

## 1. Overview and Scope of IDB Invest's Environmental and Social Review

Desdelsur owns a total of 36,117 hectares under administration in Tartagal, in the province of Salta, 26,668 of which are productive land. In recent years, the company has leased 20 to 30 thousand hectares per annum to increase its production.

The company owns two pulse processing plants and one peanut processing plant. Its own production volume is complemented with that obtained through partnerships with other producers and outright purchases. Ninety-five percent of the processed volume is destined for export to more than 40 countries. The industrial process includes seed inactivation and product classification by quality, appearance, and size of the grains. The peanut processing plant, which produces 150 tons/day, is located in the production facility and has a 5,800-m<sup>2</sup> cold storage chamber (11). The construction of a 6,000-ton capacity raw peanut storage silo is anticipated for this plant. The capacity of the General Mosconi bean and chickpea processing plant (located 7 km south of Tartagal) is 250 tons/day. The Zarate plant, located 1.5 km from the city of Zarate in the province of Buenos Aires, processes peas, lentils, chickpeas and beans. It has a storage capacity of 6,000 tons of finished product. In the productive area, Desdelsur has a feedlot with 52,000 heads of cattle, with an expansion project to 80,000 head. The cattle is fed with tropical pastures (mulato/tanzania), sorghum, corn, soy, inactivated bean byproducts, and peanut shells. These consumables are produced by Desdelsur. The Tartagal productive area includes ancillary facilities to the feedlot (offices, cafeteria and housing) and those located in the El Fortín estate, which include sheds for agrochemical stockpiling and machinery, a machine shop, fuel storage and dispensary, tool and spare parts storeroom, waste recycling and classification area, cafeteria, personnel housing and offices. The industrial plants and feedlot have the corresponding environmental permits to operate. The company has its own parking lot with 467 vehicles and machinery.

During December 6 and 7, 2018, personnel responsible for the IDB Invest Environmental, Social, and Corporate Governance Division (SEG) performed the environmental and social due diligence for the current transaction, visiting the production units in the Salta province as well as the industrial plant located in Zarate. During the visit, meetings were held with personnel responsible for the company, employees, and members of the indigenous community living in the vicinity of the city of Tartagal.

## 2. Environmental and Social Classification and Rationale

Considering the results of the assessment and IDB Invest's Environmental and Social Sustainability Policy, the transaction has been classified as a Category B operation. The following CFI Performance Standards therefore apply (12): (PS) 1 (Assessment and Management of Environmental and Social Risks and Impacts), PS 2 (Labor and Working Conditions), PS 3 (Resource Efficiency and Pollution Prevention), PS 4 (Community Health, Safety and Security), and PS 7 (Indigenous Peoples).

While the possible environmental, social, and health and safety risks and impacts are considered potentially relevant, they can feasibly be adequately managed through plans, programs and procedures of known content and widespread use in the sector. Among the possible environmental, social, and health and safety risks and impacts connected to the transaction, it is worth mentioning the possible impact on workers' health due to air pollution in work environments, possible soil and subsoil pollution due to effluents generated by the feedlot, and the possible impact on groundwater availability that could take place due to its use by the company.

## 3. Environmental and Social Context

Desdelsur's productive fields and industrial plants are not located in the vicinity of protected areas.

The city of Tartagal, head of the San Martín Department, has around 65,000 inhabitants and seven aboriginal ethnicities inhabit its municipality: [Wichís](#), [Chiriguano](#)s, [Chanés](#), [Quechuas](#), [Chorotes](#), [Chulupíes](#) and [Aymaras](#). Due to its closeness to the Bolivian border (57 km), a high percentage of the inhabitants of Tartagal are of Bolivian origin, which includes immigrants from the northeastern part of the country. The area in which Tartagal is located has historically produced gas and oil, in addition to wood (especially from native species). The privatization of the state-owned oil company YPF in 1992 led to major job cuts, generating serious social conflicts. The lumber industry, which used to be very important, is currently in recession. Moreover, during 2006 and 2009, the city of Tartagal was flooded due to the overflow of the Tartagal river.

The area has an annual rainfall of around 1500 mm, and the terrain includes plains and the first foothills of the sub-Andean sierras, with a clayey/sandy or purely sandy soil. The Tartagal river and the Cuña Muerta and Zanja Honda streams run through the municipality. The Pedemontana Rainforest, between 400 and 700 meters above sea level, contains valuable timber species, which include cedar from Salta, oak, cebil, *palo blanco*, *palo amarillo*, urundel, pink trumpet tree, Peru balsam tree, rhombus-leaved sida, amendoim, and San Domingo boxwood (lemonwood), among others. Indiscriminate felling has led to a scarcity of many species. The wildlife includes, among other species, porcupines, surucua trogons, king vultures, chinchillas, llamas, alpacas, southern tamanduas, brocket deer, tapirs, Andean condors, vicuñas, coatis, wildcats, ferrets and culpeo foxes.

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

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

###### *Integrated environmental and social management system*

While Desdelsur acceptably manages the potential environmental, social, health, safety, and security impacts and risks associated with its operations, it is noted that such management could be improved by applying a management system structured according to the requirements of IFC Performance Standard 1. Desdelsur will incorporate to its own staff a specialist in health, safety, security, and environment, who will be responsible, at a managerial level, for the development, implementation and monitoring of the company's environmental, social, health, safety, and security management plans, programs and procedures, including the oversight of contracted companies and third parties. Such professional will be able to raise reports directly to the company's General Management. Desdelsur will designate, or contract, if necessary, technical personnel in environmental, health, safety and security matters who will work in the industrial facilities, reporting to the manager appointed for such purpose. The academic background and experience of the health, safety, security, and environmental specialist to be appointed at the managerial level should have substantial experience in similar projects.

###### *Environmental, Social, Safety and Security Policy*

The company's values and principles in the areas of human rights, health, safety and security, and environmental care are embodied in an environmental policy, an occupational health and safety policy, and a good neighborliness policy. It also has a food quality and safety policy. To ensure the alignment of the company's environmental, health, safety and security, and good neighborliness policies with the requirements of IDB Invest's Environmental and Social Sustainability Policy, Desdelsur will announce an Environmental, Social, Health, Safety and Security Management Policy signed by the Management, which will reflect the implementation of its values and principles and will be in accordance with the requirements of IFC's Performance Standards.

### *Risk and Impact Identification*

The collection and assessment of environmental, health, safety and security, and legal aspects is carried out by external consultants, with the aim of achieving adequate risk management and ensuring legal compliance. In order to systematize the collection and assessment of environmental and health, safety and security aspects, in accordance with the requirements of IFC Performance Standard 1, Desdelsur will prepare a matrix for to identify and evaluate environmental and social aspects, and a matrix to identify and evaluate occupational risks. Both matrices will apply to all facilities and personnel activities of both Desdelsur and its contractors. These matrices shall consider the specifications for identifying and assessing aspects and risks set out in IFC Performance Standard 1. In order to systematize the compilation of legal aspects, Desdelsur will prepare a legal aspects identification and assessment matrix, which will take into account the identification and assessment of the legal aspects associated with the legislation in force and all the legal commitments undertaken by Desdelsur, including those arising from loan agreements entered into with funding entities.

### *Administrative Capacity and Competencies*

Desdelsur has prepared an Occupational Health and Safety Annual Training Plan 2018, which covers the management of specific risks (noise, electrical risk, work at height, evacuation in emergency situations, use of personal protection equipment, waste management, use of fire extinguishers, forklift operation, etc.). Desdelsur will prepare an Annual Training Plan on environmental, social, health, safety and security matters for its own and contractor employees (for the latter, when the need for training is detected); in order to prepare it, the results of the identification and assessment of environmental aspects and occupational risks, the enactment of new legislation and the adoption of new technologies will be considered. The Training Plan shall provide for conducting emergency drills at industrial facilities, attendance records, identification of the type of courses or training to be provided (including emergency drills), those responsible for providing the training, the recipients of the training, the dates and locations selected for each course, and the formats for recording attendance.

### *Emergency Preparedness and Response*

The fire detection and extinguishing facilities can be improved. At the Zarate industrial plant, manual extinguishers and fire extinguishing systems subject to annual maintenance have been installed. The peanut processing plant in Tartagal does not have a fire extinguishing system (only manual extinguishers). In terms of emergency prevention and response management, Desdelsur has prepared an Emergency Plan for its General Mosconi plant and another Emergency Plan for its Zarate plant, including a nursing ward care protocol. The emergency documentation includes an action procedure prepared for the Mosconi plant in the event of spills and occupational accidents. The emergency procedures developed by the company do not take specific emergency scenarios into account. Desdelsur will prepare, for each industrial, agricultural and livestock, and administrative facility, an Emergency Prevention and Response Plan that considers specific emergency scenarios for each site and indicates the preventive and emergency response actions associated with those scenarios.

### *Accident management*

With regard to accident management (environmental and/or personal), Desdelsur has not prepared a specific, exclusive procedure to manage such events; accident records are used to calculate the corresponding accident rates. There have been no fatalities. Desdelsur will prepare a procedure to manage environmental and/or occupational accidents that will apply both to its own and contractor

employees. Such procedure shall provide for, at least, recording the nature and severity of the accident, the processing of basic legal aspects, a report of the investigation of the accident and the relevant preventive and/or corrective measures adopted to avoid it from happening again.

### *Management Programs*

In terms of operational procedures, Desdelsur has prepared procedures such as the Flammable Substance Management Procedure, Onboarding Instructions for Beginners, Livestock Herding Works Procedure, and a Circular for Safe Vehicle Management. For the management of significant impacts and risks, identified through the corresponding matrices, Desdelsur will develop and implement the corresponding management procedures. Such set of procedures will include, at least, management procedures for: waste (of all types), feedlot carcasses, feedlot floor cleaning, agrochemicals, pesticides, internal fuel supply, health, safety and security in the mechanic workshop, ergonomics and use of personal protection equipment.

### *Contractor management*

Desdelsur contracts the supply of inputs, carriers, and harvest-specific personnel (the latter have their own machinery and complement the work done by Desdelsur). Contractors, in turn, hire local people or people from other provinces. Desdelsur will develop and implement a documented procedure for managing contractors (including outsourced service personnel) that considers no less than: i) The fundamental environmental, health, safety and security requirements that the contractors shall abide by; ii) contractors' obligations and prohibitions in environmental, health, safety and security matters; iii) the penalties, warnings or fines to be applied in the event of non-compliance. It should be borne in mind that, as required by IFC Performance Standard 1, contractors working for Desdelsur will be under the direct control of the company and will not be considered outsourced third parties for the purposes of the requirements of the Standard.

### *Monitoring and Evaluation*

In terms of health, safety, and security, Desdelsur performs drinking water quality monitoring, ergonomic risk analysis at workplaces in industrial plants and laboratories, environmental and workplace air quality analyses (Zarate plant), exposure to whole-body vibrations studies (Zarate plant), fire extinguisher monitoring, noise at work monitoring (Zarate plant), and ground resistance and mass continuity values (Zarate and Gral. Mosconi plants). In terms of the environment, Desdelsur monitors soil, flora, fauna, risk of erosion and the health and density of forest shelterbelts, according to the environmental and social management plans of the respective environmental impact studies of each production facility. In order to systematize the monitoring and assessment of significant environmental, social, health, safety and security aspects and the occupational risks associated to all of Desdelsur's activities, the company will prepare a Monitoring and Tracking Plan. In health, safety and security matters, the Plan shall, at the very least, include tracking the following parameters: workplace air quality, environmental air quality, noise at work levels, drinking water quality (annual), Frequency and Severity Rates of occupational accidents (monthly), blood cholinesterase level of workers exposed to pesticide handling ([\[3\]](#)) (annual), and ground resistance of electrical panels (annual). Tracking of the environmental variables required by the environmental authority (such as soil quality, flora, fauna, etc.) and the environmental variables required by the monitoring plans set out in specific studies (such as groundwater quality monitoring) shall be incorporated to the Monitoring and Tracking Plan. The adoption of admissible parameter threshold values will consider what is specified by the legislation in force and what is indicated by IFC's operational guidelines, adopting, in the event of their overlapping, the most demanding criterion. Tracking will include an analysis of possible root causes of events in which the measured values exceed the acceptable thresholds set forth in the legislation in force or the applicable IFC

guidelines.

### *Participation of Social Actors*

Desdelsur welcomes and addresses the concerns of the members of the community living in the vicinity of its production fields, with regard to the impacts they may cause. In this sense, with regard to the concerns expressed by the population about the possible impact on neighboring estates due to the possibility of runoff water from Desdelsur's fields, the company has conducted complementary studies to the Environmental Impact Assessment in order to ensure that third parties are not affected. In other areas, Desdelsur has identified the social actors that live in the vicinity of its production fields, as well as their principal needs; in response to these, the company has undertaken improvements to community aspects such as repairing access roads, improving educational facilities, economic assistance for cafeterias, the offer of an ambulance equipped for emergency assistance, livestock exchange with small cattle farmers to improve the quality of the rodeo breed, provision of seeds for planting fodder and entering into cooperation agreements with employment associations for the development of small enterprises. However, despite the existing interaction with the neighboring communities, Desdelsur has yet to adopt a systematic and documented mechanism to address possible grievances and complaints. As per IFC Performance Standard 1, Desdelsur will identify and implement contact channels to allow anyone in the community to ask questions, file a grievance or complaint, or make suggestions; to complement this, it will develop and implement a mechanism to receive, resolve and respond to such concerns, defining responsibilities and maximum communication and resolution times.

## **4.2 Labor and Working Conditions**

During the assessment visit, IDB Invest personnel verified that the health, safety and security conditions in working environments, both in administrative offices and in ancillary facilities (workshops and warehouses) were, overall, adequate. However, the assessment revealed that the production plants require a diagnostic analysis with regard to workplace air quality, so that they can eventually adopt solutions to achieve air quality standards in keeping with those required by the legislation in force and the applicable IFC guidelines. Desdelsur will conduct workplace air quality studies, identify the sources of diffuse contamination and any deficiencies in existing localized vacuum systems; having analyzed the proposals for a solution, it will proceed to contract a company with a suitable background and experience in the design and construction of localized vacuum and evacuation systems for polluted air.

The company's employees are insured by an Occupational Risk Insurer (ORI), in compliance with legal requirements, under whose purview they undergo periodic health checks (studies such as spirometry tests, x-rays, electrocardiograms, bloodwork, etc.). To provide spontaneous medical care, Desdelsur has arranged for the permanent presence of a doctor and a nurse, as well as an ambulance fully equipped to respond to accidents or emergency events, at the facilities located in the production fields. All employees have medical insurance under the corresponding organizational risk insurer. The staff undergoes periodic health checks according to the risk involved in each job function (spirometry tests, electrocardiograms, bloodwork, etc.).

Desdelsur carries out a program to promote the health of its employees and contractors, which includes diets specially prepared by a nutritionist in its cafeterias and the implementation of a gymnastics program available to staff. The company verbally receives the concerns and needs of its staff, ensuring that they have access to dignified housing, suitable education for employees' children, and access to a small credit line for home furnishing. In order to be aware of the needs of its personnel, as well as possible grievances and complaints, Desdelsur will prepare and implement a mechanism for the reception and resolution of grievances, complaints or suggestions that direct or

contractor employees may have, allowing an anonymous communication modality. The mechanism will include the allocation of responsibilities for receiving, resolving, and communicating the results of the process, and a maximum time frame for implementing corrective actions and/or responding, if appropriate, to the complainant, grievance, or suggestion

Most Desdelsur employees are affiliated to the trade union called Unión Argentina de Trabajadores Rurales y Estibadores (Argentine Union of Rural Workers and Stevedores) (UATRE). As informed by the company, there have been no union conflicts with employees for the past three years, as all their requests have been addressed in a respectful and prudent manner. Desdelsur prohibits and verifies the non-existence of child and forced labor in its employee pool and in its contractors and subcontractors; these principles are displayed in billboards in the production fields.

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

#### *Resource consumption and waste recycling optimization*

The electrical energy used by the equipment in the production area is fully provided by internal combustion generators (diesel), with an output power between 120 and 200 KVA. There are 13 power generators in the production area. The fuel storage tanks in the El Fortín estate have a capacity of 500,000 liters. The commissioning of the 33 KV power supply grid by the company EDESA would be imminent.

The Zarate plant consumes 45 cubic meters of water per month; there is no data regarding the consumption of the General Mosconi plant. Water in the agricultural production zone (including the peanut processing plant) is extracted from 13 120-meter deep wells, totaling 426 cubic meters per hour (estimated annual consumption of 1.140 million cubic meters per year). In the administrative facilities, well water or tap water is used only for hygienic purposes; water for human consumption is supplied in plastic demijohns.

Desdelsur will conduct a hydrogeological study that will enable knowing the possible impact that the water consumption of its industrial, agricultural and livestock activities may have on groundwater availability for the population in the vicinity of Desdelsur's facilities and fields in operation.

Solid waste generated in the agricultural and livestock production area is separated and classified for recycling (cartons, plastic bags, plastic containers, used tires, wooden pallets). Hazardous waste (used oils, batteries, etc.) are temporarily disposed of in specific areas. Agrochemicals are stored in warehouses built and equipped in accordance with statutory regulations, with a response procedure in place in the event of a spill. Feedlot carcasses are subjected to an examination (necropsy) and then buried. No unpleasant smells emanating from the feedlot were observed during the visit; this can be attributed to the periodic removal of fecal matter (fecal matter is removed from each pen every 40 days, at the very least) for composting and use as soil fertilizer (once its composition has been analyzed). The beneficial properties of this type of fertilizer are still being researched by the Instituto Nacional de Tecnología Agropecuaria (National Agricultural Technology Institute) (INTA).

Desdelsur will estimate its monthly water consumption and record its monthly power consumption for each of its industrial, agricultural and livestock, and administrative facilities. It will also record the monthly and cumulative annual fuel consumption of vehicles and machinery owned by the company and the amount of containers and waste recycled each year, by type. It will implement and monitor a program to progressively reduce the specific consumption of water, power, and fuel and increase waste and container recycling.

Liquid effluents from the feedlot are directed to a series of treatment ponds; the treated effluent is

infiltrated into soil with a mostly sandy composition. To ensure effluent runoff into the ponds, the feedlot floor has been built with a 0.7% slope on its central streets (NW to SE) in which the effluents from the pens with a 1% slope converge. According to Desdelsur, the current settling pond's capacity is inadequate, since it overflows when there is heavy rainfall (around 200 mm).

Desdelsur will perform an environmental impact assessment that will enable identifying and evaluating: a) Suitability of the type and sufficiency of the system used to treat the effluents generated by the feedlot, considering future extensions of the feedlot facilities; b) possible impacts generated on the soil, surface and groundwater due to inadequately treated effluents, which would possibly require a hydrogeological study of the area; c) possible effects on groundwater availability for miscellaneous use by the neighboring population, considering its possible contamination due to the operation of the feedlot; d) soil and groundwater quality in the area possibly affected by the disposal of feedlot effluents; e) Soil, groundwater, and surface water quality monitoring plan, instructing, if necessary, the construction of monitoring wells. The assessment will include the corresponding conclusions and recommendations. If necessary, Desdelsur will contract a company to design and build the effluent treatment facilities; the Project shall guarantee that the quality of the treated effluent will comply with the legal parameters and/or those required by the applicable IFC guidelines

### *Greenhouse Gases*

Desdelsur will prepare a Greenhouse Gas Inventory. The methodology to be used may be based on ISO Standard 14064-1, using the Corporate Accounting and Reporting Standard (ECCR) of the GHG Protocol as a working guide

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

Desdelsur is authorized for the storage of agrochemical products in its facilities; the transport and application of these products is carried out by contracted companies that comply with the regulations in force. Desdelsur provides periodic training to its staff with regard to the handling and storage of agrochemical products. To minimize the risks associated with transporting agrochemicals, in its Education and Training Plan, Desdelsur will include at least one drill per year on emergency situations in the transportation of agrochemicals.

Desdelsur requires that all vehicles employed by its contractors undergo an up-to-date periodic technical inspection, as required by law, and that their drivers be authorized to drive them. In order to optimize the correct operation of machinery and vehicles by own and contractor personnel, Desdelsur will develop and implement a specific procedure to address the safe operation of all types of machinery and vehicles owned by Desdelsur. Such procedure will specify how the vehicles should be driven in order to increase road safety. The procedure will include a safe driving instructions format that will be provided to the contracted truck drivers.

Desdelsur contracts an overnight security service for its administrative offices in San Isidro and for the Zarate industrial plant; security personnel does not carry weapons. No security personnel has been contracted for the remaining facilities.

## **4.5 Indigenous communities**

While there are no native communities within the limits of the estates owned by Desdelsur, the adjacent area has an important population of indigenous people, mainly located on the edge of National Route No. 86, known as "Camino a Tonono". The expansion of agriculture and livestock rearing since the 1980s has generated a significant impact on the indigenous communities. Only a

small part of them, estimated at around 15%, has a deed of ownership of their lands. The remaining 85 % live in units that are government-owned or registered to a third party. To address this situation, in 2006 Law 26,160 was passed, declaring an emergency with regard to the possession and ownership of lands traditionally occupied by indigenous communities, whose legal status has been registered in the National Registry of Indigenous Communities or competent provincial body or pre-existing ones. Such emergency was in force for four years. During the first three years that this law was in force, the National Institute of Indigenous Affairs was to carry out a technical, legal and cadastral survey of the ownership situation of lands occupied by indigenous communities and promote the necessary actions to achieve the regularization of such ownership. The survey was partial and very limited. The province of Salta had undertaken to conduct it in 150 communities throughout the province and only did so in 10 of them. In late 2014 the law was extended for 3 years and in November 2017 this period was extended until November 23, 2021.

Being aware of the situation of the indigenous community that lives in the area, Desdelsur has implemented actions to improve the standard of living, education, and health of its members. It has made sure to incorporate members of the indigenous community to its staff, providing them with the necessary training. In 2014, the company inaugurated the Conin Alcoba center, located at a distance of 27 kilometers from the city of Tartagal, with the aim of eradicating child malnutrition through food education, encouraging breastfeeding, early child stimulation, and improving the relationship of mothers with their children by fostering their self-esteem and self-worth. The center is staffed by pediatricians, child nutrition professionals, social workers, and child development professionals. A large majority of the beneficiaries of the Conin Alcoba Center are indigenous women. During the assessment visit, IDB Invest staff interviewed representatives of indigenous communities in the area, verifying that there is a close and cordial relationship with Desdelsur members.

## **5. Environmental and Social Action Plan (please see attached)**

### **Contact Information**

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For project inquiries, including environmental and social issues related to IDB Invest investments, please contact the Client using the contact information provided above. Also, as a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism.

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[1] The cooling equipment of the cold chambers intended for peanut storage operate with hydrofluorocarbon gas (HFC) as a cooling gas and with a water-glycol mixture as a secondary fluid, which allows for minimizing the amount of HFC (powerful greenhouse gas) used and reduces the probability of its loss.

[2] International Finance Corporation, institution under the World Bank, intended for the promotion of economic development through the private sector.

[3] Among the rodenticides used by Desdelsur, the following two products that correspond to Category Ia (extremely dangerous) of the World Health Organization have been identified: i) Rodilon Pellets, rodenticide containing Difethialone; ii) Storm, rodenticide-biocide containing Flocoumafen.