվիրաբերություն ստացողից համապատասխան իրազեկում ստանալուց հետո տասնօրյա ժամկետում Հողամասը հանձնել Նվիրաբերություն ստացողին, Հողամասի հանձնման-ընդունման ակտի հիմքով:

ՀՀ
ՍԵՐ
ԿՆ
ԳՆՈ
ՄԻՔ
113
ԿԵ

6. ՊԱՅՄԱՆԱԳՐԱՅԻՆ ՊԱՐՏԱՎՈՐՈՒԹՅՈՒՆՆԵՐԻ ԶԿԱՏԱՐՄԱՆ ՀԱՄԱՐ
ՊԱՏԱՍԽԱՆԱՏՎՈՒԹՅՈՒՆԸ

6.1. Պայմանագրով սահմանված ներդրումային ծրագիրը չսկսելու դեպքում Նվիրաբերությունն ստացողից գանձվում է տուգանք Պայմանագրի 2.1.1 ենթակետով նախատեսված գումարի 0,2 (զրո ամբողջ երկու տասնորդական) %-ի չափով:

6.2. Պայմանագրի 2.1.2. ենթակետով նախատեսված պարտավորության չկատարման համար Նվիրաբերությունն ստացողից գանձվում է տուգանք՝ յուրաքանչյուր ամսվա կտրվածքով յուրաքանչյուր չապահովված աշխատատեղի համար նվազագույն ամսական աշխատավարձի չափով: Ընդ որում՝ սույն կետով նախատեսված պատասխանատվությունը պահպանվում է Պայմանագրի 2.1.1 ենթակետով նախատեսված պարտավորության կատարումից հետո Հոդամասի և/կամ նրա վրա ամրակայված շենք-շինությունների սեփականատիրոջ փոփոխության դեպքում:

7. ՀԱՇՎԵՏՎՈՒԹՅՈՒՆԸ

7.1. Նվիրաբերությունն ստացողը պարտավոր է վարել նվիրաբերված Հոդամասի օգտագործման բոլոր գործառնությունների առանձնացված հաշվարկ (քաղաքաշինական փաստաթղթերի ձեռք բերման ծախսեր, կապալառուներին և մատակարարներին վճարումներ, վարչական ծախսեր և այլն):

7.2. Նվիրաբերությունն ստացողը յուրաքանչյուր եռամսյակի ավարտից հետո՝ 10 (տասը) օրվա ընթացքում, Նվիրաբերողին է ներկայացնում արդյունքների վերաբերյալ հաշվետվություն, որտեղ պետք է նշվի կատարված աշխատանքների նկարագրությունը և այդ աշխատանքների կատարմանն ուղղված դրամական միջոցների չափերը՝ Պայմանագրի 2.1 կետով նախատեսված պայմանների (պարտավորությունների) մասով, ներկայացնելով հիմնավորող փաստաթղթեր:

7.3. Պայմանագրի 2.1.1. ենթակետով նախատեսված պարտավորությունների կատարումից հետո՝ մեկամսյա ժամկետում, Նվիրաբերությունն ստացողը վերջնական հաշվետվությունը ներկայացնում է Նվիրաբերողին: Նվիրաբերողի կողմից վերջնական հաշվետվությունը ստանալուց հետո մեկամսյա ժամկետում առարկություններ չներկայացնելու դեպքում Հոդամասի նկատմամբ առկա բոլոր սահմանափակումները համարվում են ուժը կորցրած, բացառությամբ աշխատատեղերի ապահովման պարտավորության կատարման սահմանափակման, որը կվերացվի Պայմանագրի 2.1.2. ենթակետով նախատեսված պարտավորության կատարմամբ:

8. ԱՅԼ ՊԱՅՄԱՆՆԵՐ

8.1. Նվիրաբերվող Հոդամասի նկատմամբ Նվիրաբերությունն ստացողի սեփականության իրավունքի գրանցման հետ միաժամանակ գրանցվում են սույն պայմանագրի 2.1. կետով

սահմանված նվիրաբերության նպատակի և պայմանների կատարման պայմանագրային պարտավորությունները և նվիրաբերության վերացման պայմանը, որպես սահմանափակումներ, որոնք նույն ծավալով և պայմաններով փոխանցելի են Հողամասի կամ դրա որևէ մասի հետագա սեփականատերերին Հողամասի կամ փոխադր կամ հարկադիր որևէ կերպ օտարման (ներառյալ իրավաբանական անձի կանոնադրական կապիտալում ներդրման) դեպքում:

8.2. Նվիրաբերությունն ստացողի կողմից սույն պայմանագրի 2.1 կետով սահմանված ներդրումային ծրագրի կատարմամբ վերանում են Պայմանագրի 8.1. կետով նախատեսված սահմանափակումները:

8.3. Նվիրաբերողն իրավունք ունի վերացնել նվիրաբերությունը, եթե Նվիրաբերությունն ստացողը

8.3.1. Չի կատարել ներդրումային ծրագիրը կամ մասնակի կատարել է 22 կառավարության 23.06.2017 թվականի N 762-Ա որոշման N 1 հավելվածով սահմանված պայմանների ու նպատակի խախտումներով,

8.3.2. Մինչև ներդրումային ծրագրի կատարման ավարտը որոշում է կայացրել վերակազմակերպվելու կամ լուծարվելու մասին,

8.3.3. Մինչև ներդրումային ծրագրի կատարման ավարտը սեանկ է ճանաչվել:

8.4. Նվիրաբերությունը համարվում է վերացված՝ այդ մասին Նվիրաբերողի համապատասխան ծանուցումը Նվիրաբերությունն ստացողի կողմից ստանալու պահից: Նվիրաբերությունը վերացնելու մասին ծանուցման օրինակը 22 կառավարությանն առընթեր անշարժ գույքի կադաստրի պետական կոմիտե ներկայացնելու դեպքում, սույն պայմանագրի ուժով գրանցվում է Հողամասի և դրա վրա առկա շենք-շինությունների օտարման, դրանք այլ անձանց իրավունքներով ծանրաբեռնելու իրավունքի սահմանափակում:

8.5. Նվիրաբերության վերացման դեպքում

8.5.1. Հողամասի վրա շենք-շինությունների առկայության պարագայում Նվիրաբերությունն ստացողը Նվիրաբերողի ծանուցումը ստանալուց վեցամսյա ժամկետում Հողամասը բերում է նախկին տեսքի և փաստացի ազատ ու բարվոք վիճակում վերադարձնում է Նվիրաբերողին: Նշված ժամկետում Հողամասի վրա առկա շենք-շինությունները չազատելու դեպքում դադարում է նաև Նվիրաբերությունն ստացողի սեփականության իրավունքը Հողամասի վրա առկա այն անշարժ գույքի նկատմամբ, որը չի ապահովում կամ քանդվել սույն ենթակետով սահմանված ժամկետում և դրանց նկատմամբ սույն պայմանագրի ուժով ծագում է (գրանցվում է) Նվիրաբերողի սեփականության իրավունքը:

8.05/14.05.2017

8.5.2. Հողամասի վրա շենք-շինությունների բացակայության դեպքում դադարում է Նվիրաբերություն ստացողի սեփականության իրավունքը Հողամասի նկատմամբ և դրա նկատմամբ սույն պայմանագրի ուժով ծագում է (գրանցվում է) Նվիրաբերողի սեփականության իրավունքը:

8.6. Եթե նվիրաբերությունը վերացվել է, ապա Պայմանագրի 8.5 կետով նախատեսված հետևանքների՝ Հողամասի և /կամ շենք-շինությունների նկատմամբ Նվիրաբերություն ստացողի սեփականության իրավունքի դադարման և դրա (դրանց) նկատմամբ Նվիրաբերողի սեփականության իրավունքի ծագման պետական գրանցման իրավական հիմքերը առաջացած են համարվում և հիմք են հանդիսանում իրավունքի պետական գրանցման համար.

8.6.1. Պայմանագրի 8.5.1. հոթակետով նախատեսված դեպքում՝ նվիրաբերությունը վերացնելու մասին Նվիրաբերողի ծանուցումը ստանալուց վեց ամիս հետո,

8.6.2. Պայմանագրի 8.5.2. ենթակետով նախատեսված դեպքում՝ նվիրաբերությունը վերացնելու մասին Նվիրաբերողի ծանուցումը ստանալուն հաջորդող օրը:

8.7. Որպես նվիրաբերության վերացման հետևանք Հողամասի և/կամ դրա վրա առկա շենք-շինությունների նկատմամբ Նվիրաբերություն ստացողի սեփականության իրավունքի դադարումը ու դրա (դրանց) նկատմամբ Նվիրաբերողի սեփականության իրավունքի ծագումը/գրանցումը կատարվում է սույն պայմանագրի ուժով՝ նվիրաբերությունը վերացնելու մասին ծանուցումը Նվիրաբերություն ստացողի ստացած լինելու վերաբերյալ Պայմանագրի 8.4. կետով նախատեսված պատշաճ ծանուցման վերաբերյալ համապատասխան փաստաթղթերը ՀՀ կառավարությանն առընթեր անշարժ գույքի կադատրի պետական կոմիտե ներկայացնելով:

9.ՎԵՃԵՐԻ ԼՈՒԾՄԱՆ ԿԱՐԳԸ

9.1. Պայմանագրին առնչվող և սույն պայմանագրով չկարգավորված հարաբերությունները, ծագած վեճերը լուծվում են բանակցությունների միջոցով, իսկ անհամաձայնության դեպքում, ենթակա են լուծման դատական կարգով:

10. ԵԶՐԱՓՈՒԿ ԴՐՈՒՅԹՆԵՐ

10.1. Պայմանագիրը ենթակա է նոտարական վավերացման:

10.2. Պայմանագրի գործողության ժամկետի սկիզբ է համարվում Հողամասի հանձնման-ընդունման ակտը ստորագրելու օրը:

10.3. Պայմանագիրն ուժի մեջ է մտնում նոտարական վավերացման պահից:

10.4. Պայմանագրից Հողամասի նկատմամբ սեփականության իրավունքը, այդ իրավունքի և Հողամասի նկատմամբ իրավունքի սահմանափակումները ծագում են դրանց պետական գրանցման պահից:

10.5. Պայմանագիրը կազմված է հայերեն լեզվով 4 (չորս) օրինակից, որոնք ունեն հավասարազոր իրավաբանական ուժ:

11. ԿՈՂՄԵՐԻ հասցեները, բանկային վավերապայմանները և ստորագրությունները

Նվիրաբերող՝ ԵՐԵՎԱՆ համայնք

Հասցե՝ ՀՀ, ք.Երևան, Արգիշտի փող.հ.1 ՀՎՀՀ՝ 02593108

Լիազորված անձ՝ Արսեն Ամյան

Հասցե՝ ՀՀ, ք.Երևան, Բրուտյանի փող.՝ 98 շ, բն. 14



Կ.Տ. /ստորագրություն

Նվիրաբերություն ստացող՝ «ՍՊԱՅԿԱ» սահմանափակ

պատասխանատվությամբ ընկերություն

Հասցե՝ ՀՀ, ք.Երևան, Արշակունյաց 252 ՀՎՀՀ՝ 02228898

Բանկ՝ «ԱՄԵՐԻՄԲԱՆԿ» ՓԲԸ Հ/Հ՝ 1570004591390100

Լիազորված անձ՝ Արկադի Բասենցյան

Հասցե՝ ՀՀ, ք.Երևան, Յ.Լևիսիուսի 2 փող. տուն 22


Կ.Տ. /ստորագրություն

**Summary translation
Of Donation Agreement between Yerevan municipality and Spayka LLC**

The agreement is signed between Yerevan municipality (Donator) and Spayka LLC (Donatee).

Grounds of the contract:

- Article 605 of the RoA Civil Code,
- Article 65 of RoA Land Code,
- RoA Government Decision No 762-A dated 23.06.2017
- Decision of Yerevan Mayor No 2346-A dated 11.07.2017.

The scope of the contract, scope and conditions of donation

Donator transfers ownership rights of the land plots located at 51/2 and 37/2 of Artashisyan highway with the total area of 76.4 ha (72.2+4.2) for the purpose of implementation of the investment project referred in the RoA Government Decision No 762-A dated 23.06.2017.

Within the essence of the Agreement the fulfillment of the following obligations by the Donatee are considered as publicly beneficial scope and conditions.

- ✓ Before 2020 Spayka LLC shall ensure construction and operation of greenhouse complex and blue cheese factory with the total investments of 86 million USD,
- ✓ No later than after six months after commencement of blue cheese factory and greenhouse complex to assure at least 600 workplaces for at least 36 months.

As per the “Rights and liabilities of parties” clause of the Agreement the donator has right to request the Donatee to fulfill its liabilities within the Agreement as well as to provide the relevant reports. The Donator has also rights to monitor the process of implementation of the investment program.

As per “Reporting” clause of the Agreement the Donatee should submit quarterly reports to the Donator, indicating completed works and the relevant costs and presenting documents justifying fulfillment of the above conditions.

As per “other terms and conditions” clause the Donator is entitled to cancel the donation of the Donatee does not fulfill or not fully fulfill the conditions set by the RoA Government Decision No 762-A dated 23.06.2017 or it is declared bankrupt before completion of the investment project.

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