

## Environmental and Labor Issues

This is a Category II project according to the IIC's environmental and labor review procedure because it does not result in direct or indirect environmental impact and thus does not require an environmental impact assessment. The main environmental and labor considerations related to this project involve labor and working conditions, fire prevention and suppression, efficient resource management, and pollution prevention.

As part of its previous operations with the IIC, Edilar submits annual monitoring reports on the environmental and social aspects of its operations. The latest environmental report received by the IIC corresponds to 2012. Edilar's corporate offices and main warehouse are in the State of México. Its facilities have the requisite operating permits (zoning, civil protection, and fire department authorization, among others). At its corporate offices, building management handles trash collection, security, common area safety measures, and all other facilities-related services. In compliance with workplace safety regulations, safety brigades are in place and the premises are equipped with fire extinguishers. Edilar also leases book and instructional materials warehouses in 27 states throughout Mexico. These facilities have the requisite licenses issued by the relevant authorities.

The municipal civil protection authorities have certified that the Borrower's facilities meet the safety conditions and measures (including fire extinguishers, fire brigades, and first aid stations) required by applicable regulations. Edilar has a civil defense program and holds regular evacuation and fire drills at its main facilities where most of its employees work. In 2012, Edilar carried out evacuation drills and performed the inspection and maintenance of fire suppression equipment, extinguishers, and alarms. The Borrower also monitors its warehouses to ensure that they meet the safety conditions and measures required by national, state, and municipal regulations.

The Borrower's core operations, which include sales of books and instructional materials, generate recyclable materials (mainly paper, cardboard, plastic, and packaging materials) that are, for the most part, recovered for sale. Solid waste generated at the main warehouse is temporarily stored on Edilar premises until it is picked up by a local, duly authorized contractor for final disposal in authorized sites, in keeping with Mexican environmental regulations. Sewage is discharged into the municipal sewer system under the requisite authorization.

The labor practices of the group of companies that Edilar belongs to comply with Mexican labor standards, and employees receive the wages and benefits established by law in Mexico. All employees have medical coverage from the Mexican Social Security Institute (IMSS). Workplace accidents involving employees are reported yearly to the IMSS. To date, there has been no workplace accident resulting in disability or death.

**Monitoring and Reporting:** During the project with the IIC, the Borrower will continue to submit annual reports setting out the data to monitor the issues discussed herein. During the life of the project, the IIC will monitor ongoing compliance with its own environmental and labor review guidelines by evaluating monitoring reports submitted annually to the IIC by the Borrower and by conducting regular field visits as part of the project supervision process.