

ADVANTAGES OF TRADING WITH URUGUAY

SUSTAINABLE DEVELOPMENT PRACTICES



Ministerio
de Relaciones Exteriores

The objective of this report is to reaffirm Uruguay's commitment to the highest environmental and labor standards, with special emphasis on the fact that greater participation in international trade in no way implies accepting a reduction in these levels of protection.

Likewise, this document outlines some of the main contributions of the country to the preservation of the ecosystem, promoting the production of goods and services in a sustainable manner to achieve optimal use of the resources employed and reduce the negative impact on the environment.

Uruguay is an active promoter of international trade negotiations and rule-based trade. The conclusion of the MERCOSUR - European Union negotiation is a fundamental milestone in this regard. In the following pages, it will be demonstrated that Uruguay's agro-exporting vocation and its contribution to global food security are supported by active policies of innovation and respect for the environment.



SECTION I

INTRODUCTION TO THE MERCOSUR - EUROPEAN UNION ASSOCIATION AGREEMENT

The MERCOSUR - European Union Association Agreement is a balanced and far-reaching trade agreement that brings together two blocs, forming a large free trade area with 800 million inhabitants, almost a quarter of the world's GDP, and over US\$90 billion in bilateral trade of goods and services.

In an increasingly protectionist global context, the EU (the world's second-largest economy) and MERCOSUR (the world's fifth-largest economy) are building a free trade zone and opting for cooperation to promote economic growth, employment, and investment.

The Agreement contains a specific chapter on Trade and Sustainable Development, where both blocs reaffirm their commitment to international trade based on rules, while respecting the strictest standards in environmental matters and food safety.

It also reaffirms the multilateral commitments of the Parties in labor agreements, regarding child labor; non-discrimination in the workplace; forced labor; and freedom of association, among others. Similarly, it reasserts the environmental commitments undertaken in the Paris Agreement on Climate Change, among others.

In their provisions, the Parties establish that the benefits of the Agreement will not be obtained based on the non-compliance with environmental and labor regulations. Furthermore, the Parties agree not to lower environmental and labor standards to increase trade and/or attract investment.

This chapter is of great importance to Uruguay and its tradition in the matter of international commitments.

SECTION II

SUSTAINABLE AGRICULTURE IN URUGUAY:

application of scientific knowledge to food production; sustainable intensification in Uruguay; traceability systems.

Climate change, the limitations imposed by the scarcity and protection of natural resources (water, land, soil, air, and biodiversity), along with the growing demand to meet the food needs of 9.15 billion people worldwide by 2050, are the most significant factors affecting food availability, as identified by the international community.

This context highlights the urgency of finding strategies for the conservation of natural resources, and sustainable intensification emerged as the most suitable alternative by seeking an increase in productive yield without generating adverse environmental impacts or expanding the cultivated area.

In this regard, the Uruguayan agricultural sector has experienced changes associated with a process of intensification of production systems, including increases in production scale, changes in land use in certain regions, and the consolidation of new and diverse organizational models.

Sustainability of production also considers economic and social dimensions; this means that every effort to intensify food production is accompanied by a concerted approach to what is sustainable from both an environmental and socio-economic perspective.

In Uruguay, the challenge of climate change is addressed as a cross-cutting issue. In this sense, the policies implemented not only adapt to Uruguay's intrinsic characteristics but are also consistent with the adaptation of production systems to climate change, aligning with other modern standards of international competitiveness, namely: food safety, consumer trust, certifications, improved working conditions, and investments in research.

It is worth-noting that in May 2025, the EU classified Uruguay as a low-risk country as per the EU Deforestation Regulation (EUDR), which categorizes countries into low, standard, or high risk for deforestation, based on deforestation trends, agricultural expansion, and legal frameworks. At commercial level, operators can take full advantage of the dense network of public goods built by Uruguay in the last decades.

The existence of national systems that include individual livestock traceability and geographic information systems allow for the issuance of

official statements indicating that beef that reaches EU comes from deforestation-free farms.

The process will not entail any fees for users. Owing to the good preservation of its native forest and comprehensive nationwide livestock traceability, Uruguay is well-positioned to fulfill EUDR requirements.

Uruguay's agricultural policies have promoted, among other things, rural development with economic, environmental, and social sustainability, as well as climate change adaptation and mitigation. It is also aligned with the circular economy. Indeed, several of the measures it promotes, such as land use and management plans, dairy plans, satellite monitoring of applications, good practices in the farming sector, and regulatory adjustments for the responsible use of agrochemicals, aim to make more efficient use of resources, maintain their value in the long term, reduce waste, and use it as inputs in other parts of the production process.

Additionally, Uruguay, as a country that contributes to global food security through increased food supply and a signatory to the Paris Agreement, focuses on a low-carbon agricultural sector that aims to reduce GHG emissions per unit of product. The challenges posed for the country by sustainable intensification represent an opportunity for the international projection of its production systems.

At the same time, they also raise local awareness on the effects of increased pressure on natural resources and their monitoring, as well as the need for a new vision of production with its implications for stakeholders in the agricultural sector.

Forestry/Lumber

Over the past 30 years, the forestry sector in Uruguay has experienced significant progress in both cultivated land and industrial development for raw material processing.

Plantations and other forestry-related activities are regulated by the Forestry Law (No. 15.939 of 1987), its regulatory decrees, and subsequent amendments. This law enacts as national interest the protection, improvement, expansion, and creation of forest resources, the development of forest industries, and, in general, the forest economy.

The sector serves markets that value sustainability and has promoted its incorporation, for example, in the transition from using fossil-based products to bio-based products. In this sense, developing the bioeconomy is critical to sustainable resource use, both for better utilization of these resources and for the generation of goods and services with greater added value. The bioeconomy of forest management focuses on sustainable forestry activities related, for example, to the cultivation of native and exotic species, tree genetic improvement and forest biotechnology, forest inventory, the development of smart forestry machinery, and the harvesting and transportation of wood-based biomass.

In pursuit of this awareness, the forestry sector has focused on harnessing the byproducts of industrial processing, as well as those from the harvest itself, to generate energy from biomass. Biomass is used both for electricity generation and for industrial use, or for supplying biofuels and heating for residential and industrial purposes.

The National Strategy for Native Forests, launched in 2018, sets out as national policy for the conservation and enhancement of native forest, carbon stocks, sustainable forest management, and the reduction of emissions from deforestation. These strategies also highlight the importance of promoting synergies between forest lands and livestock that will enhance and improve animal welfare and adaptation to climate change. This framework is designed to protect native forests, and Uruguay is confident that this is under control. This commitment is reflected in specific decisions:

- Nationally Determined Contributions (NDCs): Uruguay has committed to Forest Area (ha.) 800.000 400.000 protecting the native forest area from 2012 to 2030 under the UNFCCC framework (Paris Agreement).
- Sovereign Sustainability - Linked Bonds (SSLBs): take this a step further by linking sustainability commitments directly to public finances. This debt instrument involves a variable interest rate: public interest payments are reduced if sustainability goals are achieved. SSLBs are designed for expediting progress towards sustainability objectives. In



March 2022, Chile became the first country to issue a SSLB and Uruguay followed suit by issuing its own seven months later. In both cases, the bonds' Key Performance Indicators (KPIs) were consistent with the countries' NDC targets under the Paris Agreement. Uruguay's KPI are linked to reducing greenhouse gas (GHG) emissions and promoting forest cover conservation. Specifically, the bond aims to at least maintain 100% of the native forest area relative to the reference year (2012) by 2025. If this surface is reduced, the interest rate to be paid increases 15 basis points. If the area increases more than 3%, the interest rate to be paid is reduced by 15 basis points. SSLBs also improve public accountability regarding environmental policies and initiatives. Trustworthy Indicators are required by all interested parties: debtors and creditors. To ensure transparency and accountability, the Government of Uruguay agreed with the United Nations Development Program (UNDP) to act as an external verifier of our forest cartography for the KPIs.

A skilled and diverse team of UNDP specialists conducted a detailed verification process from January to May 2023. The recent Verification Report confirms that both KPIs were developed in line with the methodologies outlined in the SSLB Framework. Specifically, the report concluded that KPI is on track for 2025. The country maintained its native forest area by 2021, relative to the baseline. Additionally, the Emissions Report, Native Forest Report, and KPIs Report, which are key components of the SSLB Annual Report, meet the IPCC's quality standards for transparency, accuracy, consistency, comparability, and completeness. Uruguay's SSLB has been cited as a leading case by The Sustainable Markets Initiative's Natural Capital Investment Alliance (NCIA). Also, the Uruguayan bond won the LatinFinance's Sovereign ESG Deal of the Year award in 2022, a renowned recognition for transactions and institutions in the Latin American and Caribbean capital markets.

According to the Inter-American Development Bank, "The issue attracted 188 investors from Europe, Asia, the United States, and Latin America, of whom 21% are new holders of Uruguayan debt. Total demand for the bond was \$3.96 billion, greatly exceeding the \$1.5 billion Uruguay decided to issue." Long-established financial institutions, including Credit Agricole, HSBC, JP Morgan, and Santander, served as the underwriters for the instrument. This experience is particularly relevant in the light of the EUDR. Uruguay links its sovereign interest payments to native forest protection, demonstrating external validation in its native forest conservation efforts. The country handles this issue with a level of professionalism recognized by the UNDP and financial investors.

Rice

Rice production is carried out in compliance with good agricultural practices with recommendations aimed at ensuring product quality and safety, the proper and efficient use of natural resources involved in the production process (soil, water, and biodiversity), and providing guarantees for the health and safety of those involved.

Uruguay is the most specialized producer of rice exports in the world. The use of cutting-edge technology throughout the value chain is a hallmark of the sector's international presence as a rice-producing and exporting country. Environmental protection and the sustainability of rice farming systems have been priorities for this sector, as evidenced today in studies and indicators confirming its low environmental footprint and product safety.

Uruguay sells around 95% of its total production on the international market, being the eleventh largest exporter of rice in the world and, in particular, the second largest exporter of husked rice. Each year, rice exports reach around one million metric tons of rice to more than 50 destinations. At the farm level, the average national yield is among the highest in the world: the average for the last twelve harvests is 8,053 kg/ha of healthy, dry, and clean (SSL) rice, a figure that rises to 8,323 kg/ha if the last five are considered.

The current global need for environmental preservation emphasizes the challenge of maximizing farmers' productivity and income while maintaining the high quality standards of rice grain that characterize Uruguay, and minimizing environmental impacts.

Advanced technology applied throughout the agro-industrial chain and the effective integration of all its components have allowed Uruguayan rice to position itself as a "Premium" product in international markets, currently achieving prices per ton similar to those of leading markets in terms of rice quality.

Beef

In Uruguay, livestock farming has been a cornerstone of both the country's identity and its economic foundation, serving as its first major productive activity. The introduction of cattle in 1611 preceded the establishment of permanent settlements. Over the centuries, the expansion of cattle and sheep farming across the extensive Pampas grasslands has been a pivotal force in Uruguay's economic and social development, achieved in close alignment with environmental stewardship.

In Latin America, the country stands out for maintaining the highest per capita income and the most equitable income distribution; both indicators are closely linked to the historical evolution of livestock farming. Agriculture, particularly livestock farming, has played a central role in driving economic and social progress across the country. This progress has been sustained for over 400 years through a steadfast commitment to ecological and environmental equilibrium, ensuring the conservation of renewable natural resources for future generations.

Uruguay remains deeply committed to climate change mitigation efforts. Recent studies indicate that the country's livestock sector is climate-neutral, with ongoing advancements reinforcing this status. The national energy matrix is fully based on renewable energy sources, and there are ongoing investments in the production of cutting-edge green fuels for both domestic use and export.

Livestock production in Uruguay not only fulfills the nutritional needs of the domestic population but also plays a vital role as a key supplier of high-quality animal protein to international markets. Uruguay exports over 75% of its beef production to more than 100 countries, consistently adhering to the most rigorous global standards in health and safety, animal welfare, environmental sustainability, and compliance with economic and labor regulations. This underscores the importance of supporting free trade and promoting international cooperation as essential tools for advancing global well-being.

In Uruguay, livestock farming is primarily pasture based, tapping on the country's extensive natural grasslands, which cover over 60% of the national territory. These grasslands, preserved in their natural state, coexist harmoniously with Uruguay's native forests, which provide essential ecosystem services for both livestock and wildlife. Since the implementation of the Forest Law in 1987, native forests have been legally protected, maintaining their coverage at 4.8% of the country. This highlights Uruguay's successful balance between productive livestock farming and the conservation of natural resources.

With a surface area comparable to that of many European countries and a relatively low population of approximately 3.4 million inhabitants, Uruguay is endowed with extraordinary natural resources. The country enjoys over 4 hectares of agricultural land per person, a figure eight times the global average. This abundance of fertile land is a relevant asset that enables Uruguay to be a top food provider to the world. Currently, Uruguay ranks



among the top ten exporters in several agricultural products, such as beef, powdered milk, rice and soy. Its thriving agricultural sector is supported by favorable climate and lack of inhospitable regions. Uruguay exports 80% of its beef production, making international trade essential for its economic success. This reliance on exports is underpinned by Uruguay's access to over 85% of the international beef importing market—a clear testament to the trust Uruguay has earned globally.

The fact that Uruguay trades most of its beef indicates the importance of meeting import standards and requisites. This is done routinely and successfully by the Uruguayan meat chain, which demonstrates the professionalism and commitment of both its private and its public components. The issuance of deforestation-free statements is supported by this preexisting know-how.

The traceability of cattle in Uruguay has been consolidated as a fundamental public policy, spearheaded by the Ministry of Livestock, Agriculture and Fisheries (MGAP). This bovine traceability system is legally mandated, state funded and available to all farmers. Uruguay has set the standard for livestock traceability worldwide. A comprehensive individual electronic traceability system was implemented twenty years ago and includes 100% of the cattle herd.

Our sustainable production system is based on natural pastures with animals living outdoors year-round, making Uruguayan beef natural, safe, highly nutritious, and with a distinctive flavor. It also enjoys great international prestige, positioning Uruguay as the world's seventh-largest exporter of frozen beef and the tenth-largest exporter of chilled beef².

Uruguay has reduced the methane emission intensity of beef production by 31% since 1990, as a result of sustained improvements in productivity and efficiency. This achievement not only reflects Uruguay's commitment to climate action but also aligns with its Nationally Determined Contributions (NDCs) under the Paris Agreement, which prioritize the reduction of greenhouse gas emission intensities in key sectors such as livestock production.

Meat Traceability

The concept of individual traceability has gained momentum in the meat industry due to growing consumer demands regarding the origin and safety of food. European Union Regulation 820/97 requires its member states to implement an individual traceability system for all their animals and meat labeling, ensuring the origin and other relevant information about the production process. Uruguay's meat already enters the EU through its group traceability system, which has been recognized by the EU since March 1998.

In response to the growing health requirements for meat products, the Ministry of Livestock, Agriculture, and Fisheries has worked to redesign, integrate, and coordinate information subsystems into a single Livestock Information System (SNIG). This system, which emerged in response to market requirements, has the primary objective of ensuring the traceability of cattle from the establishment of origin to their arrival at the meatpacking plant, both individually and in groups.

The SNIG (on-farm traceability system) is linked to the mandatory traceability system in slaughter plants (SEIIC). In this way, Uruguayan beef benefits from full traceability, ensuring its sanitary status and food safety.

In addition to centralizing animal inventory data, the system's strengths include the ability to locate each establishment on a map and view the origin and destination of each movement. This has a positive impact on both operational and strategic decision-making, positioning Uruguay as the only country in the world with a highly comprehensive traceability system for identifying the entire cattle herd. This system benefits both consumers by ensuring food safety and stakeholders in the meat supply chain by enabling them to offer high-quality products. Uruguay's public and mandatory traceability systems are used to comply with EU Regulation 2023/1115 on deforestation-free products (EUDR), enabling the certification of Uruguayan beef for access to the European market. It is worth noting that this traceability system is also applied in other sectors, such as poultry, honey, citrus products and vineyards.



Wine Traceability

In the case of wine, traceability is one of the primary objectives of the National Institute of Viticulture (INAVI). Uruguay's wine traceability system is supported by a robust institutional and digital infrastructure led by INAVI. At its core lies the National Vitiviniculture Registry (RUVA) and a digital guidance system that tracks every movement of grapes and wine.

The system includes:

1. National Vineyard Registry: 100% of vineyards in the country are officially registered and georeferenced.
2. National Winery Registry: Covers all authorized winemaking establishments.
3. Digital Declarations System: Used for harvest records and to track grape movement from the vineyard to the winery.
4. National Control and Registry System: Covers process declarations, wine production volumes, inventories, and commercialization records.

Thanks to georeferencing and digital integration, it is possible to know the origin and journey of the wine from the bottle back to the vine, as well as obtain information about the vineyard's geographical location and the characteristics of the winery. This comprehensive framework ensures real-time monitoring, facilitates certification, and guarantees full product traceability from vine to bottle.

The objective of the system is to maintain a digital map of vineyards and their characteristics: number of hectares, location, harvest history, planting age, varieties, number of plants, rootstock types, etc. This information is certified by INAVI and assures consumers worldwide that the product is fully traceable.

INAVI has also developed a certification program called "Uruguay Sustainable Winegrowing," a national initiative that promotes responsible wine grape production. It ensures practices that balance economic viability, social equity, and environmental protection. This is a voluntary vineyard certification system, audited and awarded by LSQA, an independent body specializing in sustainability certification.

In addition, wineries may certify the chain of custody, ensuring that certified grapes can be traced through to the final product.

Since 2019, INAVI has certified 210 vineyards (covering 2,226 hectares, or 38% of national production) and 28 wineries under the chain of custody system, further strengthening the traceability of sustainable Uruguayan wine.

Dairy

Uruguay's dairy sector stands out as a leading example of agri-food sustainability in Latin America. With a pasture-based production system, comprehensive traceability, and multiple public and private certifications, the country delivers high value-added food products with low environmental impact. Industry leaders apply international standards like GRI, SDGs, and ESG labels.

These assets position the sector as a reliable partner, aligned with the commitments of the Paris Agreement, the Global Methane Pledge, and the principles of the EU-Mercosur Agreement.

Relevant public policies implemented by Uruguay, such as the Environmental Footprint of Livestock Farming (2022) and the Climate Roadmap for Dairy (2024), aim at obtaining science-based information and knowledge of the environmental impacts of livestock farming in Uruguay to contribute to sustainable development management, as well as to guide the sector's emissions reduction and climate adaptation, in line with Uruguay's Nationally Determined Contributions (NDCs).

SECTION III

ENVIRONMENTAL PROTECTION AND GREEN PRODUCTION:

forest conservation; ghg sequestration;
irrigation systems and soil management.

Satellite monitoring of agrochemical applications³

Within the concept of good production practices, one of the most important aspects is the responsible use of agrochemicals to control crop pests. To this end, Uruguay has a regulatory framework that determines which products are authorized and how they should be applied.

However, responsible use is not only limited to the strict enforcement of regulations, but also involves raising awareness about the importance of protecting basic resources such as soil and water. To this end, the Ministry of Livestock, Agriculture, and Fisheries (MGAP) promotes campaigns aimed at raising awareness among companies, producers, and workers regarding the proper management of agrochemical applications.

Public policies promote training measures for technicians and applicators (by land or air) to encourage good practices in the management of agrochemicals. They also promote strict adherence to application distances and protocols as a mechanism to avoid contamination of waterways and prevent impacts on human and animal health. Moreover, applications of phytosanitary products using remotely operated aerial devices (drones) are considered aerial applications of agricultural products. For this reason, they are regulated by the Directorate General of Agricultural Services (DGSA). Decree 457/001 establishes that any natural or legal person applying phytosanitary products by air must have authorization from the Directorate General of Agricultural Services of the Ministry of Livestock, Agriculture, and Fisheries as a prerequisite for carrying out such activity. In the same vein, Decree No. 264/004 regulates the ground application services of phytosanitary products. Hence, authorizations may only be granted after the agricultural application system and the handling of the application technique have been evaluated.

The misuse of agrochemicals can be reported to the General Directorate of Agricultural Services (DGSA) of the MGAP. The applicator (natural or legal person) is responsible for compliance with current regulations and can be subject to sanctions in case of failure to comply. One of the most important measures designed by MGAP to prevent irregularities and improve control was the

implementation of the Application Management and Monitoring System. Its formulation was based on the need to advance the improvement and professionalization of agrochemical application practices using self-propelled equipment, whether aerial or ground-based, as well as the monitoring and sanctioning of misuse. This initiative also aims to ensure traceability of phytosanitary products, minimize risks to the population, protect the environment, and strengthen the strategy for producing quality food. It also aims to have real-time information on when, where, and what type of applications are used, ensuring that distances from population centers, schools, and waterways are respected.

By resolutions of the MGAP, it is established that applications cannot be carried out in land vehicles within 300 meters of populated areas and schools, nor within 10 meters of watercourses. In the case of aerial applications, the minimum distance is 500 meters from populated areas and schools and 30 meters from watercourses. Application vehicles with agrochemicals in their tanks are also prohibited from circulating on public roads.

Satellite Monitoring was first presented to the production sector and companies responsible for its applications at the 2017 edition of Expoactiva in the department of Soriano. Currently, there are three legal pillars that must be met: registration of products that are manufactured, formulated, and imported; complete scientific data evaluation; and the necessary tests are conducted to determine that they are effective for their intended purposes and do not pose undue risks to human health and the environment. The Toxicological Information and Advisory Center (CIAT) establishes the categorization of acute toxicity. Furthermore, the agreement reached with the Ministry of the Environment will allow for the inclusion of Environmental Risk Assessments in the registration of phytosanitary products. The second pillar implies that diversion of use is punishable. Likewise, there are regulations regarding the use and destination of agrochemicals, which, when applied, must respect distances from populated centers, educational centers, and waterways. The third pillar requires that individuals or legal entities that carry out phytosanitary applications must request and obtain authorization from the General Directorate of Agricultural Services to carry out said activity. In addition, the machinery must have a geolocation system that allows the application's

position to be transmitted under the conditions and requirements established by the Ministry of Livestock, Agriculture, and Fisheries.

The measure applies to companies and producers with self-propelled equipment, which must be fitted with a geolocation device for data transmission at the time of application. The monitoring equipment must be approved by the Technological Laboratory of Uruguay (LATU). Furthermore, the DGSA maintains a single, mandatory registry of operators⁴. All information is monitored through a web platform, with all the data provided by each device. This allows for analysis by area, basin, department, product, or equipment.

Conservation of native forests⁵

The protection of native forests and the prevention of deforestation have been a key part of Uruguay's environmental strategy. The country has made significant investments in the management of its native forests, which are protected by law and subject to tax exemptions. The Forest Act of 1987 prohibits logging native forests, with very few exceptions. It provides exemptions on national and local land taxes as incentives to register areas with native forests (registration in the National Forestry Directorate is voluntary). The law also prompted an increase in the area of commercial forestry plantations, significantly improving Uruguay's CO₂ sequestration. The National Strategy for Native Forests (Estrategia Nacional de Bosque Nativo), launched in 2018, sets out as national policy for the conservation and enhancement of native forest carbon stocks, sustainable forest management, and the reduction of emissions from deforestation. These strategies also highlight the importance of promoting synergies between forest lands and livestock that will enhance and improve animal welfare and adaptation to climate change.

As a result of these policies, Uruguay has managed to ensure that agricultural activity is not a driver of deforestation. Existing policies, in combination with the oversight of the Ministry of Livestock, Agriculture and Fisheries (Ministerio de Ganadería, Agricultura, y Pesca, or MGAP for its Spanish acronym), have led to the preservation of the country's total native forest cover over the last decades. In fact, Uruguay has increased its native forest cover compared to 1987 levels and has successfully maintained it since 2012, demonstrating a long-term commitment to biodiversity conservation and sustainable land management.

This effort is also explicitly linked to Uruguay's NDCs and supports broader ecosystem services critical to climate resilience.

Progress has also been made in generating policy instruments focused on ecosystems, through the development of the National Native Forest Strategy, whose specific objectives are:

1. Improve the legal framework and financial policy related to native forest management to increase benefits.
2. Expand the institutional and technical capacities of the General Forestry Directorate to strengthen the information and monitoring system.
3. Improve forest management to maintain and increase the ecosystem services derived from them.
4. Promote improved production systems by establishing incentives for landowners based on the economic valuation of forests.
5. Promote the protection and restoration of native forests through the Forestry Department (DGF), in coordination with departmental governments, other institutions, and forest owners.
6. Improve processes of dialogue and participation with civil society, as well as strengthen education and dissemination of the importance of native forests.

Improving the quality of native forest ecosystems brings with it a series of benefits, such as maintaining the quality of surface water sources for human and productive use; recreational and tourist use; regulating flooding and erosion in urban and suburban waterways; and conserving biodiversity.

The actions on the native forest under REDD+⁶ are also aligned with the National Climate Change Policy (NCCP), contributing to achieving the goals and commitments under the Paris Agreement, as expressed in Uruguay's Nationally Determined Contributions (NDCs) in terms of climate change mitigation and adaptation.

NDCs are binding and increasingly ambitious to achieve the goals of controlling temperature increases, moving toward resilient systems, and low-emission development.

4 <https://www.gub.uy/tramites/registro-empresas-aplicadoras-productos-fitosanitarios>

5 Sources: MGAP website

6 [What is REDD+? | UNFCCC](#)

Carbon sequestration in agricultural activity⁷

In 2016, Uruguay ratified the Paris Agreement, adopted the previous year at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC). This agreement requires countries to submit Nationally Determined Contributions (NDCs) for mitigating greenhouse gas (GHG) emissions, of which carbon is one of the main sources. NDCs can also include targets and actions for climate change adaptation. Furthermore, the agreement recognizes the importance of agricultural activity in responding to climate change and of food production in reducing hunger and improving food security in countries. In this regard, the agreement establishes that measures to mitigate climate change must not threaten food production.

Given the country's GHG emissions profile, where three-quarters of them come from the agricultural sector and half from beef cattle (methane), a third NDC was submitted to the convention in December 2024, with specific targets for the sector by 2035. This CDN has some features that distinguish it:

- i. This is not a contribution to the economy as a whole, but rather a sectoral approach, in which livestock, forestry, and soils play a relevant role. This decision by the country to develop its NDC by disaggregating sectors is due to the importance of highlighting the country's achievements in promoting renewable energy (94% of electricity generation is based on renewables) and to the fact that almost 80% of Uruguay's GHG emissions and 100% of GHG removals are accounted for by the agricultural sector.
- ii. Targets are presented for each relevant GHG separately (CO₂, methane and nitrous oxide) rather than aggregated targets, in terms of CO₂ equivalent for the economy as a whole.
- iii. A vision of adaptation and mitigation as co-benefits is adopted. Adaptation measures are the basis for achieving sustainable productivity increases, and, in turn, increased productivity reduces GHG emissions per unit of product (kg of meat, kg of milk, HG of rice, etc.) and promotes carbon sequestration and conservation in soils and tree biomass.

According to information from the Ministry of Agriculture, Livestock and Fisheries (MGAP), almost half of the methane emitted by livestock production will be offset by 2025 through the carbon sequestration naturally occurring in forest systems. Over the past thirty years, the forestry sector in our country has made significant progress, both in terms of cultivated area and industrial development for raw material processing. This has resulted in the establishment of extensive forest plantations that currently cover more than one million hectares. Most of them are certified for sustainable forest management and chain of custody of their products, which ensures their sustainability and traceability of the various management processes involved.

Carbon sequestration in agricultural activity

The quality and availability of freshwater resources is one of the most important environmental issues facing humanity today. It is due to this so-called "water stress" that the international community is mobilizing to improve the management and distribution of water worldwide and ensure a favorable future for populations threatened by the scarcity of this resource.

Uruguay is located in a privileged region in terms of the availability of freshwater for its population and for industrial and agricultural development. In this regard, the role played by water resources constitutes a significant part of rural land use systems.

Over the past 30 years, the Uruguayan state has promoted irrigation through various programs and projects⁸ which incorporates criteria of social, environmental, and productive sustainability. These lines of action have led to an increase in agricultural irrigation, which currently covers 330,000 hectares.

-This modality, based on sustainability criteria, synergistically combines scientific and technical knowledge with that of local communities, fostering meaningful participation by those directly involved in the management of natural resources and cultural assets. From an ecological standpoint, the goal is to conserve natural resources and cultural assets, ensuring their long-term sustainability. Sustainable agriculture experiences have been developed on several properties within the basin,

⁷ Sources: First Nationally Determined Contribution (MVOTMA); NAP Cities; MGAP website; OPYPA 2024 Annual Report
⁸ PRENADER (1994-2002); PREDEG (1998-2005); PPR (2005-2011); APA (2010-2013); EAAP (2012-2020); Characterization of the San Salvador River, Yí River, and Arapey River Basins for irrigation purposes (2016-2017) +AGUA (2020); INC: Water and irrigation works; Pilot projects by DGRN + INIA + UdelaR + IPA; UTE (discounts and reimbursements); Investment Promotion Law (1998); COMAP (2007); SENDA-riego; modification of the Irrigation Law (2018),

practicing organic farming or using agroecological techniques. Numerous environmental education practices are being carried out, promoted by NGOs or university outreach activities, aimed at schoolchildren, but also at various age groups, who are participating in concrete actions aimed, for example, at valuing wetlands, the Santa Lucía River, native forests, or promoting sustainable agricultural practices.

On the other hand, the large volumes of water demanded by agricultural activity have necessitated the search for strategic policies related to irrigation and climate change adaptation. In this regard, it is worth highlighting the Irrigation Scheduling service of INIA, whose objective is to provide a tool for efficient irrigation management that allows expressing the yield potential of crops and pastures by making better use of soil and water resources.

Along the same lines, in 2017 the Executive Branch approved the National Water Plan by Decree 205/017, a technical and political instrument for planning and managing water resources, taking into account the diverse uses of the resource.

This plan is organized around three major objectives: water for sustainable development, access to water and sanitation as a human right, and flood and drought risk management. It contains a comprehensive assessment of the water resources situation, possible future scenarios, identification of critical aspects, and lines of action that guide 10 programs and 30 projects.

Soil management applications

Soil erosion is the most important environmental problem at the rural level, as it causes a lack of sustainability in future development. Since the approval of the Sustainable Development Goals (SDGs) of the 2030 Agenda, goal 15 (Life of Terrestrial Ecosystems) places special emphasis on protecting, restoring, and promoting the sustainable use of terrestrial ecosystems, achieving sustainable forest management, combating desertification, halting and reversing land degradation, and halting the loss of biological diversity.

With regard specifically to soil quality, target 15.3 states: by 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land-degradation-neutral world.

Uruguay is committed to maintaining its soil resources, which are key to ensuring the activity of the agricultural export sector and the food security of its current and future population.

The current regulations regarding soil use and conservation place Uruguay among the model countries in terms of soil care. Decree Law No. 15.239 of 1981 promotes and regulates soil use and conservation, ensuring the prevention and control of soil erosion and degradation, among other aspects. Furthermore, Decree No. 333 of 2004 granted the MGAP the authority to direct activities aimed at responsible use and proper soil management. Decree No. 405 of 2008 also empowered the Ministry to require the submission of a responsible soil use and management plan.

Currently, 96% of the agricultural area has planning in place to address the mitigation of water erosion of the soil—that is, 1,800,000 hectares submitted to MGAP by accredited technicians.

Since 1976, the country has been fully mapped in soils at a scale of 1:1 million, along with the identification of their productive potential for beef and sheep meat and wool (CONEAT). To improve soil resource management, Uruguay has been incorporating soil mapping at a scale of 1:40,000 over the past 10 years, currently reaching 5,000,000 hectares.

In addition, the United Nations Convention to Combat Desertification was incorporated into its national legislation through Law No. 17.026 of November 1998. This is one of the three Conventions that emerged from the Earth Summit (Rio 92), along with the Convention on Biodiversity and the Convention on Climate Change.

In 2005, the National Action Plan to Combat Desertification and Drought (PAN) was developed through a process of discussion and consultation. The PAN aims to combat desertification and mitigate the effects of drought, contributing to the achievement of sustainable development in the “affected areas” and improving the living conditions of the population. It emphasizes the idea of basin planning, as reflected in the National Water Policy (Law No. 18.610).

In 2012-2013, a project was developed to align the National Action Program with the Ten-Year Strategy of the United Nations Convention to Combat Desertification (UNCCD). Within the framework of its commitments, Uruguay has submitted implementation reports to the UNCCD, the most recent in 2015, during the fifth reporting period. As a Party, Uruguay actively participates in the negotiations for this Convention and was selected among other countries to implement the Voluntary Target-Setting Program for LDN in 2016. Finally, Uruguay is part of a global project recently approved by the Global Environment Facility (GEF), which aims to support States Parties to the Convention in monitoring and reporting information.

SECTION IV

CONSUMER PROTECTION, FOOD SAFETY AND SECURITY:

livestock feed; prohibition of hormone use; contributions to food security.

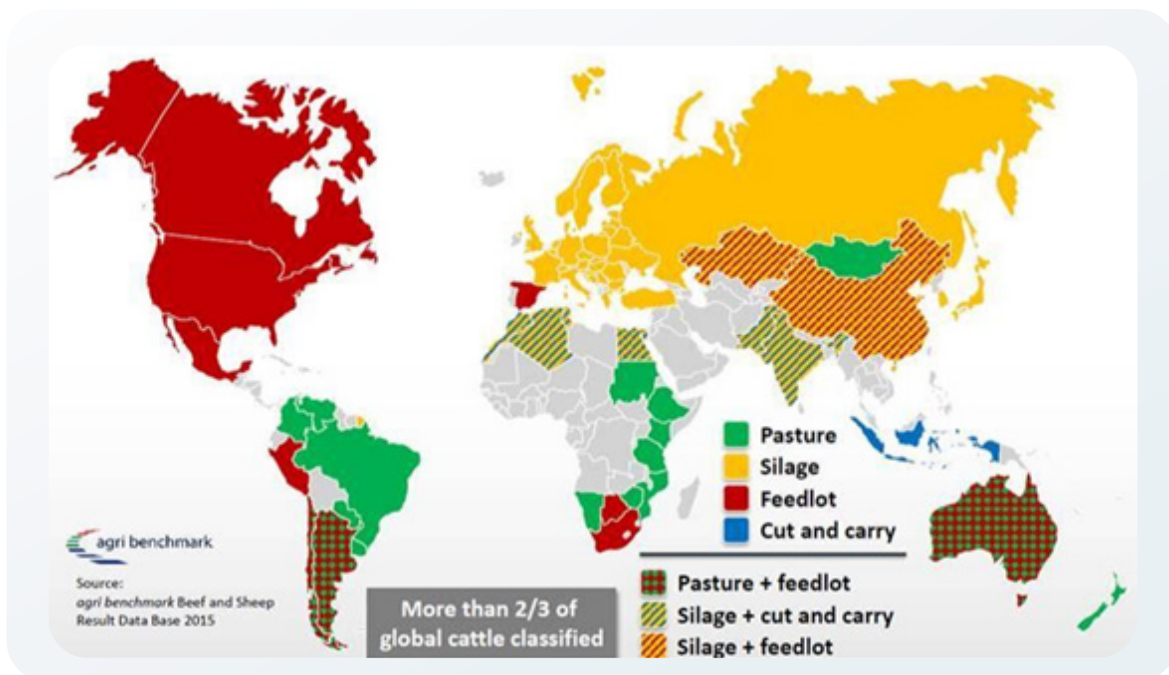
Animal welfare⁹

Uruguayan cattle are mostly grass-fed. Of the animals that reach slaughter, only 15% went through confinement for grain-finishing during the final stage of the production process. According to the international consulting firm AgriBenchmark, as shown in the map below, our country is part of a limited group of countries where the animal's diet is almost exclusively grass-based.

Uruguay is well-known for its tradition to produce and export high-quality beef and high quality

lamb meat. Cattle are bred free range and fed with pastures in natural grasslands. Uruguayan livestock farming systems stand out for excellent animal welfare, ensuring the safety of food products and contributing to human health and sustainable development

Our country covers 17.6 million hectares: 11.5 million hectares are covered with natural fields and native pastures, with 400 species of grasses and legumes. These natural pastures currently feed 12 million cattle.



Source: AgriBenchmark

TOTAL GRAZING AREA:	15.12 MILLION HECTARES	100,00%
NATURAL FIELD:	11.3 MILLION HECTARES	80,2%
IMPROVED PASTURES (1):	11.3 MILLION HECTARES	19,8%

Source: Prepared by MGAP-DIEA based on information from MGAP-SNIG
 (1): Includes: artificial grasslands, improved fields, fertilized fields, and annual forage crops.

⁹ Sources: INAC; DIEA.

Antimicrobial resistance (AMR)¹⁰

Primary production in Uruguay is based on natural, open-range systems, in which animals are born and raised in pastures. In most cases (more than 80%), animals are also finished on pastures. This translates to less contact between animals compared to other production systems, which in turn reduces the frequency and intensity of diseases that require the use of antibiotics. This results in a decreased likelihood of bacterial strains developing AMR.

Currently, meat produced in Uruguay is exported to 120 countries, including the most demanding markets. Therefore, it is believed that in the medium term, having a National Plan to contain Antimicrobial Resistance in Uruguay will be a requirement for continuing to export to these markets.

This is why, in November 2023, Uruguay presented the National Plan to Combat Antimicrobial Resistance (AMR), with a strong inter-institutional component, bringing together the efforts and technical capabilities of three ministries and international organizations, focusing on human health care, sustainability, and environmental protection.

The main objective of the Plan is to prevent diseases and prevent deaths in humans and animals caused by infections produced by antimicrobial-resistant microorganisms. It encompasses the areas of human health, animal health, and food production chains, and includes animals of productive interest to the country, as well as companion animals and animal feed.

The plan is divided into surveillance actions; prevention and control; research; training and communication; and plan governance.

Hormones and antibiotics

In Uruguay the use of growth promoting hormones, animal by-products and antibiotics in feed is prohibited by law. The latter use is increasingly discouraged globally, given the discovery that they promote AMR (WHO 2017). Antibiotics can only be used as medications with specific veterinary authorization. Food containing animal residues cannot be offered either. Again, our legislation is uncommon worldwide.

Several antibiotics have been banned (chloramphenicol, nitrofurans, and carbadoxolequinox, for example). Furthermore, since 2011 (Art. 1 of Decree No. 98/011), the import, manufacture, marketing, and use of animal feed containing antibiotics for growth promotion purposes for cattle and sheep has been restricted. In the dairy sector, regulations have been created requiring the adoption of measures to mitigate the presence of antibiotics (Decree No. 90/995). As a result of these guidelines, it was found that only 0.16% of the volume shipped to the plant tested positive for antibiotics in 2013, 0.20% in 2014, and 0.09% in 2015.

Uruguay has had a National Program for Veterinary Drug Residues and Environmental Contaminants in Food of Animal Origin since 1978. The program is official, operates nationwide, and consists of random sampling for monitoring veterinary drugs and environmental contaminants, as well as follow-up sampling in cases where random monitoring yielded results above the permitted limits. It covers the subprograms for meat and by-products, milk and dairy products, honey, and aquaculture.

At the commercial level, the National Meat Institute (INAC) is carrying out the Certified Natural Meat Program of Uruguay (PCNCU), a voluntary certification scheme for cattle, which aims to obtain a differentiated product that adds value to the meat supply chain. It operates through an audit process by independent certification bodies, which verify compliance with protocols at the primary and industrial stages. Animals that have required the use of antibiotics for any reason or by any route of administration must be excluded from the Program.

SECTION V

SOCIAL PROTECTION

labor standards¹¹

Regarding working conditions, Uruguay is a leading country in regulation and control. The Ministry of Industry, Labor, and Public Instruction was created in 1907 by Law 3147, in order to face the need for a ministerial body to address issues related to labor and social security. Subsequent laws such as the one on the prevention of occupational accidents (5032), in force since 1914, and the establishment of the eight-hour workday (5350) in 1915, constituted the first legislative milestones aimed at guaranteeing the rights and protection of all workers.

Following the ministerial modification of 1935 and as per the current National Constitution of March 1967, the Ministry of Labor and Social Security is responsible for regulating and directing policy within its jurisdiction.

International commitments and national strategies combine to promote and guarantee more rights for Uruguayans.

According to the Declaration on Fundamental Principles and Rights at Work, adopted by the 86th General Conference of the ILO, fundamental rights at work include freedom of association; the right to organize; recognition of collective bargaining; the elimination of all forms of forced

or compulsory labor; the effective abolition of child labor; and the elimination of discrimination in respect of employment and occupation.

As a founding member of the ILO, Uruguay has constitutionally recognized these rights and has ratified more than 240 related ILO International Labour Conventions (ILCs).

It is particularly noteworthy to highlight the ratification of the eight Conventions on fundamental rights at work and the four priority governance Conventions. The core Conventions are those that embody principles and rights relating to human labor, rights that are inherent to every person simply by virtue of being a worker, while the governance conventions, in order to create decent work, aim to strengthen national systems to ensure compliance with labor standards, particularly through labor inspection and tripartite consultations. These include Conventions 81 on labor inspection; 87 on freedom of association and protection of the right to organize; 98 on the right to organize and collective bargaining; 100 on equal remuneration; 111 on discrimination (employment and occupation); 138 on the minimum age for admission to employment; and 144 on tripartite consultations to promote the application of international labor standards, among others.



Special mention should be made of Uruguay's role in drafting ILC 189 on domestic work, for being the first country to ratify it, and also those relating to agriculture, including ILC 129 on labour inspection, ILC 099 on methods for setting minimum wages, ILC 141 on rural workers organizations, ILC 148 on the working environment (air pollution, noise and vibrations) and ILC 184 on safety and health in agriculture.

Likewise, ILC 122 of 1977 is highlighted where it proposes implementing an active policy aimed at promoting full, productive, and freely chosen employment, with the aim of stimulating economic growth and development, raising living standards, meeting labor needs, and addressing the problem of unemployment and underemployment. The convention thus establishes the necessary articulation and coordination of employment policies with other policies aimed at economic and social development. Successive transformations have taken place in the instrument, thus contributing to the establishment of a model that guarantees labor rights in the country.

Among the regulatory advances, laws and regulatory decrees, those on collective bargaining (Law 18.566 of 2009; Law 18.5089), freedom of association, work accidents and occupational diseases (Law 16.074, of January 17, 1990, Law 16.134, of 1990, Law 16.426, of 1993, Law 19.196), intermediate, weekly and annual breaks (Decree of 10/29/1957; Law 7.318 of 1988; Law 12.590, of 1958; Law 13.556, of 1966; Decree-Law 14.320; Decree-Law 14.328 of 1974; Decree of 4/26/1962), working day (Law 5.350 of 1915; Law 19.028 of 2012; Law 18.441 of 2008; Law 18.065 of 2006), severance pay and unemployment insurance (Laws 10.489 and 10.542 of 1944; Law 12.597 of 1958; Decree-Law 14.188 of 1974; Law 15.180 of 1981; Law 18.399 of 2008; Decree 162/009 of 2009), health insurance (Decree-Law 14.407 of 1975; Law 18.725 of 2010), salary and other benefits (Decree-Law 14.159 of 1974; Law 17,829 and amendments; Law 12,840 of 1960; Law 16,101 of 1989), maternity and paternity (Law 19,161 of 2013; Law 19,530 of 2017) and collective bargaining (Law 10,449 of 1943; Law 18,566 of 2009) stand out.

Gender

Regarding gender equality in the workplace and employment, important regulatory advances also stand out, such as the ratification of the 1979 United Nations (UN) Convention on the Elimination of All Forms of Discrimination against Women; the Convention on the Prevention and Punishment of Violence against Women, signed in Belém do Pará in 1994; International Labor Convention No. 156,

on Workers with Family Responsibilities, of 1981; and Convention No. 183, on Maternity Protection, of 2000. At the national level, the most notable are Articles 7, 8, and 54 of the Constitution of the Republic; Law 16.045 of 1989 on Equal Treatment and Opportunities for Both Sexes in the Workplace; and Law 18.104 of 2007 on Equal Rights and Opportunities for Men and Women in the Republic.

It is worth noting that Uruguay has been a pioneer in issues such as the regulation of domestic work (Law 18.065 of 2006) and the creation of the Domestic Service Wage Council Group in 2008, which incorporated this group into the exercise of the right to collective bargaining. In the same area, Law 18.561 of 2009 on the Prevention and Punishment of Workplace and Teacher-Student Sexual Harassment is worth highlighting.

People with disabilities and the labor market

The country has ratified the UN Convention on the Rights of Persons with Disabilities of 2007 (Law 18.418 of 2008) and the Vocational Rehabilitation and Employment (Disabled Persons) Convention No. 159 (Law 15.878), developed by ILO Recommendation 168 of 2008. In turn, in 2010, Law 18.651 on the Comprehensive Protection of Persons with Disabilities was approved, regulations that have been complemented and developed - in its labor aspects - by the more recent Law 19.691 of 2018, regulated by Decree 73/019.

These laws establish, for both the public and private sectors with 25 or more permanent employees, that when hiring, they must include a minimum number of people with disabilities who meet the skills required for the position.

Eradication of child labor and protection of non-hazardous youth work

Uruguay stands out in the region for its legislative progress and the development of sustained policies to eradicate child labor and promote decent youth work. In this regard, our country has ratified ILC 138 and 182. The first refers to the Minimum Age for Admission to Employment, while the second addresses the worst forms of child labor: those involving forced labor, sexual exploitation, drug trafficking, and others that, due to the conditions in which they are carried out, are likely to harm the health, safety, or morality of children.

SECTION VI

THE ROLE OF THE PRIVATE SECTOR IN STRENGTHENING SUSTAINABLE MSMEs¹²

Opportunities and challenges for sustainable development

Uruguay's private sector, especially micro, small, and medium-sized enterprises (MSMEs), plays a crucial role in the transformation towards a sustainable development model. These companies constitute a significant part of the country's productive fabric and have the capacity to produce beneficial economic, social, and environmental impacts on a territorial scale.

However, this potential is limited by structural obstacles, one of the most significant being access to financing. The lack of appropriate credit mechanisms, coupled with a limited understanding of financial tools that incorporate sustainability criteria, hinders MSMEs progress towards impactful business models. In this context, it is crucial to implement a regulatory framework that allows their inclusion in sustainable financing schemes, along with programs that promote their formalization and training in responsible practices. The established strategy to incorporate MSMEs into the sustainability framework requires them to be able to detect and report the impact of their operations.

National Initiatives and European Learnings

During the implementation of the InsPYraME EU 2.0 Project, carried out by the Uruguayan Chamber of Commerce and Services and the European Parliament of Uruguay, with the support of the European Union, specific opportunities were identified to foster links between businesses, financial institutions, and public agencies. The objective was to design solutions that aligned the financing needs of MSMEs with the country's sustainable development priorities, anticipating the challenges and opportunities posed by the future EU-Mercosur Agreement.

Moreover, the Chamber of Industries of Uruguay (CIU) offers a series of services and programs aimed at promoting an environmentally responsible

industry, aligned with high management and sustainability standards. For instance, the CIU operates a Final Disposal Site (SDF) specifically designed for the treatment and proper storage of Category I industrial waste, that is, waste considered medium and high hazard. Another example of relevant programs is the Plan Vale, that aims to recover and reclaim post-consumer packaging and materials throughout the country, thus contributing to a more circular and sustainable model.

Furthermore, Impulsa Verde is a project implemented by CIU and the Uruguayan-German Chamber of Commerce and Industry, with co-financing from the European Union's AL-INVEST Verde program. Its purpose is to support industrial companies in the development and implementation of green growth plans, promoting innovation, efficiency, and environmentally responsible competitiveness. Additionally, through the Impulsa Industria project, CIU supports companies in measuring and reducing their environmental footprints, which represents a strategic tool for improving environmental performance and increasing their position in demanding markets.

It is also worth mentioning that during 2023, the implementation of impact reports and certifications such as "Altus+," "Country Brand," and "Sustainable SME" (promoted by the Ministry of the Environment) has been encouraged, enabling companies to obtain added value, become part of responsible value chains, and enter new markets. These instruments boost their competitiveness and equip them to meet the growing need of large corporations—mainly those that have entered global markets—that demand suppliers who meet social, environmental, and governance (ESG) standards.

Another relevant example in this regard is the Sustainable Management Seal UEU-LATU, offered by Uruguay Exporters Association (UEU) and the Technological Laboratory of Uruguay (LATU), which ensures sustainable business management and commitment to ESG issues. It includes a requirements manual and tools designed to help companies integrate sustainable practices into their operations. Its goal is to enhance business competitiveness by complying with internationally recognized sustainability standards.

The Sustainable Management Seal UEU-LATU offers an integrated framework for companies to adopt responsible practices across their operations. Through this approach, companies can improve their competitiveness, comply with international regulations, and generate positive impacts on society and the environment. The Seal is a formal recognition that enhances reputation and strengthens trust with customers, business partners, and the wider community. Its implementation began in 2023 and this year 27 companies are part of it.

Also worth noting is the work of the Sustainability Reporting Observatory of the Faculty of Economics and Administration of Uruguay. They maintain a database of Uruguayan organizations that submit Sustainability Reports and analyze the development of this practice in the country. Their website lists 113¹³ reporting companies.

Furthermore, according to research conducted on exporting companies and sustainability reports, one-third of exporting companies report, representing 36% of total goods exports.¹⁴

Although Uruguay does not have a specific program equivalent to the European Green Deal, it has implemented public policies that align with its objectives: the promotion of renewable energy (wind and solar), the preservation of biodiversity through protected areas, the implementation of plans for the sustainable use of land and water in the agricultural sector, and the promotion of environmental awareness among citizens. These measures demonstrate a growing commitment to environmental sustainability.

In this context, the comparative study between the EU and Uruguay reveals multiple optimization possibilities for the country's MSME ecosystem. Although contextual variations restrict direct adaptation, Uruguay could learn from several European practices: implementing regulations for the disclosure of non-financial information, standardizing sustainability reports, offering tax incentives, establishing national sustainability targets appropriate to the situation of MSMEs, promoting socially responsible investments, strengthening business education in sustainability, engaging in international networks, adjusting financial regulations, and fostering innovation.

Integrating the Private Sector into the Sustainable Agenda

Finally, in this context of transformation, promoting the active participation of the private sector in the promotion of sustainable business practices and in the financial backing of projects of this nature can help create a more favorable environment for small businesses in Uruguay to obtain financing with a sustainable perspective.

Close cooperation between the government, the financial sector, and the businesses themselves will be fundamental for the success of these projects. Likewise, these tactics can be examined, debated, and resolved within the specific contexts established by the Central Bank of Uruguay (BCU), in its role as the regulatory body and policy leader for the country's financial system.

¹³ <https://test.fcea.edu.uy/ords/>

¹⁴ <https://fcea.udelar.edu.uy/depto-cont-trib-investigacion/documentos-de-divulgacion.html>

