

1. Overview of Scope of IIC E&S Review

IIC visited the company's field and processing operations based in Northern Peru in Chiclayo (Lambayeque) and San Pedro (La Libertad). The due diligence was conducted under severe floods that disrupted roads and Company operations. This precluded the visit at Jayanca, and limited the visit at San Pedro.

While all Performance Standards are applicable to this investment, IICs environmental and social due diligence indicates that the investment will have impacts, which must be managed in a manner consistent with the following Performance Standards:

PS 1 - Assessment and Management of Environmental and Social Risks and Impacts

PS 2 - Labour and working conditions

PS 3 - Resource Efficiency and Pollution Prevention

PS 4 - Community Health, Safety and Security

PS 5 - Land Acquisition and Involuntary Resettlement

PS 8 - Cultural Heritage

PS 6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources; and PS7 - Indigenous Peoples, will not apply. Once IIC's investment proceeds, IIC will periodically review the project's ongoing compliance with the Performance Standards

2. Environmental and Social Categorization and Rationale

This investment is a Category B project in accordance to IIC's Policy on Environment and Social Sustainability. Based on information reviewed by IIC, the proposed Project will have limited adverse environmental and social (E&S) impacts that are few in number, site specific, largely reversible and readily addressed through mitigation measures, as outlined in the Environmental and Social Action Plan (ESAP) attached, disclosed in conjunction with this Environmental and Social Review Summary document (ESRS).

3. Environmental and Social Context

At Jayanca, the Company has updated business licenses and Safety Inspections Certificate from the Provincial Municipality of Lambayeque. The USA is the chief destination of Gandules exports (53%), followed by United Kingdom (6%) and Germany (4%). Gandules has obtained Certifications for its operation in Jayanca (Lambayeque) for Global Gap IFS Food Standard, and HACCP. The Company has also completed the SEDEX Members Ethical Trade Audit (SMETA) on Health and safety and Labour standards. This audit methodology uses the ETI code and local law as the measurement tool. Potentially significant E&S risks and/or impacts include: labour and working conditions; control of child labour; pending labour legal issues, occupational health and safety issues; on-farm agrochemical hazards, WHO banned pesticides, and pest and disease management; supplier E&S management following IIC policies; effluent management; energy and water efficiency, water productivity, surface water permits and crop area expansion, water use impacts in communities; stakeholder engagement and community grievance mechanism; ensure appropriate conduct of security personnel engaged by the company; and chance finds.

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

IIC's appraisal considered environmental and social management plans for the Project and gaps between these plans and IIC requirements. Where necessary, corrective measures intended to close these gaps within a reasonable period of time, are summarized in the paragraphs that follow and in

the agreed ESAP. The Project is expected to be designed and operated in accordance with Performance Standards objectives, national regulations, WBG General Environmental Health and Safety (EHS) Guidelines, and the EHS Guidelines for Annual Crop Production and Food Processing.

4.1 Assessment and Management of Environmental and Social Risks and Impacts

The IIC and Gandules staff conducted a group self-assessment of the nine elements of the Corporate ESMS of the Company as defined in 2012 Performance Standards under PS1. Policy, Environmental and Social Risks and Impacts Assessment and Management System

Policy: The Company has developed a policy statement that describes its corporate commitments to continuous improvement of ESHS performance, and that the project business activities will be in compliance with all applicable laws and regulations of Peru. As set forth in the ESAP, the ESMS overarching Policy statement will be revised and updated to fully align with the 2012 IFC Performance Standards. Once updated, the policy will be communicated internally to employees, contractors, suppliers, and externally to stakeholders, using best available communication procedures.

Identification of Risks and Impacts: As set forth in the ESAP, the Company is required to update its risk management process to (i) review its risk assessment whenever there is a change in processes, technology, activities or an expansion; (ii) improve identification of risks and impacts of its operations to communities on a periodic basis.

Management Programs: Management Programmes include objectives to mitigate E&S risks and impacts and annual reviews for continual improvement covering quality, EHS, and labour issues. Action plans are established to address issues. As set forth in the ESAP, Gandules shall: a) Formalize ESMS management procedures for community engagement including on-going reporting to communities; and a community grievance mechanism; b) Formalize management procedures for supply chain management; c) Implement ESMS management procedures for integrated pest and disease management; d) Implement ESMS management procedures for a Code of Conduct for the security personnel at the Company facilities, and manage each identified risk in alignment with the Voluntary Principles (VPs) on Security Forces and Human Rights of the United Nations.

Organizational Capacity and Competency: As set forth in the ESAP, the Company will present to IIC a copy of the internal memorandum appointing a corporate level environmental and social person with managerial responsibilities exclusively for environmental and social issues, reporting to corporate senior Human Resources management.

Emergency Preparedness and Response: Emergency preparedness and response planning accounts for inside-the-fence response, and requires emergency planning to involve communities. As set forth in the ESAP, the Company will update its emergency preparedness and response procedures to: a) account for emergency planning to involve communities; b) regular review of the training programs for the Emergency Preparedness and Response; c) review its emergency response procedures whenever there is a change in processes, technology, activities or an expansion.

Stakeholder engagement: Another element in the ESMS system that needs to be strengthened by identifying and engaging with populations in the vicinity. And, consistent with the ESAP, the Company will: a) enhance environmental and social communication with external stakeholders; b) review and revise its existing website to keep external parties informed and include a clearly visible tab and name of contact person at Gandules for accessing a grievance mechanism's contact points and associated information to express concerns and complaints about Company operations; c) issue annually in the website, a report meeting the Global Reporting Initiative's Guidelines.

External communication and Grievance Mechanism: Gandules currently does not have a systematic approach to external communications with communities or the general public which is managed on an ad-hoc basis. In addition, there is no formal mechanism to accept and act upon community grievances. The grievance mechanism will also include and address grievances related to security personnel. As set forth in the ESAP, the Company will: a) develop, operationalize, ensure training for all staff, and publicize a Corporate Community Grievance Mechanism (GM) at all locations. The GM shall be designed to receive, accept, analyze and respond to complaints from affected communities, and the general public regarding its operations and transport operations. The implemented mechanism shall include public external communication to public for dissemination of the grievance mechanism and how individuals may register grievances publicly or anonymously with the Company, brought to the attention of senior management, and resolved; b) Any event will be recorded in the Annual Report to IIC.

4.2 Labor and Working Conditions

Human Resources (HR) working conditions, and terms of employment: As of July 2017, Gandules has 223 direct employees. Nearly 41 percent of the directly employed workforce are women, a number of which hold positions ranking from administration, technical, and as labourers. During harvest, 3965 workers are hired as temporary workforce. Of these, 2058 are women. The national law of Peru governs all labour standards and addresses all aspects of employment relations, including unacceptable forms of work, occupational health and safety (OHS), freedom of association and working conditions. The HR function is part of the senior management team at all operations and has documented procedures for hiring, selection, age verification, disciplinary practices and termination, terms of employment and for combating child labour. The HR framework includes a strong policy on equal opportunity with a zero-tolerance stance on discrimination and harassment of any form. Working conditions and terms of employment are communicated to employees during induction. All HR principles at Gandules are equally applicable to workers engaged by contractors and suppliers.

The Company offers a safe working environment and does not hire any employee through external agencies. Gandules invests in worker and family welfares (annual Christmas celebrations, Peru national day, birthdays, field trips, educational grants, etc.). The company has a medical doctor with postgraduate training in Occupational Health and Safety. At each location, Gandules has built a Medical Center (three in total) with equipment and professional nurses (eight in total) to provide medical services for initial handling of health emergencies. This includes dispensing of controlled medication and counseling services. It also provides mobile toilet facilities in all field operations. At Jayanca, Gandules offers a nursery for toddlers. Gandules subsidizes employee cafeterias at each location. Gandules has no migrant workers and no worker accommodations.

According to National Law 27360, in Peru the minimum wage employers are required to pay for Farm Workers is 315 USD. The legislation applies to field, processing, administration, management and technical staff. An amendment occurred in 2006 extending 27360 to December 31, 2021. The amount includes earnings and benefits (retirement fund and twice-a-year legal bonuses). The latter often creates confusion amongst farm workers, whom unfortunately present legal claims for payment of benefits to agribusinesses in Peru. As such, Gandules has lawsuits pending due to labour issues. As set forth in the ESAP, every six months the Company will report to IIC the progress in solving each of the pending labour lawsuits of former employees. As precautionary measure, Gandules will: a) ensure that details of Labour Law 27360 are explained thoroughly during induction, when addressing the labour and working condition; b) provide continuous refreshment sessions on Labour Law 27360 to workers.

Workers' Organization: National legislation provides the right to organize and bargain collectively.

Due to high rotation of seasonal workers, there is no union (sindicato). HR management holds meetings with workers to discuss action items and emerging issues. There have been no major disputes or other actions.

Non-Discrimination and Equal Opportunity: Gandules provides equal employment opportunities for all employees and applicants without regard to race, color, religion, gender, national origin, age, disability or marital status.

Grievance Mechanism (GM): The Company has a documented formalized ESMS procedure for grievance mechanism for worker complaints. As set forth in the ESAP, the Company will: a) revise and review the procedure to ensure that worker grievances can be presented anonymously. Also, b) records will be maintained on actions taken by Gandules, feedback provided, and signed agreement by the employee on resolution of each grievance.

Protecting the Workforce: Gandules has implemented an age verification procedure in the hiring process and specifies the minimum hiring age to be 18 years.

Occupational Health and Safety: At all facilities, the Company provides and maintains proper infrastructure to achieve high standards of operational safety. There have been no fatalities. OHS training was instrumental that in 2016 there was a 27% reduction of accidents compared to 2015. Gandules is in the process of obtaining the OHSAS 18001 certification and will inform IIC when this is achieved.

Fire Safety: Gandules has an internal fire brigade. As per the ESAP, at all locations fire drills will be performed regularly with participation of the local fire department.

Supply Chain: Gandules has contract growers/suppliers (47% of total output). As indicated in the ESAP, and as part of its ESMS, the Company will implement a corporate supply chain policy to ensure sustainable purchasing procedures. The Company will continuously evaluate how this policy drives inclusion of environmental and social issues into its supply chain risk management system procedures. Field audits and follow up procedures by the Company will ensure adoption of PS6 and PS2 requirements and that there will be no events involving illegal land clearance or child labour in their supplier operations (compliance with ILO Conventions 138 on Minimum Age, and 182 on Worst Forms of Child Labour). Gandules will also ensure that contracted growers/suppliers implement environmental and social practices in line with the 2012 Performance Standards.

Women at Gandules: Women are present throughout the company at Gandules, from the head office to the production sites, represent 41% of total employees at the company, across both permanent and temporary positions, and are found at the on-site management office, at the front-line of production, and beyond the site at contract-grower level. Some female staff have been employed for over a decade. Some women are single parents and several support a number of dependents. There is also a recognition that women are good workers who help the company meet its production and quality targets. The company's improved HR management, meritocratic approach, and attention to women workers' personal safety and health have created a range of business benefits.

Gandules operates in regions with labour scarcity, especially for seasonal employees. Women retention is a must for permanent as well as for temporary labour needs. Benefits such as medical facilities and nursery, optional enhanced maternity leave beyond the statutory minimum, and the HR policies with zero tolerance to discrimination and harassment provide a work environment where women feel safe to work. And, choose Gandules as the preferred site for work each season.

Internally progressed women as supervisors and managers will be equipped with valuable company

know-how from their first day on the job, and the existing workforce is more motivated if they see opportunities for future career progression. In this context, Gandules will benefit from retaining women employees in order to maintain institutional know-how and long-term sustainability.

Going forward in the ESAP, The Company will adhere and follow the standards of the Economic Dividends for Gender Equality (EDGE). Further, Gandules might consider several activities to enhance existing women welfare and opportunities at work. For example: a) equal access to training opportunities while working (technical agricultural skills, training to obtain licenses for driving tractors, trucks, and pick-up trucks, leadership training, certified on-farm vocational training, etc.); b) business management training for women to access opportunities for growth and promotion and raise professionally into supervisory roles and senior management positions; c) lighter duties in the workplace during pregnancy and provide specifically designed uniforms for pregnant women; d) women participation in worker committees; e) build on its relationship with contracted growers to encourage these to employ women in non-traditional jobs on farms and provide similar benefits following Gandules model; f) increase on-farm childcare and implement lactation room facilities; g) implement flexible work arrangements for women; h) implement parental leave during maternity; others.

4.3 Resource Efficiency and Pollution Prevention

Resource Efficiency: All current operations and administrative offices run mainly on power from the national grid. Energy consumption is 130,000 KW/h in San Pedro, and, 2,449,204 Kw/h together with 3,551.563 M3 of natural gas at the processing facility in Jayanca. The mean energy consumption is 54KWH/ton of produce. The mean specific fresh water demand per tonne of raw material, calculated on the basis of the total monthly fresh water consumption and raw material processed for all the production lines, is approximately 199 m³ per tonne of raw material (weighted mean value). And, depending on production, fluctuates between 100 (jalapeño) and 350 (Peppadew) m³/tonne.

As per the ESAP, the Company will implement an energy management plan to improve use efficiency and demonstrate ongoing activities to achieve reductions from the baseline data of July 2017. The Company will develop and implement a management system procedure to ensure efficient energy and water use. And, align energy and water consumption at the processing facilities with international industry benchmarks.

Water Consumption: Precipitation in the areas where Gandules operates, as shown by meteorological data, is usually circa 60 mm per annum. This does not allow for aquifer replenishment. At San Pedro, the ANA (National Water Authority in Peru) has granted a surface water permit (Permiso) for 99 l/sg. The permit allows Gandules to access only excess of surface water. In addition, Gandules has a License for groundwater abstraction of 220 l/s. At Jayanca, a region categorized by having availability of groundwater sources, the production system is sustained 100% through groundwater. The license is for 125 l/s. At San Pedro, with lower water availability, Gandules legally purchases additional surface water from the Junta de Regantes to sustain their cropping season. Overall, the Company uses drip irrigation, a water application method that saves water and reduces the Company's water footprint of operations. Fertilizers are applied through the drip irrigation (fertigation).

At San Pedro, Gandules has implemented a production system that spreads different crops in a timeline according to crop phenology's and water demand. Such approach maximizes the use of water and allows for superior application efficiencies. This integrated water management allows the Company to achieve an expansion up to a maximum of 732 Ha in 2018. As set forth in the ESAP, any envisioned increase in cropping area beyond 732 Ha will require hydrological and hydrogeological

studies, and numeric modeling, showing sustainability of the water resource use, without negative impacts on other water users (farmers, communities).

Greenhouse Gas Emissions: Gandules will implement a Management Systems procedure for Emissions Inventory of Greenhouse Gases to be reported annually to IIC.

Solid Waste Management: Final disposal and recycling of solid waste is done through licensed third-party paper or plastic contractor Residuos Sólidos Elizabeth EIRL. Non-recycling waste is handled at the municipal landfill.

Wastewater Management: During 2016, Gandules built a new wastewater treatment facility (Planta de Tratamiento de Aguas Residuales e Industriales-PTARI). Processing capacity is 3600 m³/day. Treated industrial effluent will be sent to the agricultural fields and fresh water ways. As outlined in the ESAP, the Company will assess wastewater quality at the points of discharge, and compare against regulatory standards for Peru, applicable WBG General EHS guidelines for soil and fresh water discharge, establish a baseline, and report to IIC. If continuing assessment indicates deterioration, Gandules will take specific action to mitigate the situation.

Hazardous Materials Management: The hazardous materials present at Gandules consist of relatively small volume of cleaners, oil, light tubes, and packing and materials used in their operations. All hazardous materials are handled in accordance with acceptable practices. Pesticide containers are triple washed, cracked, and discarded. Ammonia containers are handled by dealer. Management, recycling and discarding of hazardous residues is done through a third-party contractor Campo Limpio.

Pesticide Management: Gandules' business model shows a relatively high concentration in Capsicum sp., which may make the Company more susceptible to market risk than more diversified peers, and potentially more exposed to pest and disease inherent to the crop. In all operations, as set forth in the ESAP, the Company shall a) eliminate the use of WHO Class 1a/1b; b) provide adequate PPE based upon MSDS and/or ICSCs for the materials used; c) present to IIC documentary evidence of the training of employees handling pesticides specifically in the use of adequate Personal Protection Equipment (PPE) based upon MSDS and/or ICSCs; d) it will continuously monitor the cholinesterase levels in workers applying pesticides.

Integrated Pest and Disease Management (IPDM): With regard to agrochemical use (specifically pesticides) the Company has several practices to mitigate biotic constraints from pest and disease. Current management practices give preference to pesticide use with some additions of microbial and other natural products. Virus and soil parasitic nematode infestations are reported, which are of business concern. Beyond nematicide costs, issues of concerns are potential soil contamination, and the safety of personnel in charge of handling these chemical formulations to limit soil infestations. Pest and disease control elements must be implemented in a systematic integrated fashion with emphasis on health safety of workers, nearby communities, end consumers, and long-term business competitiveness. There is a need to build a sustainable strategy for an integrated pest and disease management programme, within a climate-smart agriculture approach, and prioritize biological control, cultural practices, etc., and, as last resort use of chemical means low in human toxicity that are known to be effective against the target species, only after other pest management practices have failed or proven inefficient.

As set forth in the ESAP, Gandules will: a) engage a team of international Ph.D. level multidisciplinary consultants (fungal, viral, bacterial plant pathogens, entomology, and parasitic nematodes) to develop and implement an Integrated Pest and Disease Management Programme (IPDM); b) will implement the IPDM as designed by international consultant's report; c) will fully

incorporate integrated pest and disease management procedures into the ESMS Procedures Manual; and, d) the IPDM programme shall be also implemented at Gandules contracted growers/suppliers operations.

4.4 Community Health, Safety and Security

The direct influence of the project is in the communities of La Libertad and Lambayeque. Both fall in the medium to low indexes for human development. Social indicators suggest that the Company definitively has a positive impact in job generation, income generation, and access to national health and social security services by its workers and families. This is a considerable benefit, given the poverty levels and poor development indicators in the area with challenges including access to basic services, high unemployment, and few opportunities for young people, especially women. As set forth in the ESAP, Gandules will: a) develop a Community Engagement Plan and Company Code of Conduct for community engagement; b) further enhance procedures to ensure transport minimizes community health and safety risks, including accident prevention measures, such as appropriate speed limits and safe driving practices.

Community Grievance Mechanism (GM): as described under PS1, as per the ESAP, the company will develop a community grievance mechanism (GM) that may be used by the community to express concerns about the company operations and impacts. As part of the ESMS, Gandules will formalize and operationalize a Community Grievance Mechanism to collect and act upon any complaints or concerns of communities. The implemented mechanism shall include dissemination of the GM, training of workers on the GM, and how individuals may register grievances publicly or anonymously, brought to the attention of senior management, and resolved.

Security Personnel: Gandules has both internal security guards and external security contractors for the site security. The security personnel conduct routine ID check at the gates and security monitoring. Operating procedures consistent with the ESAP will include: a) How security forces will be managed in accordance with IFC PS4 requirements as described in paragraph 12-14; b) Hiring of security personnel will include (i) screening potential workers for past criminal offenses or human rights abuses, (ii) training, company security policy and code of conduct; c) A corporate level procedure will be prepared to address and manage each identified risk in alignment with the Voluntary Principles (VPs) on Security Forces and Human Rights of the United Nations; d) As part of its stakeholder engagement policy, the Company will communicate and train on security arrangements to workers and affected communities; e) An incident response system involving security forces will be implemented to ensure that all incidents are registered and responded to using correct disciplinary actions where required.

4.5 Land Acquisition and Involuntary Resettlement

The Company has no lawsuits pending due to land issues. Gandules has acquired 1200 Ha of land from the Community of San Pedro de LLoc, within a willing buyer/willing seller approach. This was done through "Convenio Marco de Alianza Estrategica Participativa" between Gandules and the Comunidad Campesina of San Pedro de LLoc, signed in December 23, 2013. The Agreement closed officially the negotiation for purchase of land by the Company. It also contributed to long term good relations between the Company and the community. Gandules hires some 200-300 persons from the community. Testimony of community leaders indicated that Gandules assists with several community needs (health, education, others), ensures free rights of way, and supports financially all Christmas celebrations for some 500 children of the community, the celebrations for May 1st, Labour Day in Peru, and mother and Father's Day.

4.6 Cultural Heritage

Peru is a land full of cultural heritage in various tangible forms of cultural heritage. Previously unknown cultural heritage is foreseeable to be found unexpectedly either during construction or during operations in many areas of the country. The Company locations are in areas where cultural heritage is expected to be found. The Company is required in the ESAP to develop provisions for managing chance finds through an ESMS "Chance Find Procedure" which will be applied in the event that cultural heritage is discovered. The Company shall obtain CIRA certificates (Certificate of non-existence of archeological remains), following Peru's national legislation from the Ministry of Culture. At the end of the Chance Find assessment, the Company will present to IIC the report duly approved and endorsed by Peru's Ministry of Culture.

5. Local Access of Project Documentation

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