

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

Fecovita has 998 own employees (156 of whom are women) and 175 contractor employees. In addition to ensuring that production is purchased, Fecovita offers its associates technical advisory services, financing options for the purchase of equipment and machinery, provides inputs (fertilizers, agrochemicals, etc.), insurance against inclement weather, among other services.

The Cooperative has four productive units: The Gutiérrez General Plant ("Headquarters", located in the department of Maipú - province of Mendoza), "Bodega Resero" (located in the department of Albardón, province of San Juan), "Bodega Toro" (in the department of San Martín, province of Mendoza), "Bodega Estancia Mendoza", which produces medium to high range wines (located in the department of Tupungato - province of Mendoza). It also has a wine cellar called "Hugo Hidalgo" (in the department of Guaymallén - province of Mendoza).

Fifty percent of internal sales in Argentina are dispatched through 12 distribution centers located in its main cities, serving more than 2,000 customers throughout the country. The remaining 50% of production is distributed directly to customers with adequate storage capacity from a National Distribution Center located in the department of San Martín, province of Mendoza. Part of the production is exported to more than 27 countries, with the company having two subsidiaries abroad (Shanghai and São Paulo).

Between September 11 and 14, 2018, staff responsible for the Social, Environmental, and Governance (SEG) Division of IDB Invest carried out environmental and social due diligence on this transaction, having held meetings with the staff responsible for Fecovita, with all producer representatives (in an assembly meeting), with technical advisors from Fecovita (agricultural engineers), and with the staff responsible for two associated wineries. The visit included the facilities at the Headquarters, the new Bodega Toro, ancillary facilities (such as the effluent treatment plant), and two associated producer cooperatives. Visits to the facilities have allowed us to appreciate their safety conditions and equipment, the quality of the working environment and the management of environmental and social aspects.

2. Environmental Classification and Rationale

In light of IDB Invest's Environmental and Social Sustainability Policy, the assessment results classify this as a Category B transaction. While the possible environmental, social, and health and safety risks and impacts are considered potentially relevant, there is a possibility that they be properly managed through well-known plans, programs and procedures of widespread use in the sector.

The potential environmental, social, health, security and safety risks and impacts associated with the transaction include various hazards inherent to industrial plant operations (hearing, electrical, fire, falling and ergonomic hazards), risks associated with driving vehicles and agricultural machinery, as well as possible health effects on workers and community members in the event of a contingency or mismanagement in the handling, transportation and/or application of agrochemicals (such as insecticides, herbicides, fertilizers). Under this hypothesis, the effects would also include water and soil pollution and a possible impact on biodiversity. Given the nature and magnitude of the possible impacts and risks that have been identified, the following IFC Performance Standards apply ([\[1\]](#)): (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), and PS 4 (Community Health, Safety and Security).

3. Environmental and Social Context

The facilities where Fecovita's activities take place are located in the province of Mendoza, an Argentinian province located in the country's Midwest, bordering the province of San Juan to the north, the province of San Luis to the east, La Pampa and Neuquen to the south and Chile to the west, across the Andes Mountain Range. Its capital is the city of Mendoza. The province is divided into 18 departments; its surface area covers 148,827 square kilometers and its population is estimated at 1,900,000 inhabitants. The mountainous area covers the western half of the province. It has a semi-arid continental climate, with very dry summers and more humid winters. The mean temperature for January (summer) is 24°C and the mean temperature for July (winter) is 6°C. The average annual rainfall is 200 mm, making the territory extremely arid.

The province's main business activity is vitiviniculture, which represents 94.13% of the total national vine production. Cherries, sour cherries, apricots, plums, quince, walnuts, peaches, apples and pears stand out as the main produce in fruticulture. The most relevant activities also include oil extraction and processing, beverage production (especially wine), metalworking, agro-industry and tourism. Xerophytic vegetation and the absence of trees are typical of the landscape. Implanted vegetation, frequently found on land irrigated through irrigation ditches and canals, comprises fruit trees, poplars, mulberry trees, ash trees, bananas, maple trees and grapevines. Wildlife species include gray foxes, red foxes, skunks, ferrets, pumas and weasels. The region is also home to waterfowl such as black-necked swans, herons and flamingos.

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

4.1 Assessment and Management of Environmental and Social Risks and Impacts

Environmental and Social Management System

While Fecovita manages the potential environmental, social, health, safety, and security impacts and risks associated with its operations quite adeptly, this management could be noticeably improved by applying an integrated management system. Currently, the Cooperative's health, safety and security management is carried out by specialized professionals; 5 specialists report to a head of health, safety and security based at the company headquarters, while 4 additional professionals work in the remaining production units. Environmental management is not done by full-time professionals. Following the guidelines of IFC Performance Standard 1, Fecovita will implement an Integrated Environmental, Social, Health, Safety and Security Management System applicable to all activities carried out by its staff and contracted personnel, in accordance with the specific requirements of IFC Performance Standard 1 (Requirement 1 of the Environmental and Social Action Plan - ESAP).

Environmental, Social, and Health, Safety and Security Policy

Although the values and principles of the Cooperative have been documented in its Code of Ethics, it is advisable that environmental, social, health, safety and security management be endorsed by a policy signed by its Management. Fecovita will prepare and adopt an Environmental, Social, Health, Safety and Security Management Policy that fulfills the legislation in force in the country, the international treaties signed by Argentina and the requirements of the applicable IFC Performance Standards (ESAP Requirement 2).

Identification and evaluation of environmental and social aspects and occupational hazards

The compilation and assessment of occupational hazards is conducted prior to the execution of each specific task. Overall, there is no systematic methodology available to identify environmental, social and occupational hazards. Fecovita will prepare individual matrices to identify and assess environmental and social aspects and occupational hazards associated with all actions taken by its

staff, contractors and suppliers. Fecovita will also prepare a matrix to identify and monitor legal compliance. These matrices will consider, among other aspects, the specifications to identify and assess all aspects and hazards set out in IFC Performance Standard 1 (Requirement 3 of the ESAP).

Management Programs (manuals, procedures and instructions)

Fecovita has prepared specific operational procedures, included in its Occupational Health, Safety and Security (OHSS) Manual. These procedures cover, among other aspects, the use of personal protection elements, processing of work permits, earthing, use of pressurized devices, lifting elements (overhead crane, lifts and service-lifts), forklifts and industrial machines. Fecovita will develop specific operational procedures as separate documents, subject to the document control of the integrated management system. Among the new procedures, Fecovita will also include the following at the very least: i) transport of agrochemicals; ii) storage and handling of agrochemicals; iii) application of agrochemicals; iv) waste management, including empty containers; v) management of hazardous substances; vi) work in confined spaces; and vii) safe handling of vehicles and machinery. The preparation of the procedures will take into account the legal requirements and indications of the IFC Guidelines on the Environment, Health, Safety and Security (April 2007) (Requirement 4 of the ESAP).

Organizational Capacity and Competences

Fecovita's Safety Manual contemplates the preparation of an Annual Training Plan on health, safety and security for its own and contractor personnel, including fire prevention practices, accident management, safety in industrial machines and the use of personal protection equipment according to the type of risk. In addition, the Cooperative delivers ongoing technical advice to its members through a team of agricultural engineers ([\[2\]](#)) and enologists, who provide training on good agricultural practices, environmental management (especially relating to waste and used packaging disposal) and health, safety and security (such as the handling and application of agrochemicals); similarly, agronomists oversee the implementation of recommended good practices. The specific training of associates is carried out on a monthly basis. In order to systematize the planning and implementation of the training of its own and contractor personnel, Fecovita will prepare an Annual Training Plan on environmental, social, health, safety and security matters for its own and contractor employees and for third parties (these last two will take place when training needs are detected). Its preparation will consider the results of the identification and assessment of environmental aspects and occupational risks, the enactment of new legislation, the adoption of new technologies and the need for training detected among own and/or contractor personnel (the training of associates may be included in the Annual Training Plan). The Annual Training Plan shall include, among other courses, training in the handling of agrochemicals, raising awareness with regard to the handling of machinery and vehicles, and carrying out emergency drills at administrative and industrial facilities, and shall include the format for recording attendance (Requirement 5 of the ESAP).

Emergency Preparedness and Response

Fecovita has prepared a Contingency Plan to respond to emergency situations at its headquarters, also setting out the guidelines for the preparation of an Emergency Plan in the Safety Manual. The Cooperative has firefighting squads, and fire drills are held periodically. Fecovita will prepare emergency prevention and response plans for each of its industrial, commercial, and administrative facilities. Each plan will base itself on specific emergency scenarios, and will provide detailed preventive actions and responses to emergency events associated with those scenarios. Each plan will assign the responsibilities of the respective emergency brigades and Cooperative personnel (Requirement 6 of the ESAP).

Accident management

With regard to accident management (environmental and/or personal), Fecovita has an Internal Procedure for Occupational Accidents and Illnesses. In order to improve and systematize accident management, Fecovita will prepare a procedure to manage occupational and/or environmental accidents applicable to both in-house and contracted personnel. It will record the nature and severity of the accident, the processing of legal aspects, the accident investigation report and the preventive and/or corrective measures adopted to prevent it from happening again. The procedure will include the necessary template for accident investigation reports (Requirement 7 of the ESAP).

Contractor management

Fecovita's contractors provide a variety of services, mainly product transportation from production plants to shopping centers or directly to customers. The Cooperative does not yet have a documented procedure for contractor management. Fecovita 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 Fecovita 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 (Requirement 8 of the ESAP).

Monitoring and Evaluation

Fecovita will prepare and implement a Monitoring and Follow-Up Plan of significant environmental, social, and health, safety and security aspects associated to the entirety of Fecovita's activities, and those of its contracted personnel. The Monitoring Plan will allow the Cooperative to identify and implement preventive and/or corrective actions for cases in which the measurement results show values that deviate from the limits set forth by legislation or by the IFC's operational guidelines. In principle, Fecovita will monitor and follow up on the following parameters:

- (i) Occupational Accident Rates (at the very least, the Frequency and Severity Rates). (monthly and cumulative values)
- (ii) Work environment quality parameter measurements (noise, lighting and workplace air quality) (every four months)
- (iii) Drinking water quality (annual)
- (iv) Blood cholinesterase level of workers (in-house and contracted) exposed to pesticide handling (annual)
- (v) Ground resistance of electrical panels (annual)
- (vi) Treated effluents quality (biannual)
- (vii) Type and amount of waste generated (monthly)
- (viii) Amount of electrical energy consumed in each establishment (monthly)
- (ix) Amount of drinking water consumed in each establishment (monthly)

The adoption of admissible parameter threshold values will consider what is specified by the legislation in force and the admissible thresholds published in the IFC's operational guidelines, adopting, in the event of their overlapping, the most demanding criterion (Requirement 9 of the ESAP).

Participation of Social Actors

As part of its commitment to the community, Fecovita carries out a series of activities that promote education, professional development and the improvement of the health and quality of life of its members and staff. By way of example, there is the installation of a satellite school within headquarters that allows staff members to complete their secondary studies, the sponsorship of schools and the implementation of the Young Professionals program, through which it promotes internships for young university professionals from various branches at the Cooperative's plants. While any member of the community may communicate with the Cooperative and raise concerns, a systematic and documented mechanism for receiving, processing and responding to third-party concerns or comments is still lacking. In accordance with IFC Performance Standard 1, Fecovita will prepare and implement a documented procedure for receiving, resolving, and responding to complaints and/or grievances from any member of the community, identifying the communication channels it deems most appropriate and establishing responsibilities and time frames for their resolution and response (Requirement 10 of the ESAP).

4.2 Labor and Working conditions

Occupational Health, Safety & Security

During the assessment visit, the health, safety and security conditions of the working environments, both in the administrative offices and in the industrial facilities, were considered adequate overall. At its headquarters, Fecovita has a permanent medical and nursing service, which monitors the diagnoses and treatment recommended to the staff by the corresponding Occupational Risk Insurer (ORI).

The personnel responsible for health, safety and security management will hold monthly follow-up meetings. A Health, Safety and Security Committee has yet to be formed, with the participation of the Cooperative's management and workers (the formation of such a committee is still not regulated in the province of Mendoza). The health, safety and security risks of the commercial units are managed by contracted personnel.

Through its Human Resources department, Fecovita has implemented a mechanism to receive complaints and/or suggestions from its own staff (by means of the Ethical Line managed by an independent contractor). The complaint or grievance may be anonymous and will eventually be resolved by the Ethics Committee. In order to integrate this mechanism into the management system, Fecovita will prepare and implement a specific procedure that includes the aforementioned grievance reception and resolution mechanism, including the modality and time frames for resolving and communicating, if appropriate, the results of the process to the person making the complaint, claim or suggestion (Requirement 11 of the ESAP).

Supply chain

Through its team of agricultural engineers, Fecovita provides advice to its associates on the implementation of good agricultural practices, use of agrochemicals, occupational health and safety and product quality improvement. The advice includes the dissemination of the ethical values of the Cooperative, regarding respect for human rights, and in particular the non-acceptance of child or

forced labor.

4.3 Resource Efficiency and Pollution Prevention

Waste Management

Fecovita has registered with the environmental authority as a generator of hazardous waste (consisting mainly of maintenance waste), managing its disposal in accordance with legal requirements. Fecovita manages liquid waste disposal from its parent plant in Maipú through an effluent treatment plant, applying primary treatment to control the solid contents and pH according to the thresholds established by the legislation in force. As reported, the treated effluents are discharged into the sewer system, and subsequently treated by a comprehensive treatment plant (13). The operation and maintenance of the Fecovita plant are outsourced. The project to modify the industrial facilities—to be carried out at headquarters in order to produce medium- and high-end wines—shall include, if necessary, changes in the design of the effluent treatment plant to achieve the discharge quality values required by current legislation, taking into account the indications of Section 1.3 of the IFC Guidelines on Environment, Health, Safety and Security - April 2007 (Requirement 12 of the ESAP).

Resource Efficiency

With regard to the use of water for irrigation, Fecovita is promoting the installation of pressurized irrigation in order to satisfy only the true demand for water. The adoption of state-of-the-art technology in the new bottling plant in the department of San Martín (Bodega Toro) has made it possible to reduce water consumption by 50% compared to the traditional process. In terms of energy consumption, Fecovita is implementing the Integrated Energy Management Project, which includes the use of LED lights, awareness campaigns on the importance of energy saving, the installation of additional electricity meters in their plants and a project to install solar panels for electricity generation. According to the ESAP, Fecovita will gradually implement water and electricity consumption measurements at its facilities and will annually record the amount of packaging and/or waste recycled according to type. It will implement and follow up on a program for increased packaging and waste recycling and the progressive reduction of specific water and energy consumption, following the directives of the applicable operational guidelines of the IFC's General Guidelines on the Environment, Health, Safety and Security - April 2007 (Requirement 13 of the ESAP).

Hazardous Materials Management

As verified from the documentation provided by Fecovita, the Cooperative does not acquire or distribute any agrochemicals with chemical components categorized as Class Ia and/or Ib by the World Health Organization (WHO). Fecovita shall supervise the chemical composition of each agrochemical to be acquired by the Cooperative, avoiding the purchase of products containing the abovementioned components.

Greenhouse Gases Management

Fecovita has not yet quantified the Greenhouse Gas generation associated with its operations. Fecovita 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 (Requirement 14 of the ESAP).

4.4 Community Health and Safety

Fecovita has prepared and implemented the Occupational Health, Safety and Security (OHSS) Manual, which details the operating procedures that should be complied with by its own and contractor personnel. It is observed that this manual does not include procedures that address the handling, transportation, storage and application of agrochemicals and the management of their packaging (although good practices for the application of agrochemicals are disseminated to the associates by Fecovita's agronomists). Such activities may eventually affect the health of the members of neighboring communities given specific circumstances (especially during the transportation and application of agrochemicals). Fecovita will develop and implement specific procedures, mandatory for its own and contracted service personnel, for the handling, transportation, storage and application of agrochemicals, in line with FAO guidelines ([4]).

The surveillance personnel of the industrial plants is generally contracted and follows internationally accepted safety protocols.

5. Environmental and Social Action Plan (ESAP) - (Please see attached document)

CONTACT INFORMATION:

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For Project inquiries, including environmental and social issues related to an IDB Invest investment, please contact the client using the contact information provided above. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism.

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[1] International Finance Corporation

[2] Agricultural engineers work in permanent consultation with the INTA (*Instituto de Tecnología Agropecuaria*) (Agricultural and Livestock Technology Institute), with which Fecovita has signed technical assistance and management agreements. Fecovita furthermore offers its associates laboratory services, financing options, options for purchasing agricultural machinery and producer insurance in the event of hailstorms.

[3] The effluents treated at the treatment plant are discharged into the sewage network and from there into an underground collector with a diameter of 800 mm and a length of 15 km that extends

parallel to the Pescara canal (an open-pit canal that receives surplus irrigation water and rainwater and whose water is used for irrigation). The underground collector receives the industrial effluents with primary treatment from some 60 establishments in the area, which are taken to a treatment plant. The treated effluents are mixed with water from the open-air canal and, once diluted with groundwater, their saline content allows them to be used as irrigation water in the departments of Guaymallén and Lavalle.

[4] Food and Agriculture Organization of the United Nations