

1. General Information on the Scope of the IIC Environmental and Social Review

On March 13-14, 2018, responsible staff from the Environmental, Social and Governance Division of IDB Invest (SEG) conducted the environmental and social due diligence visit regarding this transaction, conducting meetings with responsible company staff at the headquarters in Montevideo and the branches in Paysandú, Young, Mercedes, and Ombúes de Lavalle, including meetings with some clients and a visual assessment of the environmental and health and safety conditions of the installations.

2. Environmental Classification and Rationale

Considering the results of the assessment, in the light of the IDB Invest Environmental and Social Sustainability Policy, the transaction is classified as a category “B” operation. The potential environmental, social, and health and safety impacts and risks can be adequately managed through plans, programs, and procedures with known content that are widely used in the sector.

The following potential environmental, social, and health and safety risks and impacts linked to the transaction are worth noting: i) the probability of personal accidents of the company’s own and contracted workers associated with vehicle operation, maintenance work in mechanical workshops, and activities at forest harvest fronts; ii) potential contamination of the soil and/or surface water due to accidental spills of fuels and/or lubricants and/or effluents from washing machinery; iii) potential impact on road safety in neighboring communities or third party areas that could occur due to improper operation of the company’s vehicles or vehicles transporting machinery on routes. Given the nature of the potential impacts and the identified risks, the following IFC Performance Standards 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), and PS 4 (Community Health and Safety). Performance Standards 5, 6, 7, and 8 are not considered applicable to the transaction.

3. Environmental and Social Context

Interagrovia carries out its activities in areas already subject to human intervention. The installations are usually located on the outskirts of cities and alongside national routes, with the respective clearances. Activities on forest fronts are also carried out in woods specifically designed for timber production, with the clearances granted by the respective enforcement authorities. Thus, the company’s activities do not in principle represent interference with protected natural environments or areas with high biodiversity value.

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

4.1 Evaluation and Management of Environmental and Social Risks and Impacts

a. Environmental and Social Management System

To manage its commercial operations, Interagrovia groups them in six territories (Soriano, Colonia, Artigas-Salto-Paysandú-Young, Tacurembó-Durazno-Florida, Maldonado-Rocha, and Cerro Largo-Treinta y Tres). A management office called “territory management” has been designated for each territory. In turn, all the territories are managed on a cross-cutting basis by six national level management offices in the following areas: System, Loans, Administration, Sales, Post-Sale, and Human Resources. The territory managers and national managers report to an Executive Director. The following positions are assigned within each territory: Workshop Manager, Spare Parts Manager, Sales and Administration Advisors. Occupational health and safety is managed at the

central level by an OHS Coordinator, who reports to the Human Resources Manager. Environmental and social management has not been formally assigned at the central level. As established in Action 1.2 of the Environmental and Social Action Plan, Interagrovia will proceed to designate, to the satisfaction of IDB Invest, an Environmental and Social Coordinator at the national level, who will act in conjunction with the OHS Coordinator.

Following the indications of Performance Standard 1, the company will adopt an Integrated Environmental, Social, and Health and Safety Management System applicable to all activities carried out by the company's own and contracted personnel to ensure that the system is aligned with the continuous improvement cycle, which means requiring inclusion in the system of the stages of planning, implementation, verification, and correction. It should be emphasized that Interagrovia has developed and implements basic environmental, social, and health and safety management tools, aligned with the continuous improvement philosophy, through the annual planning of activities, implementation of procedures and guidelines, verification of implementation through periodic audits, and correction through measures adopted by decision of responsible staff with the approval of Management. The following paragraphs detail the changes needed to design and implement a basic integrated system that complies at a minimum with the requirements of IFC Performance Standard 1.

b. Policy

Interagrovia has spelled out an Occupational Health and Safety (OHS) Policy that seeks to ensure compliance with current legislation and the implementation of continuous improvement. As established in Action 1.1 of the Environmental and Social Management Plan (see Annex), Interagrovia will develop an Environmental, Social, and Health and Safety Policy that complies with current legislation in the country, international treaties to which Uruguay is a signatory, and the IFC Performance Standards applicable to the company's activities.

c. Identification of Risks and Impacts

Interagrovia identifies risks in the area of occupational health and safety through matrices developed annually. It is not clear that potential environmental and social impacts are also identified and evaluated systematically. Additionally, it has been possible to determine that the current management system focuses on the activities of the headquarters and branches, including administrative facilities and workshops, but not activities associated with the provision of services on forest fronts. Although the activities associated with these services are governed by procedures and standards imposed by the forestry client, IFC Performance Standard 1 requires, for these cases, that Interagrovia incorporate the environmental, social, and health and safety management of such activities in its own integrated management system.

As established in Action 1.3 of the Environmental and Social Action Plan, Interagrovia will develop matrices for the identification and evaluation of environmental aspects and occupational hazards associated with all Interagrovia activities, including those related to services provided on the harvest fronts. The degree of significance of potential impacts and risks will be determined based on consideration of their severity and probability of occurrence in each case. The matrices will indicate the preventive and/or corrective actions to be implemented, the responsible party, and the respective implementation period.

d. Management Programs

In the Environmental Plan, Interagrovia states as environmental objectives the reduced generation of waste and pollution, promotion of recycling and reuse of waste, raising the environmental

awareness of employees and the community, staff training, and the creation of a fund based on the sale of waste, intended for community actions. The referenced Plan states the guidelines for managing the removal of wastes. In addition, the 2018 Occupational Health and Safety Program identifies the tools for managing the occupational risks associated with the activities of Interagrovia's own and contracted staff, establishes an annual schedule of monitoring and follow-up activities, and a program for conducting evacuation drills in emergency situations.

Interagrovia has prepared health and safety and environmental management procedures such as those related to the handling of batteries, sale of batteries, dynamic tests with machinery, selective waste collection, collection and storage of used oil, oil spills, and work-related accidents. In addition, Interagrovia has prepared management plans such as the Chemical Products Risks Prevention Plan and guidelines for implementing preventive actions for specific tasks, such as Safe Analysis of Tasks, Permission for Critical Tasks, and Inspections in the area of health, safety and the environment (audits). Preventive tasks include periodic visual inspections of the operational safety of vehicles and forklifts.

e. Organizational Capacity and Competency

The OHS Division has prepared and implements an Annual Training Plan in the area of health and safety. That plan includes subjects such as basic safety concepts, fire prevention, use of extinguishers, use of fire hoses, awareness-raising sessions, first aid, handling of chemicals, supervision of health and safety. In the area of training, Interagrovia conducts annual emergency drills. Some audit reports during 2017 indicated that the Paysandú and Young branches did not have emergency plans nor did they conduct emergency/evacuation drills.

As established in Action 1.4 of the Environmental and Social Action Plan, Interagrovia will develop an annual Training Plan. In preparing that plan, it will consider significant environmental aspects and occupational risks, identified through implementation of the respective matrices, as well as the enactment of new legislation and/or the adoption of new technologies and/or the typology and severity of personal accidents that have occurred. The Training Plan will provide for identifying the type of courses or training to be provided (including emergency drills), individuals selected for training, the dates and sites selected for conducting each course, those responsible for providing the training, and the forms planned for recording attendance.

f. Emergency Preparedness and Response

What the company calls its Contingency Plan was available during the evaluation. That document identifies possible emergency scenarios in general, and two in particular: occurrence of fire and loss of information on servers. In the event of fire, detection and extinguishing facilities and the role of the fire brigade are described. In the case of possible loss of information, potential causes (fire, extended power outages, hardware breakdowns, sabotage, and computer viruses) are considered and the preventive measures implemented are listed.

As indicated in Action 1.5 of the Environmental and Social Action Plan, Interagrovia will prepare and implement an Emergency Preparedness and Response Plan at headquarters and in each of the branches. At a minimum, each plan will include: identification of possible emergency scenarios, definition of responsibilities for addressing the emergency, identification of external actors (hospital, firemen, police, etc.), communications flowchart (including telephone numbers), evacuation plan with a diagram indicating meeting points and emergency exits planned, diagrams with the location of the fire suppression network, fire extinguishing equipment, firewalls, flammables storage, fire room, power cut-off valves, and servers room. Responsibilities during weekends and holidays will be defined. Each plan will be revised annually to verify that it remains in effect.

g. Monitoring and Evaluation

Working conditions and activities at each branch in the area of health, safety, and the environment are monitored and evaluated through periodic audits. Audit results, as well as the records of accident rate indicators and waste generation are entered in an OHS report, which is submitted for analysis by the Safety Committee on a quarterly basis and forwarded to the Board on a monthly basis. Monitoring activities and reporting of results in the area of health and safety are planned on an annual basis (schedule of OHS activities), including monitoring of indicators and training and instruction activities (drills).

As established in Action 1.6 of the Environmental and Social Action Plan, Interagrovia will adopt performance indicators on environmental, social, and health and safety matters associated as much as possible with quantifiable aspects, the measurement and monitoring of which make it possible to assess their development over time. The data will include at a minimum the monthly consumption of electricity, fuel, and water for general uses (not for drinking).

To ensure the maintenance of adequate health and safety conditions in the workplace and adequate environmental management and as established in Action 1.7 of the Environmental and Social Action Plan, each year Interagrovia will prepare an OHS and Environmental Monitoring Plan. That plan will be applicable to all Interagrovia activities, including those carried out on forest fronts. In the area of OHS, the plan will include at a minimum periodic checks of the earthing resistance of electrical panels, illumination intensity, status and load of fire extinguishers, checking of status and operation of fire extinguishing systems, quality of drinking water supplied in drums (bacteriological every six months and physicochemical every year), periodic technical review of hoisting equipment and pressure equipment by qualified and authorized personnel. The Plan will also include calculation and monthly monitoring of the frequency index and severity index for the company's own personnel as well as contract personnel. On the subject of the environment, the Monitoring Plan will include measuring the quality of effluents from machinery washers and monthly monitoring of environmental performance indices.

h. Participation of Social Stakeholders

Interagrovia's activities do not in principle entail direct adverse impacts on neighboring communities. However, the company disseminates its activities and maintains channels of communication through social networks and a contact form published on its website for receiving queries or opinions regarding its commercial operations, services, or any other subject. These channels are valid for receiving potential complaints from users of products sold or from members of the community in general.

4.2 Labor and Working Conditions

a. Working Conditions and Labor Relations Management

Intragrovia has a staff of 220 of its own employees, 30 of whom are women. Contracted staff amounts to 31 people, 11 of whom are women. As established in Action 2.1 of the Environmental and Social Action Plan, Interagrovia will proceed to monitor the extent to which women participate as Interagrovia staff, seeking to achieve the goal of 30% female participation over a period of five years, periodically reporting the respective indicators

All personnel are insured in the Banco de Seguros del Estado [State Insurance Bank] (BSE). In the event of accident with days lost, the BSE covers the percentage of the respective salary during the down time. Medical services unrelated to occupational illnesses or accidents are covered by private

entities (mutuals).

Interagrovia does not have a complaints and claims mechanism for its own and/or contracted personnel. According to Action 2.2 of the Environmental and Social Action Plan, Interagrovia will prepare and implement a mechanism for receiving and resolving complaints or claims that may be referred by any of its own or contracted staff, including by anonymous means.

b. Occupational Health and Safety

The Health and Safety Division supervises workplace health and safety conditions through periodic internal audits and supervisory visits, identifying preventive and/or corrective measures to be implemented and establishing the implementation period.

Interagrovia has prepared a procedure for the management of work-related accidents. The accident rate is monitored by measuring the frequency index. Accidents or near misses are investigated by means of root cause analyses.

4.3 Resource Efficiency and Pollution Prevention

a. Resource Efficiency

Interagrovia has incorporated the goal of reducing the consumption of electricity. Lighting fixtures were adapted to LED technology and the company has installed solar panels at the headquarters in Montevideo and branches in Tacuarembó and Tomás Gomensoro, thus generating an energy surplus that is sold to the company supplying electricity (UTE). Interagrovia uses tap water at headquarters in Montevideo; the branches use either tap or well water. The branches with mechanical workshops wash machinery but the water used for these tasks is not quantified.

As established in Action 1.6 of the Environmental and Social Action Plan, Interagrovia will define and monitor specific indicators on the consumption of electricity, water, and fuel, including activities in forest project fronts.

b. Greenhouse Gases

Interagrovia has not yet quantified the generation of greenhouse gases (GHG) associated with its operations. As established in Action 3.1 of the Environmental and Social Action Plan, Interagrovia will prepare a GHG inventory. The methodology to be adopted could be based on ISO Standard 14064-1, using the GHG Protocol Corporate Accounting and Reporting Standard (CARS) as the working guide.

c. Pollution Prevention

Mechanical maintenance activities produce wastes that are managed in compliance with current legislation, generating used oil (from 800 to 3,200 liters per month), oil filters, used batteries (between 700 and 2,300 kilos per month), and some tires. These wastes are removed by companies authorized by the Dirección Nacional de Medio Ambiente [National Environmental Directorate] (DINAMA). Domestic type wastes are generated by administrative facilities (quantities vary between 11 and 20 dump trucks per month), removed by the municipal service, and disposed of in the respective dumps. Interagrovia complies with current legislation (Law 17.775 - Decree 373/03) on battery recycling, taking in a used battery for every new battery sold. The used batteries are managed at the national level through the Red Nacional de Reciclado de Baterías [National Battery Recycling Network].

Interagrovia has a procedure for managing generated wastes, establishing the selective collection of wastes, although it does not indicate where the separated wastes are sent nor does it include plastic wastes such as the containers of sulfuric acid used to revive batteries. As established in Action 3.2 of the Environmental and Social Action Plan, Interagrovia will develop a procedure for managing solid wastes, specifying at a minimum the respective responsibilities, the types of wastes produced, the applicable current legislation, the construction and operational characteristics of temporary storage sites for such wastes, how each type of waste will be managed, parties responsible for implementing the procedure, the forms for records on removal by authorized companies that specify the type and quantity of the waste removed.

Sewage from the facilities is discharged to the municipal system or disposed of in pits. Liquid effluent from washing machinery is collected and treated by means of systems that separate out grease and oils before the effluent is dumped in the soil. It has been noted that the treatment technology varies according to the branch visited and there are no records on monitoring the maintenance and operation of such systems nor the quality of the effluent treated and then usually dumped in the soil. According to Action 3.3 of the Environmental and Social Action Plan, Interagrovia will submit to IDB Invest a survey of all vehicle washing facilities, describing the existing installations and the respective effluent treatment systems, indicating in each case the scrubbing technology used, the preservation and operation status, and attaching effluent quality records as applicable. According to the results and with the agreement of IDB Invest, Interagrovia will develop an improvement plan for those facilities providing, as necessary, for a change in technology to ensure that the quality of the final effluent complies with current legislation and with the guidelines established in the IFC's General Environmental, Health and Safety Guidelines - April 2007.

4.4 Community Health and Safety

Interagrovia activities that could have a direct impact on the health and safety of neighboring communities are associated with possible road accidents due to the movement of the company's own vehicles and agricultural equipment on local routes and roads. Although the company's vehicles are equipped with satellite speed control, it is not clear that vehicle operation is specified in documented form. Under Action 4.1 of the Environmental and Social Action Plan, Interagrovia will prepare and implement a specific procedure on the safe operation of all types of company vehicles, which will be binding on all personnel.

Under Action 4.2 of the Environmental and Social Action Plan, Interagrovia will prepare and implement a specific procedure for moving agricultural machinery on local routes and roads, intended to minimize the risks of personal accidents associated with such movement and in line with current legal requirements (Decree 556/13 MTOP) and best international practices. That procedure will be applicable to the company's own personnel or contracted personnel as appropriate.

5. Local Access to Project Documentation

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6. Environmental and Social Action Plan. See Annex

Contact Information:

For queries and comments regarding projects, including environmental and social issues related to an IDB Invest transaction, please contact the client (see Investment Summary file) or IDB Invest via e-mail at 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 by telephone at +1(202) 623-3952