

**Environmental and Social Action Plan (ESAP)**

<b>Task Title/Description</b>	<b>Anticipated Completion Date</b>	<b>Indicator of Completion</b>
<p>PS 1 ESMS Compliant: Durli is required to: a) demonstrate a PS1 compliant Corporate Environmental and Social Management System (ESMS). To close gaps and demonstrate compliance of the ESMS, The Company will provide to IIC, for review and clearance, its Procedures Manual; b) Compliance with the PS1 ESMS element requirements will be verified by IIC through a site supervision visit.</p>	<p>a) Loan Signature + 12 months b) Loan Signature + 18 months</p>	<p>a) Procedures manual for the ESMS b) PS1 ESMS Compliant</p>
<p>Policy: Durli will present to IIC the ESMS Overarching Policy Statement, revised and updated to fully align with the 2012 IFC Performance Standards. The policy shall include provisions for a supply chain policy to promote sustainable procurement (Durli Group Corporate Sourcing Policy). Once updated, the revised Overarching Policy Statement will be communicated internally to employees, contractors, and suppliers, using best available communication procedures.</p>	<p>Loan Signature + 3 months</p>	<p>Overarching Policy Statement updated and communicated to all staff, suppliers and contractors.</p>
<p>Identification of Risks and Impacts: Durli will (a) improve identification of risks and impacts of its OHS management; (b) present to IIC the Environmental Licenses and Water permits from the all the States where Durli operates its 8 plants (Mato Grosso, Parana, etc.) and the licenses for future facilities in Brazil and in Paraguay; (c) formalize ESMS procedures for supply chain E&amp;S risk assessment and traceability back to a specific slaughterhouse; (d) Obtain LWG Certification for the Paraguay operation.</p>	<p>a) 3 months after first disbursement b) Loan Signature + 30 days c) Loan Signature + 3 months d) Loan Signature + 18 months</p>	<p>a) Risks and impacts of OHS management identified b) Environmental and Water permits from the all sites where Durli operates c) ESMS procedure for supply chain risk assessment d) LWG Certificate for Paraguay</p>
<p>External communication and Grievance Mechanism: Durli will formalize an effective community external grievance mechanism to assess, address, document, and report back to IIC on grievances and concerns about the company’s environmental and social performance.</p>	<p>Loan Signature + 30 days</p>	<p>External communication and Grievance Mechanism</p>
<p>KPI’s: Durli will adopt additional Key Performance Indicators (KPIs) to mainstream Environmental, Occupational Health and Safety and social parameters, including: a) Safety – Lost Time Incident Frequency Rate (LTIFR - Number of lost time incidents per million hours worked); Accident Free Days ( Number of Days since last Lost Time Incident); b) Sustainability - Greenhouse gases (tps CO2-equivalent/annum); Water Usage (m3/tonne of bovine raw hide), Energy consumption in KWh/unit of production of bovine hides - Emissions: monitoring quality of effluents and any air emissions parameters, solid waste generation in Kg/tonne of bovine hides; c)</p>	<p>Loan Signature + 6 months and annually in the report to IIC</p>	<p>Report on KPI’s available at date indicated and annually in the report to IIC</p>

<p>Social - Number of environmental and social complaints from communities; % of suppliers (slaughterhouses) collecting geographic origin information.</p>		
<p>Environmental and Social Impact Assessment (ESIA): Durli will present to IIC for review and approval the environmental and social impact assessment (ESIA) and the environmental and social Management Plan for the construction and operational phase of the new plants in Brazil and Paraguay. It will include all applicable WBG General EHS Guidelines, the guidelines for Tanning and Leather Finishing, and IFC performance standards.</p>	<p>Loan Signature + 30 days</p>	<p>ESIA's for new plants in Brazil and Paraguay</p>
<p>Supply Chain: Durli will provide to IIC the ESMS procedures showing the information required from suppliers (slaughterhouses), both in a general sense, and for each sale related to the origin of the cattle. Further, the ESMS procedure will show in what format Durli requests specifically the cattle geographical coordinates of the ranches locations (i.e. GPS Point? polygon in a geographic format?).</p>	<p>Loan Signature + 3 months</p>	<p>ESMS Supply Chain Procedure showing information required from suppliers (slaughterhouses)</p>
<p>Supply Chain Monitoring:</p> <p>a) Policy: As part of the supply chain component of the Corporate ESMS, Durli will develop a policy (Durli Group Corporate Sourcing Policy) to promote sustainable procurement practices. The Policy will promote compliance with national environmental legislation (for example illegal land clearing), LWG code, and Performance Standards, including among others, avoidance of child labor, forced labour, occupational health and safety issues, significant land conversion, deforestation, biodiversity protection and impact on critical habitats. The Group Sourcing Policy will ensure procurement from ranches not involved in slave labour, invasion of indigenous lands and protected areas, or ranches included in the embargo list of IBAMA (<a href="http://www.ibama.gov.br">www.ibama.gov.br</a>). The Durli Group Sourcing Policy should be operationalized aiming to meet 100% traceability targets to ensure the origin of hides sourced are sustainable and not contributing to illegal land conversion in the Amazonia. The Policy will further indicate that Durli will proactively seek opportunities to foster E&amp;S best practices in its supply chain over time and develop mitigation measures, and at all locations should shift over time to compliant suppliers to increase the procurement of hides from traceable sources (lower risk categories).</p>	<p>a) Loan Signature + 3 months</p> <p>b) Loan Signature + 3 months and duration of loan</p> <p>c) Loan Signature + 3 months and annually in the report to IIC</p> <p>d) Loan Signature + 6 months, duration of loan, and annually in the report to IIC</p> <p>e) Loan Signature + 6 months, and annually in the report to IIC</p>	<p>a) Updated Durli Group Corporate Sourcing Policy</p> <p>b) ESMS procedures to implement monitoring of key environmental and social information on Durli supply chain at origins and track information in a database</p> <p>c) Multiyear plan with specific operational targets to increase the amount of Traceable hides in Brazil and Paraguay</p> <p>d) Supplier Database with Traceability summary information per origin</p> <p>e) Supply Chain Training Programme to staff and suppliers on sustainable procurement</p>

<p>b) <b>Monitoring of Procurement:</b> IIC recognizes that Durli cannot ensure compliance with PS2 and PS6 and with Durli Group Corporate Sourcing Policy across its entire supply chain at all locations, but can gradually increase the use of compliant suppliers of hides over time, depending on its scope for proactively influencing adherence to standards. Hence, it is likely that there will be instances of hides procured that will not be consistent with Durli sustainability requirements. Durli will develop corporate-wide ESMS procedures to implement monitoring of key environmental and social information on its supply chain at origins and track information in a “Supplier Database”. Suppliers will be classified in categories based on E&amp;S risk, depending on their level of compliance with Performance Standards, national legislation, LWG code, and the reliability of Durli’s information on their traceability and compliance. The categories (Traceable to a slaughterhouse, Traceable within a Region, Non-Traceable) will reflect the level of knowledge available to Durli regarding E&amp;S standards and risk assessment under which the hides are procured.</p> <p>c) <b>Multiyear Plan for Traceability Monitoring:</b> Durli will present to and agree with IIC on a multiyear plan which will include specific operational targets to increase the amount of Traceable hides in Brazil and Paraguay and promote compliance with the “Durli Group Corporate Sourcing Policy”. The baseline will be the 2017 current procurement in all Durli facilities, and later on involve the new facilities in Brazil and Paraguay. In the case of Paraguay, Durli will provide to IIC data of what share of the hides of the annual total procured are from the Chaco. The Company will report annually to IIC all activities performed to promote sourcing of Traceable hides.</p> <p>d) <b>Supplier Database:</b> Durli will provide documentary evidence of the development of a Supplier Database to deliver summary information of Traceability data gathering and report supplier categories per origin. The Supplier Database will provide a tool to</p>		<p>practices, ESMS Procedure to measure the effectiveness of the formal training on sustainable procurement and list of training sessions and contents reported to IIC</p>
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<p>monitor increased traceability in the supply chain. It will be expanded to incorporate broader country supply chain data and allow aggregation.</p> <p>e) Supply Chain Training: Implementation of training of staff in the Durli Group Corporate Sourcing Policy, national legislation, pertinent LWG code requirements, and Performance Standards, will be a significant commitment of Durli. Durli will implement a training programme and build in-house capacity to collect accurate E&amp;S information on suppliers at origins, to reliably input data into the supply chain component of the ESMS and allow senior management to assess the procurement risks at any given location. The training shall include training for suppliers with whom the Company has procurement contracts. The Company will develop an ESMS procedure to formalize the training to Company staff and suppliers (slaughterhouses) on sustainable procurement, indicating the frequency of the training, and will provide to IIC the list of training offered to suppliers and the contents of each training session.</p>		
<p>Human Resources (HR) Policy: Durly will present to IIC a Corporate HR Policy, aligned with the national law of Brazil, the requirements of the International Labour Organization (ILO), and consistent with PS2 requirements.</p>	<p>Loan Signature + 6 months</p>	<p>HR Policy</p>
<p>Employee Grievance Mechanism: a) Establish a procedure to ensure all types of worker grievances are captured, recorded, communicated, and monitored, b) with records maintained on actions taken and feedback provided to employees on each grievance. The GM will allow for anonymous reporting of complaints.</p>	<p>a) Loan Signature + 30 days b) Loan Signature + 90 days and annually in the report to IIC</p>	<p>a) ESMS Procedure to ensure employee grievances are recorded, communicated, and monitored b) Records of all GM incidents and number of periodic refresher sessions for the GM reported in Annual Report</p>
<p>Occupational Health &amp; Safety (OHS) and Life and Fire Safety: a) Provide IIC with signed contract for qualified professional services acceptable to IIC, to perform the OHS gap analysis, at all operating plants. Provide IIC</p>	<p>a) 30 days after first disbursement b) 3 months after first disbursement</p>	<p>a) Contracts of two professional services for OHS gap analysis, and for Life and Fire Safety system design</p>

<p>with signed contract for professional services to evaluate all operating plants and provide remedial engineering for facility provisions for Life and Fire Safety system design including electrical circuits, include Fire Detection, Compartmentation, Extinguishing, and Employee Egress;</p> <p>b) Present to IIC both OHS and Fire Safety gap analyses and required remedial measures reports;</p> <p>c) Begin implementation of corrective measures defined during the OHS/L&amp;F Safety gap analysis, including required OHS training activities;</p> <p>d) Submit final report with documentary evidence upon completion of agreed date in schedule of implementation, and provide IIC with a certification from the Durli task manager that all observed deficiencies have been corrected;</p> <p>e) Inform annually to IIC of OHS statistics using the original OHS audit as a baseline.</p>	<p>c) 6 months after first disbursement</p> <p>d) 9 months after first disbursement</p> <p>e) Duration of Loan</p>	<p>including electrical circuits.</p> <p>b) Reports on OHS and Fire Safety gap analyses</p> <p>c) Plan for implementation of corrective measures</p> <p>d) Final report and certification from the Durli task manager that all observed deficiencies at all plants have been corrected</p> <p>e) OHS statistics in annual report to IIC</p>
<p>Biological Hazards: Durli will provide to IIC: a) a management system procedure, and b) report annually of measures taken to avoid the negative consequences of worker exposure to biological hazards which may be present in the hides or as part of the manufacturing operations. These will include, but not limited to, conduct training sessions to inform workers of potential risks of exposure to biological agents</p>	<p>a) Loan Signature + 30 days</p> <p>b) Duration of Loan</p>	<p>a) ESMS Procedure to train workers on prevention of biological hazards</p> <p>b) Training sessions reported annually to IIC</p>
<p>Life and Fire Safety and System Design for the new construction in Brazil and Paraguay: Durli will a) develop and implement a management system procedure and Master Plan for Life and Fire Safety identifying major fire risks, applicable codes, standards and regulations, fire drills, and mitigation measures. Life and fire safety design shall be responsive to one international life safety code, such as NFPA, and the Brazil and Paraguay life and fire safety codes. The design shall comply with the Life and fire Safety requirements of the WBG General EHS Guidelines; b) At the end of construction, besides the approval of the local governments in Brazil and Paraguay, the Client will provide to IIC a third party certification by a qualified professional acceptable to IIC, that the design and construction of life and fire safety systems for the new facilities complies with the specifics of an international life and fire safety code</p>	<p>a) Loan Signature + 2 months</p> <p>b) At end of construction in Brazil and Paraguay</p>	<p>a) Master Plan for Life and Fire Safety for new plants in Brazil and Paraguay</p> <p>b) Third party certification by the qualified professional engaged by Durli</p>
<p>Greenhouse Gas (GHG) Emissions: Durli will implement a Management Systems procedure for Emissions Inventory of Greenhouse Gases (tps CO<sub>2</sub>-equivalent/annum) to be reported annually to IIC</p>	<p>Loan Signature + 6 months and annually in the report to IIC</p>	<p>Annual Report to IIC GHG footprint</p>
<p>Wastewater treatment: Durli will: a) provide a detailed description of the actions taken by Durli to limit use</p>	<p>a) Loan Signature + 3</p>	<p>a) Wastewater quality reports at the point of</p>

<p>and discharge of chromium; b) assess wastewater quality at the points of discharge at each of the 8 plants, and compare against regulatory standards for Brazil, and the applicable WBG General EHS Guidelines Effluent levels for Tanning and Leather Finishing, and report to IIC. If continuing assessment indicates deterioration, Durli will take specific action to mitigate the situation and reach compliance. Further, b) the wastewater treatment for the new plants in Brazil and Paraguay should be constructed to meet national regulations and WBG General EHS Guidelines Effluent levels for Tanning and Leather Finishing.</p>	<p>months and annually in the report to IIC b) Loan Signature + 3 months and annually in the report to IIC</p>	<p>discharge of each of the 8 plants in Brazil and mitigation action if required b) Wastewater quality designs for new plants at Brazil and Paraguay</p>
<p>Community Grievance Mechanism: Durli will formalize a community grievance mechanism ESMS Procedure</p>	<p>Loan Signature + 30 days</p>	<p>ESMS procedure for community grievance mechanism</p>
<p>Security Management Plan and Operating Procedures: Durli will manage security forces in accordance with PS4 requirements as described in paragraph 12 – 14, and will provide a means for communities to channel complaints about the Company’s security arrangements or personnel. An incident response system involving security forces will be implemented to ensure that all incidents are registered and responded to using correct disciplinary actions where required</p>	<p>6 months after first disbursement</p>	<p>a) Security Operating ESMS procedures in accordance with PS4 requirements b) Incident Response System implemented</p>