

1. Environmental Classification

This is a category III project according to the IIC's environmental review procedure because specific impacts may result that can be avoided or mitigated by adhering to generally recognized performance standards, guidelines, and design criteria. The environmental and labor considerations related to the project include: management of solid waste, air emissions, fire protection, employee safety, and emergency response.

2. Main Environmental Impacts

Solid Waste

Rice hulls are the main source of solid waste in the company and account for approximately 20% by volume of the rough rice processed. There are alternative uses for rice hulls that allow for a partial recovery of value, such as bedding material for poultry and fiber supplement in animal feed, as well as energy recovery in cement kilns, rice dryers, and boilers. The Company, together with other rice companies in Uruguay, won a bidding contest called by the Administración Nacional de Usinas y Trasmisiones Eléctricas (UTE, Uruguay's national electricity and power plant authority) to generate energy by burning rice hulls. This conglomerate, named GALOFER S.A., will be located in the Department of Treinta y Tres with an investment of approximately US\$14 million and an electrical plant that will generate up to 10 MW almost entirely from hulls produced in Eastern Uruguay. Until this project begins operations, SAMAN is disposing of rice hulls in landfills. Disposed material is monitored in accordance with the procedures agreed upon with the Laboratorio de Análisis Tecnológicos del Uruguay (LATU, Uruguayan Technical Analysis Laboratory). Solid waste is also produced from receiving and cleaning the product before the drying process. This waste is transported by third-party trucks covered with tarps and is mostly used as animal feed in the area or is disposed of in open-air controlled landfills.

Atmospheric Emissions

Drying ovens emit particulate matter into the air when small particles called "fines" are separated from the rice grains, become suspended in the air, and are drawn out by convective air flows. The standard mitigating measure is to install gas purification systems with inertial cyclone separators at the points of discharge. This equipment removes at least 98 percent of the gross contaminants and at least 50 percent of the fine contaminants. At one of the plants (Salto), air emissions are washed in a countercurrent water curtain to remove the remaining dust. This mechanism operates in a closed circuit (with sedimentation taking place before water is recirculated). This equipment does not prevent the release of particulate matter around the drying ovens. In those areas, personnel wear the respirators described in the company's Safety Procedures Manual. There is no evidence of the effects of these emissions in areas other than the immediate vicinity of the drying units.

3. Occupational Safety and Health

Production workers use safety and personal protection equipment specific to their task (protective ear- and eyewear, respirators, safety footwear, gloves, etc.) as established in the company's Safety Procedures Manual. In accordance with Uruguayan law, all workers have health and work-related accident insurance coverage. The company also has a preventive medical program with annual check-ups. The plants have fire alarm and firefighting systems approved by the Banco de Seguros del Estado and the fire department. Under an agreement with Banco de Seguros del Estado, SAMAN trains its employees in work-related health and safety issues and emergency plans.

4. Labor Practices

SAMAN complies with national labor laws. Mandatory core labor standards include social security benefits, freedom of association, organization of workers' unions, prohibition of forced labor and exploitative and abusive child labor, and nondiscrimination in the workplace.

5. Quality Control / Food Safety

All rice processing processes are mechanized, thereby reducing potential sources of product contamination. SAMAN provides personal hygiene facilities and special clothing at packaging points where operators could potentially come into contact with the product. However, there are some aspects of the process that are key to the food safety system: (i) rice must be dried down to a 13.5% moisture content to prevent microbial infections and reduce insect infestation; (ii) good aeration of storage areas keeps condensation and moisture from affecting the product; (iii) magnetic metal detectors; and (iv) size, weight, and color grading systems that also help eliminate foreign matter. Routine production controls detect any irregularities. In accordance with client specifications, SAMAN can also conduct laboratory tests for toxins, pesticides, and other chemicals. Pest Control: SAMAN controls rodents with a trap system that is checked regularly. Apart from inspections and monitoring, SAMAN uses gas fumigants approved for use in the food industry to control insects.

6. Monitoring and Reporting

SAMAN shall develop to the satisfaction of the IIC an Environmental Management Plan (EMP) to ensure compliance with domestic regulations and the IIC's environmental and workplace safety and hygiene standards. The EMP shall provide for a yearly report on solid waste management, training programs in occupational safety and health and emergency response training, occupational accident reporting, and food safety issues.