

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. During project appraisal the following potential environmental impacts were analyzed: good agricultural practices; handling and application of agrochemicals; pest control; food hygiene and safety (third-party certification); management of solid (organic) waste and liquid effluents; occupational health and safety; and other labor considerations.

Environmental Issues:

EUREP GAP Certification: One of the project's goals is to foster good agricultural practices in IQF del Perú and Sociedad Agrícola Tacaraca's new farms, in order to obtain EUREP GAP certification for all the company's farms and continue to promote the good agricultural practices followed by the suppliers.

EUREP GAP is a good agricultural practices protocol that also encompasses environmental and labor considerations. Good agricultural practices are understood to mean the processes involved in producing, processing, and shipping healthy, high-quality fruit, stressing the protection of the environment and human health by using the environmentally safest and most hygienic methods and rationalizing the use of pesticides.

EUREP (*Euro Retailer Produce Working Group*) is an association of large European supermarkets who are leaders in the food industry and who have established a protocol for good agricultural practices - GAP - to be followed by their suppliers of fruit and vegetables. EUREP GAP certification shows the supermarkets' clients that the product in question is healthy and was grown in an environmentally safe manner as verified by an internationally recognized independent agency.

So far, IQF has obtained EUREP GAP certification for the Hacienda Grande farm. Three growers who work with IQF have been certified as well, and another 100 are in the process of obtaining certification.

Agrochemicals: According to IQF, its raw materials are grown in keeping with USDA (U.S. Department of Agriculture) and European Community standards for agrochemicals. On their crops, raw material suppliers use only agrochemicals that are permitted by the EPA (U.S. Environmental Protection Agency). The company provides all of its suppliers (both existing and potential) with lists of EPA-approved pesticides and a list of products prohibited by the European Union. To ensure that its suppliers use agrochemicals correctly, IQF visits their farms frequently; before the harvest it carries out an agricultural audit that includes a review of the agrochemicals application log. The crop is not purchased if it does not comply with the relevant standards. In addition, pesticide residues are analyzed twice a year for many suppliers. This system has worked so far, and no grower has been found to use a banned agrochemical. For IQF, appropriate handling of these substances is crucial in order to prevent both the use of those that are prohibited and the application of improper doses of those that are allowed.

Integrated Pest Management: IQF has adopted an integrated pest management program seeking to decrease pest damage, by using biological controls and thus cutting back on the use of pesticides. With asparagus crops, for example, the company managed to reduce the use of insecticides and fungicides by more than 90% and that of herbicides by more than 60% between 2000 and 2002. Among the biological controls used by IQF are 1) etological control, i.e., the use of colored plastic traps coated with agricultural oil, which trap different pests depending on the color; 2) traps containing a solution of ammonium phosphate that acts as a sexually attractive substance for fruit flies; 3) analysis of crop pests and diseases, performed daily by the team in charge of evaluating the

farm in question; 4) use of beneficial insects such as chrysopids, which, as larvae, are very efficient predators, and are thus recommended for use in pest control, and trichogramma spp, a parasitic wasp that preys on lepidopteran eggs and prefers certain pests; and 5) the limited use of pesticides, restricted solely to those that are in accordance with biological controls. At two farms, IQF has laboratories for raising beneficial insects.

Quality Control / Food Safety: IQF has established a hazard analysis and critical control point (HACCP) system at its processing plants for identifying and minimizing all potential sources and points in the process at which food could become contaminated. In addition, the company's quality control practices have been certified by independent agencies, and AIB International, an international food hygiene and safety audit firm, issued a "superior" and "excellent" rating (for the Chincha and Ica plants). The Company has also set up a microbiological testing program for process water and for machinery surfaces that come into contact with food; also tested are the workers' hands and gloves to detect any contamination (the tests are for listeria, coliforms, E. Coli, and enterobacteria).

General health and safety: The farm workers (including subcontractors) are provided with appropriate protective equipment, as well as health insurance and first aid. Those who handle and apply pesticides are trained and provided with appropriate clothing according to the instructions on product labels, depending on the health and safety risks involved. The IIC will require that IQF install washbasins with soap at all the farms so that the workers can wash their hands after spraying; these devices must be similar to those installed at the Hacienda Grande farm, which is EUREP GAP certified. This will help protect the workers from exposure to agrochemicals after leaving the spraying area. The IIC will also require that the Company put up warning signs for farm areas that have been sprayed, in order to enforce the safety period for each pesticide that is applied and keep the workers from being exposed to the substances; this is also a EUREP GAP requirement.

To freeze its products, the Company uses IQF (individual quick frozen) technology, with equipment that uses ammonia. Once frozen, the products are stored in industrial facilities. At the Ica and Chincha plants, the IIC will require that the Company install a system to detect ammonia leaks and an alarm system, as well as personal protection equipment to be used if a leak near the storage tank occurs, since ammonia leaks are now detected by smell and the protective gear is in very poor condition or incomplete. Another commonly used substance is sodium hypochlorite, which is used as a disinfectant; it is purchased as a concentrated solution in drums, and up to 3000 kg is kept in stock in a locked, ventilated area. IQF's industrial safety plan includes emergency evacuation procedures and specially trained personnel with appropriate masks and clothing to stop and repair leaks. The emergency exits and evacuation routes are well marked at the Ica plant; the IIC will require that the Company place additional signs showing evacuation routes at the Chincha plant. Both plants have a nurse and a small health unit equipped to provide first aid. IQF employees, including farm workers, are checked regularly by a physician who works with the Company, supported by a nurse.

Liquid effluents: The Company has septic tanks for liquid waste, both at the Ica and Chincha plants and on the farms, for treatment of sewage. The Hacienda Grande farm has restrooms and septic tanks at several locations, and the company is installing similar restrooms at the other farms, in response to another EUREP GAP requirement. The liquid effluents from washing and cooling raw materials and continuous cleaning of the facilities are suitable for agricultural use and are used as such at the Tacaraca farm.

Solid Waste: The volume of solid municipal waste generated is not large, and it is taken to sanitary landfills in closed bags. IQF is working with the municipalities involved to improve the municipal solid waste disposal system. All of the raw material waste (organic waste), which totals some 4,500

metric tons per year, is used as cattle feed and is thus not a solid municipal waste. The amount of hazardous waste generated is minimal because the Company is decreasing its use of agrochemicals and is trying to use more biological controls to combat pests. Hazardous wastes consist of empty containers from chemicals used on the farms; they are washed three times, perforated, and stored in a locked area until there are enough to be buried at a location set aside for this purpose. The Company is working with other farms to ensure that the containers, once washed, are disposed of at a suitable location, with minimal environmental impact. Laboratory waste, such as microbiology slides, are sterilized in an autoclave and then disposed of in sealed packages.

Cold storage: IQF del Perú uses cooling systems without chlorofluorocarbons, which are banned because of their known negative effect on the ozone layer.

Labor considerations: IQF complies with minimum working age requirements and prohibits forced labor. It also respects the freedom of association, the freedom to join labor unions, and the right to collective bargaining. However, its employees have not formed a labor union. In addition, EUREP GAP certification requires that the workplace comply with local and national regulations as to work schedule and conditions, job security, retirement, and other legal and health requirements. IQF's employees, both permanent and temporary, have life insurance, health insurance, sick leave benefits, and an interest-free emergency line of credit.

Monitoring and compliance: IQF will be required to implement an environmental management plan acceptable to the IIC. The plan must include (1) a description of planned improvements to the Company's safety and environmental protection systems; (2) a schedule for implementing all of the environmental and safety measures mentioned herein; and (3) the components that are subject to yearly oversight. Throughout the project, the IIC will ensure compliance with its own environmental and labor review policies, review the verification reports that IQF submits each year, and make regular field visits as part of the project supervision process.