

FINDEV CANADA TRANSACTION SUMMARY

Danper Agrícola La Venturosa

This document provides an overview of the FinDev Canada transaction, including a summary of the anticipated development impacts and of the environmental, social and governance (ESG) assessment performed, potential risks identified, and related mitigation measures to be implemented.



Transaction Description

Danper Trujillo S.A.C. (“Danper Group”) is one of Peru’s leading specialty agriculture producers, managing the production of 17 different fruits and vegetables for export markets. In 2011, Danper Group and International Fund for Developing Countries (“IFU”)¹ founded Danper Agrícola La Venturosa (“Danper ALV”), a 180-hectare farm in La Libertad Department in Northern Peru, as a joint venture to specialize in the production of table grapes and avocado. FinDev Canada’s debt financing will enable the company to invest in the transition from the production of a low-value grape variety to high-value seedless grape varieties, expand avocado production, and other operating enhancements.

Transaction Details

COUNTERPARTY	Danper Agrícola La Venturosa S.A.C.
DOMICILE OF INCORPORATION	Sector Talambo, Chepen, La Libertad, Peru
DOMICILE OF OPERATIONS	Peru
TERM OF FINANCING	8 years
SECTOR	Agribusiness
IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY (CATEGORY DEFINITIONS HERE.)	Category C
OTHER CANADIAN PARTICIPATION (IF APPLICABLE)	N/A
FINANCIAL PRODUCT	Senior debt
TOTAL PROJECT SIZE	USD 12 million
FINDEV CANADA PARTICIPATION AMOUNT	USD 8 million (~CAD 10.6 million)
PARTICIPATION AS PERCENT OF TOTAL PROJECT²	66%
DATE OF TRANSACTION DISCLOSURE	May 13, 2019
DATE OF TRANSACTION SIGNING	June 27, 2019
DATE OF TRANSACTION SUMMARY PUBLICATION	Sept. XX, 2019
2X CHALLENGE FINANCING FOR WOMEN QUALIFYING	Yes, under criteria 3 “Employment”

Summary of Anticipated Development Impacts

The primary development impact value proposition of Danper ALV is to maintain and create local quality jobs in the Peruvian avocado and grapes sectors, including for women, while growing its sustainable production of specialty agriculture. In the long-term this will help contribute to higher local economic activities and incomes for local communities. The transaction is expected to drive outcomes in all three development impact areas of FinDev Canada³.



MARKET DEVELOPMENT:

- **Growing quality employment in rural areas:** Danper ALV belongs key target client group for FinDev Canada. The company has a small permanent workforce⁴ (~13), however they also employ many local temporary workers (between 150-250 depending on season) for planting and harvesting activities. The new capital will increase local contract employment, as approximately 40 new workers for planting and 70 new workers for harvesting will be required. The company is also helping to stabilize local employment by rotating workers seasonally between different crops. Danper ALV jobs are considered high-quality in the region, offering benefits to permanent and temporary employees such as onsite healthcare and medical services for workers and their families, transportation to and from work, and training and advancement opportunities.
- **Economic value addition:** The Borrower also contributes to local market development through its purchasing, 93% of which was to Peruvian businesses in 2018. Post-investment, Danper ALV is estimated to contribute annual direct economic value addition of US\$ 1.38M, and indirect value addition of US\$ 374K.
- **Technology transfer:** The company continues to bring innovation in specialty agriculture to Peru, including the new seedless grape variety.



WOMEN'S ECONOMIC EMPOWERMENT:

- **Leadership on women's economic empowerment:** Danper Group's co-founder and CEO is a respected woman entrepreneur, Ms. Rosario Bazan, and Danper Group was the first EDGE certified⁵ company in Peru. As a result, Danper ALV gender equality policies and activities are based on those of the parent, which has implemented several successful initiatives to improve gender inclusion, including for example adopting gender inclusive recruitment practices and awareness raising workshops for workers on gender equality and sexual harassment in the workplace.
- **Creating good-quality jobs for women:** Danper ALV employs women both as permanent employees (46% women) and as temporary farm workers (31% are women), which was the basis for its qualification as a 2X Challenge investment. Danper has actively sought to reduce the gender pay gap, which as at the time of investment stood at only 4% between men and women temporary workers. The company also provides appropriate onsite facilities, including a lactation room and separate changing and sanitary facilities for men and women.



ENVIRONMENT AND CLIMATE CHANGE SOLUTIONS:

- **Encouraging sustainable land management practices:** Danper Group maintains several internationally-recognized environmental certifications such as GLOBAL G.A.P.⁶, USGAP and ISO 14001 (Environmental Management Systems); these certificates include its subsidiaries such as Danper ALV. Danper Group tracks and reports on several indicators related to environmental impacts of production such as air quality, GHG emissions, waste production and water use, which FinDev Canada will also monitor over the life of the investment.

- **Preparing for climate-related weather events:** In response to potential high-rainfall scenarios from “El Niño” meteorological events, the company has put in place a climate adaptation strategy by building flooding control barriers 10 km from the farm that divert water into natural channels and away from Danper ALV land.

Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

FinDev Canada’s environmental and social assessment categorized Danper ALV as a “Category C” transaction. Because of this classification, FinDev Canada has taken a risk-based, high-level approach to benchmarking the transaction to the IFC Performance Standards. With this approach in mind, ESRM is satisfied that the transaction is aligned to the IFC Performance Standards, and a summary of the review of the relevant standards is provided below.

IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts

Danper’s Sistema Integrado de Gestión (SIG) is the framework through which all operations are managed, including Danper ALV. Danper’s management system is certified to ISO 14001, OHSAS 18001, and SA 8000 international standards, which is best practice. As part of its environmental permitting process, Danper ALV undertook an environmental impact study and a participatory community mapping exercise and social analysis. The study was accepted by the regulator and the environmental certification was issued in 2014. At the corporate level, Danper provides an external grievance mechanism which is advertised on its public webpage and in its sustainability report. Grievances are accepted in writing or by telephone and provide an option to submit anonymously.

IFC Performance Standard 2: Labor and Working Conditions

Danper implements a Code of Conduct on each operating site which covers the company’s commitment to an anti-discriminatory, anti-harassment (including sexual harassment) work environment. The Code also protects the right of workers to unionize. The conversion of crops will not significantly modify the occupational health and safety hazards, which are primarily related to sun exposure, muscle strain, and minor lacerations. Danper requires that personal protective equipment is worn at all times. A health clinic is present on-site and is run by a licensed nurse and is open to all permanent and temporary workers and their families. A lactation room is also available for working mothers.

IFC Performance Standard 3: Resource Efficiency and Pollution Prevention

FinDev Canada evaluated several areas of performance, including:

- Soil conservation and management
- Use of agrichemicals and pesticides
- Use of water
- Air quality and GHG emissions

The assessment found that in all areas the company’s management practices were in line with expectations, and there were no material negative impacts anticipated either from current operations or from the planned crop conversion. Danper’s soil, water, and air quality are tested by an independent third-party at least semi-annually and submitted to the Ministry of Agriculture. The most recent audit was provided to FinDev Canada. All measured parameters are within host country limits; host country limits are aligned to EHS Guidelines for air, water, and soil. Danper also aggregates its resources use and corporate GHG emissions and discloses these figures annually in its group Sustainability Report.

IFC Performance Standard 4: Community Health, Safety, and Security

FinDev Canada considers the risk associated with company traffic to be low to the nearby community of Chepen. No material issues with traffic have been noted by the company to date.

Documentation Reviewed

The following is an illustrative list of key documentation that was reviewed as part of the transaction assessment.

- Programa de Adecuación y Manejo Ambiental (PAMA) para el fundo La Venturosa. Danper Trujillo S.A.C. November 2012.
- Declaración de Manejo de Residuos Sólidos – Año 2018.
- Manual Del Sistema de Inocuidad Alimentaria: Manejo Integrado de Plagas en Cultivo Palto. Danper. May 5, 2018.
- Manual Del Sistema de Inocuidad Alimentaria: Manejo Integrado de Plagas en Cultivo Uva. Danper. May 5, 2018.
- Manual de Procedimientos de Gap. Danper. December 6, 2017.
- Código de Conducta. Danper. June 5, 2018.
- Política Del Sistema Integrado de Gestión. Danper. January 4, 2019.
- Manual del Sistema de Calidad. Gestión Del Agua. Danper. April 30, 2019.
- Diagnostico Participativo y Censo Comunal. Provincia de Chepén Región La Libertad. Cades La Libertad. Danper Agrícola La Venturosa. August 2013.

International Finance Corporation (IFC) Performance Standards applied in FinDev Canada assessment, in addition to host country requirements:

- IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
- IFC Performance Standard 2: Labor and Working Conditions
- IFC Performance Standard 3: Resource Efficiency and Pollution Prevention
- IFC Performance Standard 4: Community Health, Safety, and Security

¹IFU is the Danish development finance institution (DFI).

²As of the date of this document.

³The outcomes listed in this document represent those of the entire Project, not of FinDev Canada's pro-rata investment which is approximately 66% of the total estimated Project size. FinDev Canada's proportional attributed outcomes would thus be 66% of total outcomes.

⁴Danper ALV benefits from administrative and technical support services from its parent company, allowing for a smaller permanent workforce.

⁵EDGE – Economic Dividends for Gender Equality – is a global business certification standard for gender equality. The certification requires companies to undergo an extensive gender audit every two years which produces a report as well as recommendations from EDGE experts.

⁶GLOBAL G.A.P. is an internationally recognized standard for farm production. Farms that are GLOBALG.A.P. certified meet certain requirements for food safety and traceability, environmental management, worker's health, safety and welfare, animal welfare, and good agricultural practices such as ICM, IPC, QMS and HAACP.

⁷The Peruvian environmental approvals are obtained through the Environmental Management Adaptation Program (PAMA).