

## **1. Overview of Scope of IIC E&S Review**

The IIC reviewed documentation provided by the company in their offices in Guatemala, interviewed company staff, and visited two of the company's banana and plantain plantations in Guatemala. These plantations were "Finca Tolimán," currently under operation, and "Finca Amatillo," the plantation to be developed with funds from this loan.

## **2. Environmental and Social Categorization and Rationale**

According to the IIC Environmental and Social Sustainability Policy, this is a Category B project: potential environmental and social risks and impacts are limited to the project site, largely reversible, and can be mitigated via measures that are readily available and feasible to implement in the context of the operation.

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

Both of the company's plantations are located in an area of Guatemala dedicated to intensive, large-scale agriculture - primarily consisting of the cultivation of sugar cane, banana and plantain. The land for this project has a long history of previous agricultural uses, having been farmed by El Siglo's owners successively for cotton, grains, corn, and most recently sugar cane. The plantation is surrounded on all sides by agricultural land without any abutting residences.

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

El Siglo has a well-developed system in place for identifying and mitigating the risks and impacts of its operations, as summarized below.

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

Finca Tolimán operates under an environmental and social management system (ESMS) certified by Rainforest Alliance in 2015. El Siglo plans to obtain this same certification for the new plantation, Finca Amatillo, as well. The current certification is valid until 2018. The company regularly audits its own performance in implementing the ESMS, and also subjects its performance to regular external audits - all required to maintain its Rainforest Alliance certification. The implementation of the ESMS is overseen by El Siglo's full-time environmental manager. Much of the following information is drawn from the IIC's review of Finca Tolimán, with the understanding that the same system will be extended to Finca Amatillo once the plantation is in operation.

The company has adopted three principal E&S policies. First, El Siglo has an Environmental and Social Management Policy which lays out the company's commitment to the following good industry practices: implementation of a continuous improvement ESMS; conservation of natural ecosystems presents on the company's farms; application of integrated pest management strategies to minimize the use of pesticides; establishment of food safety controls; and commitment to upholding national labor regulations and to minimizing workplace risks. Second, El Siglo has a Social Policy, which commits the company to, among other things, the following: compliance with national legislation and international treaties related to worker rights; prohibition of forced labor and discrimination in hiring and in the work place; and freedom of association and expression. Finally, El Siglo has an Occupational Health and Safety Policy, which makes clear the company's commitment to continuous improvement of working conditions—especially by way of reducing risks associated with the handling of agrochemicals and with performance of physically demanding activities. These three policies are posted on large signs in central locations at Finca Tolimán. In addition, the ESMS includes a Personnel Hiring Policy and a Policy on Training and Assistance to Local Communities.

Four other key, overarching components of the ESMS include: (i) programs and procedures for continuous improvement of the system; (ii) programs and procedures for environmental protection; (iii) programs and procedures for occupational health and safety; and (iv) programs and procedures for sustainable production. The ESMS also contains identification of potential emergency situations

that could arise (e.g., severe electrical storms, accidental poisoning, etc.). Additionally, it contains the structure and procedures for the company's internal and external grievance mechanisms.

#### **4.2 Labor and Working Conditions**

El Siglo's human resources department is guided by its Hiring Policy as well as the previously mentioned Social Policy. The company puts these policies into practice by way of written guidelines and procedures. Together these ensure that national legislation is followed regarding labor practices and that equal opportunity is afforded to all employees and candidates for employment. These policies and procedures explicitly protect the rights of workers to unionize, although the workforce is currently not unionized. The company also implements procedures for managing a worker grievance mechanism, which can be accessed by workers via a suggestion box located in a central location as well as through an anonymous complaints hotline. The human resources department screens prospective employees systematically to ensure that all employees are of legal working age.

The Occupational Health and Safety Policy is put into practice via a series of plans and programs. Mandatory training is provided to employees in a variety of areas, including: safe use and handling of pesticides; workplace risk identification; response to natural disasters; and emergency response to events of poisoning. In addition, employees undergo regular screening for early detection of illnesses related to pesticide exposure, in order to detect potential problems and provide appropriate remedies in a timely manner—both at the individual and institutional level. In addition, a permanent health clinic operates at El Tolimán, serving as a point of first response for treating worker injuries and illnesses. As part of the Project's Environmental and Social Action Plan (ESAP), El Siglo will set up a clinic of this type at Finca Amatillo and ensure that both clinics are continuously and properly staffed and supplied.

#### **4.3 Resource Efficiency and Pollution Prevention**

El Siglo's ESMS includes an integrated program for waste management. Hazardous wastes, such as empty agrochemical containers, are disposed of by authorized vendors contracted for this purpose. El Siglo records and tracks volumes of all types of waste.

Pesticides are managed via a series of programs and procedures in addition to those previously mentioned in regards to management of occupational health and safety. These programs and procedures include, among others: the integrated crop management program; the integrated pest management program; procedures for the safe mixing, handling, and application of agrochemicals in the fumigation tower; procedures for triple-washing empty agrochemical containers; and procedures for warehouse management.

#### **4.4 Community Health, Safety and Security**

Neither the existing or new plantation borders or is near any community of any size. El Siglo has a Security Policy, which makes clear that guards shall be unarmed and serve mostly a deterrent and observation role.

#### **4.5 Land Acquisition and Involuntary Resettlement**

Since the land to be used for the Project has been owned by the company for many years, during which time it has been consistently dedicated to agricultural pursuits, no land acquisition or resettlement is necessary.

#### **4.6 Biodiversity Conservation and Natural Habitats**

The project site and surrounding landscape have been completely converted for agricultural purposes since the 1970s. No natural habitats remain at the project site.

#### **4.7 Indigenous Peoples**

The project is not located in or near a territory occupied or claimed by indigenous peoples, or near significant populations of indigenous peoples.

#### 4.8 Cultural Heritage

No sites of cultural heritage exist in or near the project site.

### 5. E&S Action Plan

Ref #	Action / Description	Deliverable / Indicator of Completion	Deadline
1	Extend the ESMS currently applied at Finca Tolimán to Finca Amatillo.	(a) Internal audit reports demonstrating that a complete ESMS has been fully implemented at Finca Amatillo. (b) Reports from external, independent auditors demonstrating that a complete ESMS has been fully implemented at Finca Amatillo.	(a) Six months from Financial Close (b) Annually, to be included in Annual E&S Monitoring Report
2	(a) Build a medical clinic at Finca Amatillo. (b) Ensure that new medical clinic is fully stocked with all necessary medical supplies at all times. (c) Ensure that the medical clinic is staffed with a qualified medical professional during all working hours.	(a) Photos of new medical clinic. (b) Copies of all receipts for medical supplies purchased to supply the clinic on an ongoing basis. (c) Signed contract(s), Terms of Reference, and Curriculum Vitae(s) (CV) - acceptable to the IIC -for medical professional(s) hired.	(a) Three months from Financial Close (b) Three months from Financial Close; and included in Annual E&S Monitoring Report (c) Three months from Financial Close
3	Ensure that the medical clinic at Finca Tolimán is fully stocked with all necessary medical supplies at all times.	Copies of all receipts for medical supplies purchased to supply the clinic on an ongoing basis.	Prior to Financial Close; and included in Annual E&S Monitoring Report
4	Ensure that the medical clinic at Finca Tolimán is staffed with a qualified medical professional during all working hours	(d) Signed contract, Terms of Reference, and Curriculum Vitae (CV) - acceptable to the IIC - for medical professional(s) hired.	Three months from Financial Close; and included in Annual E&S Monitoring Report

Ref #	Action / Description	Deliverable / Indicator of Completion	Deadline
5	<p>(a) Develop a training procedure, oversight and sanction mechanism to ensure that all employees wear proper footwear at all times and that no workers ever work barefoot.</p> <p>(b) Provide workers with appropriate footwear, including socks, and sufficient foot powder</p>	<p>(a) (i) Written training procedure; (ii) educational materials regarding proper foot hygiene; (iii) schedule for providing regular trainings incorporated into ESMS; (iv) lists of signatures of attendees to training events demonstrating that every employee working in the banana collecting areas has been trained; (v) internal and external audit reports monitoring this issue and demonstrating full conformity.</p> <p>(b) Photos of stocks of foot powder being made available to employees.</p>	<p>(a) Three months from Financial Close</p> <p>(b) Three months from Financial Close</p>
6	<p>Conduct a baseline and then semiannual water quality monitoring of all wells providing drinking water to employees at both Finca Tolimán and Finca Amatillo, using the services of an independent, certified water quality testing professional, with results analyzed by a certified laboratory, and demonstrate that for any drinking water sources all contaminant levels are below all applicable Guatemalan standards for drinking water.</p>	<p>Report, prepared by a certified professional with results analyzed by a certified laboratory, comparing results of each parameter tested to the relevant Guatemalan standard, and demonstrating that contaminant levels in drinking water provided to employees fall within legal limits.</p>	<p>Three months from Financial Close, and semiannually thereafter (results to be included in Annual E&amp;S Monitoring Report</p>
7	<p>Maintain at least one, full-time person on staff with the sole responsibility of carrying out the ESMS at Finca Tolimán and Finca Amatillo.</p>	<p>Copy of signed contract(s) with qualified E&amp;S professional(s), including Terms of Reference and CV acceptable to the IIC.</p>	<p>Current contract included in each Annual E&amp;S Monitoring Report</p>
8	<p>Produce a consolidated report to provide evidence that El Siglo's ESMS is under full implementation, and to describe progress towards completing the actions in this Action Plan and any other Environmental Requirements as defined in the Loan Agreement.</p>	<p>Report for Lenders.</p>	<p>Annually from Financial Close.</p>