



Dear Carolina and IFC team:

First, I would like to thank you for your time during your visit to Quito. It was a good opportunity to get to know each other and share the results of our research regarding Pronaca. I am writing this letter in English so I can share it with our partner organizations and you can share it with your colleagues at IFC who may be able to address our questions and concerns.

As we shared during our May 26 meeting, CEDENMA is deeply concerned about IFC's and Pronaca's failure to address previous and ongoing environmental and social (E&S) impacts of the company's pig and poultry operations in Santo Domingo. In Peripa alone, there are two sites with over 40.000 pigs and 15 poultry sites with more than 200.000 chickens. During the last several years of IFC's involvement with Pronaca, CEDENMA and other organizations and individuals have documented the negative environmental and social impacts of the company's operations, including the pollution of water sources, soil, and air, serious human illness. In this letter, CEDENMA presents additional evidence of these impacts. During the last several months, we conducted on-the-ground environmental assessments of areas surrounding Pronaca operations and interviewed local community members regarding the impacts of these operations on their lives and livelihoods.

As a convenor and representative of numerous environmental organizations in Ecuador, CEDENMA has concerns and questions regarding the sustainability of Pronaca's operations and IFC's failure to adequately enforce its standards and mandates with respect to the company's impacts on water and health as well as broader impacts of industrial livestock production. We reiterate these below in writing today and ask for a detailed reply to our concerns and questions.

CEDENMA is also concerned that neither IFC nor Pronaca has shared critical information regarding the scope or location of the proposed expansion of Pronaca's feed mills, pork farms, or pork and poultry processing facilities. Affected communities and civil society more broadly need to understand how this IFC-supported expansion is likely to impact the local environment (including land, air, and water) and/or public health. **We respectfully request that IFC disclose specific details regarding the expansion, including location/s, the increase in the absolute number of animals to be reared and/or processed, the increase in poultry and pork production volumes, and nd plans for managing elevated levels of animal waste and effluents as well as increased freshwater consumption and GHG emissions.**

Here, we will also reiterate that CEDENMA has been following the case adjudicated in 2009, brought originally by one of our members, ECOLEX. From the preliminary review of the judgment's implementation file, it is not clear how Pronaca has complied with the ruling's requirements, nor is it clear what actions has Pronaca taken to comply. More than thirteen years after the ruling, in the areas surrounding Pronaca one can find polluted rivers, foul-smelling air, local community members suffering chronic and in some cases life-threatening

negative health impacts. It is worrisome that the IFC would support the expansion of Pronaca's polluting operations when the company has not provided evidence that it has sufficiently addressed the issues at the center of the 2009 litigation nor has it complied with the relevant requirements, especially regarding water pollution since the rivers are still contaminated.

## **PS1 - Assessment and Management of Environmental and Social Risks and Impacts**

Comments regarding PS-relevant impacts that merit additional IFC assessment and relevant disclosures:

**In the ESRS for the Pronaca Covid project, it states that Pronaca “confirmed during IFC appraisal that there is no EIA requirement for the proposed expansion of the processing operations.” However that is not correct; there is a violation of the national requirements.**

According to Ecuador's environmental governance, as you asked about during the meeting, a company like Pronaca needs to comply with the national law. In this case, the Provincial Council (not the Ministry of Environment, since Pronaca's expansion is not considered a strategic project for the State) is the accredited authority with whose regulations Pronaca needs to comply.

After our consultation with the Provincial Council, we learned that there is no new licensing in process nor any new environmental impact study presented by Pronaca. This means that to the extent the IFC's funding is meant for an expansion of Pronaca's production, the company is not complying with the national policy, according to the Environmental Organic Code. As “Article 176: Modification of the project, work or activity” states:

“Any project, work or activity that has an administrative authorization and that is going to make any modification or extension to its activity, must once again comply with the environmental regularization process in the following cases:

1. When by itself, the characteristics of the modification constitute a new project, work or activity;
2. When the changes in its activity imply medium or high environmental impacts or risks that have not been included in the corresponding administrative authorization; Y,
3. When there is an extension that compromises a geographical area greater than the one that was approved or that is located in another sector.”

**While Pronaca's “Sustainable Supply Chain Policy” may incorporate language relating to “minimizing the [supply chain's] impact on climate change,” there are no requirements that the company or its feed suppliers disclose or reduce their GHG emissions.**

In industrialized livestock production systems, roughly half of all GHG emissions (and significant water use) are tied to feed production. Pronaca sources animal feed from roughly 800 suppliers, and it is important for affected communities to learn more about these suppliers to understand the impact of their GHG emissions and deforestation. **A public audit report**

**about this important part of Pronaca’s operations should be provided and updated at least annually.**

Pronaca states that its suppliers will take measures to minimize the impact on climate change, but there is no baseline number for these emissions, no specific targets, and no documentation showing how these emissions and other environmental impacts are being reduced. Also, according to the ESRS, Pronaca “does not have management control and/or leverage over these suppliers.” Given this, how does Pronaca monitor its supply chain, and how does the company guarantee zero deforestation and fulfillment of other environmental commitments, including reduced climate impact?

We also believe that the IFC should ensure that Pronaca’s animal feed production is not competing with the production of food for human consumption or causing increased prices for human-grade food as a result of competition for land and resources. According to the WBG’s [Investing in Sustainable Livestock Guide](#), “feed production for intensive livestock systems is increasingly sourced from “high-input intensity grain and legume monocultures”... that “can result in remote impacts on natural resources in feed-exporting regions, as well as competition for resources between the production of livestock feed and human-edible food.”

**A more thorough impact assessment and mitigation plan should be developed and made publicly available to document how these social and environmental harms will be mitigated.**

**Additional question relevant to PS1:**

- How is IFC monitoring the actual/potential environmental and social impacts of Pronaca’s operations in Santo Domingo? Has a more thorough impact assessment and mitigation plan been developed and made publicly available to document how potential social and environmental harms will be avoided or mitigated?

### **PS3 - Resource Efficiency and Pollution Prevention**

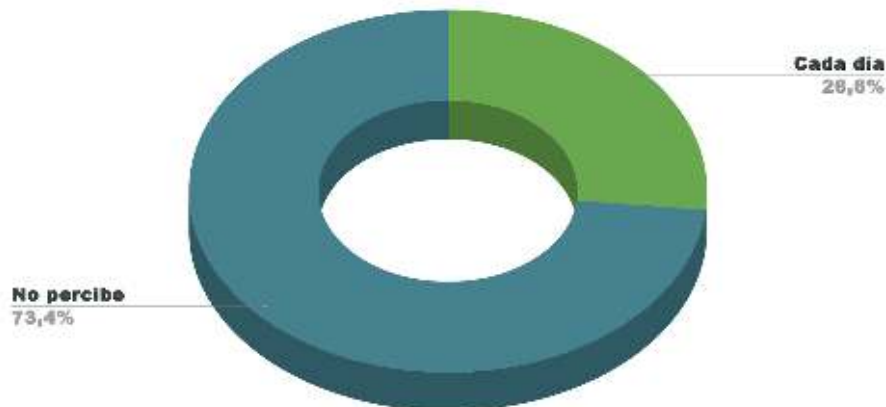
Comments regarding PS-relevant impacts that merit additional IFC assessment and relevant disclosures:

**It is important for us as civil society, but especially for the Tsáchila indigenous communities to understand how the company is managing water and air pollution associated with its current and expected increase in the quantity of animal waste.**

For communities settled along rivers, water represents a vital relationship. This relationship is linked to the care of life and subsistence itself (bathing, washing, cooking, etc.), and to agricultural production and work in the fields. The community members speak of the main river or rivers as true living beings:

"Since Pronaca arrived, not much time passed and it was no longer possible to fish, Pronaca killed the Peripa river 20 years ago and so it has been advancing to the others".

Perceptions of impacts on river water.



We have done a round of water tests in April 2022. This included eight water samples from the Peripa River surrounding the Pronaca plants and the indigenous communities in the area. We found the following:

1. - The sampling was carried out at sites closest to the Pronaca plants; however, samples were also taken from sites far from the Pronaca plants to establish a comparison of impacts.
- 2.- In general terms, the results show a high contamination by total coliform bacteria in the Peripa River in 6 of the 8 samples from the areas closest to the Pronaca plants and indigenous communities.
- 3.- A relatively lower concentration of fecal coliforms is observed in 2 water samples taken from the areas farthest from the Pronaca plants.
- 4.- This sampling was taken during the rainy season. Additional sampling will be required during dry periods.
- 5.- The proximity to the city and the rainy season make it difficult to have definitive conclusions about the source of contamination. We would like to suggest monthly or more frequent (both unscheduled and regular) and independent water tests to be reviewed by IFC, both for rivers and community wells, to have a serious follow-up of the company's environmental compliance.
6. - Ideally, Pronaca should have a water quality program and its results should be available to the public, or at least to the affected areas and communities.

The Pove, Peripa and Chigüilpe are the rivers with the highest contamination. However, two years ago, the Ministry of Environment of Ecuador (MAE) established that 30 of the 31 tributaries of Santo Domingo contain solid waste and chemical agents dangerous to the population. In the 31 water tributaries of the province, substances have been found that affect the environment (Ayala, 2019).

The affectations of the Peripa River have generated generational changes with respect to the use of river water, which becomes impossible when community members begin to perceive health problems that they did not know about and that they relate to the presence of Pronaca near the rivers and communities. These effects have impacted the customs of the Tsáchila

communities that used to use water from the surrounding rivers and wells. Members of these communities have also purchased bottled water in an attempt to avoid illnesses that they claim are directly related to their use of river water for their agricultural and fishing activities and consumption.

Atmospheric contamination is one of the main problems for the Tsáchilas living near the Peripa River. Regarding the effects on the atmosphere, such as bad smells or changes in color, 23% of the inhabitants of the Peripa and Chigüilpe communities settled near the Peripa River responded that they perceive atmospheric pollution, both in the community and in their homes, on a daily basis. The interviewees said they have needed medical attention due to respiratory problems such as eye and nasal mucosal irritation or allergies related to this odor.

Culturally, the Tsáchilas define themselves as a fishing community. While there has been no formal accounting of the decline of fish populations in the Peripa, members of local communities have abandoned fishing in the rivers near Pronaca, both because they perceive the water as very polluted and also because they cannot find the volume of fish they used to before. INABIO (the National Biodiversity Institute) is currently undergoing efforts to determine what has happened to the fish; however, they will only have results for their studies in the coming two years.

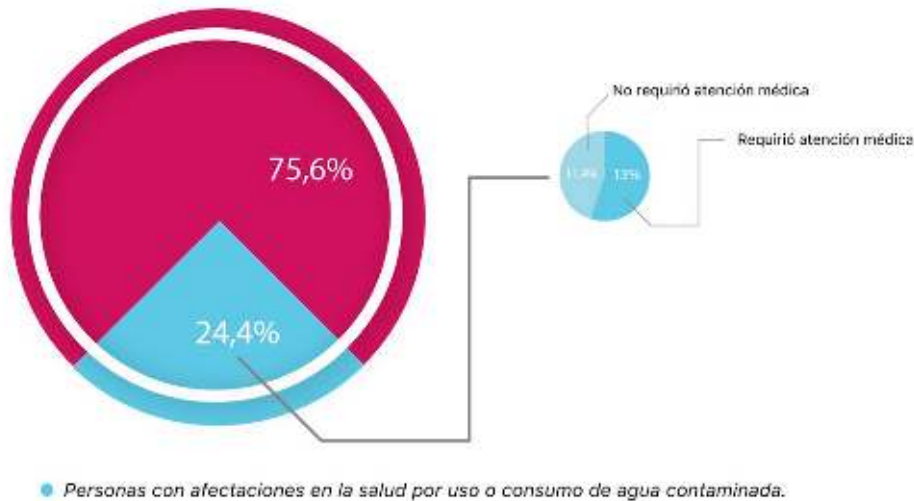
It should be emphasized that Pronaca's swine production is not the only existing source of water contamination; urban expansion and the industrial advancement of SDT upstream are other important sources of contamination. In addition, there is no sewage system or sewage and gray water disposal system in the communes and urban areas. In the Tsáchilas communes, due to their location, there is no solid waste disposal system; thus, solid waste goes into the river or remains on the ground. These are pollution factors that should be taken into account.

However, the Pronaca Covid ESRS notes that monitoring of Pronaca operations' effluent discharges revealed nutrient (N and P) and coliform contamination that were sufficient to deviate from the WBG EHS Guidelines.

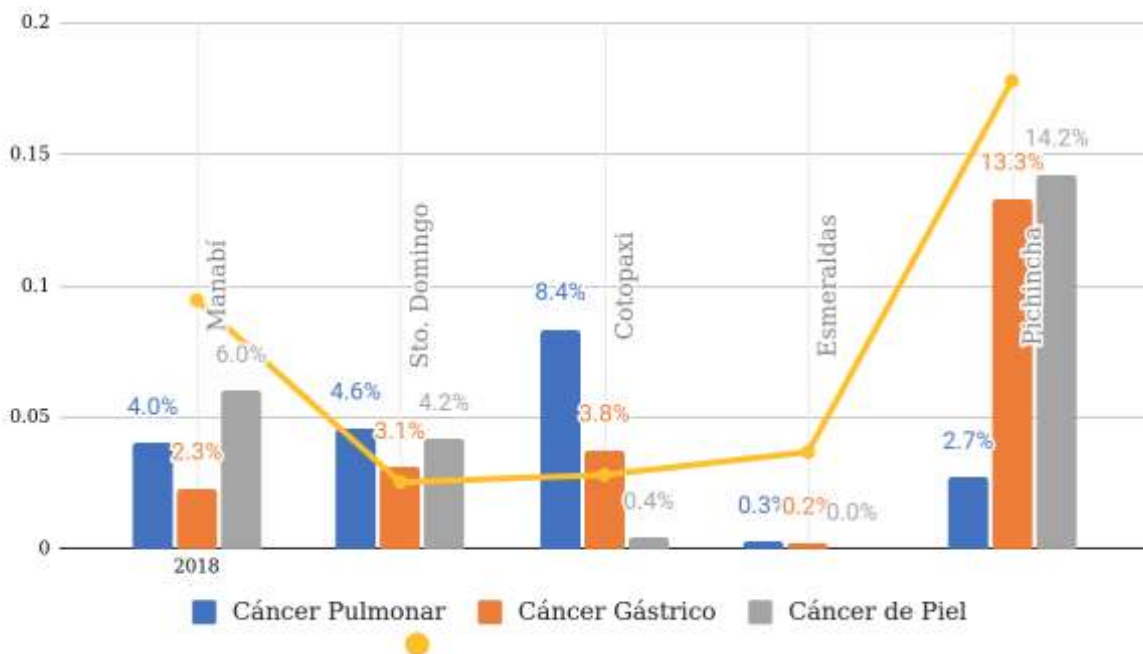
#### **Additional evidence of the impacts of water and related pollution with Pronaca's operations on local communities:**

In the case of the educational level in the municipalities of Peripa and Chigüilpe: in relation to the provincial percentages, the illiteracy rate in the province is 10% higher than in the municipalities of Peripa and Chigüilpe. It is important to highlight that the province has a 6.3% illiteracy rate, which includes people aged 15 years and older who cannot read or write (INEC, 2010).

When asked whether they had experienced negative health impacts related to the activities of Pronaca or its providers during the last year, 24,4% of the people responded having experienced some type of impact.



The most common health problems recognized, even now 20 years after the arrival of Pronaca, are mostly skin problems, with another percentage of gastrointestinal and respiratory conditions. 13% of the people consulted said that they have needed medical attention outside the community to cope with health problems in the last year; 10% of these health problems are related to the use or consumption of river water.



For the year 2018 we can observe a progressive increase of new diagnoses. In this year in particular, we can see a high percentage of gastrointestinal and skin cancer.

As already mentioned, more studies are needed to determine as one of the causes the contamination in the rivers caused by the operations of the Pronaca corporation in the area, However, based on the testimonies of Tsáchila villagers and residents, there are reasons to believe that the health of the province and especially of the Tsáchila villagers has been affected in a special way since the arrival and installation of the farms and factories of Pronaca Corporation.

Given this, we have the following questions:

- Can you provide detailed information on Pronaca's current water quality testing and results. Has any ongoing testing included water wells?
- Has the action plan to update the existing fertigation plans to bring Pronaca in line with GIIP for each farm been implemented?
- If yes, will IFC share the action plan? Does it address the potential health risk posed by the desgestate?
- Will the IFC require the company to carry out water testing of rivers and community wells and publish monthly water testing reports?
- What is the threshold for exceedance in suspended solids and oil and grease at the slaughterhouses/processing plants to be considered materially significant? What is the actual exceedance?

**Additional questions relevant to PS3:**

- Has the CAPEX 2020-2021 program of dust and fine particles control systems with automated systems to control, collect and extract dust and fine particles from the processing line at the feed mills been fully implemented? If so, have results been reported? If not, when will it be fully implemented and results reported/verified?
- Has IFC received the annual freon inventory report? Can it be shared? (If not, why not?)

**PS4: Community Health, Safety and Security**

**Questions on PS4:**

- Has the IFC received reports/updates from Pronaca on Infrastructure and Equipment Safety, or Community Health and Safety? If so, what was updated/reported? If not, when are such reports due?
- Has Pronaca reported any cases of Avian Influenza (AI) and Swine Flu (H1N1) diseases? (Have these been reported elsewhere in Ecuador?) Has it shared its biosecurity management program?
- What is the current use of antibiotics in the pork and poultry operations? Are animals administered antibiotics in their feed on a daily basis and if so, what kinds of antibiotics are administered?
- Are the animals administered growth promoter chemicals of any kind? If so, what are they?

**PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources**

**Questions on PS6:**

- How often is Pronaca auditing its contract farms to check adherence to biosecurity, animal welfare, and adherence to antibiotics standards?
- Has Pronaca verified its certified animal husbandry/welfare management practices against a credible international standard for animal welfare? When, or if not yet, when will it? Who is doing the certifying and what is the standard?

## **PS7 - Indigenous Peoples**

Comments regarding PS-relevant impacts that merit additional IFC assessment and relevant disclosures:

**There has been an evident lack of consultation with the indigenous population living in the areas of Pronaca's operations.**

A survey conducted by CEDENMA found that the Tsáchila communities are not aware of and have not been informed about the IFC's \$50M loan to Pronaca or the company's relevant expansion plans. Communities also have not received an official invitation from Pronaca to learn about the project.

The results of CEDENMA's survey are as follows: 100% of informants both in the survey and in the construction of life histories responded that they have no information about any of Pronaca's plans for its current or future operations. All of the Tsachilas consulted claim to have no information about Pronaca's expansion or plans for the implementation of IFC credits. Furthermore, these respondents report that they do not have any information about the delivery of the IFC credit, including the amount or what this credit would be used for.

According to the Constitution Art. 57.7, free prior informed consultation is a right for indigenous people. According to PS7, the client must undertake an engagement process with the Affected Communities of Indigenous Peoples. This engagement process includes stakeholder analysis and engagement planning, disclosure of information, consultation, and participation in a culturally appropriate, accessible manner. Since there has been no such engagement by Pronaca, there are strong reasons to believe that bank policy is violated.

Ecuador is a signatory of the Inter-American human rights system that obliges resolutions such as consent (Saramaka and Sarayaku Cases). Additionally, Ecuador has an Environmental Code (CODA) that states that any project requiring an environmental license will require an environmental impact study, management plan and consultation. As said, the Constitution, but also, the participation law, states that all consultation must be free, prior and informed to indigenous communities. Relevant text from CODA, Article 176:

"Modification of the project, work or activity. Any project, work or activity that requires administrative authorization and that is going to make any modification or extension to its activity, must comply again with its activity, shall once again comply with the environmental regularization process."

Impacts downstream from Pronaca should require due diligence performed by IFC. CEDENMA's recent findings and additional evidence has demonstrated that there are strong reasons to believe Pronaca's past (validated by the 2009 court case) and current operations have had significant E&S impacts that will presumably intensify when the company's operations expand. IFC's support of Pronaca is particularly concerning given that Pronaca's longstanding problems have yet to be solved.

**Questions on PS7:**



- Considering the demonstrated evidence from the field interview and survey (affected resources-water supply and livelihoods-fishing and health), how will IFC have its client engage with the affected communities and hold Pronaca accountable to mitigate and manage the impacts?
- How will they be consulted and what will be done to obtain their informed participation?
- Where is Pronaca's Indigenous Peoples' Plan?

We hope that you will be able to address these questions and concerns with Pronaca promptly so that we and affected communities can receive answers in a timely manner. We also hope that we can continue our dialogue either in person during your next trip, or by virtual meetings, or both.

All the best

A handwritten signature in black ink that reads "NATALIA GREENE". The signature is written in a cursive style with a horizontal line underneath the name.

Natalia Greene and team

Vicepresidente of CEDENMA

cc.

Mary Porter Peschka, Director, ESG Sustainability Advice & Solutions Department, IFC  
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Nessim J. Ahmad, Senior Director, Environment and Social Policy and Risk