

Environmental and Social Review Summary (ESRS) LAR – PARAGUAY

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1. General Project information and scope of IDB Invest’s environmental and social review

Over the past 25 years, LAR Paraguay has been engaged in selling agricultural inputs, stockpiling and selling grains (soybean, corn, wheat, among others), rendering input financing services (fertilizers, seeds, herbicides, insecticides, fungicides, vegetable nutrition products, and fuels) and advisory services to farmers aimed at increasing productivity ¹. LAR exports most of the grain sold by its customers (or that received in consideration for the inputs sold by LAR) to Brazil. The Company’s headquarters are located in the city of Hernandarias, and it has 16 operational units ², 8 of which are owned by the Company while the remaining 8 are leased. They include silos for grain storing (except for LAR Bella Vista) and a chemical products warehouse (except for Operacional Cadisa, Operacional Santa María and LAR Feliponi), allowing stockpiling a total of 265,500 tons. In Itakyry (Alto Paraná), the Company has 100 hectares, out of which 14 hectares are earmarked for gum tree reforestation.

In late July 2021, the Company had 202 payroll employees (16% of whom are women) and 48 were temporary employees. The Company has 110 medium-sized vehicles, 23 trucks, 16 tractors and 11 forklifts. The number of customers is estimated at 1,200, with properties covering about 622,000 hectares.

The Project consists in providing financing to LAR Paraguay in order to substitute the credit lines with suppliers, currently granting higher rates and shorter terms of payments, which will enable financing its customers. The Project is expected to strengthen LAR Paraguay’s agricultural value chain and increase agricultural products exports.

During April and May 2022, the personnel in charge of IDB Invest’s Social, Environmental and Governance (SEG) Division performed the virtual environmental and social due diligence of the transaction considering the conditions imposed by the COVID-19 pandemic.

2. Environmental and Social Categorization and Rationale

Considering the results of the assessment and IDB Invest’s Environmental and Social Sustainability Policy, the transaction is classified as a category B transaction. Although the potential environmental, social, and health and safety impacts and risks are considered important, it is feasible that they will be adequately managed through plans, programs and procedures that are well-known and widely used in the sector.

¹ Since 2021, LAR Paraguay has in place Programa +5000 Azul, which promotes: i) the importance of implementing the best agricultural practices; ii) advanced techniques in seed treatments; iii) soil analysis; iv) acidity correction techniques; v) soil restructuring and nutrition (in order to improve the soil microbioma); and vi) improvement of technologies to apply phytosanitary products (responsible use of agrochemicals).

² LAR’s units are as follows: Mbaracayu, Nueva Esperanza, Tape Porá, San Alberto, Operacional Santa María, Gleba 11, Procopio, Margarita, Marangatu, Santa Teresa, Yguazú, San Alfredo, Operacional Cadisa, Pacurí, Feliponi and Bella Vista.

They result from the application to the Project of the following Performance Standards of the IFC ⁽³⁾: PS1 Assessment and Management of Environmental and Social Risks and Impacts, PS2 Labor and Working Conditions, PS 3 Resource Efficiency and Pollution Prevention, PS4 Community Health, Safety, and Security, and PS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources. PS 5, 7 and 8 are not considered directly applicable to the transaction.

3. Environmental and Social Context

3.1 Project Area Overview

LAR Paraguay's activities and facilities are located in 5 departments in the Eastern Region of the country⁴, which represents 39% of the Paraguayan territory. Such region is divided into two subregions -the larger one covers the Paraguay River basin while the smaller one is in the Paraná River basin. The Eastern Region is mainly formed by tropical and subtropical forests with three mountain ranges: Amambay, Maracayú and Caaguazú. The tallest points are in the Ybytyruzú range, where the Tres Kandu peak of 842 meters above sea level is located. The annual mean temperature is 20° C to 25° C (although it could reach 38° C with a real feel of 40° C). Precipitations amount to up to 1,700 mm p.a.

According to the DGEEC (general statistics, surveys and censuses office), Paraguay's population was 6,953,646 in 2017. It is estimated that 60% of Paraguayans live in the cities. The major urban settlements in the country, such as Asunción (525,294 inhabitants) and Ciudad del Este (293,817 inhabitants), are located in the Eastern Region. The rural population living in small villages is predominant in the Western Region or Chaco. The Paraguayan population is the result of a heterogenous combination of mixed race individuals, creoles, indigenous population and Portuguese, German, Italian and Mennonite immigrants. According to the 2016-2017 Permanent Homes Survey, indigenous population totaled 122,461. In accordance with the DGEEC, in 2019, there were 493 indigenous communities in Paraguay from 5 linguistic families (Guaraní, Maskoy Language, Zamuco, Mataco Mataguayo and Guaicurú). The departments with the largest number of indigenous communities in the Eastern Region are Canindeyú (106 communities) and Caaguazú (59 communities), while in the Western Region they are Presidente Hayes (50 communities) and Boquerón (46 communities) ⁵.

The Eastern Region has a wide variety of birds such as the vulture, chimango caracara (*Phalcoboeunos chimango*), Eurasian sparrowhawk (*Accipiter nisus*), owl, ara, bare-throated bellbird (*Procnias Nudicollis*), chalk-browed mockingbird (*Mimus saturninus*) and great kiskadee (*Pitangus Sulphuratus*). Some of the main mammals include the howler monkey, ocelot (*Leopardus pardalis*), cougar (*puma concolor*), Geoffroy's cat (*Leopardus geoffroyi*), tapirus, wild boar (*sus scrofa*), anteater and armadillo (*Dasypodidae*). The most common fish are South American catfish (*Pseudoplatystoma*), river tiger (*Salminus brasiliensis*), corvina, Raphael catfish (*Platydras costatus*), rajiforms, bagre, patí (*Luciopimelodus*) and piranha. The aquatic ecosystem also hosts reptiles such as caiman, iguana and chameleon. Other major reptiles in the region are the coral snake and the ñandurire. Some of the most dominant plant species in Chaco are tabebuia,

³ International Finance Corporation (World Bank Group).

⁴ LAR Paraguay engages in its activities in the departments of Canindeyú, Caaguazú, Alto Paraná, Caazapá and Itapúa.

⁵ <https://www.ine.gov.py/news/news-contenido.php?cod-news=320>

quebracho, *urunday* (*Astronium balansae*), *pacara* earpod tree (*Enterolobium contortisiliquum*), *guayacán* (*Guaiacum*), *palo santo* (*Bulnesia sarmientoi*), *floss silk tree* (*Ceiba speciosa*), *guayubirá* (*Patagonula americana* L.), *palma caranday* (*Thrinax*), and several *laurels* (*Lauraceae*), among others. Through the SINASIP (National Protected Wildlife Areas System), the MADES (Ministry of the Environment and Sustainable Development) manages the protected wildlife areas in Paraguay, which were assigned different management categories. The Eastern Region includes the San Rafael Managed Resources Reserve, the Caazapá National Park, the Tapyta National Reserve, the Ñacunday National Park, the Kuri'y Wildlife Refuge, Susu Island Natural Monument, the Yabebyry Wildlife Refuge, and the Ybytirusú Managed Resources Reserve.

Over the past 5 decades, Paraguay—especially the Eastern Region - lost almost 90% of the original forest cover of the territory owing mainly to the expansion of agricultural activities. The loss and fragmentation of forest resources resulted in major negative impacts on the soil, water and biodiversity resources, thus contributing to climate change and affecting the living conditions of rural communities and, especially, of the indigenous communities depending on forests for survival.

3.2 Contextual risks

The main contextual risk is associated with the violence derived from robberies to individuals or stores as well as other criminal acts (mainly related with drug trafficking). Overall, these are deemed as medium risks, but they could be high in certain specific places in some cities (such as Ciudad del Este).

4. Environmental Risks and Impacts and Proposed Mitigation Measures

4.1 Assessment and Management of Environmental and Social Risks

4.1.a E&S Assessment and Management System

The Company will implement an integrated Environmental, Social, and Health and Safety management system (ESHSMS) following the guidelines of the IFC's Performance Standard 1. Such system will consider the results and experience gathered to date and will include the plans, programs and procedures necessary to achieve continuous improvement.

The ESHSMS will be implemented with an external consultant's support specifically hired therefor. LAR will appoint a leader in charge of coordinating the actions of the environmental, social and health and safety specialists, responding to third-party requirements and ensuring the system implementation and maintenance.

4.1.b Policy

LAR will include in the ESHSMS an Environmental, Social and Health and Safety Management Policy as instructed by the Company's Management, the applicable concepts of PS1 of the IFC, the results from the impacts and risks identification processes of the ESHSMS, as well as the objectives and goals identified during the ESHSMS implementation process.

The Environmental, Social and Health and Safety Management Policy will include promoting compliance with Paraguayan environmental legislation (for example, preventing illegal deforestation) and the Performance Standards applicable to the Project. In connection with LAR's supply chain, the Policy will establish that LAR will only purchase inputs from suppliers not employing child or forced labor or whose products are not originated in regions with the risk of significant conversion of natural or critical habitats. The Policy will be applied trying to meet the 100% traceability goals in order to ensure that the origins of the products are sustainable and promote the identification and implementation of the best environmental practices.

4.1.c Identification of Risks and Impacts

LAR will prepare environmental aspects and occupational hazards identification and assessment matrixes integrating them into the ESHSMS. On the other hand, the legal aspects will be compiled and assessed in a specific matrix. Such matrixes should consider, among other issues, the aspects and risks identification and assessment specifications indicated in the IFC's PS1.

4.1.c.i Direct and indirect impacts and risks

Most of LAR's stockpiling facilities have one access gate with security booths, parking space for transportation vehicles, an agrochemicals warehouse, a grains reception, drying and storage area, a firewood storage area, and living quarters and an office area. The facilities are subject to an environmental impact assessment subject to approval by the MADES. Agrochemical and grain warehouses have approval certificates issued by the SENAVE (National Plant and Seed Quality and Health Service) and the facilities have fire systems certified by the Fire Department. Vehicles are authorized by the DINATRAN (National Transportation Office) and the SENAVE to transport agrochemicals and fertilizers.

In general terms, the main environmental risks and potential impacts of the Project are: i) potential pollution and subsequent impact on the air, soil and water quality in the event of mismanagement of pesticide spraying activities, leaks and management of used containers; ii) potential impact on biodiversity and climate due to the illegal deforestation of forests; iii) risk of traffic accidents of the Company's own or hired vehicles. The potential effect on payroll and hired employees health and safety is mainly related to the occurrence of: i) traffic accidents; ii) occupational accidents from tool and materials handling; iii) risk of falls due to work at heights in silos; iv) fire and explosion events in tunnels and drying kilns in silos; v) risk of intoxication due to potential deficiencies in hazardous substance handling in warehouses; vi) ergonomic risks while handling firewood in silos; and vii) respiratory and hearing risk for possible deficiencies in air and noise quality management in silos.

4.1.c.ii Analysis of alternatives

No alternatives have been analyzed because the Project does not expect substantial modifications to the type and magnitude of the risks and impacts associated with LAR's activities.

4.1.c.iii Cumulative impact analysis

The Project will not generate any substantial incremental impacts. However, it is estimated that its activities will contribute to generate increases in 3 ecosystem value components: i) traffic around its operational facilities; ii) increase in environmental noise levels; and iii) increase in air pollution.

4.1.c.iv Gender risks

The gender gap in Latin America and the Caribbean is enormous; it is defined as differential, unequal access to work, education, economic and political participation opportunities based on sex or gender. This gap is supported by widespread cultural rules for what is acceptable for men and women, and is exacerbated by weak legal safeguards or inadequate social response. The gender gap leads to gender-based discrimination, unequal access to public services, educational differences, work and pay gaps and lower rates of political participation. The gender gap rate for Paraguay is at par with other 5 countries at 0.7, which is better than only one country out of the other 26 countries in the region⁶.

Gender-based violence and harassment (GBVH) are also a major problem in Latin America and the Caribbean, which accounts for the highest rate worldwide. A total of 37 femicides were reported in Paraguay in 2019⁷. Gender-based violence has been exacerbated by the COVID-19 pandemic. The most recent report issued by the UN Committee on the Elimination of Discrimination against Women about Paraguay declares that the country has shown some progress in the last few years in terms of legislation and government programs, but some areas of concern still remain⁸.

According to the information provided by LAR during the due diligence: i) women occupy 25% of all administrative positions, 10% of middle management and 8% of management positions; ii) the Company has living quarters and specific services for men and women; iii) personal protection equipment is acquired based on specific gender design; iv) in compliance with legislation (Law No. 5,508, as amended by Law No. 6,453), LAR has rooms for exclusive use of women while breast-feeding; v) during the past 5 years, LAR has been carrying out the “Semana de la Mujer” (Women’s Week), a public event where conferences are held on women’s rights, as well as on health and family issues; vi) personnel is hired without any discrimination based on gender or race, solely prioritizing the skill and knowledge of the position to be held. In the light of equal skills assessed by a third party, LAR will promote the involvement of women and will periodically monitor their share in the work force. Likewise, LAR will prepare a procedure to manage reported sexual harassment, discrimination or any type of gender violence under strict confidentiality, preventing any retaliation.

4.1.c.v Climate change exposure

The financial risk generated by LAR adopting operations and practices that involve a low carbon generation is considered low, in terms of the emissions caused by LAR’s own activity (mainly associated with vehicle movement). Also, LAR’s risk of exposure to adverse climate-change events (mainly floods and heat waves) is deemed moderate, though creeping up.

⁶ <https://www.statista.com/statistics/803494/latin-america-gender-gap-index-country/>

⁷ Number of femicides in Latin America per country in 2019 | Statista.

⁸ CEDAW PARAGUAY

4.1.d Management Programs

LAR will review and potentially improve operational procedures to ensure that they consider managing the environmental and social aspects and occupational risks identified previously, that responsibilities are adequately assigned, and that the records generated are adequately managed as established in the procedure earmarked for documentation management.

LAR's environmental and health and safety, and industrial hygiene requirements from its contractor companies are based on current legislation and were summarized by LAR in the Safety and Environmental Program for Contractor Companies to be complied with by all contractors.

However, considering that, under PS1, all the persons or personnel from contractors should not be considered as a third party but as an integral part of the Company, LAR will prepare the Goods and Services Suppliers Rules whereby it will specify the requirements in the ESHSMS applicable to each supplier. Each existing supplier will be required to sign a commitment to meet the abovementioned rules. In the case of new suppliers, the Rules will be attached to the goods and services provision agreements.

4.1.e Organizational Capacity and Competency

LAR requires that all its personnel be trained in equipment safety and management for the sector in which they work. In addition, it also requires that all contractor personnel be instructed on the effective safety standards as a requirement to be hired.

In order to systematize training activities, LAR will draft an Annual Training Program including training and awareness activities on the prevention and management of the identified risks and impacts, as well as on the content and implementation of the new ESHSMS. The training activities related to the implementation of the ESHSMS will be attended companywide, including by Management, operational leaders and personnel in general.

4.1.f Emergency Preparedness and Response

LAR has prepared a general emergency preparedness and response plan describing the basic actions, equipment and resources to address an emergency. Preventive and emergency response actions related to agrochemical management are described in each Environmental Management Plan approved by the related enforcement authorities for each operational facility.

In order to systematize and standardize criteria on the drafting of emergency preparedness and response plans, LAR will prepare a general Emergency Preparedness and Response Plan indicating the minimum elements which should include the specific plans for each operational facility. Such specific plans will be based on the consideration of emergency scenarios as well as the type, characteristics and equipment of each operational facility.

4.1.g Accident Management

LAR drafted an accident prevention and response document indicating the basic actions applicable in the event of professional diseases or occupational accidents. As part of the ESHSMS, LAR will develop an accident management procedure setting forth medical assistance actions as well as the methodology applicable to investigation, identification, root cause, communication and recording of any accidents which take place. Such procedure will be applied to the Company's payroll as well as outsourced employees.

4.1.h Monitoring and Review

LAR will develop and implement an Environmental, Social, and Health and Safety Monitoring Plan to follow up on established parameters. The thresholds of the parameters measured will relate to those indicated by current legislation and to those stated in the General Environment, Health and Safety Guidelines⁹.

4.1.i Nonconformities and Corrective Actions

To ensure that any potential departures are duly identified and corrected, LAR will develop and implement documents allowing recording the results of the supervision, identifying and documenting preventive or corrective actions and the implementation thereof, as well as assessing the effectiveness of each measure once it has been applied.

4.1.j Stakeholder Engagement

LAR has several channels to receive comments or potential claims from third parties by email or through social networks. However, in order to manage social aspects systematically, LAR will draft a Community Engagement Plan including: (i) mapping, analysis and planning of the involvement of the stakeholders identified; (ii) an information dissemination, consultation and communication mechanism with the stakeholders; and (iii) a mechanism to capture, resolve and record grievances, including anonymous claims.

4.1.j.i Disclosure of Information

The Community Engagement Plan will also define the guidelines allowing LAR to disseminate environmental and social information to the stakeholders, including: (i) responses to community concerns; (ii) potential changes in its management and emergency preparedness and response procedures; and (iii) specific measures to prevent or mitigate environmental or social impacts.

4.1.j.ii Informed consultation & participation

As the Project is a working capital financing transaction, it does not require a consultation and participation process.

⁹ <https://www.ifc.org/wps/wcm/connect/eb6fddc1-a3e3-4be5-a3da-bc3e0e919b6e/General%2BEHS%2B-%2Bspanish%2B-%2BFinal%2Brev%2Bcc.pdf?MOD=AJPERES&CVID=nPtgG1l>

4.1.j.iii Indigenous Peoples

Although LAR's operations are located in anthropized areas in the east of Paraguay, the agricultural activities related to the supply chain (e.g. pesticide spraying activities with agrochemicals potentially carried out without using good practices) could affect the neighboring communities. So as to prevent this type of impact, by mapping the stakeholders LAR will identify all the human groups –including indigenous population– that could be affected as a result of the practices of the supply chain requiring the players in such chain to implement the good practices of each activity.

4.1.j.iv Private Sector Responsibilities Under Government-Led Stakeholder Engagement

Given the Project's characteristics, no stakeholder engagement process is expected to be carried out by the government.

4.1.k External Communication and Grievance Mechanisms

4.1.k.i External communication

The Project-related environmental and social external communications will be considered in the Community Engagement Plan. LAR's environmental, social and health and safety area (to be created) will have the necessary capacities to manage the process.

4.1.k.ii Community grievance mechanism

As part of the Community Engagement Plan, LAR will implement a community grievance mechanism which is easy to understand and access, culturally suitable, and with no cost or retaliatory implications for those exposing a problem or a concern.

4.1.k.iii Provisions for addressing vulnerable groups' grievances

Even though the Project is not expected to affect vulnerable groups, the grievance mechanism to be implemented by LAR will include procedures to record grievances coming from vulnerable groups.

4.1.k.iv Ongoing Reporting to Affected Communities

As expressed in the Community Engagement Plan, in case a community ends out affected by LAR's activities, the manager of the environmental, social and health and safety area will be responsible for informing the community about how those activities are progressing and how the related preventive or corrective measures will be implemented.

4.2 Labor and Working Conditions

4.2.a Working conditions and management of labor relations

4.2.a.i Human Resources Policies and Procedures

LAR will establish and implement a Human Resources Policy considering not only the basic human rights related to legal requirements but also the requirements under PS2.

4.2.a.ii Working Conditions and Terms of Employment

LAR is governed by the General Technical Safety, Health and Occupational Medicine Rules (Decree 14,390/1992), the Labor Code (Law No. 213/1993), and the National Occupational Risk Prevention System (Law No. 5,804/2017) to comply with Paraguayan safety, health and occupational medicine regulations, under the supervision of an external safety and health advisor certified by the Ministry of Labor. LAR's payroll employees must undergo onboarding and annual medical check-ups. The Human Resources Department of LAR generates an accident and potential occupational diseases record. Payroll employees are provided with health insurance granted by the IPS (Social Security Institute). The Company offers its employees private medical insurance covering a portion of its cost.

4.2.a.iii Workers' Organizations

Payroll employees are not unionized. It has been reported that the relationship between LAR's personnel and Management is smooth. LAR has drafted Internal Work Rules consistent with the Labor Code (10) in order to regulate the Company's order, discipline and safety.

4.2.a.iv Non-discrimination and Equal Opportunity

LAR's Human Resources Policy will guarantee nondiscrimination based on sex, age, race, social, cultural or national origin, or based on any type of disability, political view or religious belief establishing that hiring and promotion of personnel for the different areas of the Company will be carried out based on their qualifications and skills to cover the related position.

LAR will continue to promote the involvement of women as part of the payroll and will monitor the results periodically.

4.2.a.v Retrenchment

The Project will not hire any additional staff. Consequently, no retrenchment is expected once it is completed.

¹⁰ Remunerated payroll employment is governed by the Labor Code, which establishes employer and worker rights and obligations and their relationship with the State.

4.2.a.vi Grievance Mechanism

LAR will develop and implement a mechanism to receive and resolve grievances and claims for payroll and outsourced personnel including the possibility to file grievances and claims anonymously, establish the persons in charge of managing them and determine the terms for evaluation and response of personnel grievances. Such mechanism will include sexual harassment reports management in a specific section.

4.2.b Protecting the Workforce

4.2.b.i Child Labor and Forced Labor

Paraguay is signatory of several International Labor Organization (ILO) Conventions. In 2009 the Paraguayan government, together with workers', employers' and ILO organizations signed a tripartite agreement called National Program for Decent Work, which establishes, among other things, that forced labor and child labor shall be eradicated across the country. The environmental and social due diligence (ESDD) did not detect any indications of child labor in LAR. Additionally, considering the type of activity performed by LAR, the risk of its suppliers and contractors using child labor is very low. The ESDD process did not detect any forced labor at LAR.

LAR will follow up and verify whether there is child labor or forced labor in the supply chain. Should any of these be verified, LAR will implement the corrective actions stated in the ESHSMS.

4.2.c Occupational Health and Safety

LAR has prepared an Occupational Health and Safety Manual describing the main labor risks, the type and use of the main personal protection equipment, the way of operating machinery and vehicles, the safe work methodology to prevent the main risks (electric, thermal, ergonomic, respiratory, and a guide of preventive and response actions in the event of emergencies).

The occupational health and safety conditions as well as the way in which these specific tasks are carried will be planned, supervised and monitored by LAR through specific procedures in the ESHSMS covering maintenance, handling and transportation of products, operation of machinery and administrative tasks, among others. Suppliers' and contractors' activities will also be supervised by LAR periodically and on an ongoing basis in order to ensure the safety and health conditions established in the ESHSMS.

LAR will make sure that all significant risks detected in the health and safety identification and assessment matrixes are managed through a specific procedure.

4.2.c.i Provisions for people with disabilities

Some of LAC's facilities are designed with mobile disabilities in mind. Nevertheless, several sites are still not suitably equipped for disabled people. In this sense, the Company will develop and adopt a phased plan to make offices, canteens and toilets suitable for disabled people and will include emergency procedures that consider their evacuation, before hiring personnel with this condition.

4.2.c.ii Workers Engaged by Third Parties

At LAR, outsourced workers include cleaning and security personnel and, occasionally, maintenance personnel. Notwithstanding this, LAR's Environmental, Social and Health and Safety Policy will establish that all environmental social and health and safety programs will be applicable to LAR's payroll employees as well as to any personnel hired directly or indirectly.

4.2.c.iii Supply Chain

LAR will set forth contractually that all its input and seed providers should implement human resources policies ensuring that the workers' basic rights are observed, as indicated in Paraguayan legislation, the conventions signed by Paraguay with the ILO and PS2. LAR will establish reasonable supervision mechanisms for its input and grains suppliers to verify that such requirements are being met, especially in connection with the work environment, child labor and forced labor.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

LAR uses underground water in its silos and water from the supply network in its administrative facilities. The electric power used by LAR is obtained from the distribution grid. LAR will generate records on the monthly consumption of water, electric power, fuel for its vehicles and machinery, firewood from native species, and the amount and use of waste generated or recycled. The Company will establish and implement the actions necessary to meet all the goals and objectives proposed by the Environmental, Social, and Health and Safety Management Program.

4.3.a.i Greenhouse Gases

The Company's GHG emissions are mostly generated by the vehicles and trucks used to transport grains, as well as the grain drying kilns at the silos. LAR needs to improve permanently the efficiency and sustainability of its operations, supervise and control the potential illegal deforestation by its customers (providing information to them on the best agricultural practices) and to monitor annually its GHG generation, submitting projections for the subsequent period and including the calculation of prior-period emissions following the methodology recommended by IDB Invest.

4.3.b Pollution prevention

4.3.b.i Waste Management and Pollution Prevention

LAR manages liquid and solid waste -both hazardous and nonhazardous- in silos following the Environmental Management Plans for its facilities approved by the Ministry of the Environment and Sustainable Development. The sanitary effluents from the head office are discharged into the sewage network and those generated in the silos are placed in septic tanks and cesspits. Domestic waste from the head office are

removed by the municipal service while at the silos they are transported and discharged in municipal landfills. Hazardous waste is removed by authorized companies and subject to treatment or final disposal.

LAR will develop and implement a specific waste management procedure whereby responsibilities will be assigned, and formats will be included to quantify and record the amount and type of waste generated at the administrative facilities and silos.

4.3.b.ii Hazardous Materials and Pesticide Management

Hazardous substances (phytosanitary material, fertilizers, etc.) are stored in silos, at warehouses authorized by the SENAIVE. In order to prevent spills, such silos have uneven concrete floors and perimetral gutters for discharge into a dump for storage and subsequent transportation and final disposition of the spilled substance by an authorized company. Phytosanitary transportation vehicles are authorized by the DINATRAN and the SENAIVE.

LAR will develop and implement a procedure to manage (purchase, transportation, storage and handling) hazardous substances including an express ban on the acquisition and use of pesticides and chemical substances including any Class Ia (extremely hazardous) or Ib (highly hazardous) component under the WHO's classification. LAC hires authorized companies to perform pest control tasks; such companies use products with a sanitary record at the DIGESA (National Environmental Health Office).

4.4 Community Health, Safety and Security

4.4.a Community Health, Safety and Security

In order to manage the potential impacts and risks for the community adequately, LAR will develop and implement a Community Engagement Plan. Through such plan, the Company will enable specific engagement channels for the members of communities around the administrative offices, silos, forest fields, as well as environmental and social communication strategies on the activities of LAR which could affect the quality of life, health, safety, and security of such communities.

4.4.a.i Infrastructure and Equipment Design and Safety

All of LAR's facilities have fire extinguishing equipment approved by the Fire Department. LAR will perform a specific diagnosis and assessment study of fire and explosion at the silos risks; it will also apply the safety improvement recommendations arising from such study. The specific prevention and emergency plans to be used in the facilities will make them safer in terms of fire prevention and control.

4.4.a.ii Ecosystem services

Given the fact that LAR's facilities are located in areas that are highly intervened by human activity, the Project will not affect the provision of ecosystem services.

4.4.a.iii Community Exposure to Disease

LAR has a stable, mainly local work force with low turnover; so the probability that the Project will generate an incremental exposure to disease for the members of the community is deemed very low.

4.4.a.iv Emergency Preparedness and Response

Although the emergencies that could affect LAR are not expected to have effects on the community, the emergency prevention and response plans for each operating unit will include the analysis of the potential effects of an emergency over a neighboring community, while addressing the need to engage the community institutions to respond in the event of and control such situations (fire brigade, medical emergencies, environmental authorities, Police, Patrulla Caminera [road police], etc.).

4.4.a.v Security Personnel

LAR hires security companies regulated by Paraguayan legislation to keep its business facilities safe. Security guards are armed. LAR will establish protocols aligned with the international best practices to be applied by the companies rendering property security services.

4.5 Biodiversity Conservation and Natural Habitats

4.5.a Protection and Conservation of Biodiversity

To verify that soybean arriving at the stockpiling areas of LAR do not come from areas which have been illegally deforested or environmentally protected areas, LAR will implement georeferencing tools allowing to follow by satellite the status of its customers' plots. Likewise, through a clause to be included in grain storage and/or purchase agreements, LAR will undertake not to store and/or buy any grains which may have been produced in illegally deforested fields. The results of the monitoring of forest areas through the abovementioned tool will be disclosed in quarterly reports.

LAR will report to IDB Invest in each Environmental and Social Compliance Report the findings and actions undertaken in connection with the results of the monitoring of the silo supply chain.

The drying kilns at the silos use firewood¹¹ during the grain harvest season. The Company has started using eucalyptus wood acquired from the suppliers authorized by INFONA¹² until its eucalyptus tree plantations are mature enough for exploitations; thus, LAR reduces or avoids the use of native wood species. LAR will record native species firewood consumption at drying kilns in silos and will set annual goals to reduce consumption and substitute it with gum tree wood.

¹¹ Firewood is purchased using legal invoices and transfer guides. The volume of firewood used depends on how humid the product is upon being received from the field. Corn drying is the process with the highest consumption of firewood as the corn arriving at the silos is more humid than the soybean.

¹² INFONA (National Forestry Institute) <http://www.infona.gov.py>

5. Local Access of Project Documentation

The documents linked to the environmental assessments submitted by LAR to the Ministry of Environment and Sustainable Development (MADES), as well as the related resolutions, can be accessed at: <https://www.mades.gov.py>