

1. Scope of the Environmental and Social Review

San Miguel was founded in 1954 by the Mata family in the province of Tucumán, Argentina to produce fresh lemons. Starting in 2003, the Companies invested in farms and industrial operations in Uruguay, South Africa and Peru, and diversified its product mix by including sweet citrus fruits and other fruits. In 2017, the Companies acquired Agrícola Hoja Redonda, a company in the city of Chíncha, Peru, with plantations and a packing facilities in the province of Chíncha and in the city of Chepén (located in Libertad department in northern Peru).

The Companies combine two complementary businesses: (i) the export of 180,000 tons of fresh fruit in the off-season, with a diversified supply of lemon, sweet citrus fruit (oranges, tangerines and grapefruit) and other fruits (avocados and table grapes), which represents 56% of its turnover in 2017; and (ii) the sale of processed foods derived from the crushing of 400,000 tons of citrus fruits (essential oils and flavorings, juices with and without pulp and dehydrated peel) for the major multinational producers of beverages, foods, pharmaceuticals, fragrances, flavors and cosmetics, which represent 44% of its turnover in 2017

San Miguel is developing the genetics of its citrus fruit in six nurseries (3 in Argentina and 3 in Uruguay), where it grows the seedling varieties that are best suited to each region's climate conditions and soils. Approximately 300,000 plants are produced in these nurseries each year and are used both to grow new hectares and replace trees that are entering their unproductive stage and for the varietal replacement that the market demands.

San Miguel manages a total of 9,834 hectares (its own and third-party) distributed as follows: 5,330 hectares of lemon in Argentina; 1,800 hectares of lemon, tangerine and oranges in Uruguay; 1,322 hectares of oranges, lemon and tangerine in South Africa; and 1,382 hectares of tangerine, avocado and table grapes in Peru. In addition, 35% of the volume of fruit is purchased from strategic producers associated with San Miguel, with which it maintains long-term relationships, including the transfer of genetic material and best phytosanitary practices to ensure product quality. San Miguel owns six packing plants in Argentina, Uruguay, South Africa and Peru and one industrial plants in Argentina, and JVs in Uruguay and South Africa through which they crush citrus, which equates to a total grinding capacity of 420,000 tons/year. San Miguel's production is primarily exported to the European market and to Russia, the United States, Canada, Asia, and the Middle and Far East

Environmental and social due diligence at San Miguel was conducted by personnel from the Environmental, Social and Governance Division (SEG) of IDB Invest during the period August 21-30, 2018, with visits to plantations, nurseries and production facilities in Argentina, Uruguay and Peru. In Argentina, the team visited the Famailá industrial plant (grinding capacity of 300,000 tons/year) where concentrated juices, dehydrated peel, pulp, flavorings, essences and distilled oils are produced. In Tucumán, fruit packing has been outsourced to Latin Lemon, a company located in Bella Vista, Tucumán. The SEG team also visited a private biodiversity reserve of 7,278 hectares that San Miguel created with the cooperation of the NGO Pro-Yungas. The reserve is located on San Miguel's farm Caspinchango, in the department of Monteros, where San Miguel owns 1,006 hectares of lemon plantations.

In Uruguay, SEG staff visited a lemon plantation and nursery at Farm 31 outside the city of Bella Unión, in the northern part of the country. The visit to Uruguay included the Novacore juice and by-products industrial plant in the city of Paysandú (joint venture with Azucitrus, a firm with a crushing capacity of 50,000 tons/year) and the packing plant in Young (110,000 tons/year). A new processing plant will replace the current lemon line 2 at the Novacore plant so that, once the new plant is installed, Novacore will only process fruits from the discarding of the packing plant in Young (lemon, oranges and tangerines) and the new plant will only process lemons that did not pass

previously by the packing.

In Peru, SEG staff visited the facilities of Agrícola Hoja Redonda, acquired by San Miguel in August 2017. The visit included plantations in the province of Chíncha (686 hectares) and the packing plant in Chíncha. The visit to Peru included plantations (1,000 hectares) and the outsourced packing plant (Agrícola Cerro Prieto) outside the city of Chepén in the northern part of the country.

Based on examination of the management documentation produced for each country and the visual assessments made during the evaluation visits, it can be asserted that in general San Miguel adequately manages environmental, social, and health and safety aspects in its facilities and on its own and contracted personnel. In addition, San Miguel's strong commitment to improving the quality of life, education and health of neighboring communities has been confirmed.

2. Environmental and Social Classification and Rationale

Considering the results of the evaluation, in light of the IDB Invest Environmental and Social Sustainability Policy criteria, the transaction is classified as a Category B operation. Although the potential environmental and social impacts and occupational risks are considered potentially relevant, they can be adequately managed with plans, programs and procedures with known content that are widely used in the sector.

The potential impacts and risks associated with the transaction include the inadequate identification of potential impacts and risks associated with San Miguel's operations, the potential effects on surface bodies of water due to the disposals of industrial waste, possible effects on workers' health (and possibly that of neighboring communities) due to accidental ammonia leaks in refrigeration plants, possible decline in the availability and/or quality of (surface or underground) water resources caused by San Miguel's over-exploitation of that resource, potentially increased and uncontrolled contamination of phytosanitary containers, and possible occurrence of road accidents due to truck traffic entering and leaving San Miguel's industrial plants. Given the nature and magnitude of the potential impacts and risks identified, the following IFC Performance Standards (PS) are applicable: PS 1 (Assessment and Management of Environmental and Social Risks and Impacts); PS 2 (Labor and Working Conditions); PS 3 (Resource Efficiency and Pollution Prevention); PS 4 (Community Health, Safety and Security); and PS 6 (Biodiversity Conservation and Sustainable Management of Living Natural Resources). Performance Standards 5, 7 and 8 are not considered directly applicable to the transaction.

3. Environmental and Social Context

Generally speaking, San Miguel carries out its activities in Argentina, Uruguay and Peru in areas already subject to human intervention to develop agriculture. Before agricultural activities begin on specific properties, they must generally be reported to the environmental authorities, who approve their use following the preparation of plans for soil use, erosion control, water use, maintenance activities, and ancillary facilities, etc. The water use permit is normally subject to parameters per hectare and per year according to the type of crop. All of this ensures that agricultural activities will not, at least in theory, interfere with protected natural environments or high biodiversity value areas. In addition, industrial plants are sited in areas designated for the purpose, with no significant interference with the environment.

4. Environmental and Social Risks and Impacts and Proposed Mitigation and Comp

4.1 Assessment and Management of Environmental and Social Risks and Impacts

a. Environmental and Social Management System - Policy

Currently, San Miguel's strategy is managed by a Board (11 members), to which an Executive Committee (made up of 4 Directors and a CEO) reports, a team of six Executive Directors who lead the corporate areas (Chief Operating Officer -COO- International Business, COO Argentina, COO Director of Supply Chain and Expertise Centers, Finance and Administration Director and Director of Human Relations and Corporate Affairs) who directly report to the global CEO and the Country Managers of Uruguay, Peru and South-Africa who report to the COO International Business. The shareholders are represented at General Meetings and through the Board's Sustainability Committee. This latter committee approves the Companies' sustainability plan, which includes managing aspects related to biodiversity, potential pollution, and corporate social responsibility (CSR) programs. For its part, the Institutional Relations and Sustainability Management division coordinates the Companies' environmental and social activities. The Sustainability in Action Committee is formed by 20 employees who disseminate the sustainability programs internally, proposes sustainable projects and promotes their implementation.

Through its policies, San Miguel has enunciated its Values (Integrity, Value Creation, Customer Focus, Team Spirit and Environmental and Social Responsibility) and has adopted a Sustainability Policy designed to promote Economic Development, Social Development and Environmental Protection. San Miguel has certified its fresh fruit businesses under international quality standards (Global G.A.P., HACCP, TESCO Packaging, and SMETA) and its operations in plantations and industrial processes (HACCP, BRC, SGF, ISO 22.000), including religious certifications like Kosher and Halal ([\[1\]](#)). It should be noted that the fresh fruit packing plant located in Chinchipe, Peru, is certified under OHSAS 18.001. San Miguel manages its operations in each country according to a specific organizational scheme; management results in each country are reported to the corporate management in Argentina where they are evaluated. In order to standardize the management structure and tools at the global level, San Miguel is designing a corporate-level Integrated Management System as a management framework for the systems to be designed for each country, encompassing the fresh fruit production operations, the manufacture of processed foods, packing operations and staff area activities. Both the Integrated Management System and the subordinated systems of each country will cover the aspects of quality, environment, social management and workplace health and safety, and will be based on the philosophy of continuous improvement, i.e., on the plan-do-check-adjust mechanism.

b. Identification of Risks and Impacts

Although San Miguel identifies the environmental and social impacts and occupational risks associated with its operations, it is not clear that it does so systematically and in a way that allows it to visualize which impacts and risks are significant and merit priority attention, simultaneously considering, for each aspect and/or risk, the weight of the severity of the event and the probability that it will occur. According to good international practices, an evaluation of this kind is usually done through the use of evaluation matrices. This is also valid for identifying and evaluating the legal aspects associated with San Miguel's operations.

As indicated in Action No. 1 of the Environmental and Social Action Plan [\[2\]](#) (hereinafter the ESAP), San Miguel will establish, implement and maintain an Integrated Quality, Environmental, Social and Health and Safety (QESH) Management System at the corporate level, establishing close coordination among the Environmental and Social Management and Occupational Health and Safety and Human Resources departments to ensure consistent performance in all operations. The Integrated Management System will include general plans and procedures applicable to each of the processes at all Companies locations. The specific QESH management systems will be established, implemented and maintained by San Miguel in each country, and will be fully aligned with the

requirements of IFC PS1. As part of the implementation of an integrated QESHS system, San Miguel will also enunciate an integrated QESHS Policy that reflects the adoption of the Company's values and principles. San Miguel will implement a methodology that makes it possible to identify and evaluate potential environmental and social impacts and occupational risks, as well as legal aspects, in a structured and systematic way, through the preparation and implementation of evaluation matrices.

c. Management Programs

Although San Miguel has specific environmental and health and safety plans and procedures in each country where it operates, there are still no corporate-level criteria, formats and minimum content for their preparation. Said criteria, formats and content should be included in the Integrated Management System.

d. Organizational Capacity and Competency

As could be appreciated during the due diligence visit, no staff member responsible for environmental and social management and who should report to corporate management on those issues had been designated in Uruguay. In addition, responsibilities for health and safety management at the national level in each country as well as a corporate health and safety manager still needed to be defined at that time.

As established in Action No. 2 of the ESAP, San Miguel will ensure that qualified staff are appointed in each country on the subject of environmental, social and health and safety management to implement the Companies's policies and procedures consistently and thus ensure full compliance with the legal requirements of each country and the applicable IFC Performance Standards. The staff member responsible for environmental, social and health and safety management will report directly to the corporate team.

e. Emergency Preparedness and Response

The visual assessments made during the due diligence visit make it possible to state that, in all industrial facilities, the condition and operation of fire prevention and response systems, ammonia compression facilities, and electrical installations need to be evaluated. The improvements to be made to those facilities will necessitate adaptation of the respective emergency prevention and response plans.

As established in Action No. 3 of the ESAP, San Miguel: i) will update its risks analyses for work stations and large equipment; and ii) will improve and update emergency preparedness and response plans for each facility, based on specific scenarios for each of them. The updated plans will incorporate results from specific studies conducted for the implementation of preventive maintenance, the management of ammonia facilities, and improvements to fire prevention systems.

f. Monitoring and Evaluation

Although San Miguel performs environmental and health and safety monitoring to comply with the legal requirements in each country where it operates, this is not done in a standardized and systematic way. The Integrated Management System should include a general procedure that indicates the minimum criteria to be met in preparing and implementing specific monitoring plans.

g. Participation of Social Stakeholders

San Miguel has established communication and participation links with the communities near its

plants and farms through programs designed to promote development with a focus on nutrition, health and education. In Argentina, San Miguel has prepared and implemented the Rural Nutrition Program focused on mitigating childhood malnutrition, the Cre-Ser School Support Program focused on preventing school dropout, the Formarte Program to promote the development of artistic abilities among employees and their families, and the Gender Equality Program intended to promote women's inclusion in formal employment. In Uruguay, San Miguel has implemented the Rural Communities Support Program designed to provide support to 16 educational and neighborhood institutions in communities near San Miguel's industrial plants or farms. Note should also be made of volunteer activities undertaken by Company employees to promote improvements in the quality of life and education of community members.

h. External Communications and Grievance Mechanisms

San Miguel has established channels for accepting opinions, complaints or claims from any member of the community or third parties, through its website.

Despite the actions developed by San Miguel to care for the environment and the health of communities close to its activities, the review of management documentation did not identify a systematic methodology for identifying impacts and risks of this kind. According to Action No. 18 of the ESAP, San Miguel will proceed to map all stakeholders who might be located close to or within one of San Miguel's activity sites, including identifying how the Companies' operations may affect each stakeholder and developing a Stakeholders Participation Plan for each installation.

4.2 Labor and Working Conditions

a. Working Conditions and Labor Relations Management

i. Human Resources Policies and Procedures

San Miguel is committed to respect human rights and labor rights in particular, through its adherence to the Principles of the United Nations Global Compact. Included among its sustainability commitments and, specifically, with regard to the integrated development of people involved in its operations, San Miguel assumes the commitment to ensure the health of its own and contracted workers, establish adequate labor and working conditions, guarantee freedom of association, and combat child labor, slave labor and discrimination of any kind. The commitment of staff to embody the values of the Companies in their actions takes shape in the signing of the Code of Ethics. A version of that document has been prepared for suppliers, establishing the guidelines for commercial conduct, employment, and pollution prevention.

A review of current management documentation in Argentina, Uruguay and Peru indicates that these commitments have not been documented and disseminated systematically throughout the organization. In this regard, and as indicated in Action No. 4 of the ESAP, San Miguel will develop a series of corporate human rights policies totally in alignment with the objectives of PS2, to be applied on a rolling basis to all subsidiaries. In addition, all subsidiaries will update or develop a Human Resources Manual to record corporate human rights policies, to include: (i) hiring and contracting procedures, with measures for identifying and preventing the risk of modern slavery, including human trafficking, forced or compulsory labor, debt bondage, slavery, servitude, worst forms of child labor; (ii) induction procedures on good health and safety practices; (iii) terms and conditions of employment in line with the requirements of national legislation; (iv) reference to corporate health and safety policies; (v) occupational health and safety requirements; (vi) performance management; (vii) procedures for representation or workers' committees; (viii) disciplinary procedures that include explicit provisions for sexual harassment; (ix) labor grievance

mechanism; and (x) contract termination and dismissal. These policies and procedures will be applied to all categories of employment in all San Miguel operations. They will be accessible and displayed in prominent areas where workers may meet at the beginning and end of the day in the offices. All workers, including migrant workers, will be trained during the induction session and through additional awareness training provided to all existing employees and third-party workers on all the aspects of human resources policies and procedures. San Miguel will verify each year, through internal audits or other verification channels, the compliance of all its operations with human resources policy, current labor legislation and IFC PS 2.

b. Labor Conditions and Terms of Employment

During the visit to the installations of the Bella Unión plantations (Farm 31), it could be seen that San Miguel was refurbishing housing for permanent and/or temporary personnel who work during the lemon harvest. The installations, with a capacity for 64 persons, include 26 rooms, sanitary facilities, bathroom and kitchen. In general terms, the installations that are being improved are considered suitable. However, it was observed that the roofs of the dwellings are made of fiber cement, with asbestos content. Some of them were torn, posing a respiratory risk that must be eliminated immediately through repairs and painting. It has been verified that San Miguel is proceeding to refurbish other similar dwellings in various farms in the north, center and south of the country.

In order to standardize the typology and quality required for housing its own, contracted, and/or temporary staff, Action No. 5 of the ESAP establishes that San Miguel will do a gap analysis of all workers' housing facilities the Companies offer to their workers (own, contractors and temporary staff) compared to the requirements of IFC PS 2, in order to identify defects and implement appropriate corrective measures, prioritizing the supply of potable water, adequate sanitation facilities, minimum space allowance, and fire protection systems.

c. Grievance Mechanism

It was possible to confirm that, as established by the Companies, any report or query regarding a possible irregularity or failure to comply with the Code of Ethics may be made, whether anonymously or not, through channels set up by San Miguel (telephone or e-mail). Concerns and reports are analyzed and evaluated by the Ethics Committee consisting of five directors and the CEOs of the Companies.

To systematize, at the corporate level, this mechanism for accepting and resolving complaints, suggestions or claims, Action No. 6 of the ESAP establishes that San Miguel: (i) will update its labor grievance policy and mechanism and will implement it in all sites where it operates, in line with the requirements of IFC PS 2. The mechanism will allow the submission and resolution of anonymous complaints, will protect workers' confidentiality, will enable a timely response and comments and will maintain a record of all complaints and claims. A properly structured committee will be established to address the complaints. In addition, the labor grievance mechanism will be available to all contracted workers. San Miguel will also inform and raise the awareness of its workforce regarding the grievance mechanism during the induction session and through additional training and information sessions provided to all existing employees and third parties.

d. Workplace Health and Safety

Although San Miguel has prepared plans and procedures in the area of occupational health and safety, they differ depending on the country and, in some cases, according to the agricultural or industrial facility in question. In addition, no evidence has been found that all the good practices

observed during the field visits have been effectively documented in operating procedures or instructions for personnel. In addition, it is not clear that all existing occupational risks have been identified and are being managed through documented procedures.

In general terms, it can be stated that San Miguel employs good practices in the area of workplace health and safety. For example, at the Farm 31 plantations in Bella Unión, Uruguay, it was observed that temporary personnel are contracted directly by San Miguel, receive the induction course on workplace health and safety and work during harvest activities under adequate working conditions (provision of portable toilets and drinking water among other services). San Miguel staff confirm that temporary personnel for the harvest who must be moved in collective transport are not subject to accident risks (the buses and the drivers' qualifications and aptitude are checked). It was not possible to assess all preventive practices in the area of health and safety at the Novacore plant in Paysandú, since at the time of the visit the plant was halted due a shutdown of activities. At the Packing Plant in Young, it was confirmed that personnel use Personal Protective Equipment correctly. In addition, proper management of the occupational risks of the Companies' own personnel and contracted personnel has been observed at the industrial plants in Famaillá (Argentina) and Chíncha (Peru).

In order to standardize occupational risks management plans and procedures at the corporate level, Action No. 7 of the ESAP establishes that San Miguel will develop and implement a series of corporate Occupational Health and Safety plans and procedures, consistent with Good International Industrial Practices (GIIP), covering the activities associated with its industrial facilities and operations. At a minimum, this will include: (i) management of physical risks, such as exposure to noise and vibrations, moving objects, machinery and vehicles, ergonomics, confined space entry and extreme weather conditions; (ii) risk of fire and explosion; (iii) biological hazards (such as poisonous animal bites); (iii) chemical risks, such as exposure to pesticides; (iv) use of integrated PPE; and (v) induction, training courses and instruction and emergency drills. The plans and procedures will be widely applied throughout San Miguel's entire organization, including contractors and suppliers.

During the visit to the Novacore industrial plant in Paysandú (joint venture with Azucitrus), it could be seen that the refrigeration plant, which uses ammonia, was not in good condition. The plant has two ammonia compressors (30 HP and 7 HP). Considering the health and safety risks to people that an ammonia leak or explosion at the ammonia plant would produce, an evaluation of the condition and operation of these installations and their immediate improvement is evaluated as an urgent priority. This should also be done at the ammonia compression facilities at the Famaillá plant. It would be very useful to consult with the staff responsible for preventive maintenance of the refrigeration facilities at the packing plant in Chíncha, Peru where it has been possible to confirm the proper management of those facilities.

According to Action No. 8 of the ESAP, San Miguel will contract qualified specialists to conduct a safety assessment of all ammonia refrigeration systems, including those that represent assets under a joint-venture scheme, and will compare the results thereof with local regulatory standards and the applicable international standards (such as those of the International Institute of Ammonia Refrigeration - IIAR). San Miguel will address the gaps and implement the necessary modifications to guarantee ammonia safety and management. Based on the results of the safety assessment, San Miguel will prepare and incorporate in the Integrated Management System a set of safety manuals on ammonia management and will produce evidence of their dissemination to responsible staff.

In addition, consistent with the above, and as has been noted during the visits to the plantation and nursery installations and primarily to the Novacore and Famaillá industrial plants, the following is included as Action No. 9 of the ESAP: San Miguel will conduct exhaustive audits to check the conditions of all systems and equipment (e.g., electrical systems, surface drainage systems around

areas that store chemicals and fuels, boilers, chemical storage tanks, protection systems against fires, bombs, etc.) particularly in the older installations, and will develop action plans to improve conditions or update the systems and equipment gradually, following a hierarchical mitigation strategy based on giving priority to the greatest deficiencies.

In line with San Miguel's commitment to respect for the human rights of neighboring communities, and following the project area of influence concept established in IFC PS 1, truck traffic entering and leaving San Miguel's plantations and industrial facilities contribute to the impact (cumulative impact) on neighborhood traffic and possibly to the safety of those living in the neighboring communities.

Although the magnitude of the impact is strongly correlated with the characteristics and specifics of the surrounding area, in order to standardize the management of this type of impact, Action No. 10 of the ESAP establishes that San Miguel will develop and implement a procedure for managing the risks associated with its subcontractors' drivers, including: (i) defensive driving instruction; (ii) visual inspections of the conditions of each truck; and (iii) drivers' qualifications/certifications requirements.

e. Workers Contracted by Third Parties.

San Miguel has permanent contractors for cleaning, maintenance and surveillance tasks at its installations. In addition, personnel engaged in the harvest are contracted on a temporary basis (also called temporary workers). In Uruguay and Peru, San Miguel contracts temporary harvest workers directly. In Tucumán, the usual method is to contract such workers through an intermediary.

f. Supply Chain

It was possible during the evaluation visit to determine that health and safety conditions in the working environments at the plantations were adequate. In addition, in order to hear their opinion, IDB Invest staff interviewed a union delegate from the UATRE ([3]) in the city of Famaillá, Tucumán. During the interview, the delegate expressed to IDB Invest his satisfaction with the conditions for contracting temporary staff and with San Miguel's compliance with the contractual commitments assumed vis-à-vis the workers, indicating that for him the workplace health and safety conditions, the training provided by San Miguel, and San Miguel's ongoing willingness to address the concerns and questions of temporary personnel proved to be adequate.

4.3 Resource Efficiency and Pollution Prevention

a. Resource Efficiency

As a significant aspect of its environmental management, San Miguel designs and implements techniques whereby it seeks to continuously increase efficiency in the use of basic resources such as water, electricity, and fuels and at the same time reduce pollution through correct environmental management and the use of modern technology and the recycling and/or reuse of waste. Provision is made for the measurement of improvements in resource efficiency in the design of the corporate-level Integrated Management System, through the use of Key Performance Indicators (KPI) of Environmental Performance, among other indicators, which will require environmental managers in each country where San Miguel operates to provide information.

i. Greenhouse Gases

The Companies have provided data that IDB Invest used to estimate the Greenhouse Gas (GHG) emissions from San Miguel's global operations. The annual global GHG emissions are estimated at

106,710 tonnes CO₂ equivalents. The Companies have a continuous improvement group that evaluates technically and financially feasible options to reduce or offset project-related GHG emissions. For example, at the Famailla facility in Argentina, the Company reduced its consumption of natural gas from 72 m³/ton of processed product in 2015 to 69 m³/ton in 2017. This resulted from initiatives such as better automatization of equipment and optimization of processes. In addition, the Company is currently evaluating a project to use biogas. Of the 15,000 m³/day that is generated at the Famailla facility, the company uses 10% of the biogas to heat the effluent that enters the anaerobic digester reactor in order to increase its efficiency. There are ongoing studies to determine where the company will reuse the remaining biogas, either vapor generation in boilers or electricity generation plus further heating capacity of incoming effluent. Beginning in 2019, the Company will include GHG emissions on its sustainability reports. The results of the GHG inventory will be used for a future long-term GHG emission reduction plan.

ii. Water Consumption

The efficient use of water is a commitment made by San Miguel as part of its adherence to respect for human rights. As could be noted during the due diligence visit, San Miguel's technical personnel prepare and apply water management plans for its crops and design water saving strategies at the industrial installations.

In Tucumán, San Miguel uses underground water at its Famaillá plant; consumption is measured with flowmeters. At the Tucumán farms, surface and underground water is used. The amount of water used at the farms is authorized and audited by the government; irrigation is done using drip irrigation or micro sprinkler irrigation. At the Novacore plant in Uruguay, tap water and well water is used (approximately 60%). At the Young packing plant, water is provided by the public utility through the network. At the plantations in Uruguay, the water sources used are surface and underground; they have authorization from DINAGUA (National Water Directorate). Irrigation at the farms in Uruguay is drip irrigation and the dose is based on a calculation program. The quality of water for irrigation is constantly monitored. At the Chíncha plantations in Peru, water is drawn from 22 wells and conducted to pools where it is decanted; it is filtered later and applied using the drip method. Irrigation is used to supply fertilizer through a computerized system to 15 farms. At the plantations in Chepén, Peru, the water comes by means of channels from the Gallito Ciego dam; San Miguel has been granted an annual flow of 15,000 m³/hectare; the water is conducted to a large, 124,000 m³ reservoir and from there to smaller 20,000 m³ reservoirs from which it is taken, filtered and automatically supplemented with fertilizers and ultimately distributed through a drip system. Both Chíncha and Chepén have Water Management Plans whereby they seek to use the resource sustainably; those plans provide for the monitoring of water consumption, analysis of the physical-chemical and bacteriological quality and conductivity of the irrigation water. There are also plans to supply fertilizers through irrigation.

In order to standardize water management in the countries where San Miguel operates, Action No. 11 of the ESAP establishes that San Miguel will develop comprehensive water management plans for each installation. Those plans will be based on specific water balances at the site that take into account all the activities carried out, the objective being to: (i) consider opportunities for reuse and recycling of treated water, whenever feasible; (ii) consider the potential impact on the water balance before beginning new activities; (iii) minimize the impact on natural systems by adequately managing the use of water, avoiding the exhaustion of aquifers and minimizing impacts on other users.

b. Pollution Prevention

i. Wastes

San Miguel operates four industrial plants (Novacore, Famaillá Plant, Young Packing Plant and Chinchá Plant) which produce industrial effluents primarily from the water used to wash fruits and installations. Domestic effluents from the plantations are disposed of in cesspits or taken away by authorized companies.

The Famaillá treatment plant has operational deficiencies although it is undergoing an improvement process to achieve full compliance in 2020. Treated effluent is monitored continuously and the results are sent on-line to the enforcement authority (SEMA - Tucumán). For its part, as indicated under Action 12 of the ESAP, San Miguel will conduct an environmental impact assessment of current and proposed effluent disposal options at the company's Famailla facility. As part of the impact assessment, the company's wastewater treatment system capacity/performance and disposal options will be reviewed. San Miguel will hire an external qualified consulting firm with proven international experience in undertaking similar work elsewhere. Scope of work will be phased and include: (i) San Miguel will develop a TOR, in consultation with IFC, to conduct a detailed environmental impact assessment related to potential impacts for disposal options being considered. This TOR will be drafted based on the result of a Rapid Assessment performed by a Consultant managed by IFC and hired by the Company. Disposal of treated effluent to surface water or land application must comply with regulatory requirements and PS3 objectives; where land application is considered, establish specific criteria that take into account the assimilative capacity of the receiving environment (consideration of hydrologic, agronomic and seasonal conditions included) with the objective of protection of human health and environment; (ii) hire an external qualified consulting firm with proven international experience in undertaking similar work elsewhere (iii) Undertake the environmental impact assessment as per (i). Develop a costed and time-bound action plan (in consultation with IDB Invest and IFC) to achieve compliance with regulatory requirements and PS3 objectives and allocate appropriate human and financial resources to implement this action plan; (iv) Implement action plan for disposal of effluent to achieve compliance with regulatory requirements and PS3 objectives; and (v) Develop and implement a comprehensive long-term monitoring program for the receiving surface water bodies located downstream of the Famailla processing plant as well as soil and groundwater at locations where effluents are applied.

The parameters for discharge from the Novacore Plant in Paysandú are not consistent with the requirements of current legislation (discharge BOD values are higher than 700 mg/l). It has been reported that the homogenization and sedimentation facilities will be improved during 2019 to allow correct operation of the treatment ponds. In view of the results of the evaluation, Action No. 13 of the ESAP establishes that San Miguel should conduct a complete evaluation of the Novacore effluent treatment plant and prepare a corrective measures plan to improve its operation as well as guarantee that the quality of the treated effluent complies with national requirements and/or those indicated by the WBG's EHS Guideline values for food and beverage processing.

Considering that the proposed transaction envisions a new processing plant in Young, Uruguay and could eventually plan the construction of new industrial plants, the treatment plant to be constructed must have the capacity to meet the treated effluent quality parameters required by WBG's EHS Guideline values for food and beverage processing and national requirements. In this regard, Action No. 14 of the ESAP has established as follows: The new processing plant in Uruguay will have an associated wastewater treatment plant. This plant will be designed with proven technologies and capacity to treat maximum effluent volumes at maximum projected production and to guarantee compliance with the requirements of national legislation and the World Bank Group's guidelines for food and beverage processing.

Domestic waste is generated at the farms or plantations and in the administrative areas; at many facilities they are separated for recycling (nylon, paper, cardboard and glass). Empty phytosanitary containers are triple-washed, perforated and stored temporarily until an authorized agent removes

them. Workshop wastes such as oil containers, filters, fuel-soaked rags, used oil, etc. are collected and held until they are removed by authorized companies. Muds from washing fruit are managed as special waste or as soil fertilizer depending on their composition. Waste from the industrial plant, such as wood, scrap metal, cardboard or nylon, is separated for recycling.

ii Handling of Hazardous Materials

During the due diligence visit, it was noted that hazardous materials are generally managed correctly. However, there is no systematic method for storing hazardous materials such as fuels, pesticides, fertilizers, oils, etc. Thus, Action No. 15 of the ESAP establishes that San Miguel will ensure that hazardous materials storage areas are designed and constructed according to good industrial practices in all locations where the Companies operate. The Companies will conduct audits and will develop an action plan to manage hazardous materials storage and handling areas according to good international practices at all operational sites. The corporate audits will also evaluate pesticide storage facilities and will develop a plan to improve or construct new storage facilities in locations where such facilities fail to comply with national requirements and internationally accepted good practices (GIIP)

iii Pesticide Use and Handling

It has been noted that San Miguel handles the purchase, storage, application and final disposal of pesticides in a responsible way. Their use is minimized as much as possible. In Uruguay, during 2009, San Miguel validated control traps using attractive bait against the Mediterranean fruit fly, installing up to 60 traps per hectare and thus avoiding the use of agrochemicals. The Comprehensive Pest Management carried out by San Miguel excludes the use of WHO class Ia and Ib and class II products. Aerial spraying is done with GPS-equipped planes; reports are generated showing sites where the plane went and the amount of pesticide used. Spraying is planned for the early morning hours or over the weekend, and weather conditions are considered to reduce potential effects on neighboring communities as much as possible (spraying is not done when wind speed is higher than 10 km/h). Tractor spraying is done, minimizing the use of pesticides with the use of modern spraying equipment.

In order to standardize spraying practices in all countries where San Miguel operates, Action No. 16 of the ESAP establishes that San Miguel will prepare a procedure for aerial spraying of chemicals in accordance with FAO Guidelines. The procedure will include the monitoring of weather conditions during aerial spraying, proactive communication with neighbors and buffer safety areas for cities, small towns or homes

4.4 Community Health and Safety

a. Security Personnel.

Security personnel at the industrial plants are generally contracted and have internationally accepted security protocols. It has been noted that security at San Miguel properties is not systematically protected. Currently, San Miguel does not have a security procedure for managing the security of its properties in a standardized manner in all the countries where it operates; such prerogatives are necessary to avoid potential conflicts with members of the community. In this regard, based on Action No. 17 of the ESAP, San Miguel will establish clear security protocols, including interfacing with the police force, and will train its security guards accordingly. In addition, the approach will include training for community members to submit complaints (including anonymous complaints) with regard to security personnel as part of the external grievance mechanism.

4.5 Conservation of Biodiversity and Natural Habitats

a. Protection and Conservation of Biodiversity.

San Miguel's activities are generally carried out in areas already subject to human intervention and do not, *a priori*, entail an impact on protected areas and/or species that are threatened or in danger of extinction.

In Tucumán, San Miguel has developed, along with the NGO Pro-Yungas, the Productive Landscape Program to preserve the Yungas native forest ([4]). The objective of the program is to integrate production, the conservation of biodiversity and associated ecosystem services.

To implement the program, San Miguel has made available its productive farm in Caspinchango, which covers 7,278 hectares in the department of Monteros (Tucumán province) where it has 1,006 hectares used for the production of lemons. It has assigned 6,272 hectares as wilderness, wherein 4,610 hectares are native forest. To date, San Miguel and Pro-Yungas have done a study of mammals through a photographic record using permanently-installed cameras. The program plans to continue measuring the physical parameters of the soil and water in order to identify potential environmental impacts on the reserve. San Miguel plans to replicate this program in other countries where it operates.

b. Supply Chain

Although San Miguel enters into contracts to purchase fruit from third parties, it ensures, through scheduled audits, that those suppliers use the same good agricultural and integrated pest management practices and adopt procedures to ensure appropriate labor and workplace health and safety practices, the rational use of natural resources and the prevention of environmental pollution. In this regard, the control that San Miguel exercises over its suppliers to avoid impacts on biodiversity in the environments where its suppliers are active may be considered acceptable.

5. Local Access to Project Documentation

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6. Environmental and Social Action Plan - See Annex

Contact Information:

For questions and comments regarding the projects, including environmental and social issues

related to an IDB Invest transaction, please contact the client (see Investment Summary file), or IDB Invest by e-mail requestinformation@idbinvest.org. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism via e-mail at mecanismo@iadb.org or MICI@iadb.org, or telephone at +1(202) 623-3952.

[1] Tesco Nurture: Best agricultural practices; Global G.A.P. quality assurance and food safety; HACCP preventive process to ensure food safety; TESCO Packaging, TESCO requirements for packaging; SMETA Audit procedure that uses the Ethical Trading Initiative (ETI) Code; BRC - British Retail Consortium standard for achieving requirements of the Global Food Safety Initiative; SGF Sure Global Fair certifies authenticity of fruit juices; ISO 22.000 international standard on food management system from the supply chain to points of sale; OHSAS 18.001 international occupational health and safety quality management standard.

[2] The Environmental and Social Action Plan includes corrective actions with regard to Occupational Health and Safety.

[3] Argentine Union of Rural Workers and Stevedores (*Unión Argentina de Trabajadores Rurales y Estibadores*).

[4] Yunga or Yungas refers to an ecoregion of the Andean forest and mountain jungle extending along the eastern edge of the Central Andes from northern Peru to northern Argentina. It is characterized by its vegetation and rainy, tropical climate. The Yungas are very important as corridors for animal species and play a significant role in retention of waters arising from the Yunga as river flows irrigating large areas. They also absorb greenhouse gases, mitigating the impacts of industrial activity.