

Environmental and Labor Issues:

This is a category III project according to the IIC's environmental and labor review procedure 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: assessing and managing environmental and social risks and impacts; industrial safety and occupational health; efficient resource management; pollution prevention; labor practices; and social issues.

The project's industrial facilities are primarily warehouses and silos for storing raw material (raw peanuts in the shell) and processed peanuts, as well as peanut processing facilities (e.g., cleaning, shelling, sorting, and packaging) and a quality control laboratory. The company also has peanut roasting equipment, but only produces small quantities of this product. In any event, the peanut roaster was not in service during the field visit.

Assessment and Management of Environmental and Social Risks and Impacts: The company has the requisite license issued by the Ministry of Health to operate its facilities. Cukra has a supervisor tasked with the environmental, health, and safety-related aspects of the company's operations. In early 2012, the company drafted an emergency preparedness plan for its plant located in the municipality of Telica.

The company's food safety and quality practices for its products are aligned with the procedures set out in ISO 9001 standards. Cukra is currently preparing for a certification audit of its facilities under the British Retail Consortium (BRC) European standards, which will require it to adopt the hazard analysis and critical control points (HACCP) system. The company expects to receive BRC food safety and quality certification in the coming months.

Cukra has a phytosanitary surveillance system in place at all its facilities where peanuts are warehoused. With regard to pest control, the company uses rodent traps as well as pesticides, especially aluminum phosphide. Cukra has secured the required permits from the pertinent authorities for the pesticides it applies, and the use of these products is monitored by the Ministry of Agriculture and Forestry (MAGFOR). The handling and application of pesticides at the company is tasked to personnel trained under the supervision of an accredited MAGFOR technician. The handling and application of aluminum phosphide at the company is strictly controlled, inasmuch as it is a restricted-use pesticide under international conventions governing chemical products and waste management (e.g., the Basel, Rotterdam, and Stockholm Conventions) to which Nicaragua is a signatory country.

Nevertheless, at the request of the IIC, Cukra will be required to prepare and implement an environmental management and workplace health and safety system, in accordance with international standards. This safeguard will form part of an environmental and social action plan (ESAP), which Cukra will draft jointly with the IIC on the considerations outlined in this summary. The ESAP will contain a set of actions that, once implemented, will ensure compliance with Nicaraguan regulations, IIC environmental requirements, and good international practices established for the industry in Performance Standard 1 and the Environmental, Health, and Safety Guidelines of the International Finance Corporation.

Industrial Safety and Occupational Health: The facilities of the project are surrounded by a wire mesh perimeter fence. Access to the site is controlled by security personnel. Cukra is licensed by the Ministry of Energy and Mines to store hydrocarbons (e.g., diesel and liquefied petroleum gas). The fire prevention and firefighting system consists of fire extinguishers and a network of hydrants and hoses. In compliance with the Law on Workplace Hygiene and Health (Ley General de Higiene y

Salud del Trabajo), the company performs regular employee medical examinations, notifying the results to the Ministry of Labor. The company provides its workers with personal protection equipment. Cukra also has an annual work plan that is approved by the Ministry of Labor. Responsibility for the plan lies with a commission made up of worker and company representatives, which address safety and hygiene issues at Cukra facilities.

A workplace risk assessment of the project's facilities was conducted in August 2010 in collaboration with Centro de Investigación en Salud, Trabajo y Ambiente (CISTA), a local university organization. The assessment included an examination of noise, lighting, temperature, and dust particle levels to which workers in different areas of the company are exposed, and identified the following mandatory improvements: (a) provide workers with additional hearing protection gear to reduce their exposure to the high noise levels encountered in the peanut shelling and sorting areas, and evaluate the reduction in noise emitted by machinery and equipment by introducing improvements to the equipment maintenance program; (b) improve lighting and ventilation conditions at production facilities; (c) implement a regular plan to monitor noise levels and dust particle concentrations; (d) repair defective electrical components as a means of reducing risk and preventing accidents; (e) step up worker training in the area of occupational safety and health and increase monitoring production facilities to ensure that company issued personal protection equipment is in working order and that workers are using it appropriately; and (f) post signage indicating evacuation routes and emergency exits at all company facilities. The company agrees to implement the aforementioned measures during the lifetime of the project with the IIC to improve labor conditions at its facilities.

Cukra shall also carry emergency response drills that include what to do in the event of an earthquake or volcanic eruption, inasmuch as the municipality of León—where the project's facilities are located—is located in an earthquake zone, primarily due to events associated with volcán Telica, an active volcano. In addition, Cukra shall obtain approval from the local fire department or relevant authority, attesting to the fact that the company's emergency response plan complies with applicable Nicaraguan regulations.

Efficient Use of Resources and Pollution Prevention: Given the nature of the company's industrial operations, its facilities produce a minimal volume of liquid effluents, most of which are associated with the cleaning of floors and equipment in the quality control laboratory, as well as wastewater from restrooms and the company cafeteria. The liquid effluents are discharged into the municipal sewage system operated by the Nicaraguan Water and Sewage Company (ENACAL), which channels them for treatment at a wastewater treatment plant in Managua.

Certain operations (e.g., cleaning and peanut shelling) generate dust emissions and noise, and their impacts on the workplace environment need to be better controlled. At the request of the IIC, Cukra will set up a program to regularly monitor the levels of dust and noise in the workplace environment. Such monitoring is to be carried out by a licensed laboratory of the Ministry of Environment. The collection and final disposal of trash is carried out by the municipal government. The peanut shell removed during processing is turned over to third parties for use as an ingredient in animal feed.

During the visit to the company's facilities, an electrical transformer was observed that appeared to have been discarded and which could potentially contain polychlorinated biphenyls (PCBs). At the request of the IIC, Cukra will be required to inventory all electrical equipment in similar condition at its facilities and determine whether or not it contains PCBs, with a view to its handling and final disposal in accordance with applicable Nicaraguan and international regulations governing the handling of hazardous waste.

The company's warehouse for storing pesticides and personal protection equipment used to apply pesticides needs improvements in terms of its organization, cleanliness, and signage. Pesticide

containers are temporarily stored in that warehouse and handed over to the Nicaraguan Association of Formulators and Distributors of Agrochemicals (ANIFODA), which is authorized for the final disposal of such containers.

Labor Practices and Social Issues: Cukra complies with Nicaraguan labor laws and its workers receive social security benefits. There is a collective bargaining agreement in place as well as internal rules and regulations. All workers hired by the company are of legal working age as established by Nicaraguan labor law. Cukra will also guarantee that its suppliers do not use child labor in their agricultural activities.

With regard to social issues, in 2011 the company received recognition from the Un Techo para Mi País (“A Roof for My Country”) program for the support it provided in building homes for 31 local families living in conditions of extreme poverty. The company also supported academic programs coordinated by other institutions in Nicaragua.

Monitoring and Reporting: Cukra will draft an ESAP jointly with the IIC on the environmental and occupational safety and health issues addressed in this summary and ensure its compliance with national standards and IIC environmental guidelines. In addition, Cukra will submit annual progress reports to the IIC on the implementation of the ESAP.