

## Environmental and Social Review Summary (ESRS) COPEVAL IMPORT FINANCE - CHILE

**Original language of the document:** Spanish  
**Issuance date:** October 2022

### 1. General Information of the Project and Scope of IDB Invest's Environmental and Social Review

COPEVAL S.A. ("Copeval" or the "Company") is mainly engaged in the distribution and sale of supplies and services to the agricultural sector in Chile, including agrochemicals, fertilizers, animal feed, fuels, machinery, seeds, irrigation materials, and equipment. The Company also produces animal feed under its own brand name.

The proposed transaction is a revolving credit facility for Copeval, which will finance its working capital requirements, mainly the import agricultural supplies. This would be Copeval's second transaction with IDB Invest. The first was approved in 2011.

IDB Invest reviewed relevant environmental and social information during its Environmental and Social Due Diligence ("ESDD"), which included: The Company's Integrated Environmental, Occupational Health and Safety, and Quality Management System ("ESMS"), Human Resources policies and procedures, environmental permits, current certifications, and environmental and occupational monitoring reports. Several virtual and face-to-face meetings were held with representatives from administrative and operational departments, namely Quality, Safety, Environment, and Human Resources.

The ESDD included visits from October 3 to 5, 2022, to the i) San Fernando (O'Higgins Region) and San Carlos (Ñuble Region) branches and distribution centers, and ii) the San Carlos and Nancagua agribusiness factories. These visits involved a tour of the Company's facilities and interviews with employees.

### 2. Environmental and Social Categorization and Rationale

The Project has been classified as a Category B operation according with IDB Invest's Environmental and Social Sustainability Policy, since it will likely generate moderately intense, mitigable impacts and risks. These are mainly related to: (i) the functionality of environmental and social management and monitoring systems; (ii) agrochemical management; (iii) stakeholder participation; and (iv) supply chain sustainability.

The Performance Standards (PS) triggered by the Project are: i) PS1: Assessment and Management of Environmental and Social Risks and Impacts; ii) PS2: Labor and Working Conditions; iii) PS3: Resource Efficiency and Pollution Prevention; iv) PS4: Community Health, Safety, and Security.

### **3. Environmental and Social Context**

#### **3.1 General Characteristics of the Project's site**

Copeval has 24 branches and six agribusiness factories distributed across ten regions throughout Chile, from the Atacama Region to the Los Lagos Region, including the Metropolitan Region. Copeval's operating segments are based on each subsidiary's line of business, which complement each other and generate commercial and operating synergies. Copeval's operating segments are as follows:

- i. Agricultural supplies (Copeval S.A.): Distribution of agricultural supplies and machinery.
- ii. Agribusiness (Copeval Agroindustrias S.A.): Grain drying, storage, and marketing services, and animal feed production services.
- iii. Logistics services (Copeval Servicios S.A.): Product dispatch and transportation services.
- iv. Training services (Copeval Capacitación S.A.): Employee and customer training.

The six agribusiness factories operated by Copeval Agroindustrias S.A. are in rural, predominantly agricultural areas: Nancagua (O'Higgins Region), Curicó (Maule Region), San Javier (O'Higgins Region), San Carlos (Ñuble Region), Los Ángeles (Bío Bío Region) and Lautaro (Araucanía Region).

#### **3.2 Contextual Risks**

During 2019, Chile suffered from several massive demonstrations and violent riots in every region, which mostly affected major cities. Copiapó was the only Company branch affected during this period.

Since then, there have been no major disturbances in the cities and towns where the Company operates, and the likelihood of such events recurring with the same magnitude is considered low.

### **4. Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures**

#### **4.1 Assessment and Management of Environmental and Social Risks and Impacts**

##### **4.1.a E&S Assessment and Management System**

Copeval has implemented a corporate ESMS that applies to all its facilities and is mainly based on the Company's certified compliance with three standards: ISO 9001:2015 - Quality Management System, ISO 45001:2018 - Occupational Health and Safety Management System, and HACCP - Hazard Analysis and Critical Control Points to ensure food safety. The ESMS also incorporates elements of ISO 14001 - Environmental Management Systems. Nevertheless, the Company shall update the ESMS to adequately integrate management of its social aspects as required by PS1.

##### **4.1.b Policy**

Copeval's ESMS policy was approved by management in July 2021. The policy contains commitments on environmental protection, occupational risk prevention, and compliance with the legislation in

force. The Company shall update its ESMS policy to incorporate a commitment to local community health, safety, and security.

#### 4.1.c Identification of Risks and Impacts

##### 4.1.c.i Direct and Indirect Impacts and Risks

The Environmental and Social (E&S) and Occupational Health and Safety ("OHS") impacts and risks at Copeval's operations were identified and evaluated mainly by its Environmental Impact Statements ("EIS") and respective Environmental Qualification Approvals ("RCA") for its agribusiness factories and warehouses, as required by Chilean regulations. These environmental instruments include prevention, correction, mitigation, and compensation measures to manage Project impacts.

The Company also has an E&S and OHS risk and impact identification and assessment procedure that applies to all its operations. Copeval shall update the environmental risk matrix and incorporate a climate change risk and impact analysis. Likewise, the Company shall develop a procedure for identifying and evaluating any risks and impacts to the local community caused by the Project.

##### 4.1.c.ii Gender Risks

Women comprise 29% of Copeval's employees. The Company has a Code of Ethics and Business Conduct, which includes principles governing respect for diversity, equal opportunity, and non-discrimination. It also establishes guidelines on treatment and non-violence. If the Code of Ethics is violated, then anyone affected or any witnesses can file a complaint using any of the Ethics Hotline's channels, such as email, phone number, mailbox, and website, or directly with the Internal Audit Manager.

The Company will sign a statement of support for the Women's Empowerment Principles (WEP) and complete the WEP gender equality measurement tool.

##### 4.1.c.iii Climate Change Exposure

The Project's exposure to physical and transition risks associated with climate change is moderate.

The physical risks associated with climate change have been analyzed nationwide following Chile's climate exposure disclosures, given the number and distribution of the Project's locations in many northern and central regions, which include its agribusiness factories and branches<sup>1</sup>. The Project's sensitivity depends on the direct impact of floods, storms, and geophysical hazards such as earthquakes and volcanic activity on its infrastructure. It is also exposed to indirect impacts on its value chain, which may not be restricted to Chile, given the agricultural sector and the systemic effects of climate change on agriculture and food supplies in general.

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<sup>1</sup> Ministry of the Environment, Government of Chile, "Atlas de riesgos climáticos," *meteo data*, [Online]. Link: <https://arclim.mma.gob.cl/>. [Last viewed: September 7, 2022].

Regarding transition risks, the Company's most important sources of GHGs can be found in its value chain, as Copeval imports a wide range of supplies. These include emissions from fertilizer production, agrochemicals, fuels, and lubricants in particular, as well as emissions when using these products. See section 4.3.a.i "Greenhouse Gases."

Copeval will update its environmental risk matrix considering its corporate climate risks and incorporate the results of this analysis into emergency plans for its factories and branches, as appropriate.

#### 4.1.d Management Programs

Copeval has an ESMS that includes manuals, procedures, protocols, and guidelines to manage environmental and OHS issues, which are reviewed regularly. Nevertheless, the Company shall develop and implement a stakeholder engagement plan to manage the social aspects of the Project.

#### 4.1.e Organizational Capacity and Competency

The Quality, OHS, and Environment Manager leads the ESMS implementation with the support of supervisors in each department, who are responsible for implementing the ESMS in their departments. Copeval has two risk prevention specialists who organize, promote, and supervise ESMS implementation in branches and factories, mainly by training employees and auditing the system. It also has an ESMS Operating Committee with a management representative. This is the Company's official body responsible for ESMS implementation, maintenance, and improvement. The Company shall continuously update the "Responsibility, Authority, and Communication" section of its ESMS to define the persons responsible for implementation and their roles.

#### 4.1.f Emergency Preparedness and Response

Copeval has developed a general emergency response plan in accordance with local regulations and ISO 45001:2018 requirements. The plan describes the measures, equipment, emergency telephone numbers, and basic resources required to deal with an emergency. Preventive and emergency response measures associated with agrochemical handling are described in the Emergency Procedure for the Administration Department and Storage Process.

A visit to Copeval's facilities found that evacuation routes, alarm systems, fire extinguishers, sandbags for spill control, and personal protective equipment were well labeled. There were also informative murals that display emergency telephone numbers. Employees are regularly trained on how to use emergency equipment.

#### 4.1.g Monitoring and Review

Risk prevention specialists conduct routine inspections at Copeval's facilities to assess compliance with OHS requirements. Copeval's ESMS has well-defined performance indicators and monitoring programs encompassing human resources, the environment, occupational health, and emergency response. Copeval conducts regular internal audits in accordance with the internal audit program and the results are reported to management.

#### 4.1.h Stakeholder Engagement

Copeval has several channels to receive comments and complaints from third parties. The Company publishes an annual report on its website, which describes its corporate goals and its financial performance for the previous year. It includes a section on the environment that describes the general measures it has implemented within its ESMS. Nevertheless, in order to systematically manage its social aspects, Copeval shall develop and implement a Stakeholder Engagement Plan ("SEP") to include: (i) stakeholder participation mapping, analysis, and planning; (ii) a stakeholder information publication and communication mechanism; and (iii) a community grievance reception, resolution, and recording mechanism.

#### 4.1.i External Communication and Grievance Mechanisms for Affected Communities

Copeval will develop a mechanism as part of its SEP covering the reception and resolution of community grievances that includes recording, monitoring, analyzing, and responding to grievances. It will also establish how this mechanism will be communicated to stakeholders.

## 4.2 Labor and Working Conditions

### 4.2.a Working Conditions and Management of Worker Relationships

#### 4.2.a.i Human Resources Policies and Procedures

Copeval has a Human Resources policy that establishes guidelines regarding: i) personnel recruitment and selection, prohibiting any discriminatory practice based on gender, age, race, religion, socio-cultural status, etc. ii) the Company and its contractors' compliance with labor legislation, iii) job skills development, iv) internal communications, v) labor relations, and vi) welfare and the working environment. The Human Resources policy and its associated procedures are complemented by the Code of Ethics and Business Conduct.

#### 4.2.a.ii Working Conditions and Terms of Employment

Copeval complies with Chilean labor regulations and has signed written contracts with all its employees that describe the terms and conditions of their employment and salary, in keeping with Chilean labor regulations.

#### 4.2.a.iii Workers' Organizations

Chilean law recognizes the rights of employees to form labor organizations and join them as they see fit without interference, and to engage in collective bargaining.

There are four trade unions at Copeval, and affiliation as a percentage of total employees by company is as follows: i) one in Copeval S.A. (parent company) with 58%, ii) two in Copeval Agroindustrias S.A. with 64% for both unions, and iii) one in Copeval Servicios S.A. with 100%. Copeval Capacitación S.A. has no trade unions.

The four unions signed a collective bargaining agreement during the first semester of 2022. The Company maintains ongoing and fluid communications with trade union representatives and monthly meetings with union leaders.

#### 4.2.a.iv Non-discrimination and Equal Opportunity

Copeval's Human Resources policy establishes non-discrimination and equal opportunities as fundamental principles for all employment decisions, such as selection, working conditions, promotions, and employment terms and conditions.

#### 4.2.a.v Retrenchment

The Company reported that it does not foresee retrenchment for the Project. If a workforce reduction is considered in the future, Copeval will inform IDB Invest prior to implementing it.

#### 4.2.a.vi Grievance Mechanism

Copeval's ethics hotline provides all employees with several communication channels, such as email, phone number, mailbox, and website. The Human Resources department meets once a month with trade union representatives to discuss their concerns and monitor action plans.

The Company will also develop a procedure to strengthen the internal grievance mechanism, which will establish: i) how to evaluate complaints; ii) how to formulate and monitor responses; iii) how to evaluate and improve the mechanism; and iv) how to disseminate the mechanism. The mechanism shall be able to receive and handle anonymous complaints and ensure that the entire process is confidential.

#### 4.2.b Protecting the Workforce

##### 4.2.b.i Child Labor and Forced Labor

Chile has signed several International Labor Organization ("ILO") conventions, including the convention on the abolition of forced labor and the convention on the prohibition and elimination of the worst forms of child labor. Copeval's corporate policy does not permit child labor and rejects forced labor.

##### 4.2.c Occupational Health and Safety

Copeval has achieved broad certified compliance with ISO 45001 for its head office, and the Company has also implemented various OHS procedures in branches, warehouses, and agribusiness factories, in accordance with local regulations.

The Company employs occupational risk prevention officers and provides all employees with the personal protective equipment (PPE) required for their position. All employees are insured against occupational accidents and diseases. Employees undergo occupational examinations that depend on their position.

The Company's OHS training program includes emergency drills and informative talks on load handling, fire risks, defensive driving, correct use of PPE, and work at heights.

The Company requires contractors to comply with regulations and verifies compliance through inspections and audits that involve people who provide services to Copeval.

#### 4.2.d Provisions for People with Disabilities

The Company has recently appointed a Labor Inclusion Manager as required by the Chilean Labor Code, whose main tasks are: i) to arrange for a labor inclusion diagnosis for persons with disabilities within the Company, ii) to manage the implementation of plans for persons with disabilities in specific departments, and iii) to coordinate labor inclusion training.

This will result in the adaptation of workstations for persons with disabilities, raising awareness of this issue among employees, and promoting their inclusion in the Company's workforce.

#### 4.2.e Workers Engaged by Third Parties

As of September 2022, the Company had 440 workers engaged by third parties at its facilities, mainly by companies that provide logistics and security services. Copeval does not permit child labor at its facilities, and contractually requires compliance with the labor, OHS, and environmental laws that apply to each line of business. Nevertheless, the Company shall add clauses to contracts with third parties that oblige them to comply with all environmental, social, health, and safety programs in Copeval's ESMS for all workers engaged by a third party who provides services to Copeval.

#### 4.2.f Supply Chain

Copeval's supply chain includes local and international suppliers who provide supplies, machinery, and grains. The Company has yet to develop any specific requirements for its supply chain regarding working conditions, child labor, and forced labor. The Company shall develop: i) a procedure to identify and assess risks related primarily to child and forced labor, and ii) a Supplier Code of Conduct that, at least, requires them to comply with national labor laws and the international conventions published by the ILO and the United Nations listed in PS2. This Code will be communicated to all major suppliers<sup>2</sup> in the supply chain and will be added to new contracts with major suppliers or through a statement of understanding of the Code of Conduct if there is no contract with the supplier.

The Company shall ask all grain and alfalfa suppliers for the agribusiness factories to sign a declaration of understanding of the Supplier Code of Conduct, and the Company shall monitor their compliance with it.

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<sup>2</sup> The term "major supplier" refers to suppliers who provide goods and materials that are essential to the core business of the Project.

### 4.3 Resource Efficiency and Pollution Prevention

#### 4.3.a Resource Efficiency

##### 4.3.a.i Greenhouse Gases

The Company's direct GHG emissions are mainly generated by the fleet of 267 vehicles that distribute supplies, and to a lesser extent by the grain drying ovens at the agribusiness factories, which operate for approximately 2 months of the year during the corn harvesting season. The Los Angeles agribusiness factory also uses two boilers smaller than 3MWth to produce rolled corn. The fuel for these ovens and boilers is duly authorized timber extracted from commercial forestry plantations. The electric power supply for all the Company's facilities is sourced from the national grid.

The Company accounts for its fossil fuel, timber, and electricity consumption. However, Copeval has not estimated its entire GHG emissions. It shall therefore prepare an annual GHG emissions inventory using 2022 as a baseline. This inventory will cover at least Scope 1 (direct emissions) and Scope 2 (indirect emissions).

##### 4.3.a.ii Water Consumption

All Copeval's branches source their domestic water supplies from the public network, while the agribusiness factories use deep wells to supply their water, which have duly authorized groundwater rights, with the exception of one well at the San Carlos factory whose authorization that is currently being processed. Average annual consumption per factory is approximately 600m<sup>3</sup> of water.

#### 4.3.b Pollution Prevention

Copeval only generates effluents or Liquid Industrial Waste (LIW) at its Los Angeles agribusiness factory, due to the purge water generated by the boiler to produce rolled corn. LIW passes through a treatment system that retains solids, neutralizes the pH, and lowers the temperature before being discharged. Effluents are monitored to ensure that they remain within the regulatory limits.

The Company's environmental permits require that it implements prevention, mitigation, or remediation measures for the following emissions: i) air emissions; ii) ambient noise; and iii) hazardous and non-hazardous solid waste.

##### 4.3.b.i Waste

Copeval has developed a Solid Waste Management Procedure that classifies this waste as follows: (i) Household waste (non-recyclable): This is managed by each branch or department through municipal collection teams or authorized private companies, (ii) Recyclable waste: This is mainly paper and cardboard waste from each branch and distribution center, which is sent to the San Fernando Distribution Center every week, where it is recorded and sent to a recycling company, (iii) Hazardous waste: This is generated mainly in the service workshops and disposed of as required by the internal hazardous waste management procedure, which sets out the minimum requirements



in local regulations that apply to the hazardous waste warehouse, to internal transport, and to the removal and disposal of this waste by an authorized contractor. A visit to Copeval's facilities found that solid waste containers were duly identified by waste type and that these facilities were generally kept clean and tidy.

The Company has joined the Clean Fields program organized by the National Association of Manufacturers and Importers of Agricultural Phytosanitary Products ("AFIPA Chile"). This program encourages customers to return phytosanitary containers that have previously been triple-washed and comply with the requirements of the Ministry of the Environment. After these containers have been received, they are shredded, baled, and transferred by AFIPA to physical recycling or energy recovery plants.

#### 4.3.b.ii Hazardous Materials Management

Copeval has implemented a procedure to safely handle hazardous substances that applies to all facilities that, due to their characteristics, handle hazardous substances. It establishes the methods, tools, and equipment required to handle hazardous substances, with the aim of minimizing the likelihood of accidents, occupational illnesses, or damage to the environment. Hazardous substance warehouses are suitably equipped with ventilation, fire protection systems, hazard warning signs, and evacuation routes.

#### 4.3.b.iii Pesticide Use and Management

All agrochemicals distributed by Copeval are approved by the Agriculture and Livestock Service (SAG). A visit to the distribution centers and branches found that all products were labeled, properly stored, and supported by material safety data sheets in Spanish.

In 2016, Copeval phased out ten products classified as "Ia" (extremely hazardous) or "Ib" (highly hazardous) under the World Health Organization's ("WHO") classification of pesticides. Copeval does not currently sell these pesticides. Nevertheless, the Company shall strengthen internal controls by implementing an Ia and Ib pesticides policy, which will establish the prohibition of the purchase, distribution, or sale of these pesticides. This policy shall describe the evaluation and control procedure to prevent the incorporation of these products into future inventories.

### 4.4 Community Health, Safety and Security

#### 4.4.a Community Health and Safety

##### 4.4.a.i Infrastructure and Equipment Design and Safety

All of Copeval's facilities have fire prevention systems, and its storage areas have good ventilation, emergency eyewash stations, and secondary containment or drains for spills. Hazardous substance storage areas contain specific sections for storing agrochemicals and flammable substances and are located away from high-density residential areas. Access is restricted to authorized personnel and spill control material is stored at all warehouses.

#### 4.4.a.ii Hazardous Materials Management and Safety

Copeval has developed a procedure for the safe handling of hazardous substances, which includes a section on transport arrangements. This section describes the preventive and emergency response measures that apply to transporting hazardous substances. The entire vehicle fleet for distributing supplies is equipped with GPS devices that monitor each vehicle's location, route, and speed at all times using corporate software operated centrally from the Company's headquarters in San Fernando. There have been no significant vehicle accidents since the logistics software was implemented.

The Company has a preventive and corrective maintenance program for its vehicle fleet, while drivers receive informative talks on defensive driving every year.

#### 4.4.a.iii Community Exposure to Disease

Copeval developed biosafety protocols in response to the COVID-19 pandemic, to reduce the risk of COVID-19 contagion among customers, suppliers, contractors, and employees and their families.

#### 4.4.a.iv Emergency Preparedness and Response

Copeval will update its General Emergency Response Plan to include emergencies that may affect neighboring communities and address risk situations and emergencies covering various scenarios, together with their potential impact on those communities. It will also involve community institutions that respond and control such situations, such as firefighters, health centers, police, environmental authorities, etc.

#### 4.4.b Security Personnel

Copeval employs unarmed security companies that comply with Chilean regulations. The Company will develop operating procedures for companies that provide property security services, which will be aligned with the United Nations Voluntary Principles on Security and Human Rights.

### 5. Local Access of Project Documentation

The documentation relating to the project can be accessed at the following link: <https://www.copeval.cl/>