

## Environmental and Social Review Summary (ESRS) Agrícola Cerro Prieto – Regional

**Original language of the document:** Spanish  
**Issuance date:** July 29, 2021

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

Agrícola Cerro Prieto S.A. (hereinafter, ACP) began operating in Peru in 1999; it is made up of Irrigadora Cerro Prieto S.A.C. (private channel with an irrigation capacity of 12,400 ha), Qali Fruits S.A.C. (organic production of blueberries) and Cerro Prieto Colombia S.A.S. (cultivation and commercialization of avocado for export). ACP began operating in Colombia in 2017. In 2020, the company planted 116 ha of avocado to start its own avocado production, and is preparing to plant another 150 ha. Cerro Prieto Colombia plans to acquire land for avocado crops in 2021 and 2022.

The proposed transaction involves the refinancing of existing financial debt, mainly to expand avocado plantations in Peru and Colombia and blueberries in Peru, and to acquire land in Colombia.

IDB Invest conducted environmental and social due diligence via videoconference with ACP management between May and June 2021 and visited the farm and packing plant facilities in Peru on June 14 and 15, 2021. The visits assessed working conditions, compliance with the environmental and social commitments undertaken in the environmental studies and those established in the ACP's Integrated Management System. We were also provided access to a data room with information on the company's environmental and social management.

### 2. Environmental and Social Categorization and Rationale

This has been classified as a Category B project in accordance with IDB Invest's Environmental and Social Sustainability Policy, as it may result in medium- to high- intensity impacts and risks. The project's main Environmental and Social (E&S) aspects include: (i) functionality of management and monitoring systems; (ii) labor management and appropriate working conditions and accommodation; (iii) emergency preparedness and response; (iv) water management and control of wastewater, waste, energy consumption and emissions; (v) biodiversity conservation; (vi) road safety; (vii) community engagement; (viii) land acquisition; and (ix) protection of cultural heritage.

The project's activities trigger the following Performance Standards (PS): PS1: Assessment and Management of Environmental and Social Risks and Impacts; PS2: Labor and Working Conditions; PS3: Resource Efficiency and Pollution Prevention; PS4: Community Health, Safety, and Security; PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources; PS7: Indigenous Peoples; and PS8: Cultural Heritage.

Land acquisition in Peru was done through voluntary transactions and the land acquisition in process in Colombia is also being processed voluntarily; therefore, it does not trigger PS5: Land Acquisition and Involuntary Resettlement.

### 3. Environmental and Social Context

#### 3.1 General characteristics of the Project's site

ACP is geographically located between the valleys of Mocupe and Río Seco - Chaman, in a desert area adjacent to the North Pan-American Highway between kilometers 727 and 739, between the districts of Pacanga, province of Chepén in the La Libertad region and the district of Lagunas de Mocupe, province of Chiclayo in the Lambayeque region.

The area has a desert climate, with an average annual temperature between 23 and 26°C, and a total annual rainfall of less than 30 mm.

The property covers a total area of 4,878 hectares (ha), of which 3,057 ha are cultivated land and 1,426 ha are uncultivated. ACP currently grows Hass, Edranol, Zutano, Ettinger, Fuerte, Mendez Carmen, Gem, Maluma and organic avocado varieties, blueberries, asparagus and grapes. It also has an on-site packing plant at the farm.

The farm and the packing plant have the respective environmental studies approved by the Ministry of Agriculture and Irrigation (MINAGRI) and the Water Use License issued by the National Water Authority (ANA).

Qali fruits is located in the north of the Lima department, in the Santa Rosa irrigation, covering 120 ha.

#### 3.2 Contextual risks

According to statistical data from the National Institute of Civil Defense (INDECI), Peru has experienced 43 El Niño Phenomenon (ENP) events, 7 of which have been extraordinary, affecting the departments of Lambayeque, La Libertad and Piura the most. In 2017, the Coastal El Niño was described as extraordinary due to the occurrence of heavy rains between December 2016 and May 2017, resulting in mudslides, floods, landslides, cave-ins and storms.

ACP is located between two valleys featuring dry ravines, which become active during extraordinary ENP events. ACP has identified the areas at risk of mudslides and floods and has built hydraulic infrastructure called "*canoas*" (raised canal bridges) and interception channels as a way to prevent and mitigate damages should the dry ravines become activated.

ACP's area of influence is a desert area with low annual rainfall. This limitation, however, does not affect ACP's operations because it is located at the last water delivery point from the Gallito Ciego Dam, reaching ACP through the Talambo - Zaña L 01 TP Distribution Canal<sup>1</sup>, which carries the water to the Cerro Prieto Irrigation Canal for distribution to ACP.

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<sup>1</sup> Water Use License issued by Directorial Resolution No. 215-2015-ANA-AAA-JZ-V of January 27, 2015.

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

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

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

ACP has Environmental and Social Management System (ESMS) elements in place that are suitable for the level of risk and impacts associated with its operations. The Integrated Management System (IMS) department is in charge of managing certifications, ensuring compliance with undertakings related to the recertification of the ETI Report, Good Agricultural Practices (Global GAP), Water Footprint - Blue Certificate and integrating environmental, social and occupational health and safety (OHS) management documents. However, it should reinforce procedures for emergency preparedness and response and for the participation of social stakeholders, develop a Land Selection and Acquisition Manual and a Cultural Heritage Management Plan (CHMP), among others. The operations of Cerro Prieto Colombia include an Environmental Management Plan that is suited to the performed activities and in line with ACP policies. Cerro Prieto Colombia will implement an ESMS that is consistent with ACP policies and with the requirements of the IDB Invest Sustainability Policy<sup>2</sup>.

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

ACP has an Environmental Policy, an Environmental Conservation and Improvement Policy, a Human Rights Policy, an OHS Policy and a Social Responsibility Policy. All policies have been signed by the CEO and posted on ACP's premises. Policy scopes are in line with the requirements of PS1.

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

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

ACP has an Environmental Adjustment and Management Program (EAMP) for its farm activities and an Amendment to the Environmental Impact Statement (AEIA) for its packing plant, both approved by MINAGRI, which identify E&S impacts, set out prevention and mitigation measures in the Environmental Management Plan (EMP), and establish an implementation schedule for the construction, operation, and decommissioning stages. Furthermore, ACP uses an environmental impact identification matrix, EMP monitoring matrix and a matrix to identify, monitor and assess legal requirements, to ensure compliance with environmental commitments and legal obligations.

ACP also has a contractor environmental management document, which provides that contractors must identify the environmental aspects of their activities, establish control measures, train their personnel in the implementation of these measures, and have an Emergency and Contingency Plan in place that addresses the risks involved in their activities.

Operations in Colombia have an Environmental Management Plan that addresses the environmental and social impacts of the Project and proposes prevention, mitigation and

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<sup>2</sup> [https://idbinvest.org/sites/default/files/2020-05/idb\\_invest\\_politica\\_de\\_sostenibilidad\\_2020\\_SP.pdf](https://idbinvest.org/sites/default/files/2020-05/idb_invest_politica_de_sostenibilidad_2020_SP.pdf)

remediation measures for water, air, soil, flora and fauna, and social aspects. It also includes the results of the stakeholder participation process carried out as part of the Plan's preparation process.

#### 4.1.c.ii Cumulative Impact Analysis

ACP activities take place in an area where there is no competition for access to water, nor for access to land. There are no economic activities or projects in the vicinity of ACP that could pose a risk of competition for access to water resources and land. In light of this, cumulative impacts are not expected to occur.

ACP will conduct a cumulative impact assessment to rule out the possibility that its operations in Colombia will exacerbate negative environmental and social impacts in the area.

#### 4.1.c.iii Gender Risks

ACP has policies and guidelines to address sexual harassment, equal opportunity and gender non-discrimination. Training is provided to workers on the prevention of gender risks and the mechanisms available (ethics hotline) for reporting cases. Operations in Colombia employ 80 local workers, 35% of whom are women. In Peru, in the packaging area, 48% of the workers are women and 52% are men. Meanwhile, at the farm, 80% are men and 20% are women.

The company must sign the statement of support for the Women's Empowerment Principles and complete the WEP gender equality measurement tool.

#### 4.1.c.iv Climate Change Exposure

The departments of Lambayeque, La Libertad and Piura in Peru are the most affected by the occurrence of ENP. ACP is located between two valleys featuring dry ravines, which become active during extraordinary ENP events. ACP has identified the areas at risk of mudslides and floods and has built hydraulic infrastructure called "*canoas*" (raised canal bridges) and interception channels as a way to prevent and mitigate damages should the dry ravines become activated. It also has emergency and contingency plans that address the threat of natural disasters, such as earthquakes, landslides and mudslides, and communication procedures with local authorities to establish response guidelines under the National Civil Defense System.

IDB Invest conducted a climate risk exposure report concluding that, in terms of natural disasters, ACP facilities are moderately exposed to earthquakes in the entire project area. The project is also exposed to potential droughts that, depending on the modeled climate scenario, could result in moderate to high exposure, which could in turn lead to vulnerable conditions for ACP's activities. The project's exposure to transition risk is moderate, given the main characteristics of the project, including the industry and country profile. The agricultural sector in Peru faces transition risks related to its significant environmental impact, including greenhouse gas (GHG) emissions and water consumption. The sector is also included in Peru's Nationally Determined Contribution (NDC), which increases policy risk exposure.

ACP has performed experimental projects on crops to reduce water consumption. It has also launched a project to quantify its GHG emissions and has implemented environmental programs to

reduce water and electricity consumption. It also participates in national initiatives such as cleaner production, water footprint, among others.

ACP will conduct a climate change risk assessment for its operations in Colombia and, based on the results, will establish and implement the corresponding adaptation and mitigation measures.

#### 4.1.d Management Programs

ACP implements the commitments set out in its EMPs; it also has corporate environmental management procedures and Good Agricultural Practices Manuals for its four (4) crops. ACP also has an Environmental Communication Plan based on four strategic environmental pillars: Natural resource management (biodiversity), solid waste management, environmental education and climate change (water and carbon footprint).

ACP's management programs are adequate to manage the E&S risks and impacts identified in its environmental studies, including guidelines to prevent surface water, groundwater and soil pollution, solid and agrochemical waste management, and OHS management. Furthermore, as part of corporate management, we include the measurement of annual environmental performance indicators and have a Social Responsibility Program in place.

For operations in Colombia, the Environmental Management Plan includes the Social Management with Community Engagement Program, Solid Waste Management Program, Terrestrial Ecosystem Protection Program, Rainwater Management and Control Program, Vegetation and Landscape Recovery Program, and Monitoring and Follow-up Program. In addition, as part of corporate management, they are in line with ACP's Social Responsibility Program.

#### 4.1.e Organizational Capacity and Competency

ACP has an adequate organizational structure for E&S management, with more than 10 workers in the GIS department who centralize ESMS documentation, 11 workers in the OHS division who manage worker risks, and 6 workers in the sustainability and external communication division who manage environmental and social responsibility issues. HR management also has a training department in charge of the internal and external training program, aimed at strengthening technical competencies and disseminating environmental and social risks and their mitigation measures.

Each department draws up an annual work plan with objectives, deadlines, budget allocation and performance indicators. By and large, all staff have the necessary sectoral knowledge, skills and experience to comply with legal requirements.

Operations in Colombia have their own Social Responsibility and Environmental Officer, as well as the external support of a local consultant. As activities expand, ACP plans to organize the E&S area.

Staff in Peru and Colombia must be trained on ESMS, including updated knowledge of the country's regulatory requirements.

#### 4.1.f Emergency Preparedness and Response

ACP has an emergency and contingency plan in line with PS1 requirements. The plan includes the identification of natural hazards and risks, the organization of the response committee, communication channels, response procedures before, during and after the emergency for: hazardous substance spills, generator spills, spills, leaks and filtrations, fires, explosions, technological operational failures, operational failures due to human error, stoppage due to public activities, traffic accidents, sabotage and strikes, drills and training. Facilities also have risk maps, emergency response equipment signs and maps, and evacuation route maps; there is also an internal and external emergency communication procedure in place. Within its Emergency and Contingency Plan, ACP will include detailed fire prevention procedures consistent with NFPA standards and actions in case of ammonia leakage in the refrigeration system, in accordance with the requirements by the International Institute of Refrigeration with Ammonia (IIRA).

In Colombia, ACP will prepare an Emergency Preparedness and Response Plan in line with the requirements of the IFC's PS1 and PS4.

#### 4.1.g Monitoring and Review

The GIS department is in charge of monitoring and evaluation. ACP has an internal audit procedure, a procedure for corrective and/or preventive actions of technical and E&S scope that includes the supply chain, as well as a matrix for identifying legal requirements. As part of the follow-up activities, operational and E&S inspections and audits are carried out, which include follow-ups until the identified findings have all been closed.

ACP has E&S performance indicators based on legal requirements and commitments established with Peruvian authorities. These indicators include compliance with environmental study commitments, recording of OHS statistics, recording of solid waste and effluent generation, recording of consumption of chemical inputs, water and energy, and biannual environmental monitoring of air quality, noise, water for human consumption and surface water. Management issues performance reports to senior management, reporting the results of the annual work plans.

ACP has customized statistical information and systematized performance indicators that are used to prepare the Global Reporting Initiative's (GRI) Sustainability Report.

The operation in Colombia has a Monitoring and Tracking Program designed to assess compliance with the Environmental Management Plan.

#### 4.1.h Stakeholder Engagement

ACP has deemed Kawachi, Nueva Esperanza, San Juan de Dios, Pacanguilla, Pacanga, the hamlet of Cayalti, and Chapén, as strategic stakeholder groups, since most of the workers come from these areas. The Social Responsibility Program helps to identify social development opportunities in strategic stakeholders. Baseline studies are prepared to determine social intervention topics and projects are implemented in coordination with local authorities. ACP identifies the existing gaps in the health, education and infrastructure sectors with respect to domestic indicators, defining which projects to prioritize. ACP has mapped the stakeholders within its area of influence in Peru, including

civil society and government authorities. It will include stakeholders working on the prevention of gender violence, intimate partner violence, domestic violence, child and adolescent protection, among others.

In the Colombia operation, ACP carried out a community engagement process in the area as part of the Environmental Management Plan. As part of these activities, a socio-demographic profile was created with the participation of 15 families. It collected information on access to housing and basic services, ethnic self-recognition, family group information, availability and consumption of food, education, participation and perceptions of the environment. The results of this assessment revealed that the population perceives agricultural activities as generators of formal local jobs, that the use of agrochemicals affects people's health, and have expressed concern for the rational use of water. The Colombia operation has focused on programs and projects related to the preservation of cultural and natural wealth and biodiversity.

#### 4.1.h.i Disclosure of Information

As part of its activity dissemination efforts, ACP issues a magazine that is distributed among employees and strategic stakeholders. The operation in Colombia will disclose information to neighboring communities about agricultural expansion, including: the scale of the project, duration of activities, potential risks or impacts and mitigation measures, the anticipated stakeholder engagement process, and the grievance mechanism.

#### 4.1.h.ii Informed Consultation and Participation

Not applicable.

#### 4.1.h.iii Indigenous Peoples

According to the Ministry of Culture's registry, there are no indigenous peoples in the ACP's area of influence in Peru.

The Environmental Management Plan for Colombia operation recorded that in neighboring areas, 53% of the population does not belong to ethnic groups and 47% recognize themselves as indigenous or peasant communities.

The Colombia operation will conduct a social and environmental risk and impact assessment of all indigenous and peasant communities that may be affected by the project and prepare a map identifying any affected IPs.

#### 4.1.i External Communication and Grievance Mechanisms

##### 4.1.i.i External Communication

ACP issues a magazine that is distributed among employees and strategic stakeholders. In addition, as part of its Social Responsibility Program, it stays in touch with local authorities.

The Colombia operation will implement an external communications procedure with Project stakeholders, including IPs. CPC has social networks such as Facebook<sup>3</sup> that can be used to communicate information about its activities.

#### 4.1.i.ii Community Grievance Mechanism

No communities are reported to be affected by the activities in Peru. The nearest town is 4.1 km away. However, ACP has implemented a grievance and complaints channel for stakeholders including employees, suppliers, customers and third parties through an ethics hotline on its website, which provides contact options via email, a telephone number or a personal interview. ACP will implement a procedure to follow up on grievances filed by external stakeholders until the case is closed.

The Colombia operation will implement a grievance and complaints mechanism that is culturally appropriate to the characteristics of the stakeholders in the Project's area of influence. In both countries, grievance mechanisms must take into account complaints related to gender-based violence and sexual harassment. They must be anonymous, protect the victim's identity and communicated to employees.

## 4.2 Labor and Working Conditions

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

ACP has 5,582 workers including employees, skilled workers, operators and laborers. During peak production periods, temporary workers are hired, reaching a total of 10,000 between permanent and temporary workers. In the packaging area, 48% of the workers are women and 52% are men. Meanwhile, at the farm, 80% are men and 20% are women. 95% of the workers come from the strategic areas of interest<sup>4</sup>, while the remaining 5% corresponds to high performance labor and highly specialized in the harvesting of asparagus and grapes, which come from other regions such as Ica, Huancavelica, Ayacucho, and Casma and Huarmey in the Ancash region.

The Colombia operation is currently under development. They currently employ 80 workers, 20 of whom are white collar and 60 blue collar; 35% of these workers are women. The workers are residents living near the Project area.

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

ACP has a human resources policy, a human rights policy and a code of ethics in line with PS2 requirements. In terms of human resources documentation, ACP complies with legal obligations, has internal work regulations, organizational charts and job descriptions, induction and training programs, and has recruitment and compensation procedures in place.

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<sup>3</sup> <https://m.facebook.com/cerroprietocolombia/>

<sup>4</sup> Villagers near ACP.



The Colombia operation will implement human resources policies and procedures consistent with the Peru operation's human rights policy and code of ethics, and in compliance with PS2.<sup>5</sup>

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

The working conditions and terms of employment offered by ACP comply with the provisions set forth in the farming law (Agrarian Act), offering permanent and temporary workers equal social benefits. In addition, there is a compensation policy in place for employees' fulfillment of KPIs. At the farm, compensation for skilled workers includes a meritocracy bonus and the payment of a differentiated wage over and above the basic wage. Workers and laborers are offered a productivity compensation (piece rate and only during harvest) and a perfect attendance bonus (workers who do not register any absenteeism). In addition, all workers are provided with free transportation from their places of origin to the company and vice versa. It is worth noting that ACP has a low worker turnover; most of its permanent workers have been with ACP for more than 8 years.

As part of its human resources management effort against the backdrop of the pandemic, ACP has identified at-risk workers and switched them to remote work.

Skilled workers arriving from other regions are accommodated in the ACP camp, which has a capacity of 120 workers. When the capacity of the camp is exceeded, ACP rents accommodation (hotels) located in Pacanguilla, Pacanga and Callalti for workers. ACP provides transportation from the place of origin, local transportation, food and lodging, and an above-average wage. ACP has a procedure on the food services that workers receive and guidelines for worker conduct in on-site camps, yet lacks procedures for managing off-site accommodations. Therefore, ACP will update the procedure for managing on-site camps and prepare written procedures for managing off-site camps to stay in line with the IFC<sup>6</sup> and EBRD Guidelines for Worker Accommodation Processes and Standards.

In the fields, the workers are provided with well-maintained restrooms for both men and women, with running water and toiletries. There are also dressing and dining areas and drinking water tanks for human consumption. In the interview with the OHS Committee representatives, it was pointed out that there is a need to increase the number of drinking water outlets so that all workers have access to them. While touring the fields, it was observed that some of the water tanks require improvements to prevent them from heating up under the sun. ACP will improve the water supply conditions for human consumption to prevent the tanks from heating up in hot weather and ensure that they are accessible to all workers on the farm. As an improvement to the shuttle service provided by the company to its employees, ACP will revise the route plan for the workers' shuttle service to make travel times more efficient and prevent workers at the farm from wasting time by having to wait to return to their locations.

The Colombian operation provides working conditions in accordance with Colombian regulatory requirements.

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<sup>5</sup>[https://www.ifc.org/wps/wcm/connect/30e31768-daf7-46b4-9dd8-52ed2e995a50/PS\\_Spanish\\_2012\\_Full-Documents.pdf?MOD=AJPERES&CVID=k5LIWsu](https://www.ifc.org/wps/wcm/connect/30e31768-daf7-46b4-9dd8-52ed2e995a50/PS_Spanish_2012_Full-Documents.pdf?MOD=AJPERES&CVID=k5LIWsu)

<sup>6</sup> [https://www.ifc.org/wps/wcm/connect/7bb5464e-61aa-4919-baef-d5589a95b9d6/Influx\\_Full.pdf?MOD=AJPERES&CVID=nrOWC1](https://www.ifc.org/wps/wcm/connect/7bb5464e-61aa-4919-baef-d5589a95b9d6/Influx_Full.pdf?MOD=AJPERES&CVID=nrOWC1)  
[https://www.ifc.org/wps/wcm/connect/4be146fd-ea2c-4abc-97a3-f480df197fe0/Influx\\_Part5.pdf?MOD=AJPERES&CVID=nrOWDOI](https://www.ifc.org/wps/wcm/connect/4be146fd-ea2c-4abc-97a3-f480df197fe0/Influx_Part5.pdf?MOD=AJPERES&CVID=nrOWDOI)

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

The human rights policy establishes the freedom of workers to form unions. At the moment there are no labor organizations.

The Colombian operation will institute a human rights policy that establishes the freedom of workers to form unions.

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

The human rights policy also establishes the principle of equal opportunity and fair treatment, non-discrimination in recruitment, hiring, compensation, promotion and working conditions. In addition, human resources management has training programs to improve the technical competencies of the workers by offering equal development opportunities. There is also a policy for the prevention and punishment of sexual harassment.

The Colombian operation will establish a non-discrimination and equal opportunities policy.

#### 4.2.a.v Retrenchment

Due to the nature of the agricultural activity, the Peruvian Agrarian Act provides that the contracts of agricultural workers are temporary (seasonal) and include social benefits. ACP employs 5,582 permanent workers under the Agrarian Law, including employees, skilled workers, operators and laborers. There is an increased demand for workers during campaign periods, who get hired only for the campaigns and for specific tasks. The highest demand for temporary workers happens in July, with up to 5,000 workers hired, who have the same benefits as permanent ACP workers.

#### 4.2.a.vi Grievance Mechanism

ACP has a procedure for handling suggestions from employees and contractors through mailboxes. It also has an ethics hotline to report irregular conduct that violates the company's code of ethics and values. This hotline includes contact via meetings in person, email and/or telephone. Both communication mechanisms are distributed throughout the company's facilities and are accessible to workers.

The Colombian operation will implement a grievance mechanism for workers, contractors and the supply chain.

#### 4.2.b Protecting the Workforce

The code of ethics and human rights policy enforce compliance with Peruvian labor rights regulations.

#### 4.2.b.i Child Labor

The country's agribusiness sector has a high rate of child labor. ACP has a human rights risk assessment procedure, a human rights policy, and mechanisms to prevent the risk of child and forced labor throughout its facilities and supply chain. Posters about the prohibition of child labor and the appropriate channels to report it are available at all ACP facilities.

The Colombian operation will establish a policy prohibiting child labor in its facilities and supply chain.

#### 4.2.b.ii Forced Labor

ACP prohibits forced labor, and has complaint channels in place for its workers, contractors and supply chain.

The Colombian operation will establish a policy prohibiting forced labor in its facilities and supply chain.

#### 4.2.c Occupational Health and Safety

ACP's OHS management is partially aligned to the requirements of PS2. The OHS department is responsible for compliance with the legal provisions of the Occupational Health and Safety Act. ACP has procedures for identifying hazards and risks through matrix (IPER), an annual training program, an annual OHS plan, an OHS indicator register in Power BI, procedures for investigating occupational accidents, an emergency and contingency plan, a drill program, audit procedures, and an occupational health surveillance program. There are also coordinators, supervisors and inspectors distributed throughout the work areas of the packing plant and the farm, and there is an OHS Committee formed by worker and employee representatives that meets monthly to review the environmental risks of ACP's operations and propose control measures.

The main identified risks include fire and ammonia leakage at the packing plant, explosion risks (gas station), fire, and spillage of hazardous materials on the farm. ACP will prepare safe work procedures for the risks identified in the IPER matrix, as well as for the handling of loads and tools, and will develop an induction program for new temporary workers.

The most frequent accident is blows to the head from falling avocados. ACP is evaluating certain control measures to reduce such accidents. ACP will prepare work instructions for avocado harvesting to reduce the risk of accidents caused by falling avocados, as well as falls to different levels caused by the unsafe use of ladders (without lifelines). It should be noted that in July the number of workers peaks and accidents increase. The results of the recordable 2020 OHS indicators show a frequency rate (LTIFR, calculated using the OSHA formula) of 2.9 and a severity rate (LTISR, calculated using the OSHA formula) of 21.6. The LTIFR is within the OSHA average for all industries.

In addition to the regular occupational medical examination, operators in charge of handling agrochemicals are subjected to an annual cholinesterase test to rule out intoxication.

ACP performs occupational noise monitoring in the packing area. The results of the monitoring report conducted in 2019<sup>7</sup> found two work areas with a noise level exceeding 80 dBA and recommended procuring hearing protectors for all workers inside the packing plant. ACP will provide hearing protectors to workers and implement noise reduction measures in the packing area as part of their personal protective equipment (PPE).

Workers are provided with PPE appropriate to the type and risk of the work they perform. As a COVID-19 prevention measure, they are also provided with surgical masks, liquid alcohol and gel.

The COVID-19 prevention plan is monitored by the occupational physician. From the beginning of the pandemic to June 2021, 380 ACP workers have become infected; 5 of them died, three of whom were people at risk. The infections have been outside the workplace and coincided with the peaks recorded in the workers' residence areas. There are currently 20 workers in the at-risk group; they are being monitored and on paid leave.

The Colombia operation measures OHS indicators, including accident frequency, accident severity and absenteeism. The Colombia operation will implement an OHS management system in line with the IFC's PS 2 requirements.

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

ACP's operations in Peru have a lower percentage of employees with disabilities than is required by local regulations, and the operation in Colombia has not hired any employees with disabilities. In both its operations in Peru and Colombia, ACP will assess which types of work could be performed by people with disabilities in accordance with the regulations in force for each country where it operates. It will develop a human resources strategy to attract and retain people with disabilities, including access to physical environments, equal employment opportunities, and avoid any form of discrimination, in accordance with Peruvian and Colombian regulations, and in compliance with the IDB Invest Sustainability Policy.

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

ACP has E&S procedures for contractors, and audits are conducted to verify compliance with its policies.

ACP has contractor management procedures in place including, OHS inspection and audit procedures. The management documents include induction records, road safety training forms, the Hazard Identification and Risk Evaluation Matrix (IPER) for ACP and contractor transportation, first aid and the pillars against COVID-19, and inspection logs. ACP has also reinforced training for contractors on safety issues. During the on-site visit, it was observed that personnel driving mobile units made use of their cell phones while driving, so the ACP will reinforce its controls to reduce road safety risks.

The operation in Colombia will implement procedures to manage the environmental, social and OHS aspects of contractors.

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<sup>7</sup> Due to COVID-19, occupational noise monitoring was not conducted in 2020.

#### 4.2.f Supply Chain

The country's agribusiness sector has a high rate of child labor. ACP has a human rights risk assessment procedure, a human rights policy, and mechanisms to prevent the risk of child and forced labor throughout its facilities and supply chain. Posters about the prohibition of child labor and the appropriate channels to report it are available at all ACP facilities.

Regarding the operation in Colombia, follow the recommendations under item 4.2.b.

### 4.3 Resource Efficiency and Pollution Prevention

#### 4.3.a Resource Efficiency

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

ACP has begun collecting data to measure its GHG emissions. A consulting firm has been hired to deploy the MIMASOFT software, which links ACP's data and quantifies its carbon footprint. GHG measurement is scheduled to begin in August 2021. Each year ACP will report its GHG emissions, including stationary and mobile sources. ACP has implemented eco-efficiency measures in its operations in relation to paper recycling, promoted remote work since 2019 (avoiding 47.21tCO<sub>2</sub>eq of emissions), recycling of PET bottles, changes from R-22 gas in AC units to R-410 gas units, composting, change to LED lighting, and equipment modernization.

The Colombia operation will measure and report its Scope 1 and 2 GHG emissions annually.

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

ACP makes efficient use of water; all fields have a drip irrigation circuit with automated control and real-time information on irrigation spending through DRIN software, which ensures efficient water use and has an alarm system to prevent pipe leakage. ACP also has a maintenance program in place for its agroindustrial, agricultural and domestic water distribution systems; it has gradually introduced water-saving taps (48% savings), and recovered water from air conditioning units and reused it for green area irrigation. According to the water use license issued by ANA<sup>8</sup>, ACP can draw water from surface sources for its operations at the packing plant and on the farm for a total annual volume of 50,325,916<sup>9</sup> m<sup>3</sup>, which is enough to meet projected annual demand through 2021. Licenses expire when the activity ceases, i.e. when the ACP ceases operating.

The annual water demand of Qali fruits accounts for 8.3% of the total amount of water licensed for the 4 lots in use. The licenses for 2 of these lots are currently being transferred to Qali Fruits as their owner. Qali Fruits must comply with the provisions of the regulation in force to be able to complete the transfer within the timeframe set out in the ESAP.

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<sup>8</sup> Water is drawn from the Gallito Ciego Dam, reaching ACP through the Talambo - Zaña L01 TP Distribution Canal, which carries the water to the Cerro Prieto Irrigation Canal for distribution to ACP.

<sup>9</sup> According to the farm's Water Balance and the 2021 ACP packing plant.

The Colombia operation plans to build two reservoirs for water collection and to implement fertigation. The use of this water requires obtaining a concession. The Environmental Management Plan includes the processing of the respective permit. Cerro Prieto Colombia will submit the water concession permit to IDB Invest.

#### 4.3.b Pollution Prevention

ACP performs biannual environmental monitoring of air quality, noise, water for human consumption and surface water in accordance with the commitments outlined in its EMP. A review of the 2020 (two reports) and 2021 (one report) monitoring reports for the farm and packing plant shows that the ambient noise levels, air quality parameters, and surface water quality parameters are within domestic standards and applicable international standards under the WBG General Guidelines. ACP will report monitoring results against IFC standards, in addition to domestic standards.

According to the PAMA, the ACP farm does not produce industrial wastewater; only domestic wastewater is generated, which is stored in septic tanks for disposal through a solid waste operator (SWO). During the visit, septic tanks with open lids and the presence of vectors (flies) were observed in the workers' camp area. ACP will ensure that septic tanks are well-maintained to prevent the proliferation of vectors and that 100% of domestic effluents are disposed of in a timely manner by the Solid Waste Operator (SWO) to avoid risk of soil and groundwater pollution. The farm carries out activities that generate industrial wastewater, such as machinery and equipment cleaning, wastewater from cleaning the chemical and agrochemical storage areas, effluents from the fuel tank areas, among others; these need to be collected, treated in a wastewater treatment system and disposed of separately from domestic wastewater through a SWO.

The packing plant has an industrial wastewater treatment plant (IWWTP) that treats wastewater generated from avocado and asparagus washing and wastewater generated inside the plant; the treated water is used to irrigate gardens. This use of treated water has been authorized as part of the packing plant's Environmental Impact Statement Approval, by means of Letter No. 474-2018-MINAGRI-DVDIAR-DGAAA, dated November 23, 2018. In line with the above, ACP will conduct biannual monitoring of domestic and industrial wastewater, comparing them to the reference limits set out in domestic regulations and the guideline values of the WBG General Guidelines. As part of its monitoring and follow-up program, the Colombia operation will carry out biannual measurements of surface water quality, groundwater quality (if applicable), domestic and industrial wastewater, air quality, and environmental noise. Monitoring results will be compared with the limits established in the local regulation and the guideline values of the WBG General Guidelines.

#### 4.3.b.i Waste

ACP has a general plan for hazardous and non-hazardous solid waste. ACP will update the plan to include legal requirements regarding temporary and central solid waste storage, as well as storage, collection, transportation and disposal procedures. It will also update its environmental education, composting and recycling programs. The waste is disposed of through an authorized SWO.

The handling of organic waste in the fields, specifically weeds, consists of burial, composting and, to a lesser extent, burning, all within the cultivation area. ACP will continue its burial and composting

efforts, and will employ alternative measures to substitute weed burning and replace it with lower impact measures, as well as improving the storage of weed residues by incorporating fire prevention measures.

The Colombia operation has a solid waste management program that is appropriate for its activities.

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

ACP has a central warehouse, an agrochemical warehouse, and a fuel station with surface hydrocarbon tanks, all of which have evacuation maps, emergency equipment maps, product safety data sheets, and a general environmental contingency procedure for spills of hazardous substances. However, hazardous materials management documents are too general in nature and need to be more specific in terms of describing the procedures to be followed from transport to final disposal. The operations in Peru and Colombia will prepare and implement a procedure for the transportation, handling, storage, use and disposal of hazardous materials that is consistent with the WBG General Guidelines. They will also train staff in the procedure's implementation.

Ammonia refrigeration systems are used at the packing plant, and workers are trained in ammonia handling, including ammonia leak response and evacuation. ACP also has an ammonia leakage contingency plan in place. ACP will conduct a safety assessment of the refrigeration systems and compare the results with applicable international standards, such as those of the International Institute of Refrigeration with Ammonia (IIRA).

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

ACP carries out integrated pest management through the implementation of Integrated Pest Management (IPM) and Good Agricultural Practices (GAP) manuals for its four crops. The agrochemicals used by ACP are not included in either class la (extremely hazardous) or lb (highly hazardous) according to the World Health Organization's (WHO) toxicological classification. The personnel in charge of handling agrochemicals receive training and undergo periodic health controls to rule out intoxications. ACP has general guidelines for handling agrochemicals; however, it will update the agrochemical management documents in accordance with the guidelines of the United Nations Food and Agriculture Organization's (FAO) International Code of Conduct on the Distribution and Use of Pesticides.

The Colombian operation currently uses two class lb products according to the WHO toxicological classification. Cerro Prieto Colombia will develop an lb agrochemical phase-out plan, whereby such phase-out will take place within a period of no more than three (3) years; it will also adopt an Integrated Pest/Disease Management Manual and a Good Agricultural Practices (GAP) Manual, which will include the prohibition of the use of class la and lb agrochemicals.

#### 4.4 Community Health, Safety and Security

##### 4.4.a Community Health and Safety

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

The closest towns to ACP are Kawachi, 4.1 km to the south, and Mocupe, 18.3 km to the north; both are crossed by the North Pan-American Highway. This road is used by ACP's staff transportation contractors, hazardous materials contractors, and freight transportation contractors; ACP will therefore update the transportation contractor management documents with the guidelines outlined in the WBG<sup>10</sup> General Guidelines, to ensure that risks are being managed.

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

The closest population centers to the ACP facilities are located more than 4 km away, so the risk of being affected by emergencies involving hazardous materials is very low. Nevertheless, the transportation of hazardous materials by contractors may create risk conditions for the populations located on both sides of the North Pan-American Highway. Operations in Peru will ensure that transporters of hazardous materials (ammonia and liquid and gaseous fuels) comply with the national regulations governing the transportation of hazardous materials, and that they prepare contingency plans and risk maps in accordance with the nature of the substances.

##### 4.4.a.iii Ecosystem Services

Not applicable for ACP in Peru.

The Colombian operation will conduct an assessment to rule out the presence of ecosystem services affected by Project activities. If a potential impact is identified, a management plan validated together with the affected community will be implemented.

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

ACP lacks management documents for external lodging and does not have guidelines establishing the minimum behavioral and community health requirements that must be met by workers housed in these facilities located in settlements near the farm. ACP will institute community health procedures for temporary workers to prevent the transmission of COVID-19 and other transmissible diseases associated with temporary worker influxes.

The operation in Colombia is purchasing COVID-19 vaccines to vaccinate its workers and reduce the risk of infection in the community.

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<sup>10</sup><https://www.ifc.org/wps/wcm/connect/eb6fddc1-a3e3-4be5-a3da-bc3e0e919b6e/General%2BEHS%2B-%2BSpanish%2B-%2BFinal%2Brev%2Bcc.pdf?MOD=AJPERES&CVID=jqeI7M5>



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

ACP has no records of any communities being affected by its activities. The emergency and contingency plan establishes communication mechanisms with local authorities.

The Operation in Colombia will rule out the presence of communities affected by the operations; if such effects are identified, it will adjust the Emergency Preparedness and Response Plan to PS4 requirements.

#### 4.4.b Security Personnel

The security personnel is made up of hired staff in charge of property security and a contractor company, who have an on-site camp within the farm. Staff do not use weapons and have received human rights training as part of their ETI Certification.

The operation in Colombia will conduct human rights training for security personnel and establish guidelines on the use of force and the use of weapons in line with PS4 requirements.

### 4.5 Land Acquisition and Involuntary Resettlement

#### 4.5.a General

Land acquisition in Peru was done through voluntary transactions and the land acquisition in process in Colombia is also being processed voluntarily; therefore, it does not trigger PS5: Land Acquisition and Involuntary Resettlement.

However, for new acquisitions of land in both countries, ACP will ensure that such land acquisition is made in strict compliance with PS5, through agreements negotiated to the satisfaction of both parties (buyer and seller) and in compliance with the commercial and mercantile laws of Peru and Colombia, where applicable. Involuntary resettlement, both physical displacement (relocation or loss of housing) and economic displacement (loss of assets or access to assets resulting in the loss of sources of income and other means of livelihood) as a result of land acquisition will be avoided.

ACP will develop and implement a Land Selection and Acquisition Manual enforceable in Peru and Colombia for new plantations or plants, containing an involuntary resettlement procedure that avoids physical or economic displacement of persons using such land as much as possible, or, where unavoidable, anticipates and minimizes adverse social and economic impacts arising from such land acquisition or restriction on land use, by: (i) compensating the loss of property at replacement cost; (ii) ensuring that resettlement activities are carried out with proper information disclosure, consultation and informed participation of the affected persons; and (iii) improving or restoring the livelihoods and living standards of the displaced persons.

## 4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

### 4.6.a General

ACP has procedures to protect biodiversity, as well as dissemination material to prevent hunting and collection of species on the farm. It also has a project in line to implement a biodiversity conservation area, scheduled for 2022.

The Colombia operation has biodiversity protection programs aimed at preserving natural habitats and native forests in the Project area.

### 4.6.b Protection and Conservation of Biodiversity

ACP has a document called State of Biodiversity prepared in 2016, in which the flora and fauna (birds, mammals and reptiles) at the company's location were studied. The results of the evaluation determined that none of the 42 species of flora recorded are in the conservation category, nor are they endemic, and of the 20 species of birds, aside from one reptile and one mammal (Sechura fox), none of the species recorded are in the threatened or critically endangered categories. Foxes are in the Near Threatened (NT) category of the International Union for Conservation of Nature's (IUCN) Red List.

Moreover, IDB Invest conducted a Biodiversity Assessment Report in June 2021, which identified the presence of the *Tomopeas Ravus*<sup>11</sup> species, categorized as a threatened species on the International Union for Conservation of Nature (IUCN) Red List of Threatened Species; this species was not recorded in the biological assessment conducted by ACP. The potential presence of this species triggers the PS6 criteria that establish the presence of a critical habitat. ACP will update the flora and fauna assessment to rule out that there exists a critical habitat, in accordance with PS6 guidelines. If a critical habitat is identified, a Biodiversity Action Plan (BAP) will be implemented.

The operation in Colombia will conduct a field assessment of flora and fauna in two wet and dry seasons in order to determine the presence of biodiversity and its community parameters. Based on these results, it will carry out a critical habitat analysis in accordance with PS6. If a critical habitat is identified within the existing lands, a Biodiversity Action Plan (BAP) will be implemented.

ACP will ensure that the land selected for any of its new plantations or plants is not located in critical habitats, legally protected, or internationally recognized areas.

ACP will develop and implement a biodiversity impact prevention procedure within the Land Selection and Acquisition Manual, where in the event of the presence of critical habitats, legally protected or internationally recognized areas, alternative options must be explored to execute the works.

## 4.7 Indigenous Peoples

ACP's activities in Peru do not directly or indirectly affect indigenous peoples.

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<sup>11</sup> Blunt-eared bat.

According to the Environmental Management Plan, the Colombia operation reports that 47% of the population recognizes itself as an indigenous community belonging to the municipality of Riosucio, specifically to San Lorenzo reservation, and to the Tacón reservation of the Cauroma community in the municipality of Supía. The operation in Colombia will therefore conduct an assessment to rule out impact on indigenous communities in accordance with PS7 guidelines. If affected, an Action Plan will be established with specific measures to prevent and mitigate potential risks and impacts.

ACP will ensure that the lands selected for any of its new plantations or plants do not affect the lands and resources of indigenous peoples, except where such indigenous peoples are partners in the development of the Project, which must comply with the requirements of ND 7.

In this regard, ACP will develop and implement a prevention of impacts on indigenous peoples procedure within its Land Selection and Acquisition Manual. A report on the consultation and participation process must be submitted prior to the start of the works, as well as a letter of consent from the authorities or legitimate representatives of the indigenous peoples in Peru and Colombia if there are indigenous communities on the land where plantations or plants are to be established, in addition to complying with indigenous peoples' rights and the corresponding legislation.

#### 4.8 Cultural Heritage

##### 4.8.a Protection of Cultural Heritage in Project Design and Execution

ACP has a Certificate of Non-existence of Archaeological Remains (CNEAR) for an area adjacent to the Cerro La Pata archaeological zone, whose surface area is 53,493.06 m<sup>2</sup>. An Archaeological Monitoring Plan (AMP) was required as requirement under CNEAR and was prepared in 2017. The AMP provided archaeological monitoring during the installation of the communications system for monitoring the technified irrigation, administrative and operational control offices. The AMP includes a description of the area to be monitored and the project activities, timeline, work plan, mitigation measures, budget and plan for disseminating the results of the assessment. Mitigation measures describe preventive measures, monitoring, actions to be taken in case of chance finds, and reporting of inspections to the authorities. The AMP focused only on specific construction activities. Furthermore, ACP borders the Cerro Colorado 1 archaeological site. Therefore, for the Peru operation, ACP will develop a Cultural Heritage Management Plan (CHMP) together with a competent expert, which will include the following components: i) Monitoring Program, ii) Chance Finds Procedure (CFP), iii) Site Protection Program and iv) Cultural Heritage Training Program.

ACP will ensure that the land selected for the works in Colombia is not located within known and/or legally protected cultural heritage areas. It will develop a CFP and train its field staff in cultural heritage, to be able to identify any chance finds the area.

In light of the above, ACP will draft a conservation of cultural heritage procedure within its Land Selection and Acquisition Manual. If the impact identification process determines that there is a potential risk to cultural heritage, in addition to complying with corresponding legislation on the protection of such cultural heritage, the procedure must (i) establish measures to minimize the impacts and risks to cultural heritage caused by the location of the new works; (ii) hire competent

professionals to collaborate in the identification and protection of cultural heritage; and (iii) have a CFP in place.

ACP will not cause additional disturbances on any chance finds until a competent expert performs an assessment and actions consistent with the requirements of local legislation and PS8 have been determined.