

1. General information on the scope of the IDB Invest Environmental and Social Review

Conaprole is an Uruguayan dairy company that processes 1,650 million liters of milk per year and produces more than 300 products, meeting domestic market needs and exporting to more than 50 countries. The company is Latin America's leading dairy exporter and has commercial offices in the United States, China, and Brazil. It has the following eight industrial plants: Montevideo Industrial Complex (CIM - Plant 21), Villa Rodríguez Industrial Complex (CIVR - Plant 8), Florida Industrial Complex (CIF - Plant 7), San Ramón Industrial Complex (CISF - Plant 9), San Carlos Plant (Plant 10), Rincón del Pino Plant (Plant 11), Mercedes Plant (Plant 16), and Rivera Plant (Plant 14). Those plants produce liquid pasteurized milk (fresh and extended shelf-life), flavored milks, cheeses, dried products (powdered milk and whey), butter, heavy cream, dulce de leche, desserts, yogurts, ice creams, and juices. There are products (frozen foods and tomato pulp) that are made by third parties according to Conaprole guidelines. The company is governed by a Board (5 members), the Producers' Assembly (29 members), a Fiscal Commission (3 members), and nine committees (Audit and Surveillance Committee, Human Resources Committee, Water Committee, Engineering Committee, Energy Committee, Management Committee, External Market Committee, Domestic Market Committee, and Sustainability Committee).

Between April 2 and April 5, 2019, responsible staff from the IDB Invest Environmental, Social, and Governance Department (SEG) conducted the due environmental and social due diligence process for this transaction, holding meetings with responsible Conaprole staff at the plants in Montevideo, Villa Rodríguez, Florida, and San Ramón. Visits to the facilities allowed for assessment of health and safety conditions and equipment, the quality of the working environment, and the management of environmental and social aspects

2. Environmental and social classification and rationale.

In accordance with the IDB Invest Environmental and Social Sustainability Policy, the project has been classified as a Category B operation, in that it could generate, *inter alia*, the following impacts and risks: i) possible contamination of surface, ground, and underground water due to improperly treated effluents from industrial processes and dairy farms and inadequate management of solid waste and hazardous substances; ii) potential emergency situations due to ammonia leaks and/or fire in industrial plants; iii) risk of road accidents possibly involving suppliers' and product distributors' trucks; iv) ergonomic and mechanical risk associated with manual tasks in production plants. These are estimated to be medium and low intensity impacts and risks.

3. Environmental and social context

Conaprole has the following eight industrial plants distributed throughout the country: Montevideo Industrial Complex (CIM - Plant 21 in the metropolitan area of Montevideo), Florida Industrial Complex (CIF - Plant 7 on the outskirts of the city of Florida, in Florida department), San Ramón Industrial Complex (CISR - Plant 9 on the outskirts of the city of San Ramón, Canelones department), Mercedes Plant (Plant 15 on the outskirts of the city of Mercedes, Soriano department), Rincón del Pino Plant (Plant 11, 1.5 km from the city of Rincón del Pino, San José department), Rivera Plant (Plant 14 outside the city of Rivera, Rivera department), and San Carlos Plant (Plant 10 near the city of San Carlos, Maldonado department). Conaprole has successfully helped to increase income generation by encouraging small dairy producers to remain in their rural areas, reducing migration to urban areas.

4. Environmental risks and impacts and proposed mitigation and compensation measures

The following Performance Standards (PS) are triggered by the project:

PS1: Assessment and management of environmental and social risks and impacts

PS2: Labor and working conditions

PS3: Resource efficiency and pollution prevention

PS4: Community health, safety, and security

The following Performance Standards are not applicable: PS5 (Land acquisition and involuntary resettlement) because there is no need to acquire land; PS6 (Biodiversity conservation and sustainable management of living natural resources) because the projects do not affect biodiversity or ecosystem services; PS7 (Indigenous peoples) because there are no indigenous peoples in the project area; and PS8 (Cultural heritage) because the activities associated with the project do not affect the cultural heritage.

5. Assessment and management of environmental and social risks and impacts.

5.1.a Environmental and social management system

Conaprole has an Integrated Environmental, Social, and Health and Safety Management System that groups together specific management systems certified by ISO 9.001, ISO 14.001, and OHSAS 18.001 as well as management system processes certified by food safety and security standards ISO 22.000, FSSC 22000, and HACCP. Each plant has a Quality, Environmental and Health and Safety team dedicated to implementing the requirements of the integrated system. Human resources are managed through the Human Resources Committee, which coordinates the application of personnel policies approved by the Board. Corporate-level environmental leadership is covered by an environmental leader from the Equality, Food Safety and Environmental Division, who reports to the Manager of that division. Leadership in occupational medicine, which cuts across all areas, is covered by a Medical Doctor who reports to the human resources leadership. It is noted that corporate-level leadership in Occupational Safety needs to be covered.

As indicated in Action 1.1 of the Environmental and Social Action Plan (hereinafter the ESAP), Conaprole will be required to strengthen corporate-level management of health and safety, so as to standardize working conditions, equipment, training, and instruction for its own and contract personnel in all areas of Conaprole's activities and promote the formulation of policies and approval of programs, plans and procedures of the integrated occupational health and safety system.

5.1.b Policy

Conaprole has adopted an Integrated System Policy expressing the essential value the company places on caring for the health and safety of its workers and contractors, its contribution to the economic and social development of the community, and care and respect for the environmental.

5.1.c Identification of risks and impacts

Impacts and risks are systematically identified through specific procedures, taking into account the results of supervision, technology changes, results of accident and incident investigations, potential residual effects (once a corrective measure is applied) as well as changes in any variable introduced by new work scenarios, materials, or methodology for carrying out a specific process.

5.1.c.i Direct and indirect impacts and risks

Direct impacts and risks are associated with the activities carried out by Conaprole's own and

temporary staff in its processing plants, while the indirect impacts and risks are linked on the one hand to dairy farmers' activities that may generate contamination of the soil, water, and air and, on the other to third parties contracted for transporting milk, inter-plant transport, and transporting finished products, primarily consisting of increased risks of traffic accidents and environmental contamination due to combustion gases and possible spills of transported substances.

5.1.d Management programs

Conaprole's integrated environmental, social, and health and safety management system has the general and specific procedures needed to manage the previously identified environmental and social aspects and occupational risks, including the management of hazardous substances, waste management, management of liquid and gaseous effluents, and safe working procedures.

5.1.e Management programs applied to dairy farms

Some 1,800 dairy farms, including those that supply Conaprole, are located in the Santa Lucía river basin, which covers a surface area of 12,300 km.² Ministerial Resolution 1479/2013 has established that dairy farms with more than 500 animals in production must have the Sewage Authorization Application (SAD) and a draft effluent management system, allowing each establishment to achieve a discharge quality that satisfies the legal requirements.

In the context of technical assistance to the dairy farms (own supply chain), from 2012 to 2017, Conaprole has developed an energy efficiency program in the dairy farms, designed to increase electrical safety and reduce the consumption of electricity and fuels. [1] The projects were guided by Conaprole through the implementation of energy audits at the dairy farms (between October 2013 and February 2017, 538 audits were carried out. In total, 292 farmers invested USD 1.4 million to implement electricity saving measures). The energy efficiency program also included reducing fuel consumption, which can be achieved through appropriate logistical management of the trucks that transport the milk from the dairy farms to the processing centers.

Starting in 2016, the technical assistance for rational use of energy sources was supplemented by advisory services on treating effluent of the cooperative's dairy farms, in order to improve the quality of the effluents and at the same time fertilize the soil by increasing the production of pastures and reducing the cost to purchase fertilizers. In this respect, Conaprole provides consulting services encompassing the stages of diagnosis, design, and topographical surveying at the executive level and advisory services to project management to allow the producer to operate the dairy farm and comply with current discharge regulations and implement the reutilization of treated water. Technical advisory services provide training to the farmers' employees and technical advisors.

5.1.f Organizational capacities and competence

In the area of workplace health and safety, the company has an Annual Training Program. The most notable courses include those related to the handling of forklifts, training for emergency boiler and ammonia room situations and fires, vehicle handling, handling of chemicals, ergonomic risk, drugs and accident rates, use of personal protective gear, handling of defibrillators, first aid practices, and proper use of safety harnesses.

Conaprole conducts training for its dairy farmers, offering consulting services and workshops for workers, mid-management, and management. Each year more than 60 courses are given in the areas of: Preparation and Use of the Mixer, Rearing Calves, Artificial Insemination, Training for Milkers, Handling of Dry and Parturient Cows, Creating and Managing Pastures, Operation and Regulation of Agricultural Machinery, and Animal Welfare.

5.1.g Emergency preparedness and response

Conaprole has an annual program of emergency situation drills for each of its plants, covering potential fire and ammonia leak scenarios. Diagnostic studies and the definition of preventive actions in ammonia rooms, as well as improved fire detection and extinguishing systems that are currently being implemented in all Conaprole plants will mean redesigning each Emergency Plan and adapting the respective training course content.

5.1.h Accident management.

According to statistics from Conaprole's health and safety division, most accidents happen to temporary personnel and in areas where manual activity predominates (for example, cheese handling areas and areas where firewood is fed to the boilers). Coverage for accidents is provided by the State Insurance Bank; an accident is reported to the health mutual chosen by the worker, and the representatives of the State Insurance Bank (institution that covers the cost of the accident) approve the accident victim's days of absence from work and the type of treatment to be followed. Due to the increased number of ergonomic accident cases in the yogurt and ice cream processing areas (at the CIM plant), Conaprole has contracted an ergonomics professional to identify the possible source, analyze the nature of the injuries, and develop specific preventive actions.

In the context of accident prevention, Conaprole has begun to implement a Drug and Alcohol Use Control Program. The program consists of random checks on personnel working within the industrial plants.

Over the last nine years, the overall frequency index (number of employee accidents for every million hours worked) has shown a decline of nearly 30%, reaching an annual cumulative value of FI = 22.9 for 2018. The historical FI values of the plants in Florida, San Carlos, Rincón del Pino, Rivera, and Mercedes show significant year-on-year variation during the last ten years (maximum variation of 41% between the maximum and minimum FI value in Rincón del Pino).

5.1.i Monitoring and evaluation

Conaprole executes an Environmental Monitoring Plan through which the company monitors the quality of effluents from the treatment plants, environmental noise, quantity, type and treatment or final use of solid wastes and quantities of hazardous substances transported and/or handled.

In the area of health and safety, Conaprole monitors the quality of breathing air in the workplace, noise level, lighting intensity, thermal load, number of accidents and frequency indices, drinking water quality, and other factors.

The CIM, CVR, CIF, CISR, Rincón del Pino, and Mercedes plants are equipped with boilers for obtaining steam, using firewood and fuel oil as fuel.

As established in Action 1.2 of the ESAP, Conaprole will prepare and implement an Annual Monitoring Plan on combustion gases, contrasting the values obtained with the current legal emission limits and the IFC requirements (General Environmental, Health, and Safety Guidelines - IFC, April 2007).

5.1.j Participation of social actors

Various interest groups have been identified and the communication channels, contact frequency, and issues to be discussed with each of them have been defined. The company maintains culturally appropriate communications for sharing environmental information with the communities

neighboring its plants.

5.1.k External communications and grievance mechanism

Relations with members of the communities adjacent to the industrial plants are fluid and ongoing. Potential complaints, claims, or suggestions are communicated through the gatehouse at each installation or through the Conaprole website. It is noted that Conaprole has not yet developed a documented and systematic mechanism for handling complaints and claims from third parties.

As established in Action 1.3 of the ESAP, Conaprole will prepare and implement a documented mechanism for handling complaints and claims from members of the community adjacent to the industrial plants or anywhere else. Through that document, responsibilities will be assigned for handling the complaints or claims and deadlines will be established for providing a response. The documented mechanism will be incorporated as controlled documentation in the Integrated Environmental, Social, and Health and Safety Management System.

6. Labor and working conditions

6.1.a Working conditions and labor relations management

In each of Conaprole's plants, occupational health and safety is managed and certified under the OHSAS 18001 standard.

The working conditions observed during the evaluation visits are generally adequate. Emergency equipment (defibrillator, first aid kit, emergency showers, firefighting equipment for emergency brigades) are available in appropriate areas. It was noted that employees use personal protective gear properly and that safety signs are generally adequate.

6.1.a.i Human resources policies and procedures

The Human Resources Office develops and approves management instruments in this area. The Human Resources Committee is made up of the Human Resources Manager, three members of the Board, and the Operations Area Manager. Its function is to coordinate the implementation of the human resources policies approved by the Board, to propose changes in those policies, and to act as a crisis committee. It is noted that Conaprole does not have a documented Human Resources Policy, although its respect for human rights is obvious in its actions.

6.1.a.ii Labor conditions and terms of employment

Conaprole has 2,150 permanent employees, some 250 temporary employees (personnel who respond to temporary demands for labor required for specific tasks) and mobilizes about 2,000 farmers. Approximately 18% of its permanent staff are women, and women make up 22% of the cooperative's management staff.

6.1.a.iii Labor organizations

There is a single union called the Association of Conaprole Workers and Employees (AOEC), affiliated with the Central Federation of Workers, the PIT-CNT.

6.1.a.iv Mechanism for handling workers' complaints and claims

Potential complaints and claims from the company's own and/or contracted workers are submitted by depositing notes in mailboxes (not at all the plants) or through electronic means. Once the

complaint is sent, there is no documented mechanism for systematically handling the complaint or claim.

According to Action 2.1 of the ESAP, Conaprole will prepare and implement a documented mechanism to handle complaints (including the anonymous method) and claims submitted by its own workers, temporary workers, or contract workers, through which responsibilities are assigned for handling the complaints or claims and deadlines are established for providing a response. The documented mechanism will be incorporated as controlled documentation in the Integrated Environmental, Social, and Health and Safety Management System.

6.1.b Occupational health management

Occupational health is managed at the corporate level by a medical doctor who supervises personnel who present (or may present) with damage to their health whether due to an accident or occupational illness. It is noted that, due to the high number of personnel, their geographic dispersion, and the fact that new regulations require a medical professional for installations with more than 300 workers,^[2] Conaprole needs to develop a pilot plan to evaluate an increased medical presence, initially at the plants in Montevideo. Medical presence at production facilities is important so that the physician can prepare the clinical history of each worker, provide him or her with a more accurate medical diagnosis and follow-up if necessary, and when necessary recommend to the worker's supervisor that he or she be assigned to a position that is more suited to his or her particular health situation.

As indicated in Action 2.2 of the ESAP, Conaprole will designate one doctor in general medicine to provide medical care to permanent and temporary staff at the Montevideo Industrial Complex (CIM). The frequency of medical care at the plant will be determined based on medical criteria and in coordination with the medical doctor who heads up Conaprole's employee health system.

6.1.c Management of occupational safety

Continuous supervision and investigation of accidents and incidents have made it possible to identify working at heights, working with electrical risk, working with ammonia, and tasks done in confined spaces as those with the greatest risk within the company. As a preventive measure, provision has been made for implementing random checks on drug and alcohol use among Conaprole's employees.

It has been noted that the fire detection and extinguishing facilities in the plants visited could be improved. Conaprole has conducted a diagnostic and improvements study of the fire detection and extinguishing facilities in all its industrial plants.

As established in Action 2.3 of the ESAP, Conaprole will implement the recommendations on hydraulic extinguishing and fire alarm systems in all its plants. It must implement the recommendations from the study contracted to ensure total compliance with the country's regulations and the standards of the IFC and the World Bank and an international standard such as NFPA (Plant 7, 10, 21, Higuieritas Depots, Joanicó and Central Workshop; ii) Plant 9; iii) Plant 14; iv) Plant 16; v) Plant 8. Conaprole will submit the information according to the date agreed with IFC^[3] for each plant: vi) Submit the acceptance and implementation of the fire prevention systems, through evidence of the operation of the detection and extinguishing systems; vii) records of inspection, testing, and maintenance of the fire prevention systems.

During the visit, IDB Invest staff visited the cold generation systems (compressors and auxiliary equipment room) at the CIM, CIVR, CIF, and CISR plants, observing that the operating conditions were acceptable although the condition of the systems needed some improvements. In this regard,

responsible Conaprole staff has informed IDB Invest that the International Finance Corporation has required that Conaprole contract an expert firm to perform a technical diagnosis and identify corrective actions for the ammonia facilities at the industrial plants. The IFC's requirements are incorporated in this document's ESAP.

As established in Action 2.4 of the ESAP, Conaprole will implement a corrective action plan prepared by the Herco firm at the following plants: CIM, Florida, San Ramón, and Villa Rodríguez, proceeding as follows: i) Implement highest priority actions (by July 2019/December 2019); ii) Implement the remaining recommendations (deadline to be defined).

As established in Action 2.5 of the ESAP, Conaprole will implement the corrective action plan indicated by the Herco firm, at the following industrial plants: Plant # 16 Mercedes, Plant # 11 Rincón del Pino, Plant # 10 San Carlos, and Plant # 14 Rivera; i) Implement highest priority actions (by July 2019/December 2019); ii) Implement the remaining recommendations in the action plan (deadline to be defined); iii) Allow Herco to perform an audit at Plant # 16, # 11, # 10, and # 14 after actions corresponding to i) and ii) have been executed .

6.1.d Supply chain

Milk is transported from the dairy farms to Conaprole's industrial plants in tanks (owned by the cooperative) towed by trucks (owned by the TRALE company). There are 140 tanks that travel 40,800 km per day. In addition, finished products are transported by trucks to logistics centers and consumption points, as well as between Conaprole's plants.

In the event of a traffic accident, Conaprole is informed immediately and initiates an investigation of the accident, in which the respective preventive measures are developed. Said measures are not always properly disseminated to the drivers of the company that provides the trucking services (TRALE). Although Conaprole has equipped the tanks with GPS to determine how fast they are traveling, this information is transmitted after the fact but not in real time. In addition, Conaprole does not have access to information on the truckers' fitness and does not know whether they might be under the influence of alcohol or drugs.

As established in Action 2.6 of the ESAP, Conaprole will agree on the following actions with TRALE: i) Conaprole will install GPS devices on the tanks so that their speed is transmitted to Conaprole; ii) TRALE will prepare and submit to Conaprole an investigation report on any accident and/or incident involving a truck in the fleet that is transporting a Conaprole tank (filled or empty), according to the format and timeframe determined by Conaprole; iii) TRALE will be required to prepare and submit to Conaprole a six-month program of driver awareness courses on road safety, incorporating the preventive actions derived from the accident investigations; the attendance lists from the courses conducted will be provided; iv) Conaprole may perform random alcohol or drug use checks on TRALE personnel when they are at Conaprole's plants. Conaprole will determine the penalties that may be imposed for non-compliance. Similar agreements will gradually be entered into between Conaprole and other companies transporting raw materials or finished products.

7. Resource Efficiency and Pollution Prevention

7.1.a Resource efficiency

Since 2013, Conaprole has had an Energy Efficiency Policy, compliance with which is supervised by the company's Energy Committee.

To reduce pollution and increase efficiency, half-yearly energy audits are conducted at the industrial plants to check for possible steam leaks, review steam condensate returns, check the condition of

thermal insulation, control the cosine phi value (associated with active power), check maximum consumption according to the schedule (price per kwh), and check for possible air leaks in the pneumatic circuits. Positive results from the audits are expected to be equal to or greater than 75% for the factors checked.

There is also monthly monitoring of the energy efficiency of the boilers, establishing minimum acceptable values of 85% for firewood and 90% for fuel oil.

Staff is made aware of the rational use of energy through the specific internal courses provided. LED lighting technology has been imposed and the company is seeking to partially replace the consumption of firewood and fuel oil with wind or solar power.

At CIVR, the company is attempting to burn gas from the treatment plant's sludge digester in the boiler, to replace 15% of the fuel oil. At CIF, the company is trying to recirculate in the air from the boiler the exhaust gases from the oil burner in order to save up to 10% of the fuel oil. Both projects will probably be in operation in the short term. In addition, the company is studying the possibility of supplying the CIVR and CIF plants with wind power totaling up to 6MW of power. At CIVR, the company is evaluating setting up a cogeneration project (generating electricity by installing a turbogenerator) and replacing fuel oil with firewood.

7.1.a.i Greenhouse gases

Conaprole has a computer application to capture from the different management systems (SAP, GLF, Infolac) the information needed to measure the carbon emissions generated from the industrial processes. The results show that, during fiscal year 2017/2018, emissions from the electricity used were 1,455.64 tons of CO₂eq. (41.5% less than the preceding year) while CO₂ emissions from burning fuel were 124,219 tons of CO₂eq. (6.7% higher than the preceding year).

7.1.a.ii Water consumption

The water used in industrial processes comes from underground and surface sources and from the municipal water system. During 2018, total consumption was 2,795,020 cubic meters, exceeding 2017 consumption by 3.6% (while the total cubic meter amount of milk processed during 2018 was 6.9 % higher than that produced in 2017). This shows an increase in water use efficiency. During fiscal year 2017/2018, 1.98 liters of water were required for every liter of milk produced, while in the preceding year that figure was 2.04. Of the total amount of water consumed during 2018, 26% was recycled (the water from the manufacture of powdered milk and the water used for washing are recycled).

Conaprole performs real-time computerized controls of any change in the level of the aquifers it uses to obtain process water, in order to ensure that it is drawing water at the levels permitted by the authority; periodic controls of the quality of the underground water drawn are also performed.

7.1.b Pollution prevention

Conaprole is carrying out a plan to implement improvements in the effluent treatment systems at its industrial plants, with emphasis on the Florida, Villa Rodríguez, and San Ramón plants, which discharge their effluents into the Santa Lucía river basin. The total investment in modifications to the existing plants would amount to USD 40 million.

The main improvements at the Florida plant (receives 1.1 million liters of milk per day) will make it possible to increase treatment capacity from 2,000 to 2,500 m³/day and to absorb peaks of 3,100 m³/day. The main deficiency at this plant is unsatisfactory removal of coliforms, nitrogen, and

phosphorus (exceeding the IFC values). The principal changes are: i) for effluent from powdered milk production, parallel setup of degreaser lagoons and construction of a new lagoon for contingencies; ii) for the general process, replacement of intermittent aeration reactor by two sequencing batch reactors (SBRs) to increase nitrogen, phosphorus, and coliforms elimination levels; iii) incorporation of sludge sedimentation and sand filters for the treated effluent. The installation of a sludge digester for generating power is being evaluated. The treated effluent is disinfected using UV radiation before being discharged. The improvements will be completed in July 2019.

At the Villa Rodríguez Plant (receives 3.66 million liters of milk per day) the effluent to be treated (6,000 m³ per day) consists of two separate effluent streams: i) D90 high ionic strength effluent and ii) the remaining effluents. During 2018, the plant showed unsatisfactory results in the removal of total coliforms (did not comply with IFC). The improvement project being executed will make it possible to treat the D90 high ionic strength effluent by means of a sedimentation tank dosed with lime and pools for adjusting the level of phosphorus. The sludges generated are treated by means of the digester for production of gas; the resulting solids are placed in landfarming treatment at a site near the plant. The treated effluent is disinfected by means of UV radiation before being discharged. The treatment plant is 2 km from the industrial plant. The treated effluents are discharged into the San José river, through a pipeline 14 km long. It is anticipated that the improvements will be completed in June 2019.

At the San Ramón Plant (receives 700,000 liters of milk per day), during 2018 the plant showed unacceptable removal of BOD, COD, suspended solids and fats, ammonia, nitrogen, phosphorus, and coliforms. The treatment system (2,400 m³ per day) includes a rotary filter, a discharge lagoon for contingencies, two anaerobic lagoons with a waterproofed bottom, an activated sludge system (reactor with initial anoxic area dosed with coagulant for removing phosphorus, followed by an aerobic area). Finally, the effluent is clarified and disinfected with UV radiation before being dumped. The sludges are dehydrated with band filters before being disposed of by a third-party company. The modified plant is being put into operation, achieving adequate values for COD, nitrogen, and phosphorus. A collector still needs to be installed to carry the treated effluent to the Santa Lucía river (approximately 4 km).

The treated effluent from the Montevideo Industrial Complex (receives 800,000 liters of milk per day) is discharged into Montevideo's municipal collector system. Treatment consists of primary filtration, homogenization, dissolved air flotation (DAF), and two homogenizer tanks. Twenty percent of the effluent is treated in a bioreactors system (continuous recycling with air injection), and then mixed with the remaining eighty percent from the clarified effluent from the DAF. The sludge coming from the DAF is dehydrated and sent to the organic waste treatment plant of the Superintendency of Montevideo to obtain compost. The plant meets the legal requirement for BOD₅ level (there are no limits on the phosphorus and nitrogen content). Investments will be made to allow satisfactory operation of the treatment system by absorbing variations in the composition and quantity of the incoming effluent, through the installation of additional reactors and a sludge digester to reduce odor emissions.

The treatment system at Plant 16 (Mercedes Plant, receives 500,000 liters of milk per day) consists of a series of five lagoons (two anaerobic and three facultative lagoons). The treated effluent is discharged into the Dacá stream. During 2018, the plant failed to comply with the removal of suspended solids, fats, and oils, ammonia, nitrogen, total phosphorus, total coliforms, and fecal coliforms. The investments to be made will ensure that the effluent discharged complies with the concentration values for phosphorus, nitrogen, and coliforms (currently meets only COD). The project is in the preliminary analysis stage.

The treatment system at Plant 11 (Rincón del Pino Plant, receives 400,000 liters of milk per day)

consists of a series of six lagoons, including three anaerobic lagoons, one aerated lagoon, and two facultative lagoons. The treated effluent is discharged into the Pereira stream. Currently, the discharge complies with the COD values but not those for removal of phosphorus, nitrogen, total coliforms, and suspended solids. The improvements project, which will make it possible to achieve adequate parameters for nitrogen, phosphorus, and coliforms in the discharge, is in progress and construction is expected to begin in December 2019.

The treatment system at Plant 10 (San Carlos Plant receives 170,000 liters of milk per day) consists of one anaerobic lagoon, one aerated lagoon, and two marshes in a series. The plant complies with the COD values but not with the values for phosphorus, nitrogen, and coliforms in accordance with national regulations, as there is little capacity to handle incidents (it doesn't have a lagoon for contingencies). The treated liquid is discharged toward the marshes.

The treatment system at Plant 14 (Rivera Plant receives 50,000 liters of milk per day) consists of three collection chambers in a series. Liquid is pumped from the second chamber to an SBR reactor, which also receives liquid from the third chamber. The treated effluent is discharged from the SBR reactor to the municipal collector system. Sludges from the SBR reactor are treated in an anaerobic digester and then taken to composting. The plant complies with the BOD5 for discharge to the sewage collector, and no limits are required for phosphorus, nitrogen, or coliforms.

During the SEG visit, it was confirmed that the effluent treatment plant sludge management system is pending at the CIM, that adaptation to high ionic load effluent from D90 production is pending at the Villa Rodríguez plant, and the San Ramón plant is not yet in operation.

As established in Action 3.1 of the ESAP, Conaprole will introduce the improvements needed at the treatment plants that require them, so that effluent quality complies with Uruguayan regulations with the target values indicated by the IFC, according to the following schedule: i) CIF (December 2019); ii) CIVR (June 2019); iii) CISR (October 2019); iv) Plant 11 (Rincón del Pino) (July 2021); v) Plant 10 (San Carlos) (July 2021); vi) Plant 16 (Mercedes) (July 2022).

7.1.b.i Waste management

Conaprole is implementing the separation of hazardous and non-hazardous waste by applying the concepts of reuse and recycling. Some non-hazardous wastes are used to feed pigs (cheese scraps, return liquids, and defective products) and other wastes (such as defective dehydrated products) are incinerated. The integrated system includes specific waste management procedures (lead batteries, materials with asbestos, lubricating oils, hydraulic fluids, fuel oil, used tires, etc.). Final disposal is handled through authorized firms.

Conaprole promotes corporate recycling, as part of the Chairmanship of the Corporate Commitment to Recycling (CEMPRE) organization. Discarded paper from the offices and from the CIM is recycled by a qualified company (Repapel).

7.1.b.ii Handling of hazardous materials

Conaprole acquires inputs for its industrial processes as well as for periodic machinery and equipment washing tasks. The main substances used are aluminum sulphate, nitric acid, liquid caustic soda, sulfuric acid, peracetic acid, sodium hypochlorite, and ammonia (replacement for cold systems). Through the integrated system, Conaprole manages hazardous materials and substances by applying specific operating procedures (for example, procedures for managing acetic acid, hydrochloric acid, phosphoric acid, nitric acid, paracetic acid, sulfuric acid, sodium hypochlorite, caustic soda, calcium hydroxide, etc.).

7.1.b.iii Handling and use of pesticides

Conaprole does not have a specific procedure for managing pesticides at its industrial plants.

In accordance with Action 3.2 of the ESAP, Conaprole will not acquire pesticide products containing 1a and 1b hazard category components according to the WHO.

8. Community health and safety

8.1.a Community health and safety

Conaprole has employed predictive models for ammonia dispersion at its industrial plants. It is advisable for Conaprole to review the modeling done for those industrial plants that are near population centers, in order to identify and implement preventive actions through appropriate contingency plans.

In accordance with Action 3.3 of the ESAP, Conaprole will update the predictive dispersion models for ammonia at its industrial plants in San Ramón, Mercedes, and Rivera, which are adjacent or near to homes or roads, in order to identify and implement preventive actions through their respective contingency plans.

8.1.b Security personnel

Security personnel at the Conaprole plants are not armed and receive appropriate training for the performance of their functions.

9. Environmental and Social Action Plan. Please see attached document.

CONTACT INFORMATION:

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For queries on projects, including environmental and social issues related to an investment by IDB Invest, please contact the client, using the information provided above. In addition, and as a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism.

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[2] Resolution 325 of August 6, 2018, promulgated by the Ministry of Labor and Social Security (MTSS) mandates the implementation of Workplace Prevention and Health Services under the conditions established in Decree 127/2014 in companies included in Group 1 "Processing and Preservation of Foods, Beverages, and Tobacco," Subgroup 01 "Dairy Industry," Chapter 1 "Dairy Industry." Chapter III, Article 5 of that decree states that "workplace prevention and health services must be multidisciplinary. Companies with more than 300 employees must have a service including at least one Physician, one Prevention Specialist or Occupational Health Technician, which may be supplemented by a Psychologist and Nursing staff."

[3] This requirement is formulated following the schedule of commitments assumed by Conaprole vis-à-vis the International Finance Corporation (IFC).