

This is a category III project according to the IIC's environmental and labor review procedures because specific impacts may result which can be avoided or mitigated by adhering to generally recognized performance standards, guidelines, and design criteria. The following potential environmental issues were analyzed during project appraisal: Third-party certification in good agricultural and environmental practices (EUREP GAP certification), agrochemical handling and application, waste handling, general worker health and safety, and other labor-related issues.

**Environmental and Labor Issues:** EUREP GAP Certification: Inter alia, the Project seeks to foster the adoption of good agricultural practices among Subsole's suppliers and to obtain the EUREP GAP certification.

EUREP GAP is a good agricultural practices protocol that also addresses environmental and labor issues. "Good agricultural practices" refers to all the actions involved in the production, processing and transport of safe, high-quality fruit. To achieve this, priority is given to protection of the environment and human health by using the ecologically safest, most hygienically acceptable methods and the rationalization of pesticide use.

EUREP (Euro Retailer Produce Working Group) represents an association of large European supermarkets, leaders in the food sector, which have defined a GAP (Good Agricultural Practice) protocol to be followed by their fruit and vegetable suppliers. When a product is EUREP GAP-certified, supermarket customers have the assurance that it is safe and that it was produced in an ecologically sound manner duly verified by an internationally recognized independent entity.

The EUREP GAP protocol includes the following sections: (1) traceability of EUREP GAP registered product to the registered farm where it has been grown, (2) record keeping, (3) varieties and rootstocks, (4) site history and site management, (5) soil and substrate management, (6) fertilizer usage, (7) irrigation, (8) crop protection, (9) harvesting, (10) post-harvest treatments, (11) waste and pollution management, recycling and reuse, (12) worker health, safety and welfare, and (13) environmental issues.

Subsole currently has 45 professionals on staff that include agricultural engineers and agronomists, who play an important role in providing Subsole's suppliers with technical assistance. Subsole's technical staff visit the suppliers regularly to assist them with implementing the procedures required to obtain the EUREP GAP certification. So far, six of the growers partnering with Subsole have obtained the EUREP GAP certification and the rest are in the process of obtaining it.

**Agrochemical handling and application:** The protection of crops against pests, diseases and weeds will be achieved with the appropriate minimum pesticide input. Growers only use chemicals that are registered in the country of use for the target crop and that comply with the specific legislation of the country of destination. All pesticide applications will be recorded including the crop name, application location, date, product trade name, and operator name. All pesticides will be stored in sound, secure, and well ventilated locations. In addition, Subsole's technical experts provide their suppliers with assistance and guidance documents on how to implement their recording systems and help them to ensure that the measures described herein are being fulfilled.

**Waste Management:** The suppliers will develop and implement a plan to manage waste and prevent pollution, avoiding the use of landfill or burning, by waste recycling. Empty pesticide containers will be handled appropriately and will not be re-used. The containers will be pressure washed at least three times with water, will be punctured to ensure they can not be re-used, will be kept secure until they are given its manufacturers for recycling. As part of a pilot initiative to implement organic agriculture by one of the suppliers visited during the appraisal visit, organic waste such as grapes

that can no longer be harvested were being composted, thereby reducing the generation of organic waste.

**Cold Storage:** The refrigeration units used by Subsole to conserve the products utilize ammonia based cold storage systems. No chlorofluorocarbons will be used in the refrigeration units.

**Quality Control/Food Safety:** The quality of the irrigation water will be analyzed to ensure that it does not contain any pollutants. In addition, workers will receive basic hygiene training for the handling of fresh produce, the farms and premises will be clear of all waste and litter, and all permanent product packing and product storage sites will have adequate pest control measures. Suppliers shall be able to provide evidence of pesticide residue testing to ensure safe products. Inspectors authorized by EUREP GAP also conduct periodic visits, as well as annual inspections. Another requirement of EUREP GAP is that customers be provided with a form to ensure that any complaints are adequately recorded and followed up including a record of actions taken.

**General Health and Safety:** Workers at farms (including subcontractors) are provided with the appropriate protective equipment, health insurance, and first aid. Workers handling and applying pesticides are trained and are provided with suitable protective clothing, as per the instructions in the pesticides' labels, appropriate to the posed health and safety risks.

**Labor issues:** Chile is a signatory to the UN and ILO conventions on child labor, and it adheres to the core standards for worker rights. The Chilean Constitution and the Labor Code prohibit forced or compulsory labor and the law has provisions to protect workers under 18 years of age by restricting the types of work open to them and by establishing special conditions of work (i.e. limit on hours worked per day). Both the Company and the suppliers respect Chile's requirements in the area of work age, freedom of association, the right to organize, and collective bargaining. In addition, EUREP GAP certification requires that employment conditions comply with local and national regulations with regard to working hours, working conditions, job security, pensions, and other legal and health requirements.

**Monitoring:** Subsole will develop an Environmental Management Plan (EMP) which will include a schedule for the implementation of environmental projects and a monitoring and reporting program to ensure that the Company is complying with national laws and IIC's environmental guidelines. The EMS will describe who will be responsible for monitoring the implementation of environmental activities. The EMP will also include a proposed timeframe in which Subsole's suppliers will obtain EUREP GAP certification. Subsole will submit an annual report summarizing the monitoring data related to agrochemical handling, waste handling, occupational health and safety, accident reports, food hygiene and quality control, and labor related issues, as well as Subsole's progress in assisting its suppliers in obtaining EUREP GAP certification. In addition, EUREP GAP requires that the suppliers perform internal audits on an annual basis, documenting the results and taking the appropriate corrective actions as a result of the internal audit.