

Environmental and Labor Issues:

This is a category B project according to the IIC's Environmental and Social Sustainability Policy 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 the project are: assessment and management of environmental and social risks and impacts; efficient resource management and pollution prevention; and workplace and labor conditions.

The company currently has four plants in operation (Rosario, Villa Unión, Tapachula, and Veracruz). The Rosario plant was the first to be built (1999) and is the site of Mazazul's main offices in Mexico. The project involves the construction and operation of two new processing facilities, one in Arriaga, Chiapas, and the other in Zihuatanejo, Guerrero. In order to guarantee the quality of its products and meet the quality standards of its customers, Mazazul has integrated food safety procedures based on the hazard analysis critical control point (HACCP) system into its operations. Moreover, its organic products are certified by independent agencies. HACCP audits are regularly performed at all company facilities to ensure that products meet international quality standards. For example, the most recent HACCP certification audit was performed at the Rosario plant in August 2013 by a California-based U.S. firm. Mazazul's two new facilities will also operate under the HACCP food safety system, and their organic products will be certified by independent agencies.

In addition, Mazazul shall jointly prepare an Environmental and Social Action Plan (ESAP) with the IIC that will be implemented throughout the life of the project. The ESAP will include the measures outlined in this summary, which, once finalized, will ensure ongoing compliance with Mexican regulations and international good practices in environmental and social sustainability and the International Finance Corporation's (IFC) Environmental, Health, and Safety Guidelines for Food and Beverage Processing.

Assessment and Management of Environmental and Social Risk and Impacts: Construction of the Arriaga facility began in late 2013, and work on the Zihuatanejo facility is expected to begin in mid-2014. The company is currently arranging for an environmental impact assessment (EIA) at each of the new plants. It is also belatedly arranging for EIAs at its four current plants. At the IIC's request, Mazazul will ensure that the EIA for the project facilities is completed and duly approved by the ministry of the environment before plant operations in Arriaga and construction of the Zihuatanejo plant begin.

The company is in the process of securing environmental permits for the four plants currently in operation; it expects to have environmental permits for the Rosario and Villa Unión plants in the coming months. Mazazul also expects to secure environmental permits for the new processing facilities in Arriaga and Zihuatanejo during the first half of 2014. At the IIC's request, the company will complete the process for securing environmental permits for each of its processing facilities. Mazazul must also formalize and maintain an Environmental and Social Management System (ESMS) consistent with the nature and magnitude of its operations and with IFC Performance Standard 1.

Efficient Resource Use and Pollution Prevention: No adverse impact associated with the purchase of land for the two processing plants is anticipated. The project sites in Arriaga and Zihuatanejo are located in industrial areas, and the land has been or will be purchased through direct negotiations with the landowners and a mutual sale-purchase agreement. At the Rosario plant, water will be used only to clean equipment, since no water is used in the industrial process. Water usage is similar in the other plants currently in operation.

The wastewater generated by the Rosario plant is treated by sedimentation and filtration before discharge into a nearby stream. The quality of these discharges is regularly monitored. However, the latest wastewater monitoring results (October 17, 2013) indicate that many wastewater quality parameters at the Rosario plant exceed the upper limit established in Mexican regulations (NOM-001-SEMARNAT-1996). At the IIC's request, Mazazul will prepare and implement a timetable for corrective action; the measures will be included in the ESAP and consist of: a) improved practices in the management, treatment, and final disposal of wastewater at the Rosario plant and evaluation of these practices at the company's three other plants to ensure compliance at all times with Mexico's environmental regulations and IIC requirements, and b) compliance with the resolutions contained in the EIA and with IIC requirements for the management, treatment, and final disposal of wastewater at the new plants in Arriaga and Zihuatanejo to ensure that, from the outset, they comply with Mexican regulations and international good practices in this regard.

Fruit processing at Mazazul processing plants generates solid waste such as rind/peel, pits, and unusable pulp. For the treatment and final disposal of this waste, the company employs the procedures established in the phytosanitary specifications contained in domestic regulations (NOM-075-1997) in order to control pests (fruit flies). These procedures are monitored by government inspectors who oversee compliance with the applicable regulations. The company is considering the future construction (possibly in 2015) of a cogeneration facility at the Rosario plant that runs on biogas and/or compost to take advantage of the organic solid waste generated. Mazazul will ensure that solid waste management and disposal at the project facilities (Arriaga and Zihuatanejo) and its other plants also comply with Mexican regulations and international good practices.

Labor and Working Conditions: All company employees receive legally-mandated benefits under Mexican labor legislation, along with other fringe benefits granted under a collective bargaining agreement. There is a union that workers are free to join. All employees have medical coverage from the Mexican Social Security Institute (IMSS). The company keeps a record of workplace accidents. Mazazul will build a daycare center for use by its workers (who are mostly women) at the Rosario and Villa Unión plants. The company has occupational safety and health procedures that include the provision of personal protective equipment to workers and the formation of emergency response teams (firefighting, first aid, evacuation drills, etc.). Worker training is coordinated with municipal civil defense authorities and the local Red Cross.

The facilities have safety signs, emergency exits, and evacuation routes, as well as fire extinguishers. Municipal civil defense authorities regularly conduct safety inspections at the processing facilities. In 2012, for example, they inspected fire extinguishers at the Rosario plant and issued recommendations for improving extinguisher maintenance. Mazazul will improve extinguisher maintenance at its Rosario plant and extensively investigate the condition of extinguishers at its other plants. The IIC will also require the new processing plants in Arriaga and Zihuatanejo to comply with the international good practices in fire safety and fire prevention spelled out in NFPA 101: Life Safety Code. During the construction of the new facilities, the company will also supervise contractors to ensure implementation of the applicable occupational safety and health measures.

Mazazul promotes the cultivation of organic produce and the use of best agricultural practices by the main growers in its supply chain. The company also offers technical assistance to its growers.

Monitoring and Compliance: During the project with the IIC, Mazazul will implement the prevention, control, and mitigation measures related to the issues outlined in this summary and included in the ESAP developed jointly with the IIC to ensure compliance with the IIC's environmental requirements, following the performance standards and international good practices established in the IFC Environmental, Health and Safety Guidelines for Food and Beverage

Processing. Mazazul will submit annual monitoring reports to the IIC on its implementation of the ESAP. The IIC will evaluate the yearly status reports submitted by the company and make regular visits to company facilities as part of the project supervision process.