Annex C

Environmental and Social Management Report (ESMR)

CH-L1063 Subsole.

Chile

I. INTRODUCTION

1.1 Subsole Group[1] ("Subsole" or the "Group"), a vertically-integrated Chilean group of companies dedicated to cultivate, process and commercialize fresh fruits is seeking financing from the IDB, through its principal subsidiaries, Exportadora Subsole S.A, Agricola Don Alfonso Ltda. and Servicios Agroindustriales Subsole S.A. (the "Co-Borrowers"). Established in 1991, Subsole currently is the largest fruit exporter in Chile and has a strong commitment to maintain and improve the sustainable operations of its business. Subsole has a certification program for food safety and agricultural best practices, benefiting approximately 275 of its fruit suppliers located in six geographical areas from Copiapó to the Maule region. Subsole's main products include fresh grape, avocado, kiwifruit, citrus, cherry and pomegranate.

1.2 The Group currently seeks a loan to: i) finance its capital expenditure program for 2011-2014 – this program will enable Subsole to maintain its leadership in developing a sustainable fruit industry in Chile, specifically in regard to increased capacity, energy use, irrigation and water storage methods; and, ii) refinance its local bank debt to achieve a capital structure in line with recent revenue growth and productive investments (collectively, the "Project").

1.3 The Bank participation will enable the Group to complete its capital expenditure program with long-term funding and will assist Chile's efforts to: (i) increase employment opportunities in the agribusiness sector; (ii) promote sustainable farming through supply chain financing; (iii) finance renewable energy sources through environmentally-friendly investments with emphasis on solar energy technology; and, (iv) increase and diversify agribusiness exports. IDB's Sustainable Energy and Climate Change Initiative (ECC) is expected to finance feasibility studies and CAPEX regarding planning of a solar photovoltaic plant and conduct energy audits at some of the Group's facilities.

[1] Exportadora Subsole S.A., Servicios Agroindustriales Subsole S.A., Agrícola Los Terrones S,A., Sociedad Subsole Comercial S.A., and Subsole Logistics S.A.

II. PROJECT DESCRIPTION

2.1 Subsole Group ("Subsole" or the "Group"), is an integrated Chilean agribusiness company that cultivates, processes and commercializes fresh fruit (mainly grapes, but also kiwis, pomegranates, avocados, citrus and cherries). Subsole is one of Chile's main fresh fruit exporters and is the country's third largest exporter of grapes, shipping grapes to over 160 clients across five continents, but mainly to the USA and Europe. The Group has demonstrated its strong commitment to the sustainability of its operations through a certification program for food safety and agricultural best practices, among other initiatives.

2.2 With its growing share of the global fresh fruit market,[2] Subsole is positioned to play an important role in Chilean agribusiness, bridging the competitiveness gap with developed economies. As a long-standing client of the IIC (since 2002) and the MIF (since 2009), and with an excellent track record of growth and performance, the Group now requires assistance from the IDB to continue investing in innovation and productivity and to achieve its growth potential.

2.3 Subsole is poised to lead the industry in its application of clean/renewable energy with the construction of a 20MWp[3] solar photovoltaic (PV) plant. It is already considered a pioneer in quality and sustainability standards, having been one of the first fruit exporting companies in Chile to implement a fruit Quality Control and Certification program along the value chain. The geographic locations of its production centers and their seasonal and agronomical advantages[4] provide stability, variety and quality products for local and international clients year-round.

2.4 To assist Subsole with its business growth potential and environmental stewardship, the IDB proposes to:

a. Finance capital expenditures which will be used for land preparation/cultivation, the expansion of cold storage and packing facilities, new machinery for cherry processing and the building of a solar PV plant which will be the first one in Chile's fruit industry.

b. Refinance debt to improve the Group's capital structure and replace part of the Group's shorter-tenor financial debt previously borrowed from local banks to finance existing fixed assets.

2.5 In Chile, a key development focus for the Bank is the reduction of the competitiveness gap with developed economies through the increase of exports and the application of

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2 OECD (2007) "Market Access and Private Standards: Case Study of the Chilean Fruit Markets" *Working Party on Agricultural Policies and Markets*. In Chile, approximately 7000 commercial producers and over 500 export firms supply 1300 importers in more than 70 countries around the world.

3 Capacity and technical specifications will result from SECCI feasibility studies.

4 Subsole harvests much of its fruit from November through March, so these "window" exports have given the company a seasonal advantage over other producers in the USA, Europe, Russia and China.

policies that spur innovation and new technology adoption among micro, small and medium enterprises (MSMEs). [5] The new IDB Country Strategy for Chile (to be approved in 2011), is expected to include specific references to increasing and diversifying Chilean exports, and to the use of renewable energy, including in the production and processing of exports.[6]

A. Sustainble Energy

2.6 In order to improve environmental sustainability and lower operating costs, Subsole had already embarked on a path towards energy efficiency and renewable energy before conversations with IDB. In collaboration with local consultants and *Fundacion Chile*, Subsole undertook energy audits at the *Don Alfonso* and *Hijuelas* sites to explore ways of reducing internal energy demand, and produced a project concept for the implementation of a solar PV plant to take advantage of the best conditions in Chile for solar irradiation (2,400kWh/m2a).

2.7 Building on this pioneering work, the Bank (INE/ECC) will support Subsole to undertake more energy audits at different sites. This technical assistance will be provided through RG-T1556 (Fostering Energy Efficiency within the Private Sector in LAC) at the Isla de Maipo, El Olivar and Caren industrial facilities as well as at some agricultural sites.

2.8 These energy audits will identify key energy efficiency measures, including calculations of savings and necessary investments. Plant maintenance will be reviewed and recommendations for improvements will be proposed.

2.9 In addition, the Bank (INE/ECC) will finance technical and economic feasibility studies and project engineering for a solar PV plant at the Don Alfonso site that will, in the first stage, provide up to 200 kWp (financed by the IDB Loan).

B. The Subsole Group and its Key Subsidiaries

2.10 Subsole Group began as Exportadora Subsole S.A. in 1991. It was founded by long-standing fresh fruit growers who desired greater control over their exports. The founding members shared a vision that was more responsive to growers and where growers shared the benefits of the company's development.

2.11 Today, Subsole Group combines companies from farming (Los Terrones S.A.), cold storage and processing (Servicios Agroindustriales Subsole S.A.), freight and shipping (Subsole Logistics) and a large commercial unit that manages exports to markets (Exportadora Subsole S.A.).

2.12 Subsole's successful business plan allows the company to enjoy sustainable growth. Since 2002, Subsole has employed a strategy of product diversification where grapes account for 49% of total sales, kiwi 16%, avocados 15%, citrus 14%, cherries: 3% and pomegranate: 2%. Within Chile, Subsole's agricultural production zones are spread out

5 IDB Country Strategy with Chile 2006-2010, Strategy Matrix pg 59.
6 Stichele, van de Wal and Oldenziel (2005). "Who Reaps the Fruit: Critical Issues in the Fresh Fruit and Vegetable Chain".

between Copiapo (region III) and Maule (region VII) and between third-party producers and its own producers which allows Subsole to offer a stable fruit mix to its clients as well as mitigate weather and agricultural risks. Furthermore, the mix of clients (retailers and supermarkets) distributed in different continents enables Subsole to manage a certain level of flexibility with respect to sales agreements on an annual basis.

C. Project Components and Locations

2.13 Subsole is currently working with around 275 producers, encompassing a total extension of 6,713 hectares of land dedicated for the cultivation of fruits in different regions of Chile: Rancagua or Southern Zone (97 producers), Aconcagua-Quillota (96), Ovalle-Vicuña (35), Zona Central (38) and Copiapó (5). It is estimated that Subsole Group employs a total of 22,740 workers in its entire productive chain, from which 2,312 are permanent workers and the remaining 20,428 are seasonal workers for fruit picking and packing. See map in Attachment 1 for more details.

2.14 Servicios Agrodindustriales S.A manages the packing and cold storage business for 90% of Subsole-owned fruit. It includes four cold storage facilities (La Cantera, Hijuelas, Isla de Maipo and El Olivar) and four packing facilities (Carén, El Mirador, Hijuelas and Isla de Maipo) spread strategically from North to South over the 6 principal fruit-growing areas of Chile.

III. REGULATORY FRAMEWORK

3.1 The Executing Agency for this initiative is Subsole that will be responsible for the implementation all Project's environmental and social requirements according to the Chilean legal framework and following the IDB policies and directives.

3.2 It is important to note that the Republic of Chile has one of the strongest regulatory frameworks and institutional capacity that regulates the agribusiness sector in general and the fresh fruit business in particular. Furthermore, Subsole has adopted several best agriculture and industrial practices under several international certification schemes, including a Code of Ethics. See certification scheme in Attachment 3.

3.3 Considering the type of agribusiness activity and according to the Chilean regulations an Environmental Impact Assessment or similar was not required for this operation. However, the following permits were required: i) water rights for wells and surface sources; ii) documentation for an authorized solid waste service provider, usually an out-sourced private company; iii) applicable health, safety and labor insurances and funds; iv) habilitation and operation of diner facilities; v) potable water analysis; vi) documentation of agrochemical container disposal and tri-wash; vii) documentation of waste water discharges and analysis of pollutant content for industrial facilities.

3.4 Considering the IDB policies, the policies and directives triggered for this operation are the following: OP-703 Environment and Social Safeguard Policy; including the

following directives: B.4 associated facilities, B.7 compliance and supervision; B.9 potential impacts on critical natural habitats and cultural sites; B.10 use of hazardous materials (pesticides); B.11 soil and liquid waste management; and B.15 that applies when any part or component of the Project is being cofinanced. Furthermore, the following policies were triggered: the new policy for gender equality (OP-270), disclosure of information (OP-102); and natural disasters risk management (OP-704). Consequently, this operation was categorized as "B" following the directive B.4 for prescreening and classification of projects. See attached policy filters in Attachment 5.

IV. ENVIRONMENTAL AND SOCIAL IMPACTS AND RISKS

4.1 On March 16, 2011, the Environmental and Social Strategy (ESS) of this project was revised and cleared by the Bank's Environmental and Social Review (ESR) committee. The Environmental and Social Due Diligence to several Project sites in Chile took place during the week of May 30, 2011 and no red flags were identified.

4.2 As per IDB's OP-703 Environment and Social Compliance Policy, Directive B.3, the Project has been categorized as "B", since it will likely cause moderate conversion of natural habitats, and risks of negative impacts associated to agrochemical and waste management among other minor impacts that are manageable under best agricultural and industrial practices.

4.3 The Project is expected to have significant positive impacts, considering the social, economic and environmental context in which the Project is undertaken. Also, a noteworthy fact is the significant additionality provided by the Bank's participation in this Project, since the Company is working with the IDB's Sustainable Energy and Climate Change Unit (ECC) on the development of renewable (solar) energy that will significantly diversify the Project's energy matrix, reduce costs and dependency on fossil fuels, and will reduce green house gas emissions. The Project will also have a significant positive social and economic impact through the provision of labor benefits, especially on women from vulnerable families, and through the implementation of a Code of Ethics that focuses on the overall welfare of workers throughout the production and packaging process.

4.4 Of particular note if the fact that the Company's facilities and producers are in compliance with national and local environmental, social, health and safety and labor laws and regulations. The Project incorporated a periodic, complex and demanding certification scheme throughout the fruit production, packing and storage/transport chains in order to comply with different standards and markets that allows the Company to obtain better prices and more predictable and flexible market conditions, which in turn increases the competiveness and sustainability to the Project.

4.5 The main potential negative impacts and risks associated to any agricultural activities include the following: i) inadequate agricultural practices; ii) inadequate waste

management; iii) harsh or unsafe working conditions; and iv) the construction and operation of new and existing packing and cooling facilities.

4.6 The impacts related to inadequate agricultural practices for this operation could include the following: i) **inadequate agrochemical management** that could produce contamination of soil, water and workers or nearby communities. It is important to note, that this risk is minimized since the Project is implementing best agricultural practices under several international certification standards. There is no application of chemicals banned under the Rotterdam and Stockholm Conventions and the IDB Exclusion List for Non-sovereign Operations. There is a pesticide list from which the producers are mandated to choose the agrochemicals that are allowed under certification standards. See Attachment 4. Subsole implements integrated pest control in order to minimize the frequency and amount of permitted chemicals and does not spray plantations with airplanes. Furthermore, there are strict chemical management practices for application, storage, transportation and final disposition of used containers and expired products, hence, the risks of contamination is minimal; ii) **land-use changes** could produce direct negative impacts, especially if it includes any type of degradation or conversion of natural habitats. However, since most lands under this Project were already dedicated to agriculture for several decades this impact is minimal. In the few exceptional cases, Subsole submitted the corresponding land-use change plans and obtained all corresponding permits from the environmental authorities. Therefore, there are no direct or indirect impacts to protected areas or vulnerable/endangered species, or any other critical natural habitats or cultural sites. Similarly, there are no negative impacts to indigenous communities or afro-descendents. iii) **Inadequate management of water resources** is a sensitive issue in most production areas, but especially in the dryer parts of the Northern Copiapo region. In this region, there are five producers who obtained surface water rights with their land purchase and are regulated by the authorities and water user's committees. There is a significant ground water usage that complements water needs during production periods. Artesian water wells are drilled and managed under a strict permitting process and are being monitored by the corresponding authorities. It is important to note that in all cases, the producers use highly efficient water-saving drip irrigation systems that also allows the regulation of sugar content in fruits, pest control and other benefits for agronomic issues. The Project is not expected to have any major conflicts for water resources usage other that the risks related to extremely dry periods, when producers apply contingency plans for more efficient water usage. See "*Other risks*" section below.

4.7 The risks related to **inadequate industrial waste management** for this Project includes the following potential impacts: i) contamination from solid and liquid wastes. Waste water discharges into rivers and streams are allowed in Chile for certain industrial processes and under strict permitting and monitoring requirements. Subsole obtained all required permits for discharging waste waters into streams that results from the cleaning and sanitation process (fruit washing, sanitation of fruit boxes, trucks, and packing/storage facilities). In addition, there are periodic laboratory analyses by an independent company to monitor pollutant levels, ensuring that they are under the allowed parameters. Complimenting this, the public regulatory agencies undertake random monitoring visits and documentation control to revise documentation on

pollution levels and extend new permits. With respect to ii) solid waste generation, which mainly includes fruit residues, packing materials, labels and plastic wrapping tapes; Subsole has a contract with a local authorized waste management company that is in charge for the final disposal of such residues in a sanitary land fill. Solid waste includes minimal amounts of hazardous materials that include authorized chemical products from sanitation, detergents and cleaning products and its containers that are disposed through an authorized private company for final disposal.

4.8 **Harsh and unsafe working conditions** are minimized by the aforementioned implementation of agricultural and industrial practices, including a strict Code of Ethics deployed by Subsole and several international certification standards that pertain to fair pay, safe labor conditions, workers welfare, non discriminatory practices, and strict prohibition of child labor and illegal migrant workers. Pregnant women and young workers between 16 to 18 years are allowed to work only under a reduced-hours scheme, on less demanding tasks and following strict Chilean labor regulations. It is also important to note, that Subsole is one of the few companies in Chile to provide free meals, cold and hot beverages, comfortable resting/eating facilities, appropriate restrooms, in all facilities. this is provided in addition to free housing, laundry, and transportation services where needed in isolated areas such as Copiapo.

4.9 The **construction of new packing/storage and cooling facilities** for fruits for the new and existing operations are not expected to produce any negative significant impacts since they are simple structures that can be easily and rapidly constructed by third parties, private contractors under a turn-key contract scheme. However, the construction is expected to produce minor noise, dust, earth movement and nuisance to workers during the short construction period. All applicable environmental and social requirements will also apply for such contractors.

4.10 During the Environmental and Social Due Diligence performed by the IDB, it was confirmed that Subsole has adequate systems and procedures to manage the environmental and social aspects of the proposed capital expenditures. Subsole commitment to sustainability involves the applications of environmental and social best practices as described above.

A. Other Risks

4.11 Considering the geographic diversity in Chile, there are risks related to negative impacts due to natural disasters, since most Project sites are prone to earth quakes, landslides, extreme and long droughts and unexpected frosts during vulnerable periods. However, all Project related buildings follow strict construction codes under Chilean regulations. For example, the buildings located in the Rancagua region endured a strong earthquake in 2010 with little harm. There were a few broken windows but no damage to the building structures. In general, buildings and cultivated areas are located far away from steep slopes in order to avoid landslides and in accordance with construction regulations. In relation to droughts, all cultivated areas have sufficient water resources for their operations from reservoirs, underground wells and/or rivers. All plantations have highly-efficient drip irrigation systems that diminish significantly the use of water and allow

some flexibility during extremely dry periods. It is important to note, that during the winter all plantations from North to South enter into the winter dormant period, as in any temperate climate, allowing minimal use of water. Lastly, considering the Chilean social and economic context, the Project is not expected to have any major or minor reputational risks, social unrests, labor conflicts, lawsuits or claims that could significantly affect the Project.

V. RECOMMENDATIONS

5.1 The Bank will require as part of the Loan Agreement that Subsole comply with:

a. All applicable environmental, labor, health and safety Chilean regulatory requirements and all applicable IDB Environmental and Social Safeguard compliance policies and directives.

b. All requirements associated with any environmental, labor, health and safety related permits, authorizations, or licenses that apply to the Project Companies.

c. All environmental, labor, health and safety requirements of the Project contracts, and any subsequent modifications.

d. All aspects and components of all the Project's environmental, labor, health and safety documents.

e. Applicable aspects of all international certification standards and the Code of Ethics.

f. Send written notice to the IDB of any non-compliance with any environmental, social, labor or health and safety requirements of the loan agreement and any significant environmental, social, labor, health and safety accident, impact, event, claim or material complaint.

g. Ensure that all companies contracted for waste disposal, construction and operation of facilities; comply with all applicable environmental, social, labor, health and safety requirements of the Loan Agreement.

h. Prior to first disbursement, Subsole shall submit an environmental, social, labor, health and safety action plan (EHSAP), in form and substance satisfactory to the IDB, properly addressing all environmental, social, labor, health and safety improvement recommendations, as well as any permit, pending non-compliance and/or liabilities associated with the Project.

Attachment 1 - Map of Project Locations and Producers

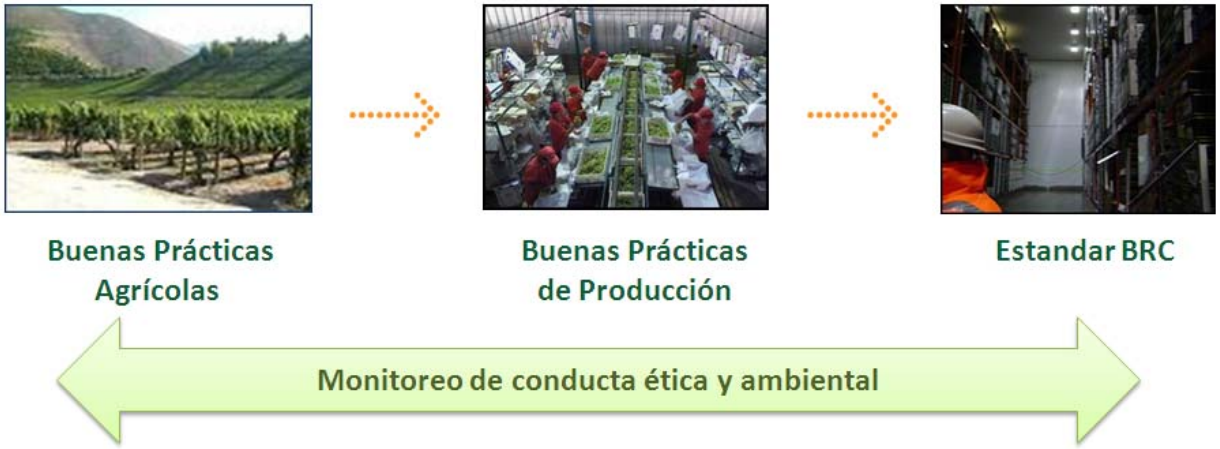
Zona	TON	Productores
COPIAPO	5.877,092	5
OVALLE – VICUÑA	12.659.,87	35
ACONCAGUA-QUILLOTA	15.020,27	96
ZONA CENTRAL	19.334.432	38
ZONA SUR	24.270,51	97
TOTAL	**77.162.261**	**275**

Attachment 2 - Subsole Labor Force

Permanent Workers: fixed personnel who work on permanent positions at all parts of the chain	**2,312**
Seasonal Workers: temporary workers who are hired during the harvesting season and are mainly pickers at the farms (16,986 workers) and at the packaging/cold storage plants (3,442 workers)	**20,428**
Total Labor Force:	**22,740**

It is important to note that all workers, permanent and seasonal, are benefitted by the strict Chilean labor regulations and therefore, all have contracts, maternity leave, insurance, compensation and other benefits. International citizens are allowed to work only if their documentation is in compliance with migratory regulations and they have the same benefits as any other Chilean workers. Furthermore, Subsole applies a strict Code of Ethics under the certification of SGS and other certification standards that focuses on fair pay, safe labor conditions, workers welfare, non-discriminatory practices and strict prohibition of child labor and illegal migrant workers. Pregnant women and young workers from 16 to 18 years are only allowed to work shorter periods of time under less demanding tasks.

Attachment 3 - Certification Scheme



Attachment 4 - List of Pesticides for Fruit Production

LISTA DE PESTICIDAS PROPUESTOS - UVA DE MESA 2010/2011

Nota: No todos estos productos son necesariamente utilizados en un mismo predio, ya que ellos constituyen alternativas.

Nombre Comercial	Ingrediente Activo	Carencia	Uso propuesto
ACTARA	THIAMETHOXAM	30	CHANCHITO BLANCO
AMISTAR TOP	AZOXYSTROBIN / DIFENOCONAZOLE	18	OIDIO
AVAUNT 30 WG	INDOXACARB	3	CHANCHITO BLANCO / LOBESIA
APPLAUD 25 WP	BUPROFESIN	40	CHANCHITO BLANCO
AZUFRE	SULFUR	NA	OIDIO
BC-1000	CITRUS EXTRACT	NA	BOTRYTIS
BELLIS	BOSCALID / PYRACLOSTROBIN	3	OIDIO, BOTRYTIS
CANTUS	BOSCALID	3	OIDIO, BOTRYTIS
CONFIDOR FORTE 200 SL	IMIDACLOPRID	35	CHANCHITO BLANCO
CUSDUST	CUPPER OXICLORURE / COPPER SULFATE / SULFUR	NA	BOTRYTIS / SOUR ROT
DIPEL	BACILLUS THURINGIENSIS	NA	CHANCHITO BLANCO / LOBESIA
ENVIDOR	SPIRODICLOFEN	1	ARAÑITAS (ACARICIDA)
FAST 1.8 EC	ABAMECTINE	15	ARAÑITAS (ACARICIDA)
FLINT	TRIFLOXYSTROBIN	15	BOTRYTIS
HORIZON 25 WP	TEBUCONAZOLE	7	OIDIO
IMIDAN 70 WP	PHOSMET	7	LOBESIA
LON LIFE	CITRUS EXTRACT	NA	BOTRYTIS
METOMIL 90% PS	METHOMYL	60	MEALYBUG / THRIPS
MOVENTO 100 SC	SPIROTETRAMATO	15	CHANCHITO BLANCO
ORIUS 43 SC	TEBUCONAZOLE	14	OIDIO, BOTRYTIS
PERFEKTION	DIMETHOATE	80	CHANCHITO BLANCO
PUNTO 70	IMIDACLOPRID	25	CHANCHITO BLANCO
QUINTEC	QUINOXYFENO	14	OIDIO
RIDOMIL GOLD MZ	MEFENOXAM / MANCOZEB	60	BOTRYTIS
ROVRAL	IPRODIONE	3	BOTRYTIS
RUBIGAN	FENARIMOL	20	OIDIO
SCORE 250 EC	DIFENOCONAZOLE	18	OIDIO
STROBY SC	KRESOXIM-METHYL	7	BOTRYTIS
SUCCESS 48	SPINOSAD	7	THRIPS
SWITCH 62,5 WG	CYPRODINIL / FLUDIOXONIL	4	BOTRYTIS
SYSTHANE	MYCLOBUTANIL	10	OIDIO
TALSTAR 10 EC	BIFENTHRIN	18	ARAÑITAS (ACARICIDA)
TELDOR	FENHEXAMID	3	BOTRYTIS
TRIFMINE	TRIFLUMIZOLE	7	OIDIO
VERTIMEC 0.18 EC	ABAMECTINA	7	ARAÑITAS (ACARICIDA)

Attachment 5 - Policy Filters

SAFEGUARD POLICY FILTER REPORT

This Report provides guidance for project teams on safeguard policy triggers and should be attached as an annex to the PP (or equivalent) together with the Safeguard Screening Form, and sent to ESR.

1. Save as a Word document. 2. Enter additional information in the spaces provided, where applicable. 3. Save new changes.

PROJECT DETAILS	**IDB Sector**	[Not Set]	
	Type of Operation	Corporate Finance	
	Additional Operation Details		
	Investment Checklist	Agribusiness Crops	
	Team Leader	Bazan, Paola (PAOLAB@iadb.org)	
	Project Title	Subsole	
	Project Number	CH-L1063	
	Safeguard Screening Assessor(s)	Villalba, Alberto Esteban (AVILLALBA@iadb.org)	
	Assessment Date	2011-06-22	
	Additional Comments		
SAFEGUARD POLICY FILTER RESULTS	**Type of Operation**	Loan Operation	
	Safeguard Policy Items Identified (Yes)	Activities to be financed in the project area are located within a geographical area or sector exposed to natural hazards (Type 1 Disaster Risk Scenario).	(B.01) Disaster Risk Management Policy– OP-704
		The Bank will make available to the public the relevant Project documents.	(B.01) Access to Information Policy– OP-102
		The operation is in compliance with environmental, specific women's rights, gender, and indigenous laws and regulations of the country where the operation is being implemented (including national obligations established under ratified Multilateral Environmental Agreements).	(B.02)
		The operation (including associated facilities) is screened and classified according to their potential environmental impacts.	(B.03)
		There are Associated Facilities (see Policy definition) relating to the investments being financed by the Bank.	(B.04)
		The Bank will monitor the executing agency/borrower's compliance with all safeguard requirements stipulated in the loan agreement and project operating or credit regulations.	(B.07)

		Environmental or culturally sensitive areas, defined in the Policy as critical natural habitats or critical cultural sites in project area of influence (please refer to the Integrated Biodiversity Assessment Tool for more information).	(B.09)
		The operation has the potential to impact the environment and human health and safety from the production, procurement, use, and disposal of hazardous material, including organic and inorganic toxic substances, pesticides and Persistent Organic Pollutants (POPs).	(B.10)
		The operation has the potential to pollute the environment (e.g. air, soil, water, greenhouse gases...).	(B.11)
		Any part of the investment or component(s) is being co-financed.	(B.15)
		Suitable safeguard provisions for procurement of goods and services in Bank financed projects may be incorporated into project-specific loan agreements, operating regulations and bidding documents, as appropriate, to ensure environmentally responsible procurement.	(B.17)
		Potential to negatively affect women or gender equality (See Gender Equality Policy)	(B.01) Gender Equality Policy– OP-270
	Potential Safeguard Policy Items(?)	No potential issues identified	
	Recommended Action:	Operation has triggered 1 or more Policy Directives; please refer to appropriate Directive(s). Complete Project Classification Tool. Submit Safeguard Policy Filter Report, PP (or equivalent) and Safeguard Screening Form to ESR. The project triggered the Disaster Risk Management policy (OP-704). A more limited and specific Disaster Risk Assessment (DRA) may be required (see Directive A-2 of the DRM Policy OP-704). Please contact a Natural Disaster Specialist in VPS/ESG or INE/RND for guidance.	
	Additional Comments:		

ASSESSOR DETAILS	**Name of person who completed screening:**	Villalba, Alberto Esteban (AVILLALBA@iadb.org)
	Title:	
	Date:	2011-06-22

SAFEGUARD SCREENING FORM

This Report provides a summary of the project classification process and is consistent with Safeguard Screening Form requirements. The printed Report should be attached as an annex to the PP (or equivalent) and sent to ESR.

1. Save as a Word document. 2. Enter additional information in the spaces provided, where applicable. 3. Save new changes.

PROJECT DETAILS	**IDB Sector**	[Not Set]
	Type of Operation	Corporate Finance
	Additional Operation Details	
	Country	CHILE
	Project Status	ESMR / IGAS
	Investment Checklist	Agribusiness Crops
	Team Leader	Bazan, Paola (PAOLAB@iadb.org)
	Project Title	Subsole
	Project Number	CH-L1063
	Safeguard Screening Assessor(s)	Villalba, Alberto Esteban (AVILLALBA@iadb.org)
	Assessment Date	2011-06-22
	Additional Comments	

PROJECT CLASSIFICATION SUMMARY	**Project Category:** B	**Override Rating:**	**Override Justification:**
			Comments:
	Conditions/Recommendations	• Category "B" operations require an environmental analysis (see Environment Policy Guideline: Directive B.5 for Environmental Analysis requirements). • The Project Team must send to ESR the PP (or equivalent) containing the Environmental and Social Strategy (the requirements for an ESS are described in the Environment Policy Guideline: Directive B.3) as well as the Safeguard Policy Filter and Safeguard Screening Form Reports. • These operations will normally require an environmental and/or social impact analysis, according to, and focusing on, the specific issues identified in the screening process, and an environmental and social management plan (ESMP). However, these operations should also establish safeguard, or monitoring requirements to address environmental and other risks (social, disaster, cultural, health and safety etc.) where necessary.	

SUMMARY OF IMPACTS/RISKS AND POTENTIAL SOLUTIONS	**Identified Impacts/Risks**	**Potential Solutions**
	The project is likely to negatively change the use of the land but the related negative impacts will be minor to moderate in nature (for example significant change arising from replacing rainforest, wetlands or other biologically sensitive areas to biofuel production and associated industrial activities and infrastructure).	**Land use:** A Plan should be prepared that defines how land use change will be mitigated (roles and responsibilities, monitoring, budget, etc.) and could be incorporated in the ESMP. Proper consultation should be foreseen. Confirmation should be obtained from experts that the plan can mitigate impacts and also that relevant authorities have approved the Plan. Examples of mitigation include reforestation, GHG offsetting, nutrient fixation in soils, conservation of biodiversity.
	Borrower is committed to complying with applicable ILO requirements (including commitment to non-discrimination, equal opportunity, collective bargaining and rights of association) and national employment in relation to	**Confirm Labor Practices are Adequate:** The borrower should be required to improve employment and employment rights including (as

	working conditions but does not fully address all employment requirements.	appropriate): (a) clarification of employment practices and terms; (b) support of collective bargaining; (c) approaches to workers' organizations; (d) non-discrimination and equal opportunity; (e) fair and transparent retrenchment/redundancy amongst workers; and (f) development of appropriate grievance mechanisms. These issues should be defined in a human resources policy. Depending on the financial product, requirements should be referenced in appropriate legal documentation (covenants, conditions of disbursement, etc).
	The negative impacts from production, procurement and disposal of hazardous materials (excluding POPs unacceptable under the Stockholm Convention or toxic pesticides) are minor and will comply with relevant national legislation, IDB requirements on hazardous material and all applicable international standards and guidelines such as the IFC Agribusiness Guidelines.	**Monitor hazardous materials use:** The borrower should document risks relating to use of hazardous materials and prepare a hazardous material management plan that indicates how hazardous materials will be managed (and community risks mitigated). This plan could be part of the ESMP.
	Generation of solid waste (such as process sludges and bark) is moderate in volume, does not include hazardous materials and follows standards recognized by multilateral development banks.	**Solid Waste Management:** The borrower should monitor and report on waste reduction, management and disposal and may also need to develop a Waste Management Plan (which could be included in the ESMP). Effort should be placed on reducing and re-cycling solid wastes. Specifically (if applicable) in the case that national legislations have no provisions for the disposal and destruction of hazardous materials, the applicable procedures established within the Rotterdam Convention, the Stockholm Convention, the Basel Convention, the WHO List on Banned Pesticides, and the Pollution Prevention and Abatement Handbook (PPAH), should be taken into consideration.
	Likely to have minor to moderate emission or discharges that would negatively affect ambient environmental conditions (potentially from changes to water quality and/or availability or reduction to local air quality from pesticide spraying).	**Management of Ambient Environmental Conditions:** The borrower should be required to prepare an action plan (and include it in the ESMP) that indicates how risks and impacts to ambient environmental conditions can be managed and mitigated consistent with relevant national and/or international standards. The borrower should (a) consider a number of factors, including the finite assimilative capacity of the environment, existing and future land use, existing ambient conditions, the project's proximity to ecologically sensitive or protected areas, and the potential for cumulative impacts with uncertain and irreversible consequences; and (b) promote strategies that avoid or, where avoidance is not feasible, minimize or reduce the release of pollutants, including strategies that contribute to the improvement of ambient conditions when the project has the potential to constitute a

		significant source of emissions in an already degraded area. The plan should be subject to review by qualified independent experts. Depending on the financial product, this information should be referenced in appropriate legal documentation (covenants, conditions of disbursement, etc.).
	Project construction activities are likely to lead to localized and temporary impacts (such as dust, noise, traffic etc) that will affect local communities and workers but these are minor to moderate in nature.	**Construction:** The borrower should demonstrate how the construction impacts will be mitigated. Appropriate management plans and procedures should be incorporated into the ESMP. Review of implementation as well as reporting on the plan should be part of the legal documentation (covenants, conditions of disbursement, etc).

DISASTER SUMMARY	**Details** The Project should include the necessary measures to reduce disaster risk to acceptable levels as determined by the Bank on the basis of generally accepted standards and practices. Alternative prevention and mitigation measures that decrease vulnerability must be analyzed and included in project design and implementation as applicable. These measures should include safety and contingency planning to protect human health and economic assets. Expert opinion and adherence to international standards should be sought, where reasonably necessary.	**Actions** A more limited and specific Disaster Risk Assessment (DRA) may be required (see Directive A-2 of the DRM Policy OP-704). Please contact a Natural Disaster Specialist in VPS/ESG or INE/RND for guidance.

ASSESSOR DETAILS	**Name of person who completed screening:**	Villalba, Alberto Esteban (AVILLALBA@iadb.org)
	Title:	
	Date:	2011-06-22