

Environmental and Labor Issues: Environmental and Social Risk Categorization According to the IIC Environmental and Social Sustainability Policy, this is a Category B project: potential environmental and social risks and impacts are limited to the project site, largely reversible, and can be mitigated via measures that are readily available and feasible to implement in the context of the operation.

Environmental and Social Appraisal The IIC's Environmental and Social Appraisal focused on the project's current and anticipated performance in four key areas: (i) the corporate environmental and social assessment and management system; (ii) labor and working conditions; (iii) resource efficiency and pollution prevention; and (iv) corporate social responsibility.

(i) Environmental and Social Assessment and Management System Inalma has a corporate quality policy (Política de Calidad) that affirms the company's commitment to complying with the laws and regulations of Honduras and of the countries to which the Company exports its products. The policy explicitly mentions the Company's respect for environmental preservation and its commitment to being a socially responsible corporation. Furthermore, the policy states that the company will select suppliers with the capacity to comply with its corporate standards. Inalma also has a corporate health and safety policy (Política de Salud y Seguridad) which clearly states that it is the responsibility of each manager and supervisor to ensure that all personnel have the protective equipment and training necessary to be able to perform their duties free from risk of accident or illness. New employees are introduced to these policies during their induction training, and all employees are thereafter provided with semi-annual refresher courses on health and safety management. Environmental and social risks and impacts at Inalma are identified and managed primarily by a Health and Safety Committee which meets every two months. The committee reports directly to top-level management (e.g., the Operations Manager), and is comprised of the manager of the Environment and Safety Department, the manager of the Human Resources Department, the Production Supervisor (for emergency response matters), and several representatives from the general workforce. Food safety and quality risks are management by a separate committee made up of all the department heads. This committee meets monthly. Inalma has been in possession since 2012 of Food Safety Certification 22000 (FSSC:22000). The FSSC 22000 system is officially recognized by the Global Food Safety Initiative, and this certification is awarded by NSF International. Emergency response procedures are contained within a Contingency Plan (Plan de Contingencias). Inalma conducts semiannual evacuation simulations, in which all personnel participate and the emergency procedures described in the contingency plan are tested. After each simulation exercise, opportunities for improvements are identified and resolved by the responsible Inalma staff. Inalma is operating under two relevant licenses: a health license emitted by the Secretary of Public Health (Food Control Section); and an environmental license emitted by the Ministry of Natural Resources and Environment and by the Direction of Environmental Control. To obtain both of these licenses, Inalma's operation was inspected by the authorities and the Company was required to present acceptable management and monitoring plans. The plant is inspected/audited annually by the following entities: the Municipal Environment Unit (Unidad Municipal Ambiental), the Fire Department, the Ministry of Environment (Secretaría de Medio Ambiente), inspectors for the FSSC 220000 certification, and the Ministry of Public Health (Secretaría de Salud Pública).

(ii) Labor and Working Conditions Inalma currently has 292 employees, 30 percent of whom are females. At the supervisory level, 19 (49 percent) of the 39 employees are females. In accordance with the commitment stated in its human resource policy, the Company operates in compliance with Honduran labor laws. These include the Honduran Labor Code of the Ministry of Labor (Secretaría de Trabajo y Seguridad Social) and with the Occupational Health Code of the Ministry of Health (Secretaría de Salud Pública). All employees undergo an induction training process, during which they are presented with the Company's human resources policies and rules, which reference these labor laws. During the induction process, new employees are given basic occupational health and safety training, which is later tailored to specific work functions by the employees' direct supervisors. Inalma does not employ minors. Employees are free to join labor associations. The maximum length of dayshifts is 10 hours; nightshifts are limited to 9

hours. The employee grievance mechanism currently consists of suggestion boxes located in various locations around the plant. The IIC's Environmental and Social Action Plan (ESAP) for the Project will include a requirement for the Company to implement a more robust grievance mechanism which, among other considerations, will define the responsibilities, formal procedures, and timing for resolving any employee grievances. Beyond the benefits that the Company is required to provide by law, Inalma offers the following benefits to its employees: subsidized meals in the company cafeteria; merit-based bonuses; a savings club (Club de Ahorro) to help employees with personal or familial emergencies; a minimum salary which is currently 8 percent above the legal minimum; a commissary offering household staples to employees at cost; and an onsite medical clinic for attention to basic health needs. (iii) Resource Efficiency and Pollution Prevention Inalma mitigates environmental and social risks related to its supply chain in several ways. These include contractual clauses, the provision of direct technical assistance to all of its suppliers of fruits and vegetables, and regular monitoring of the activities of these suppliers. For example, Inalma ensures the appropriate use of agrochemicals by its suppliers in three ways: by contractually requiring its suppliers to use only those agrochemicals that are preapproved by the Company; by training its suppliers in the correct handling of these agrochemicals; and by performing random tests of the fruits and vegetables received from suppliers. Organic wastes from the processing plant are disposed of at a municipal incinerator. Liquid wastes are pre-treated by the Company and then sent for final treatment to a contracted third party. The used vegetable oil from production processes (approximately 60 gallons per month) is sold to a reseller for use as biofuel. The Company is currently embarking on an analysis of options for converting the organic wastes from its production processes into methane which could then be used to as fuel for those same production processes. IIC is in discussions with the Company regarding the possibility of providing technical assistance funds to support this effort. (iv) Corporate Social Responsibility Inalma supports the local educational system by providing the salaries of four teachers in the municipality of Choloma. In addition, in 2014 alone the Company has already donated over 26 thousand pounds of food to various local organizations, including churches, nursery schools, and nursing homes. Monitoring and Compliance To verify the project's ongoing compliance with local regulations as well as with the IIC Environmental and Social Sustainability Policy, each year Inalma will submit to the IIC an environmental and social monitoring report. The IIC will review these annual reports and conduct periodic site visits throughout the life of the project in order to verify continued compliance.