

Public Information Summary

Host Country	Colombia
Name of Borrower	Forest First Colombia S.A.S.
Project Description	DFC financing of Forest First Colombia S.A.S. (“FFC”) will support the expansion of its sustainable forestry plantation on degraded land in eastern Colombia, one of the country’s poorest regions.
Proposed DFC Loan	Up to \$22 million
All-Source Funding Total	\$123 million
Policy Review	
Developmental Objectives	The Project is expected to have a highly developmental impact through job creation in a rural area of Colombia and reducing the country’s dependence on wood imports. The Project anticipates creating over 900 jobs, the majority of which will be filled by individuals from rural areas of Colombia. Many of these employees are expected to be from low-income brackets. In addition, the Project will generate foreign currency earnings through exporting wood chips and pulp primarily as biomass fuel, as well as producing wood for domestic consumption, thereby reducing Colombia’s reliance on imports.
Environment and Social Assessment	<p>Screening: The Project has been reviewed against DFC’s categorical prohibitions and has been determined to be categorically eligible. The Project has been screened as Category A because it involves large-scale plantation forestry, post-harvest processing, and port terminal operations for shipment of wood fiber. The primary environmental and social issues include land acquisition, worker health and safety, and biodiversity which require a robust environmental and social management system to ensure the Project is implemented in accordance with international best practices for the forestry sector. The Project is subject to a Climate Resiliency Screening per Executive Order 13677.</p> <p>Applicable Standards: Under DFC’s Environmental and Social Policy and Procedures (July 2020), the Borrower is required to comply with applicable national laws and regulations related to environmental and social performance. DFC’s environmental due diligence indicates that the Project will have impacts which must be managed in a manner</p>

consistent with the following International Finance Corporation's Performance Standards (PS):

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;

PS 5: Land Acquisition and Resettlement; and

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

PS 7 (Indigenous People) and PS 8 (Cultural Heritage) are not triggered by the Project at this time. The Project will be required to meet applicable provisions of the IFC Environmental Health and Safety (EHS) General Guidelines (2007), EHS Guidelines for Perennial Crop Production (2016), and EHS Guidelines for Pulp and Paper Mills (2007).

DFC Forestry Projects. The following will be included in the general covenants of the DFC loan agreement:

- DFC will not support commercial forestry projects that involve the extraction of timber from critical forests areas or related critical natural habitats or the clearance of critical forests or related critical natural habitats for non-forestry activities. All projects involving plantation forestry must be, and remain, certified by an independent non-governmental organization.
- Certifiers must be accredited by an international accreditation body (such as the Forest Stewardship Council) that can hold the certifier accountable to a common set of environmental and social principles and procedural protocols, including period review and re-accreditation. The purpose of certification is to demonstrate that timber extraction activities are managed sustainably.
- Any forest product labeling associated with a certified forest must be guaranteed by a credible independent certification body that connects the labeled product to its certified forest-of-origin.

Environmental and Social Risks and Mitigation: The Company prepared an Environmental and Social Impact Assessment (ESIA) to identify and assess the environmental and social risks and impacts of its plantation forestry operations in Colombia. The ESIA provides a good baseline for most physical, biological, and social parameters; however, it does not include a cumulative impacts assessment nor decommissioning framework. The ESIA provides insufficient analyses of the impacts of the Project's land acquisition, environmental and

social management, mitigation and monitoring programs. The ESIA also does not evaluate any environmental and social risks associated with post-harvest activities such as chipping and debarking and the Company's business plan to develop two port terminals and establish commercial navigation using barges to transport wood fiber on both the Meta and Orinoco rivers. Additional documentation was provided by FFC including a detailed Project description, baseline reports on land requirements, and land acquisition framework policy and procedural documents to complement the ESIA. DFC will require the development of an Environmental and Social Management and Monitoring Plan (ESMMP) to address the gaps in the identification and management of the Project's plantation forestry operations and to prepare an ESIA and cumulative impacts assessment for the proposed port terminals and barge transport operations on the Meta and Orinoco rivers prior to the construction of those ancillary facilities.

The Project's Environmental and Social Policy represents the Company's intent to comply with IFC Performance Standards, EHS General Guidelines and EHS Guidelines for Perennial Crop Production. The Project's E&S Policy also represents the Company's intent to comply with and achieve the Forest Stewardship Council's Principles and Criteria for Forest Management and Chain of Custody certification. DFC will require an update to the E&S Policy to address the applicable provisions of the EHS Guidelines for Pulp and Paper Mills relative to post-harvesting activities and represent the Company's commitment to identify and manage E&S risks associated with its logistics and transport plan.

The Project is located in Vichada Department in the North East of Colombia, in two municipalities: Puerto Careño, where over 85% of the Project is located, and La Primavera. Both the Department and the two municipalities are sparsely populated. There are two communities in the Area of Influence of the Project, both in Puerto Careño municipality: Inspeccion La Venturosa and Inspeccion Aceitico. The Project began its stakeholder engagement in 2017 during the baseline data gathering activities. Engagement took the form of meetings to present the Project and impact information with local authorities and participatory rural appraisal work with community members in the two villages in the Project's area of influence. Stakeholders perspectives toward the Project are generally positive and focus on requests for financial support for community development, as well as a strong focus on employment and environmental protection and maintenance of the rivers. Engagement activities are ongoing and the Project has a published Stakeholder Engagement Plan including a grievance mechanism.

The Project's Health and Safety Policy represents the Company operates in compliance with Colombia's national health and safety legislation and policies and all applicable local regulations. The Company is committed to the proactive identification and assessment of all health and safety risks associated with its operations from both routine and non-routine activities in order to avoid or mitigate any negative impact on the communities and personnel. FFC is committed to provide and maintain workplaces, which are free from work-related injuries, incidents, and illnesses. The health and safety plans were insufficient relative to worker and contractor training and auditing system and specific procedures on some workplace physical (e.g., noise) and biological hazards (i.e., venomous animals). DFC will require the Company to address these gaps in their health and safety program as subplans of the Project's ESMMP.

The Project has a collection of policies and procedures that address the required elements of an IFC compliant human resources management system, including contractor management; however, the Project will be required to consolidate and providing framing for this information to ensure the full suite of material is fully accessible to the Project's workforce.

The Company's Security Analysis and Human Rights Policy are both detailed, but do not overlap or make reference to each other. DFC will require that the Company's security plans be expanded to include detailed information regarding background checks, training and detailed rules of engagement including Memoranda of Understanding with public security forces. DFC will require the Project's Human Rights policy be amended to include explicit obligations and responsibilities regarding physical security of the Project site, employees and neighboring communities, particularly as it refers to armed guards.

The Project's Land Acquisition Policy and Procedures for its forestry operations ensures that only suitable and legally transferable land rights are acquired. FFC seeks to ensure that no involuntary displacement is caused by the land acquisition process. To date there has been no physical displacement, and the Project commits to continuing that work in the future. The Company represents it attains all the necessary permits, consents and licenses required by Colombian regulatory frameworks to ensure its forestry operations are undertaken lawfully. Every land right acquisition starts in good faith and on the principle of "willing-buyer, willing-seller" which recognizes the voluntary intention of the owners to sell his or her land rights. The Company undertakes a social, environmental, technical, and legal risk assessment on land parcels prior to securing land rights. The land acquisition policies are

appropriate for the size and scope of the project, but DFC will require they are updated to include a comprehensive monitoring plan for all land acquisition processes, including documentation, appropriate engagement, and livelihood restoration activities where necessary.

The Company has global forestry management expertise and access to world class forestry management and is transferring this knowledge to its Colombian operations. The Company recently hired an ESG/Sustainability Manager based in Bogota with ISO system certification experience responsible for development and implementation of the ESMMP. A Health, Safety, and Quality (HSQ) Manager and a Training and Development (TDM) Manager also support the ESG program. The ESG organizational capacity lacks clear definition of roles and responsibilities including incorporation of the newly hired ESG/Sustainability Manager position based in Bogota with oversight of E&S management and monitoring in the field. DFC will require the Company to update its ESG organizational structure to reflect appropriate resource levels (staffing and budget) and assigned roles and responsibilities for the expansion plan.

Based on the precipitation distribution, the Project annual planting cycle begins in mid-March and ends in late November. The target species (*Acacia* and *Eucalyptus*) were selected based on the available temperature, rainfall and soil characteristics of the Project area. The Project must comply with regional water usage allocations for its seedling nurseries and workcamps, however, the plantations are rainfall dependent. The Project uses near real-time fire potential forecasting data and has an effective wildfire prevention program. The Project has completed bathymetric surveys for planned operations on the Meta and Orinoco rivers and have determined navigation will be restricted by low flow conditions for approximately 2 months (late-January to early March) out of the year, whereby wood fiber will be safely stockpiled. The Project incorporates appropriate adaptation measures and is not considered vulnerable to climate change. Carbon sequestration is expected to reach 25 million metric tons/year by 2030 and will be verified under the Verified Carbon Standard, a leading voluntary program for the certification of greenhouse gas emission reduction projects.

The Company will be required to address gaps in the identification and management of environmental risks relative to PS 3 (Resource Efficiency and Pollution Prevention) and the applicable provisions of EHS General Guidelines and EHS Guidelines for Perennial Crop Production. The ESMMP will include the following: establish a baseline and prevent, control, and monitor air emissions; provide an

updated accounting of water requirements for all plantation operations; provide a complete analysis of wastewater sources and treatment; include considerations in relevant policies for crop residue and solid waste management; and prepare a Pesticides Subplan including procedures for pesticide storage, handling, application, and disposal methods.

In 2018, 825,000 ha of Colombia's Bitu River basin was declared a Wetland of International Importance under the Ramsar Convention. The Ramsar site overlaps 7,106 ha already acquired by Project prior to the designation, including 2,855 ha planted. The Company's Land Acquisition Policy and Procedures include avoidance of any land within this recently designated protected area. Additionally, the Company has entered into an agreement with Fundacion Omacha, who were appointed by the Ministry of Environment, to develop management guidelines for the different ecosystems in the Ramsar area. As part of this agreement, site visits will be conducted in the future in order to determine if any adjustments required to plantation forestry operational practices.

The Project completed the initial phase of a High Value Conservation study on the Project Area of Influence to identify management actions that will make it possible to maintain and/or increase the conservation status of areas with high biodiversity and define the monitoring parameters to guide management actions in the forestry operation as an adaptive management approach. The HCV study includes three key standards: 1) national framework of high conservation values developed by Colombia's Standards Development Group, included as an annex in the new FSC® forest management standard (P and C of FSC®V5); 2) generic guide for identifying High Conservation Values developed by the HCV Resource Network; and 3) IFC, Performance Standard 6, Biodiversity Conservation and Sustainable Management of Living Natural Resources.

From a landscape perspective, the vegetation of the Project area is composed of three types, highland tropical savannas on the plateaus, water rivers and remaining gallery forests, and seasonally flooded "bajos" or "morichal". The biological richness of the Orinoco is more attributable to the large extent and connectivity of these mosaics than to the actual biological diversity within ecotones. The distinctions between "natural" and "modified" habitat as used in IFC PS 6 become blurred in the Orinoquia due to the historical use of fire for hunting by Indigenous communities and the more recent use of fire for grazing management purposes which changed the historical structure and species composition of the llanos. A significant proportion of the regions' biodiversity is found in the forests and surrounding wetlands that now cover only 10-

15 percent of the Project's landscape. Herpetological endemism in the llanos is also very low compared to adjacent ecoregions. There are also a small number of endemic plant species in the plains. For the savannas, the open savannas are the least used habitat for the megafauna in this ecoregion, and most of the rich fauna is concentrated around permanent and temporary water sources. There is a fairly large amount of herpetological fauna in this ecoregion, mainly in the forests and flooded savannas, but diversity is "comparatively poor" in the savannas.

The HCV study completed a review of the Project's forestry design and operational plans and makes recommendations specific to reducing potential impacts to HCVs. In addition, the study identifies a comprehensive set of monitoring indicators to incorporate into the Project's operations in order to assess the performance of the management measures identified to reduce impacts on HCVs in the Project area. The Project originally planted both *Acacia mangium* and *Eucalyptus* (*E. pellita* and *E. urophylla*) at the start of its forestry operations; however, the current business plan is based on planting *Eucalyptus* only. Both *Acacia* and *Eucalyptus* species are non-native to Colombia. The HCV study recommends an additional management measure to reduce any coppice growth within the buffer established between plantations and HCV areas as a preventative measure against non-native, invasive species impacts.

The HCV study of available information indicates a high probability of HCV (community needs) based on the following attributes: access to health centers or hospitals is difficult; most houses and household tools are made of locally available traditional or natural materials; there is little or no infrastructure for water and electricity supply; people have a low capacity to accumulate wealth; Indigenous hunter-gatherers can be found in the region but not using the Project sites; subsistence hunting or fishing are important sources of protein and income; and a collected food is an important part of the diet, either all year round or during certain critical periods. DFC will require the Company to incorporate the management measures and monitoring indicators established by the HCV study into a robust Biodiversity Management and Mitigation Subplan including mitigation and monitoring measures for ecosystem services.