

Environmental and Social Review Summary

1. Scope of the Review

Avenatop S.A. (“Avenatop” or the “Company”) is a leading Chilean business in edible oat industrialization. The proposed facility seeks to increase fund availability to pre-harvest financing for oat farmers.

Avenatop has processing facilities in the town of Freire, in the Central Valley, around 25 km south of Temuco, in the Araucanía Region, and a storage facility in the town of Río Bueno, in the Los Ríos Region. On January 13, 2016, the project team visited the Freire facilities for a meeting with management members. During such visit, they reviewed internal documents on procedures, certifications and authorizations to operate.

2. Environmental and Social Categorization

This is a B Category Project, under the IIC Environmental and Social Sustainability Policy, since there is a small number of limited and specific environmental and social impacts, which may result therefrom, and that can be avoided or mitigated by adhering to generally recognized management practices. The primary environmental and labor issues associated with the Project are: efficient use of resources, pollution prevention, work and labor conditions, community health and safety.

3. Environmental and Social Context

The Avenatop industrial plants are located on land suitable for industrial facilities, close to National Highway Number 5, which is the main north-south road in the country. This facilitates both the supply of labor and the shipment of products to their final destinations, minimizing the traffic effect added by the Company. The Avenatop industrial plant is located within an industrial area, separated from the residential area by a road, and surrounded by a rural setting. Avenatop shares its location with Agrotop Aceites, another business of the Agrotop Group, which deals with canola oil production.

People working at the plant live in the town of Freire, and other towns within a radius of approximately 30 km.

4. Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1 Assessment and Management of Environmental and Social Risks and Impacts

So far, Avenatop does not have an Environmental Management Plan, though it has several plan components such as: an environmental policy, an organization chart with responsibility assignments, and several detailed health, hygiene, and safety procedures. The procedures are based on the ISO 9001 standard, but they have not been certified under such standard. The plant is HACCP certified.

Avenatop’s industrial plant is undergoing a capacity addition, and thus an Environmental Impact Statement (EIS) needs to be submitted to the Environmental Evaluation Service (EES).

For this industry type, main environmental risks are associated with gas and liquid effluents, environmental dust emissions, risks of labor related accidents, noise exposure, product quality and food safety, and any risks associated with transportation of goods.

The General Manager and the plant Operations Manager are responsible for business safety and environmental issues, and for the company interactions with employees, authorities and community

members.

The Company has developed risk mitigation procedures, such as:

- Employee Hygiene Procedure
- Drinking Water Management Procedure
- Solid Waste Management Procedure
- Hazardous Waste Management Procedure
- Chemical Management Instructions
- Emergency and Evacuation Procedure

Due to the surrounding area of its location, and the type of activities performed, Avenatop does not generate any kind of complains or conflicts in the area.

4.2. Labor and Working Conditions

Avenatop is in compliance with all domestic law requirements regarding labor and working conditions, including, among others, mandatory social security contributions, freedom of association and organization in workers' unions, child exploitation and abuse bans, and labor non-discrimination laws. Avenatop employees do not belong to any union organization. There are no labor conflicts in the company. There is in place a procedure for commending, suggesting and submitting internal complaints in order to address, manage and satisfactorily resolve any suggestions, complaints, and claim from workers. Given the close proximity of the Operations Management and the size of the company (around 100 people), most of the employee issues are personally and directly addressed.

The company has a Workplace Safety, Hygiene and Order Manual, which supplements the Employee Hygiene Procedure establishing any procedure, cautions, conditions and tools required for handling food items preserving their quality and safety.

Avenatop workers have health insurance, as required by law, provided by the National Health Fund (Fondo Nacional de Salud, FONASA), which allows them to choose between the private and public systems. The company also provides an optional insurance through a collective bargaining agreement which allows users to reduce their copays and deductibles, and receive coverage not included under the basic insurance. Both the basic insurance and the supplemental insurance cover the entire family.

The company is working with the Chilean Construction Chamber Safety Committee in a safety and health management program called Certified Business Program (CBP). It is a preventive approach in occupational safety and health based on measurable, auditable and certifiable management models.

4.3. Resource Efficiency and Pollution Prevention

The only air emissions generated by this industrial process come from the steam boilers. Avenatop has two boilers that are being retired from use since a new 15 ton/h boiler has been purchased, and will replace the capacity of the old boilers. This new boiler is manufactured in the United States (Hurst Boiler & Welding Company), and operates on biomass, burning the oat hull, a production waste. By burning any residual biomass, Avenatop minimizes the greenhouse gas emissions. According to manufacturer's specifications, this new boiler will perform and meet Chilean and IFC standards for gas emissions. The company will take any relevant readings, and will report to the IIC once the new boiler is operating under a regular schedule, which is expected to be around June 2016.

The company monitors and manages the environmental dust emissions. There are critical plant areas where dust emissions exceed any acceptable limit values; therefore, employees are required to use personal protection equipment (masks with filters). However, these dust emissions do not affect the outside of plant areas.

During the industrial process, water is mainly used to clean the cyclone dust separators and for replacement of boiler water. Boiler purging output together with the cyclone separators cleaning effluent will be treated in an effluent treatment plant that will be added to the expansion project, and whose description and features are detailed in the EIS. It is expected to be in regular operation by June 2016.

The main solid waste is the oat hull. Approximately one third of the oat hull produced is used as a steam boiler fuel, and the remaining two thirds are sold as fuel for other industries; also, the oat pre-cleaning waste which consists mainly of vegetable waste is also sold as fuel. The boiler ashes are also considered non-hazardous solid waste, and are removed by an independent contractor (Rilesur). Any other regular waste or garbage is disposed in the Freire municipal landfill.

The plant generates few hazardous wastes: used lubricants, contaminated rags, fluorescent light tubes, batteries, etc., which are removed and treated by a special contractor (Via Limpia). The company is building a warehousing facility for such waste storage on a temporary basis, as well as any other lab chemical supplies, and lubricant oil, and an underground tank for diesel fuel from the emergency generators and forklifts. Such construction work is included in the EIS.

4.4. Community Health, Safety and Security

Due to the characteristics of the industrial process carried out in Avenatop, where there is mainly a physical transformation of agricultural products, there are no significant safety or health risks for the community. However, the plant shares the property with the company Agrotop Aceites, which belongs to the same business group and uses hexane as solvent. The receiving and storage system consists of underground stainless steel tanks with a total capacity of 90 m³, built under domestic standards pursuant to requirements by the Electricity and Fuel Supervision Agency (SEC) which regulates the use and storage of such substances.

The plant has a fire protection system with a NFPA-standard wet standpipes, smoke detectors, and alarms in dashboards and control rooms. Raw material and storage silos have temperature monitoring and air injection systems for ventilation.

Raw material truck traffic has a major impact on the plant surroundings, namely during harvest time. The company has a parking lot for around 120 trucks, 50 of such trucks are parked within the facility and 70 trucks are parked in an outdoor parking area, so that trucks waiting for unloading are not parked in public streets. The company offers restrooms and other amenities to the truck drivers.

Avenatop also monitors and controls pests to prevent any disease from spreading.

4.5. Land Acquisition and Involuntary Resettlement

There are no issues regarding land purchase and involuntary resettlements.

4.6. Biodiversity Conservation and Natural Habitats

As for the Avenatop plant, there are no biodiversity conservation or natural habitat risks.

The Avenatop supply chain consists of farmers from a vast agricultural region in Chile. This is land

that has been used for agricultural production for a very long time, since it is the main grain supply area of the country. Notwithstanding, pursuant to local legislation, any farmer should keep their land and property with any and all legal permits that allows them to develop such activities. Government agencies are responsible for any monitoring and control activities of protected areas.

4.7. Indigenous Peoples

In the Araucania Region, Avenatop's influence area, there is a significant Mapuche population. In general, both urban and rural people are socially and economically integrated with the rest of the population. However, there are occasional claims from the native communities regarding land ownership. The Government is making efforts to secure and grant land to claimants.

Avenatop has not received any claims from native communities, but their raw material supplier chain may be subject to any of such claims.

The company supports Fundación Aitúé (www.fundacionaitue.cl), an organization aimed at designing and evaluating public policy for indigenous people that may contribute to the sustainable development and promotion of indigenous people rights and duties, through the development of proposals and follow-up plans, management activities and contribution to the betterment of indigenous institutions in Chile. Besides, Avenatop is a member of the Corporación para el Desarrollo Productivo de la Araucanía (Corparaucanía - www.corparaucania.cl), a non-profit organization consisting of business unions, universities, workers' unions, private businesses and public institutions. Corparaucanía fosters business and investments in the Araucanía Region, supporting the design of regional development projects that may contribute to the community life quality.

4.8. Cultural Heritage

There are no risks of affecting the cultural heritage.

5. Local Access of Project Documentation

The company is expected to submit the EIS by May 2016, and it is estimated that it will take a six-month period to apply for and get an Environmental Rating Resolution (ERR), which will be publicly available in the EED web site as of the end of June.

6. Environmental and Social Action Plan

Nº	Description	Required Action	Indicator	Term
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1	Environmental and Social Management System (ESMS)	Design and implement an ESMS including the following items: 1. Business Sustainability Policy 2. Legal Compliance Matrix 3. Identification of Environmental and Social Risk and Impact 4. Establishing compliance goals 5. Establishing programs and procedures 6. Establishing budgets, compliance responsibilities and training. 7. Monitoring and Control Program	ESMS Delivery	Before disbursement
2	Environmental Impact Statement (EIS)	Submitting the EIS to the EES Securing the ERR.	Publishing the EIS on the EES web site.	May 2016
3	Treatment of liquid effluents	Approval from authorities and commissioning of the effluent plant.	Effluent analysis	July 2016
4	Boiler Start-up Control	Approval from authorities and boiler start-up	Emission analysis	May 2016
5	Auditing of input and hazardous waste storage	Approval from authorities	Authorization	October 2016
6	PEC Certification	Certification process	Certificate	TBD