

Environmental and Labor Issues

This is a category II project according to the IIC's environmental and labor review procedure because this type of project is considered to have no direct or indirect effects on the environment and thus does not require an environmental impact assessment. The main project-related environmental and labor considerations include the assessment and management of environmental and social risks and impact, occupational safety and health, efficient resource use and pollution prevention, labor practices, and social issues. As part of a previous operation, Casa Pellas prepares and submits an annual report to the IIC with current monitoring data on the steps it has taken with respect to the aforementioned aspects. The IIC received the most recent such report in December 2012.

Assessment and Management of Environmental and Social Risks and Impacts: Casa Pellas has an environmental and social responsibility policy for its operations that can be accessed on its website. Company facilities operate under a cleaner production program. In order to ensure the quality of company products and services, Casa Pellas adheres to the practices outlined in ISO 9001, and internal compliance audits are performed regularly. All operations in connection with vehicle distribution and the operation of the auto service shops are regularly monitored by personnel from the Toyota Motor Corporation (TMC), which certifies compliance with TMC quality standards. TMC qualified instructors provide ongoing training for technical staff working in the auto service shops.

Efficient Use of Resources and Pollution Prevention: The company makes efforts to reduce energy and water use in its auto service shops. Work in the auto service shops generates materials and refuse that are collected, sorted, classified, and temporarily stored at company facilities for subsequent disposal. Scrap metal, paper, cardboard, and plastic are recycled through third parties. Lead-acid and other batteries are disposed of through a service provider licensed to sell them; rags and paper soaked with grease, paint, or solvent are turned over to third parties that use them to fuel boilers. All liquid waste extracted from vehicles, such as spent oil, brake fluid, antifreeze, etc. is collected to prevent it from entering the sewer system and is turned over to a licensed company that treats it for recycling or reuse, or for use as fuel. Other liquid effluents generated at the facilities pass through grease and solid waste traps prior to discharge into the municipal sewer system. Auto service shops have air conditioning refrigerant recovery and recycling equipment to prevent air pollution from refrigerant emissions. To maintain good indoor air quality, the auto shops have two fume extractors that are connected to vehicle exhaust pipes. Moreover, the area has enough natural ventilation. Noise emissions are monitored regularly to ensure compliance with Nicaragua's environmental regulations.

Occupational safety and health: Casa Pellas' facilities (head office, business units, and branches) have a Workplace Health and Safety License, issued by the Ministry of Labor in June 2012, that is valid until 2014. Company facilities comply with the fire safety measures spelled out in Nicaragua's mandatory technical standard NTON 22-001-4 (fire extinguishers, safety signage, evacuation routes, emergency response plan, first aid and fire brigades, evacuation drills, etc.). This was confirmed by personnel from the Fire Department during a review of the company's emergency response plans and evacuation drills conducted in September 2011 at company facilities. Committees coordinated by a workplace safety and health manager handle workplace safety and health issues and monitor the implementation of and compliance with relevant measures. Employees receive task-appropriate personal protective equipment, and the company provides workplace safety and health training. For example, in April 2012, an external consultant provided training in the use of fire extinguishers.

Labor Practices and Social Issues: Casa Pellas complies with national labor regulations. Employees' salaries and benefits exceed those established by law. Company benefits include life insurance, help with the purchase of glasses, and support for employees who wish to complete their

education. In addition, employees' children attending school (first year of elementary school through fifth year of secondary school) receive a kit with such basic school supplies as notebooks, pencils, rulers, and calculators. The company hands out approximately 1,000 such kits per school year. To date, over 4,500 students have benefited from school supplies and school furnishings.

Casa Pellas' social responsibility practices include programs for collaboration with government institutions or civil society and faith-based organizations and associations to support their operations. For example: the Borrower and its employees have worked with the American Nicaraguan Foundation to support four schools in communities located near Casa Pellas facilities, providing food, educational talks, school supplies, and infrastructure improvements; the company has helped people of limited means, offering free medical care and medicines through the work of an NGO, Hope Clinic International, in Nicaragua; in 2011, the company launched a program to integrate people with disabilities into the workforce, with the participation of a local educational institute. Furthermore, in 2011 and 2012 it held reforestation days in coordination with the Nicaraguan Foundation for Sustainable Development (Fundación Nicaragüense para el Desarrollo Sostenible) (FUNDENIC), with company employees planting native species in the Natura nature reserve.

Monitoring and Annual Reporting: During the project with the IIC, the company will continue to submit annual reports summarizing monitoring data on the evaluation and management of environmental and social risks, occupational safety and health, efficient resource use and pollution prevention, and labor practices cited herein. Over 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 company and conducting periodic field visits as part of the project supervision process.