

Environmental Classification:

This is a category III project according to the IIC's environmental review procedure because specific impacts may result which can be avoided or mitigated by adhering to generally recognized performance standards, guidelines and design criteria. The principal environmental and labor issues related to this project include liquid effluent treatment, solid waste disposal, air emissions, quality control and food safety, and occupational health and safety.

Environmental Issues:

1. *Environmental Management* Reysahiwal is the latest addition to the Wong group (a prominent industrial group in Ecuador). This group also specializes in banana plantations, plastics, fertilizers, pulp and paper among other industries. Wong Group uses comprehensive and effective systems to manage and control environmental and social issues. Special attention is given for certification such as ISO 14001 and ECO-OK. certification for banana plantations and facilities. This commitment to the environment is a good example why Reysahiwal is expected to continue in an upward trend.
2. *Liquid effluents.* Reysahiwal's liquid effluents are typical of a dairy industry; they contain dissolved sugars, proteins and fats, and the volume generation is in the following ratio: 5 liter wastewater/ 1 liter milk produced; this is about 375,000 liters of sewage generated per day. Presently this wastewater is discharged untreated to a local creek neighboring to the dairy plant. A new wastewater treatment plant is being constructed, consists basically of two separate modules: a physical-chemical phase and a biological phase. Completion, start-up and stable operation could take place within a few months. Although treated wastewater will be used for land treatment or surface water discharge, IIC will require this treated water to have the adequate quality for such purpose and must be in compliance with Ecuadorian and IIC's standards.
3. *Solid waste.* Ecuador does not have comprehensive national-level regulations governing the management of solid waste. However, Reysahiwal has an ongoing management program, which includes a special storage place for solid wastes, a recycling policy through which agrichemical containers are returned to the supplier, and a long-term contract with the municipality to pick up the solid wastes two times a week.
4. *Gaseous emissions and ambient air quality.* The primary sources of emissions come from the production of steam and heat for industrial operations: two boilers with a combined capacity of about 500 hp and monthly consumption of 800 gallons of fuel. Data on emissions were not provided during the appraisal, but will be collected on a regular basis and incorporated into monitoring reports delivered to IIC.
5. *Potable water supply.* The dairy plant uses well water exclusively; this water undergoes physical, chemical and microbiological treatment before being used in the process. The actual capacity is being doubled with a new design that ensures a proper quality for the process and for human consumption.
6. *Fire Safety and emergency response.* The Company has an emergency response plan for its processing plant, including the event of an accidental ammonia leak from the cooling system. The plant is equipped with alarms to notify workers of any fire. The plant is also equipped with fire extinguishers inside and outside the facility. Periodically, simulations of fire and evacuations are conducted.
7. *Technical support for milk producers:* The supply chain. A special program to help the milk producers is being developed and will include technical advice, animal health, reproduction management, feed, milking equipment, and farm management among others. Reysahiwal intends to

incorporate food quality goals for the chain suppliers to ensure the safety of milk coming from the dairies to the industrial plant.

8. *Occupational health and safety.* Workers are provided with the appropriate protective equipment (i.e. work uniform, rubber boots, gloves, etc.), health insurance, and first aid. The plant also has a doctor available for the employees.

9. *Use of refrigerants.* Ammonia is the predominant material use for refrigeration. As part of Reysahiwal occupational safety and health program, the plant has emergency response plans for ammonia, and appropriate protective equipment. Operation and maintenance of the ammonia-based refrigeration system are under the exclusive control of qualified technical staff.

10. *Quality Control/Food Safety.* The company is preparing to adopt international food sanitary standards and the food quality control system called The SQF 2000cm (Safe, Quality Food) Quality Code is a HACCP (Hazard Analysis and Critical Control Point)-based food safety and quality risk management system covering all food chain stakeholders. It covers the identification of food safety and quality risks, and the validation and monitoring of control measures.

11. *Labor.* The company appears to be in compliance with Ecuadorian labor regulations, particularly those regarding the freedom of association, the prohibition of compulsory labor, and a child labor code that protects children and establishes a minimum age for employment. The youngest worker of the company is 18 years old; however employment of minors between the ages of 14 and 17 is legal in Ecuador and is also consistent with the requirements of the International Labor Organization (ILO). In 2000, Ecuador ratified the ILO's Minimum Age Convention (C138), which states that the minimum age for admission to employment or work shall not be less than 15 years; countries with "insufficiently developed" economies and educational facilities can "initially specify a minimum age of 14 years."

12. *Community development.* The Wong Foundation was established in 1993, as part of the Wong Group effort to deliver wellness and help develop the communities near its plantations, farms and plants. Its mission is to manage social programs and support efforts to eradicate harmful child labor by increasing its support to educational activities. It presently manages 20 primary schools and helps economically to another 13 public schools. It has also implemented various educational, environmental and health programs to improve the quality of the basic rural education in the areas where the Group concentrates its agricultural production units. Also outstanding is the foundation's management of 100 hectares of natural reserve called Rio Palenque rainforest located on the Quevedo - Santo Domingo Highway, main artery joining Quito and Guayaquil. This forest was established as a biological research station in 1970 by the University of Miami, and it was declared a protected area by the Ecuadorian Government in 1971 and acquired by the Wong Foundation in 1998 to preserve it. This area is considered as the last remaining patch of rainforest in coastal Ecuador and it is a significant location for the observation and study of tropical ecology.

13. *Monitoring and reporting.* Reysahiwal 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. Reysahiwal will submit an annual report summarizing the monitoring data related to liquid effluents, waste handling, occupational health and safety, accident reports, food hygiene and quality control, and labor related issues.