

## 1. Scope of the Environmental and Social Review

The Project's initial Environmental and Social Due Diligence (DDAS) process began in April 2019 and meetings were held with Conaprole representatives at the Montevideo, Villa Rodríguez, Florida and San Ramón facilities. During the DDAS, IDB Invest assessed Conaprole's environmental, social and health and safety resources and management, not only in their industrial facilities, but also in their supply chain.

## 2. Environmental and Social Categorization and Rationale

Given the number of investments to be funded by the trust (on average US\$175,000 per producer), the term of the transaction (30 years) and the use of funds (land acquisition, expansion of existing facilities, upgrading and/or purchasing new equipment, etc.), and in light of Conaprole's overall assessment of the environmental, social and health and safety of its producers, this operation has been classified as FI-2 by the Policy of Environmental and Social Sustainability of IDB Invest. Its impacts and risks are regarded as limited, reversible and manageable through the use of techniques known in the industry.

## 3. Environmental and Social Risks and Impacts

Conaprole has an Integrated Environmental, Social and Health and Safety Management System, which combines specific management systems certified by ISO 9.001, ISO 14.001 and OHSAS 18.001; as well as process management systems certified by food safety and security standards ISO 22.000, FSSC 22000 and HACCP. As part of the company's supply chain management, Conaprole provides advice and support for quality management and the environmental, social, health and safety issues linked to the activities of their associated dairy producers. In this regard, Conaprole promotes improving product quality and the environmental, health and safety performances of their producers through ongoing technical support and training. Some of the largest potential environmental impacts generated by Project include the potential pollution of surface water, soil and air due to inadequate treatment and effluent discharges, as well as inadequate management of agrochemicals and other hazardous substances and pollution occurring as a result of poor solid waste management. The most relevant occupational hazards are ergonomic risks, of blows and falls and electrical and chemical risks (from handling agrochemicals and other substances). Conaprole's primary goal is to eliminate and/or reduce these impacts and risks through ongoing technical support and training for their producers.

## 4. Mitigation Measures

As part of its technical assistance to associated dairy producers, between 2012 and 2017 Conaprole conducted an energy efficiency program aimed at increasing electrical safety and reducing energy and fuel consumption<sup>[1]</sup>. The program's implementation was guided by Conaprole through energy audits of the dairy farms (between October 2013 and February 2017, 538 audits were performed. In total, 292 producers invested US\$1.4 million in energy saving measures).

Since 2016, Conaprole has created a dedicated area to ensure the environmental sustainability of partner dairy farms called "Tambo Sustentable" (Sustainable Dairy Farm). This area boasts a multidisciplinary team made up of environmental, electrical, hydraulic, civil engineers and agronomists, along with veterinarians. Proper environmental management of the dairy farms is promoted through technical consulting, publication of materials and training opportunities. The services provided include dairy effluent and solid waste management, water management, energy efficiency and productive infrastructure. Effluent management minimizes the volumes generated, allowing for their collection, storage and reintroduction into the soil with the purpose of recycling

their already existing nutrients, thus reducing the use of chemical fertilizers. The program for responsible water use minimizes consumption volumes and ensures adequate water supply in terms of volume and quality for producers, their families, workers and farm animals. The energy efficiency program reduces energy consumption per liter. The animal welfare program promotes developing adequate facilities to ensure the longevity and production capacity of the farm animals.

A key pillar of the sustainable dairy farm program is permanent training for producers, workers and technicians to sensitize and guide decisions that ensure the environmental sustainability of dairy establishments.

## 5. Environmental and Social Action Plan

1. In its Loan Agreement for each fund applicant, PROLECO shall include the following contractual clauses:

a) Loan funds will not be used to finance projects or companies involved in the production, trade or use of products, substances or other activities mentioned on the IDB Invest list of excluded activities.

b) The sub-borrower declares its commitment to: i) comply with current environmental and occupational safety regulations and with all current regulations related to their operation; ii) inform PROLECO upon incurring any penalties by enforcement authorities, within a period of no more than 30 days, the amount and reason for the penalty and the corresponding preventive measures or impact and risk mitigation plan to be implemented by the sub-borrower to avoid such an event or similar ones from taking place in the future; iii) allow PROLECO personnel, trustees and all indicated persons entrance into their establishments.

2. For each sub-borrower, PROLECO will register the supporting documentation to verify compliance with the foregoing and will forward it to IDB Invest upon request.

3. Include in the Representations and Warranties section that the sub-borrower declares and guarantees compliance with all current regulations, especially in environmental and safety matters (including prevention and/or mitigation plans indicated by the relevant enforcement authority).

## 6. Contact Information

For project inquiries, including environmental and social questions please contact the client (see Investment Summary tab), or IDB Invest using the email [requestinformation@idbinvest.org](mailto:requestinformation@idbinvest.org). As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to [mecanismo@iadb.org](mailto:mecanismo@iadb.org) or [MICI@iadb.org](mailto:MICI@iadb.org), or calling +1(202) 623-3952

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[1] Promotion of the Improvement of Energy Efficiency and Use of Renewable Energies in Small and Medium Dairy Establishments (Conaprole, BID Lab, UTE).