

Environmental Classification and Issues: This is a category III project according to the IIC's environmental review procedure because it could produce certain effects that may be avoided or mitigated by following generally recognized performance standards, guidelines, or design criteria. The main environmental and labor considerations related to this project are product quality and third-party certification regarding good agricultural practices (Food Safety Program, GAP, HACCP); handling of agrochemicals; occupational health; liquid effluents; solid waste management; industrial safety; and labor and social issues.

Product Quality and Third-party Certification regarding Good Agricultural Practices:

Greenhouse crop management and packing plant operations are carried out in line with Mexican laws and U.S. Food and Drug Administration and U.S. Department of Agriculture standards for agricultural product exports to the United States. All of Melones' agricultural products are certified by an independent third party, which has rated as "superior" the company's compliance with good agricultural practices and the food safety program followed at its greenhouses. Product quality is guaranteed by the third-party certified Hazard Analysis and Critical Control Point (HACCP) system in place in Melones' packing plant. All of the Company's agricultural products are also certified free from insecticides and meet U.S. Environmental Protection Agency (USEPA) standards. An international consulting firm headquartered and accredited in the United States granted Melones Good Agricultural Practices, Food Safety Program, HACCP, and USEPA certifications, after the Company passed the relevant certification audits. All these certifications are subject to revalidation on a regular basis; they are currently in full force. The IIC will verify that Melones' certifications remain valid throughout the project.

Handling of Agrochemicals and Occupational Safety: The only chemical insecticides for used for pest control are those authorized by USEPA. These insecticides have a relatively low harmful effect on human health and the environment. This was confirmed by the IIC's technical team who visited the Company's facilities during project evaluation. The team also observed that the following are in line with Mexican standards and generally recognized and accepted international good environmental practices: handling and application of agrochemicals in the greenhouses; safety procedures; and washing and disposal of insecticide containers. The Company provides workers with required personal protection gear for applying insecticides. It also carries out a strict application control program, which allows it to ensure its clients that its products are free from insecticides and comply with USEPA's international standards. There is a well-equipped doctor's office in the facilities, with medical staff and trained nurses.

There is also an ambulance service in case of emergencies. Workers who handle insecticides undergo regular blood tests for cholinesterase in order to determine exposure and toxicity risk. No cases of poisoning have been identified to date.

Liquid Effluents: Liquid effluents are mainly wastewater generated in the greenhouse area and the packing plant, and sewage from workers' housing and offices. Water for irrigating the Company's greenhouse crops is supplied from local dams via irrigation channels. The volume of wastewater from the greenhouses is not significant because water management and fertilizer application are carried out using an effective drip irrigation system that prevents overfertilizing and the use of too much water. However, wastewater from washing the equipment used for mixing fertilizers prior to application is discharged at regular intervals. This wastewater, wastewater from the packing plant, and rainwater are all discharged into a municipal drain system. Sewage from the bathrooms flows into a septic tank for treatment. At the IIC's request, Melones will carry out a comprehensive program to evaluate the physical-chemical and microbiological quality of all the liquid effluents it discharges into the municipal drain system. If necessary, the Company and the IIC will agree on the corrective measures to be carried out to ensure that all liquid effluents are in line with the IIC's environmental requirements over the life of the project.

Solid Waste Management: Solid waste generated in the greenhouses, mainly cardboard boxes and plastic, is sold to third parties for recycling. Solid waste from worker housing and the offices is collected by a contractor who transports the waste for disposal at an authorized site. Empty insecticide containers are triple-washed, rendered useless, and sent to a regional collection center that operates under the state government's "Conservemos un Campo Limpio" (Let's Keep the Countryside Clean) program carried out in conjunction with the farmers' association. The temporary collection center for agrochemical containers delivers them for proper disposal without impacting the environment.

Industrial Safety: Occupational safety and health issues are handled appropriately, both in the greenhouses and in the packing plant. The Company provides workers with personal protection gear. Staff is trained in a program that involves good agricultural practices, food safety techniques, agrochemical application, and the use of personal protection gear. The facilities have strategically located fire prevention and firefighting systems, such as alarms, smoke detectors, and extinguishers. There are also regular fire drills conducted with assistance from the firefighting equipment supplier. Agrochemicals are stored in a special area with controlled access. In general, the warehouse complies with safety measures needed for this type of substances, which are classified according to Mexican regulations and USEPA standards. In order to improve agrochemical warehouse safety, the Company has agreed to (i) improve supervision to ensure that warehouse staff always wear personal protection gear; (ii) carry out shower and eye-wash equipment maintenance and improve signage; and (iii) separate the warehouse drain to prevent it from mixing with other effluents.

Labor and Social Issues: The Company's employee relations are in line with Mexico's federal labor act and International Labour Organization standards. Greenhouse and packing plant workers are hired under a temporary worker program sponsored by the federal and state governments. According to the local government and some of the region's civic associations, the temporary or day worker program helps fight poverty among inhabitants of rural areas by creating job opportunities. The Company has a social support program for its workers and their families. The program provides them with proper housing, free daycare for their small children during work hours (older children go to public primary and secondary schools), healthcare, and access to social workers. Workers are also enrolled in the federal government's Seguro Popular insurance program.

Monitoring and Annual Reporting: The Company's monitoring procedures will be described in the Environmental Management Plan to be prepared by Melones. The Company will submit an annual report summarizing monitoring data related to product quality and third-party certification regarding good agricultural practices; handling of agrochemicals; occupational health; liquid effluents; solid waste management; industrial safety; and labor and social issues. During the life of the project, the IIC will monitor ongoing compliance with its own Environmental and Labor Review Guidelines by evaluating monitoring reports submitted annually to the IIC by the Company and by conducting periodic field visits as part of the project supervision process.