

ATTACHMENT A: PROJECT SUMMARY

IDB ENVIRONMENTAL AND SOCIAL STRATEGY (ESS)¹

Horticulture and Fruit Processing and Production (PE-L1143)

I. PROJECT AND COMPANY OVERVIEW

PROJECT SUMMARY

Client/Company: Danper Trujillo S.A.C.

Country: Peru

Sector: Agribusiness

IDB A-Loan: up to \$38.5 million

Department: Structured and Corporate Finance Department

Division: Industries and Services Division

Status: Due diligence

EIC: B

- 1.1 Danper Trujillo S.A.C, (the “Company” or “Danper”) is one of Peru’s leading agro-exporters of preserved, fresh and frozen asparagus, artichokes and pepper products, as well as other fruit and vegetables. It began operations in Trujillo, in northern Peru in 1994. Since the beginning, Danper committed itself with genuine challenge to create value for its stakeholders and has positioned itself with a strong image as a reliable, respectful and competitive company.
- 1.2 Danper sources its raw material from a combination of self-managed agricultural farms and from third-party small and medium farmers from rural areas in the provinces of La Libertad, Lambayeque, Piura, Ancash, Ica and San Martin. The processing plants for asparagus, artichokes and pepper are mainly located in La Libertad (Trujillo).
- 1.3 Danper’s implementation of a successful product diversification strategy and broad client mix has generated higher volume sales over the years. The Company exports all its production of asparagus and artichokes, pepper and other products (in all product presentations) to the United States, Asia and key markets in the European Union. Danper has generated a sustainable growth due to its vision for doing business in the long term

¹ This Environmental and Social Strategy (ESS) is being made available to the public in accordance with the Bank's Policy on Disclosure of Information. The ESS has been prepared based primarily upon information provided by the Project sponsors and does not represent either the Bank’s approval of the Project or verification of the ESS’s completeness or accuracy.

which is based on three vectors of sustainable development: economic, social and environmental.

- 1.4 IDB seeks to provide a corporate loan to Danper to support its business growth. Proceeds of the financing will be used to: (i) develop asparagus plantations, (ii) implement new raw material processing equipment and cold-storage facilities for mechanization to increase operating efficiencies and product quality, and (iii) finance related industrial working capital and to refinance a portion of bank debt (the “Project”).

II. REGULATORY FRAMEWORK

- 2.1 The capital expenditures associated to this Project and the Company’s activities in general are designed considering compliance with current Peruvian and international environmental, social and safety regulations and certification standards. Below is a preliminary review of the main applicable environmental regulations and authorizations with respect to the Project that might be applicable: i) Permission to use water for agriculture irrigation and implementation of hydraulic works if any (ANA, Agencia Nacional del Agua), ii) Environmental Impact Assessment (EIA), iii) Regulation of agrochemical warehouses, iv) Authorization for stockpiling, processing and packaging of fruits, v) Best Agricultural Practices according to Peruvian and international standards.
- 2.2 Several government institutions regulate, promote and provide oversight over the quality and market promotion of agricultural products in Peru. **DIGESA** is an agency within the **Ministry of Health** that regulates all aspects of basic sanitation and environmental compliance. **Promperu**, the Commission for the promotion of Peru Export and Tourism, supports the implementation of rules, regulations and other international requirements for the export industry. **The National Agricultural Sanitary and Phytosanitary Service (SENASA)** within the Ministry of Agriculture, is responsible, among other activities, for supervising seed quality, agricultural chemical pesticides and pharmaceuticals. **MINCETUR** is responsible for regulating and supervising foreign trade and tourism. **ANA** is the National Water Agency that regulates water permits for agriculture, surface and ground water extraction and storage as well as studies and monitoring of watersheds across the country. **INRENA** is the National Institution of Natural Resources that regulates the management of native forest, conservation and studies; as well as permits for land conversion and forest exploitation and the corresponding compensation measures.

III. COMPLIANCE WITH IDB SAFEGUARDS REQUIREMENTS:

- 3.1 Following IDB’s Classification Policy (OP-703 Directive B.3), this initiative has been classified as a Category B Project, as it is likely to cause limited local and short-term

negative environmental and social impacts generally located in specific zones and mostly reversible for which effective mitigation measures are readily available. This classification will be confirmed after the environmental and social due diligence.

- 3.2 According to the Safeguard Policy Filter, this Project has triggered the following directives of the Environment and Safeguards Compliance Policy (OP-703): B.3 (Screening and Classification), B.4 (other risks including Associated Facilities), B.5 (Environmental Assessment Requirements), B.6 (Consultations), B.9 (Natural Habitats and Cultural Sites), B.10 (Hazardous Materials), and B.11 (Pollution Prevention and Abatement).
- 3.3 The Bank will also require that the Project complies with the directives: B.2 (Country Laws and Regulations), B.7 (supervision and compliance) and B.17 (Procurement) as well as with the Public Information and Disclosure Policy (OP-102), the Indigenous Peoples Policy (OP-765) if applicable, the Gender Equality in Development Policy (OP-270) and the Disaster Risk Management Policy (OP-704) if applicable. The information available at this stage indicates that the Project will not require involuntary resettlement and will not impact negatively on indigenous communities.
- 3.4 The Bank's Agricultural Sector Operational Policy (OP-721) and Rural Development Operational Policy (OP-752) are also relevant to the analysis of the Company's environmental and social performance, as are IFC ESHS Performance Standards and guidelines and relevant industry guidelines.
- 3.5 Compliance with IDB's Exclusion List for Non-sovereign Operations is also applicable, especially in relation to the International Convention of Biological Diversity and the Rotterdam and Stockholm Conventions on POPs.

IV. MAIN IMPACTS, RISKS AND CONTROL MEASURES

- 4.1 This initiative will likely have a high potential for positive impacts on vulnerable stakeholders, including women and vulnerable groups. It is also expected to follow best agricultural practices, including strict certification schemes according to international standards required by the consumers in Europe, the USA and Asia. However, as in any similar agriculture initiative, this Project was classified as Category B as it is likely to cause limited local and short-term negative environmental and social impacts for which effective mitigation measures are readily available.

4.2 Based on the preliminary information available for this Project at the early evaluation stage, the main potential environmental and social impacts and risks related to this operation could be the following: (i) **alteration of the aquatic environment due to irrigation activities, construction of channels and reservoirs, and use of pesticides and fertilizers:** the main risk is related to social issues, since the water resources could eventually have conflictive and opposite uses among local stakeholders, in many cases, these stakeholders are not related to this Project. However, since the Project is planning to use highly efficient dripping irrigation systems, it is not expected that the Project would have any impact on downstream water users or to the normal flow of rivers or produce any significant diminution of local aquifers. Also, there is a potential risk of contamination due to inadequate construction of channels and reservoirs for irrigation or the inadequate application of pesticides and fertilizers for agriculture. Also, there is a potential to increase the level of erosion and sedimentation processes during and after land preparation for agriculture. At this early and preliminary stage, there is no information on aquatic biodiversity and potential alterations to aquifers and the natural flow of the rivers that may be eventually used as irrigation sources. It is important to note that Danper currently manages chemicals according to international certified standards like GLOBALGAP, USGAP and ISO14001 for Environmental Management Systems; (ii) **affectation to natural or critical natural habitats due to land-use change for agriculture, especially for the potential clearing of native vegetation (approximately 562 hectares) for the cultivation of asparagus and avocado:** according to the preliminary information of the Project, most of these lands are already farmlands dedicated to other crops. It is possible that part of the converted lands could be on marginal lands or “*tierras eriazas*” that in most cases would be considered natural (and potentially critical) natural habitats as defined by the IDB Directive B.9. The natural landscape in these areas are covered by several types of desert and arid ecosystems along the Pacific Coast, mainly the Dry Forest Ecosystem that covers around 2,430,700 hectares along the Northwest coast of Peru with limited representation in nearby protected areas (9%). Many of these ecosystems are degraded by several decades of unsustainable exploitation, due to goat grassing, firewood and timber extraction. However, the introduction of invasive alien species is not expected and neither is the clearance of large extensions of native forests; (iii) **potential contamination and accidents due to inadequate use, storage and disposal of pesticides, treated seeds and fertilizers:** although Danper follows national and international certification standards that require strict management of agrochemicals, there is a minor to moderate potential for accidental spills and contamination during transportation, storage and application of pesticides, some of them are highly toxic to humans and the environment. As part of the Project, usage of industrial chemicals, pesticides or POPs that are banned or severely restricted internationally and contemplated in the IDB Exclusion List (Rotterdam and Stockholm Convention on Persistent Organic Pollutants) are not expected; (iv) **contamination due**

to inadequate management of liquid and solid wastes from agriculture and fruit processing: similarly to the previous case, the fruit processing under this Project will produce moderate to large amounts of organic solid and liquid wastes that Danper currently uses for recycling, for composting or animal feed; **(v) potential social and reputational risks related to land tenure, access to water and labor issues:** the Project is not expected to affect other water users, cause resettlement of families or any negative impacts to indigenous or vulnerable communities. However, since there is no detailed social baseline for this Project, it is not clear at this stage if the IDB Indigenous People Policy would be activated. In any case, there is a potential beneficial effect of the Project on local stakeholders, some of them considered vulnerable families that could potentially belong to indigenous communities. There is a moderate risk for the creation of higher economic expectations to local stakeholders that could pose reputational risks to the Bank. It is important to note that Danper has a significant experience in promoting social inclusion and participation with local stakeholders, many of them are part of successful development programs in rural areas, for the promotion of entrepreneurship and the inclusion of the local communities to the Company's value chain that has been recognized by several institutions.

Other issues and cumulative impacts and risks:

- 4.3 Most of the Project's area of influence is located on extensive coastal plains and river valleys where several archeological and paleontological sites currently exists, many of them are related to ancient indigenous cultures known as Mochica or Moche. It is not expected that the land preparation of 562 hectares would affect any existing cultural site, since this area has been cultivated for several decades. Additional studies in coordination with relevant stakeholders will be prepared by Danper during the environmental and social due diligence of the Project and a Chance Find Procedure will be required in order to comply with Directive B.9 of Critical Cultural Sites.
- 4.4 There is a potential risk of indirect and cumulative impacts being generated by displacing existing traditional crop and herding activities to other regions, leading to land conversion and impacts on natural habitats. This could also induce potentially unsustainable livelihood practices for former subsistence farmers who could be displaced to other regions due to higher land prices and lack of economic activities. This in turn, could generate scarcity of firewood and several traditional subsistence crops such as corn, beans, manioc, yam, fruits and vegetables at the local level.
- 4.5 The most important positive cumulative impacts of the Project are of a socioeconomic nature, chiefly involving the improvement of the economy of urban and rural communities. Hiring of local labor as well as indirect employment generation through

procurement of local goods and services will be the most immediate benefit. This will result in a significant increase of local available income, with effects on consumption patterns that shall in turn induce additional economic activity and diversification.

- 4.6 With regards to the rural economy, benefits will accrue from increased levels of regional production that will attract additional service providers and generally contribute to the enhancement of the technical and commercial conditions within which the regional agricultural sector operates. On the negative side, the previous mentioned effects may result in significant inflation of local goods and services as well as real estate values.
- 4.7 Once again, it is important to note that Danper employs typical and often state of the art environmental mitigation and management measures to minimize these mentioned impacts and to ensure compliance with all applicable regulations and achieve compliance with international requirements. Danper has made significant efforts to prepare and implement its Environmental and Social Management Program and Best Management Practices (ESMP/BMP), particularly in the management of agrochemicals, fuels and other hazardous materials; sustainable practices in fruit production and processing; workers and community health and safety, among other issues with high international standards to achieve certification for the markets in the USA and Europe.
- 4.8 Additionally, a more thorough evaluation will be needed regarding the mentioned negative impacts and risks as well as the corresponding compliance with Peruvian regulations and IDB policies that will be assessed in more detail by the IDB during the environmental and social due diligence of the Project.

V. ENVIRONMENTAL AND SOCIAL STRATEGY

- 5.1 The IDB, with the assistance of an independent environmental and social consultant will perform an environmental and social due diligence (ESDD) in order to confirm that all Project relevant impacts and risks have been, or will be properly and adequately mitigated. The environmental and social due diligence will specifically assess the following aspects:
 - a. Assessment of compliance status with the applicable environmental, social, health and safety, and labor law requirements in Peru (e.g., laws, regulations, standards, permits, authorizations, applicable international treaties/conventions, etc.)— including their Environmental Impact Assessment requirements, and project specific legal compliance.
 - b. Assessment of compliance with any applicable Bank environmental and social policy and guidelines, in particular the directives B.4 (other risks including

Associated Facilities), B.10 (Hazardous Materials), B.11 (Pollution Prevention and Abatement); B.5 (Environmental Assessment Requirements), B.6 (Consultations), B.9 (Natural Habitats and Cultural Sites) of the Environmental and Safeguard Compliance Policy, the Public Disclosure Policy (OP-102), the Indigenous Peoples Policy (OP-765), the Gender Equality in Development Policy (OP-270) and the Disaster Risk Management Policy (OP-704).

- c.** Evaluation to confirm that the Project's direct, indirect and cumulative negative environmental and social impacts, from both construction and operation phases, have been properly identified and evaluated.
- d.** Evaluation to confirm that the Project complies with: i) IFC's General EHS Guidelines; and ii) Estimation of gross and net greenhouse gas emissions.
- e.** An evaluation to ensure adequate environmental and social mitigation measures and monitoring, in terms of their completeness, sufficiency of detail, feasibility, cost, definition of responsibility, schedule, and quality control.
- f.** A determination of key indicators and requirements for the project execution, complete with timelines and milestones. Indicators for each project and for corporate performance will be sought.
- g.** An evaluation to ensure adequate health and safety plans and procedures, including their technical adequacy given the potential project-specific health and safety risks, adequate level of training to be performed, and sufficient resources to be made available to ensure adequate implementation.
- h.** An evaluation to confirm adequate contingency plans (i.e. emergency and spill plans), including confirmation that all relevant project-specific environmental risks have been identified, proper procedures have been developed, and sufficient resources will be made available to ensure adequate implementation.
- i.** An evaluation of project-related information disclosure and public consultation as well as stakeholder engagement activities that have been performed and the proposed future actions to provide adequate ongoing information disclosure and public consultation with the local population according to Peruvian regulations and IDB policies.
- j.** An evaluation, and further development as necessary, of Project (loan agreement) monitoring/supervision procedures to ensure proper implementation of environmental, social, and health and safety actions and requirements.

- k. An evaluation of environmental, social and health and safety terms and conditions in relevant project legal documents (e.g. concession contract, construction contract, operations and maintenance contract, etc.), in terms of sufficiency, potential risks or liabilities, or other issues as applicable.
 - l. An evaluation of potential existing and future environmental, social, or health and safety financial risks and liabilities associated with the Project, the project site, and the Company.
 - m. An evaluation of the Company's environmental, health and safety management systems, including plans and procedures, responsibilities and resources, training, auditing, and reporting, and in particular all the system components necessary to ensure future projects and works which will be implemented will not generate negative impacts.
 - n. An evaluation to confirm that any environmental or social liabilities or non-compliances identified are corrected or addressed by an acceptable corrective action plan, as necessary, in order to correct or mitigate any existing environmental, social, or health and safety non-compliance or liability associated with the existing projects and Company's assets.
- 5.2 As part of the Bank's environmental and social due-diligence, the Bank will prepare an Environmental and Social Management Report (ESMR) for consideration by the Bank. The ESMR will provide a synthesis of the relevant environmental, social, health, safety and labor aspects related to the Project and the proposed Bank recommendations.
- 5.3 In view of the ongoing management efforts being undertaken by Danper and the information available initially at this stage, the ESDD should place particular attention on the following aspects of the Company's performance:

Corporate Practices

- Leased lands selection and conditions, land tenure, claims, conflicts, etc.
- Purchased land selection policies
- Integrated Waste management
- Other activities of the Company that might pose a reputational risk to the Bank
- Issues related to irrigation activities, water permits, downstream water users, construction of channels, wells, water reservoirs and dams.
- Relations with local rural and indigenous communities, potential benefits and positive impacts and social programs.
- GHG annual emissions measurements and reporting
- International certification, membership and criteria for fruit production and export

- Labor policy and employee housing
- Company policy updates:
 - Forest protection or set asides
 - Land acquisition criteria
 - Human Resources
 - Good Agricultural Practices
- Update on compliance with legislation applicable especially regarding forest clearance and provincial territorial plans (INRENA)
- Overall stakeholder engagement plan
- Consultations with relevant NGOs, universities and local authorities.
- General ESHS and IFC guidelines

CAPEX specific issues

- Cultural sites or archeological/paleontological sites, if any. Development of a Chance Find Procedure and detailed information on corresponding institutions and legal framework.
- Potential direct and indirect impacts to high biodiversity areas and critical natural habitats (Ramsar Sites, protected areas, IBAs, Protection Forest, Territorial Management Plans, and vulnerable species monitoring).
- Land clearing and preparation, and its compliance with local and national regulations.
- Agrochemical storage authorization and compliance.
- Management of dust, noise and truck traffic at the fruit storage and processing facilities.
- Consultation processes with respect to the facilities construction and operation as applicable.