

EDC PROJECT REVIEW SUMMARY: Cerro Verde Production Unit Expansion Project

Project Description	Development and construction of a brownfield copper and molybdenum mine and associated processing facilities
Sponsors	Sociedad Minera Cerro Verde S.A.A.
Country	Peru
Project Category	A
Canadian Exporter(s)	Various Canadian exporters
Description of capital goods and/or services	Sale of various Canadian goods and services
EDC Product	Financing
Date of publication on EDC's website (dd/mm/yy)	22/01/2014
Date of Signing (dd/mm/yy)	10/03/2014

Project Categorization

Located approximately 32 km southwest of the city of Arequipa, Peru, the Project is a large scale expansion of the Cerro Verde open pit copper and molybdenum mining complex, within Cerro Verde's existing concession. The project will expand existing pits and develop a new concentrator and a new tailings facility with a large scale dam. Ancillary infrastructure includes the construction of a wastewater treatment plan that will supply treatedsewage water to the expanded operation, haul road and power transmission lines. The Project is expected to triple production to 360,000 metric tonnes per day (mtd), beginning in 2016. The Project was classified as Category A. (Category definitions can be found [here](#), see D3 Environmental & Social Reporting).

Summary of EDC's Review

EDC reviewed the project in accordance with our *Environmental and Social Review Directive* and the *Equator Principles*, and concluded that the project is designed to meet or exceed internationally recognized good practices, guidelines or standards. To reach this conclusion, EDC reviewed a project Environmental Impact Assessment, which was benchmarked against relevant international environmental and social standards, reviewed for appropriate mitigation measures against the project's potential environmental and social effects and assessed the project's stakeholder engagement activities.



Key environmental and social issues associated with the project, and related mitigation measures reviewed by EDC include, but are not limited to, the following:

Water resources: The project is located in a water stressed environment with poor water quality which has the potential to result in direct impacts to water resources within the project's area of influence.

Mitigation measures include: Use of a water reuse system to reduce the demand on regional water supply; mine water to be sourced from the wastewater treatment plant and from existing licenses; the wastewater treatment plant will reduce domestic and non-mining industrial wastewater pollution currently impacting the primary water supply for agriculture uses in Arequipa (Rio Chili).

Air quality: The project is located in an arid area with considerable, constant windborne dust or haze.

Mitigation measures include: Use of a respiratory protection program for employees and contractors, a dust suppression program for mine roadways, covered conveyor systems and ore stockpile arrangements.

Biodiversity: There are potential impacts to habitat which has been impacted by the existing operation.

Mitigation measures include: Implementation of a Biodiversity Action Plan to address the management approach for endangered, endemic and restricted-range species whose habitat is impacted by the concession and expansion. The project will not require an extension of the current concession boundary and therefore additional direct impacts on biodiversity as a result of the expansion are not expected.

Stakeholder engagement: Addressing concerns from local communities.

Mitigation measures include: Implementation of a Stakeholder Engagement Program to identify and manage key stakeholders, including government as well as project-affected communities; engagement of relevant stakeholders as per Peruvian regulations; use of three Permanent Information Offices as hubs for disclosing and disseminating project-related information to affected communities and for the implementation of social programs and sub-programs; and use of robust grievance mechanism.



Documentation Reviewed:

- *Environmental and Social Impact Assessment (ESIA) – Cerro Verde Production Unit Expansion Project.* Prepared by Knight Piésold. November 2011.
- *Manuel de Sistema de Gestion Integrado (IMS).* Prepared by SMCV. June 2013.
- Overview presentation describing the structure and contents of SMCV's Integrated Management Systems (IMS). Prepared by Cerro Verde and provided by Environ to EDC.
- A summary of SMCV's GHG policies, practices, and calculation/reporting methodologies. Prepared by Cerro Verde and provided by Environ to EDC.

Applicable International Finance Corporation (IFC) Environmental and Social Standards used by EDC (in addition to host country requirements):

- PS1: Social and Environmental Assessment and Management Systems
- PS2: Labor and Working Conditions
- PS3: Pollution Prevention and Abatement
- PS4: Community Health, Safety and Security
- PS6: Biodiversity Conservation and Sustainable Natural Resource Management
- PS8: Cultural Heritage