

## Environmental Classification and Issues:

**Environmental Classification:** This is a category III project according to the IIC's environmental and labor review procedure because specific impacts may result that can be avoided or mitigated by adhering to generally recognized performance standards, guidelines, and design criteria. The main environmental and labor considerations related to the project are: (1) third-party certification of good agricultural and environmental practices, (2) liquid effluent treatment, (3) solid waste management, (4) air emissions, (5) quality control and food safety, (6) occupational health and safety, (7) labor practices, and (8) other social benefits.

**1) Third-party certification of good agricultural and environmental practices:** Reysahiwal is part of Grupo Wong, a prominent industrial group in Ecuador. This group also does business in banana growing, plastics, fertilizers, and pulp and paper, among other sectors. Grupo Wong pays special attention to managing environmental and social issues, as well as obtaining certification for its banana plantations and other facilities including ISO 9001 - 2000, EUREP GAP, and ECO-O.K. certifications. ECO-O.K. certification is now known internationally as Rainforest Alliance certification; it is awarded to plantations and farms that meet strict social and environmental standards. Rainforest Alliance is an international nonprofit organization that works to improve the social and environmental impacts of tropical agriculture via its third-party certification program. Reybanpac is Grupo Wong's main subsidiary; in 1999 it became the first company in Ecuador and Latin America to be awarded ECO.O.K. certification. In December 2003 the company received EUREP GAP certification to grow bananas and pineapples after it implemented EURAP GAP good agricultural practices. EUREP GAP standards cover good agricultural practices and take into account environmental and labor issues. Good agricultural practices refer to the entire process of growing, processing, and safely transporting high-quality fruit. To achieve this, priority is given to protecting the environment and human health by following the safest widely accepted environmentally friendly and hygienic methods and using pesticides rationally.

**2) Liquid Effluent Treatment:** In 2003, Reysahiwal completed construction of a wastewater treatment plant for industrial liquid effluents. These liquid effluents are typical of the dairy industry; they contain sugars, proteins, and dissolved fats. Wastewater is treated in a purification system that uses conventional physiochemical and biological processes to remove impurities. Reysahiwal periodically tests the quality of treated water through its program for sampling key water quality parameters. The company is currently expanding the capacity of its wastewater treatment system to handle an increase in liquid effluents due to the company's expanded industrial operations. The new wastewater treatment plant will ensure that the company's effluents are in compliance with national regulations and IIC procedures for the environmental review of its projects.

**3) Solid Waste Management:** Reysahiwal's waste management program includes a designated site for the temporary storage of solid waste, a recycling policy for returning agrochemical product containers to suppliers for appropriate disposal, and a contract with the municipal sanitation service to collect solid refuse twice a week.

**4) Air emissions:** The primary source of emissions comes from generating the steam and heat needed for industrial operations. The most recent results of air emission tests show that they are generally in compliance with national standards. The next emissions sampling is scheduled for the end of 2006.

**5) Quality Control and Food Safety:** The company follows international food safety standards, such as the SQF 2000 (Safe, Quality Food) standard, at its facilities. The SQF 2000 standard is based on the food-quality control system Hazard Analysis and Critical Control Point (HACCP), which is mandatory for exports to the USA and the European Union. This standard covers food safety and

quality control, as well as the validation and verification of control methods. As part of the standards certification process scheduled for the end of 2006, Reysahiwal has carried out the required internal compliance audits. The company also has a manual of good dairy industry manufacturing practices compiled in 2005.

**6) Occupational Health and Safety:** Plant workers are provided with equipment for personal protection and for hygienic handling of the food that is processed: hearing protection for areas with elevated noise levels, work clothes, rubber boots, gloves, etc. The fire prevention and suppression system includes a network of alarms and extinguishers strategically located throughout plant facilities. The company has contingency and emergency response plans in the event of an accidental ammonia leak from the refrigeration system. Only qualified technical staff is permitted to operate and maintain the refrigeration system, which uses ammonia. The facilities have safety signage and evacuation routes. A regular training program covers firefighting and emergency response, first aid, and occupational health.

**7) Labor Practices:** The company adheres to core labor standards for workers' rights, such as the prohibition of forced labor and a child labor code that protects children and sets a minimum working age. Workers receive the benefits established by labor law.

**8) Other Social Benefits:** Fundación Wong was established in 1993 as part of Grupo Wong to promote the health and well-being of communities near its plants and facilities. Its mission is to manage and expand Grupo Wong social programs and to support efforts to stamp out child labor with education. Various environmental and health programs aimed at improving the quality of primary education have been instituted, mainly in rural areas where the group's agricultural production units are concentrated. Via Fundación Wong, Favorita Fruit is actively involved in philanthropic activities. Through agreements with Ecuador's Ministry of Education, Fundación Wong supports thirty-three public primary schools that have been attended by more than 3,000 children. In addition, Fundación Wong set up the Sistema de Aprendizaje Tutorial (SAT) tutorial learning system to open up secondary education opportunities for young and adult farmers in remote rural areas. In so doing, Fundación Wong facilitates access to education for the families of workers in Grupo Favorita plants. The foundation also works to manage and protect the biodiversity of 100 hectares of the Río Palenque tropical rainforest nature reserve, located at kilometer 56 on the road from Quevedo to Santo Domingo, the main route connecting Quito and Guayaquil. This forest was developed as a biological research station by the University of Miami in 1970, declared a protected area by the Ecuadorian government in 1971, and acquired for preservation by Fundación Wong in 1998. The Río Palenque tropical rainforest is rich in biodiversity with many species of flora and fauna: more than 1,200 plant species, 360 bird species, and 350 butterfly species have been identified. Considered the last remaining patch of tropical rainforest in coastal Ecuador, Río Palenque is an ideal location for observing and studying tropical ecology.

### **Oversight and Compliance:**

Reysahiwal has already implemented an environmental management plan that was drawn up for the IIC's first loan to the company in 2003. This plan includes a timeline of activities, including building a wastewater treatment plant and bringing it online. This has already been completed, and its capacity is currently being expanded to handle an increase in liquid effluents due to the company's expanded industrial operations. Reysahiwal is also scheduled to receive SQF 2000 - HACCP certification towards the end of 2006. The environmental management plan also includes a monitoring and reporting system to ensure that the company is in compliance with national laws. Throughout the project, the IIC will ensure compliance with its own environmental and labor review policies by reviewing the verification reports that the company submits each year and making regular field visits as part of the project supervision process.