

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 involve efficient resource use and pollution prevention, workplace and labor conditions, and community health and safety.

As part of a previous operation with the IIC, CASSA has been working to implement an environmental and social action plan (ESAP). The company has developed a corporate social responsibility (CSR) program, under which the company prepares an annual sustainability report. Ingenio Azucarero Central Izalco—the company's industrial plant—has secured all the necessary operating permits for its activities (e.g., environmental and health permits). The company has also obtained HACCP (Hazard Analysis and Critical Control Points) certification for its food safety system, which enables it to ensure the quality of its products and comply with its clients' quality standards. In addition, food safety at the company is also guaranteed, as CASSA is certified under ISO 22000. Work is currently under way to upgrade and align the company's environmental management system with ISO 14000 standards. With respect to its operations, CASSA has also implemented good agricultural practices, consisting of integrated crop management, biological pest controls, disposal of empty agrochemical containers at authorized centers, monitoring of chemical and microbiological risks, and worker training. These practices, along with implementation of the ESAP and CSR program, enable the company to resolve or mitigate the potential impacts of its operations and comply with domestic environmental, labor, and social standards, good international practices, and IIC guidelines (IIC's Environmental and Social Sustainability Policy, specifically, as regards compliance with International Finance Corporation Performance Standards 2 and 6).

Efficient Resource Use and Pollution Prevention: The washing of floors and process equipment generates industrial effluents with a high biochemical oxygen demand (BOD), principally in the form of sugars and solids in suspension. These effluents are channeled to a sedimentation tank where the solids in suspension are removed, the pH is neutralized, and the effluents are allowed to cool. They are subsequently used as water for irrigating the cane fields near the mill and meet the quality requirements for this use. Water from purging the boilers is used in the closed-cycle combustion gas scrubbing system after undergoing physicochemical treatment. During the sugar manufacturing process, the cane juice is heated to evaporate the water. The steam is condensed back into water and subsequently recirculated for use in the manufacturing process. Any excess water is discharged into the Ceniza River. Such discharges are monitored regularly to ensure compliance with environmental standards set by the Ministry of Environment and Natural Resources (MARN). CASSA has informed the IIC that the company's discharges of water into the Ceniza River have thus far met compliance with MARN environmental parameters. Sanitary wastewater is treated in septic tanks. These tanks are maintained regularly to ensure they work properly.

Exhaust gases and ash from burning bagasse in the boilers to generate energy and steam are the main source of air emissions associated with sugar processing. Gas scrubbers are used to control air emissions. Additionally, Ingenio Azucarero Central Izalco uses latest-generation boilers from Brazil to burn bagasse. They operate automatically, improve bagasse combustion efficiency, and reduce the ash present in the gas stream. Gases and particles emitted by the boilers are monitored regularly by means of sampling and analysis of parameters, such as total suspended particulates, sulfur dioxide (SO₂), nitrogen oxides (NO_x), carbon monoxide (CO), and carbon dioxide (CO₂). The results of these tests are furnished to MARN, to ensure compliance with its requirements. CASSA has informed the IIC that its air emissions are thus far in compliance with MARN environmental parameters.

In addition, CASSA representatives—as members of working groups—have collaborated with

Salvadoran authorities and other relevant parties, with a view to formulating environmental standards and legislation. In 2012, for example, CASSA representatives served on two national committees: one tasked with drafting cleaner production agreements; and the other, tasked with preparing the country's law on water resources (*Ley General Hídrica*).

Ingenio Azucarero Central Izalco has implemented an integrated waste management system to address waste reduction, reuse, recovery, recycling, removal, and disposal, in keeping with Salvadoran environmental standards. The main waste products generated at the company's facilities include bagasse, ash, filter cake, ferrous metals, plastic, glass, paper, as well as used batteries, tires, oil, grease, and solvents. The waste management system consists of separating solid waste, temporarily storing or using this waste at the facilities, and final waste disposal. Domestic solid waste from the plant are collected and taken to the site of final disposal authorized by the municipal government. Recyclable materials are turned over to an authorized recycling company.

Biodegradable solid waste is used to fertilize the soil or cogenerate energy: (i) filter cake is used to improve the soil in fields near the mill; (ii) all bagasse is used as fuel for the plant's boilers, and the resulting ash is spread on the fields as a soil conditioner. Hazardous waste such as used batteries, oil, grease, and solvents generated by the company's vehicle maintenance area and the mills are collected, trucked out, and disposed of by an authorized service provider. As a result of the implementation of the ESAP agreed to with the IIC, Ingenio Azucarero Central Izalco has begun construction on a recyclable materials storage depot, which was designed as a means of improving the current temporary storage system for these materials. The recyclables depot will serve to limit access to these materials and protect them from direct sunlight, wind, and rain. In addition, the depot will include a secondary containment system to prevent seepage of liquid waste. The company has informed the IIC that the recyclables depot will be completed and operating by late 2013.

CASSA, in coordination with other companies endorsed by MARN, has been working on an initiative to promote the responsible management and final disposal of industrial solid waste, especially used oil, grease, batteries, and asbestos sheets, among others.

CASSA's sugarcane growers and farm and co-op workers receive technical assistance and job training in good agricultural and environmental practices for the rational, efficient, and appropriate use of agrochemicals and biological pest control products, with a view to reducing the use of insecticides.

Labor and Working Conditions: CASSA has confirmed to the IIC that it complies with Salvadoran labor laws and the core labor standards of the International Labour Organization (ILO). The company has also reiterated to the IIC that child labor has always been expressly prohibited under its zero tolerance child labor policy, and that child labor has never been used in its operations. To ensure that the main suppliers in its supply chain comply with best international practices, CASSA has instituted programs to supervise and monitor its suppliers, which it carries out jointly with the Ministry of Labor and Social Welfare (MINTRAB), Fundazúcar, and the Salvadoran Association of Sugar Producers. These programs include outreach activities with cane growers, minors, parents, and schools in the cane-growing areas where CASSA is active. Workers are free to join a union, but to date there are no unions at the company. Instead, there are two cooperatives established by the workers themselves. In addition, the company has mechanisms of communication in place for workers to air their concerns.

Among the requirements of CASSA's CSR program is to ensure a safe and healthy working environment. Ingenio Azucarero Central Izalco won the 2012 occupational health and industrial safety award granted by MINTRAB and the Salvadoran Social Security Institute. Last year, the company provided 720 man-hours of training in areas such as first aid, the handling of hazardous materials, and emergency response. Workers at the mills and plantations are provided with

appropriate personal protective gear. The facilities are equipped with fire-suppression equipment, appropriate signage, and have an emergency preparedness response plan in place. Field workers receive medical care from medical brigades that work in conjunction with the health units of the Ministry of Health and Social Assistance. With the support of 16 medical brigades, free medical consultations and services were provided (e.g., dentistry, immunization, clinical analysis, health education, and provision of medication). Ingenio Azucarero Central Izalco has a worker nutrition and hydration monitoring program in place and has been working on understanding and finding ways to prevent chronic renal insufficiency (CRI), an illness that, although widespread among rural workers in Central America, is neither limited to the sugar industry nor to sugar growing regions in other countries. To reinforce early detection of CRI, the company will—at the IIC’s request—have workers at high risk of developing CRI undergo regular checkups.

Community Health Safety: Through its annual sustainability report, the company has informed the IIC that the social and economic benefits it provides to mill and agricultural workers exceed those required by the country’s current labor laws. In addition, the company’s 2012 sustainability report provides information on CSR program activities and achievements. Examples include: the company makes every effort to ensure that no child labor or forced labor is used at its operations, pursuant to ILO guidelines; through its community support program (“CASSA, *de la mano con tu comunidad*”), CASSA has provided support to more than 3,400 families of five sugarcane co-op communities; Cooperativa El Sunza’s work with cane co-op communities has enabled it to obtain fair trade certification, and; the company awarded 160 scholarships to workers to help them finish their basic education.

Monitoring and Reporting: CASSA will continue implement its ESAP agreed to with the IIC, which will entail the corrective action indicated in this summary. Throughout the project, the IIC will monitor the implementation of the ESAP, reviewing monitoring reports submitted regularly by the company and making field visits as part of the project supervision process.