

1. General Information and Perspectives on the Scope of the IDB Invest Environmental and Social Review

This Project consists of the expansion of branches in the “La Colonia” supermarket chain, working capital investment, and future capital expenditure. Currently, Casa Comercial Mantica, S.A. (“the Company” or “CM”) and its affiliate, Inmuebles Diano Marina (“DM”), have 28 supermarkets (10 in rural areas), distributed in the departments of Estelí, Chinandega, León, Matagalpa, Managua, Masaya, Granada, and Carazo. With the loan from IDB Invest, an additional six branches will be built in the departments of Managua, Carazo, Rivas, Chontales, Estelí, and Las Colinas, giving the medium- and low-income socio-economic segment in those departments access to perishable goods and diversifying competition in these sectors (called “the Project”).

CM is a supermarket chain under the name La Colonia that was founded in 1956 by the twin brothers Carlos and Felipe Mántica Abaunza. It is currently managed by the second generation of the Mántica Abaunza family and the third generation is already joining the business.

The company has a presence in all market segments, from the low middle class to the upper class, with branches installed in the capital of Managua and the country’s interior. In addition to the supermarket chain, the company has a Distribution Chain, a Fruit and Vegetable Collection and Processing Center, Meat Deboning and Packing Center, Fast Food Production Center, and a Bakery.

CM has approximately 1,431 direct employees and 700 indirect employees. With the loan, the company will be creating about 300 new direct jobs and several more indirect jobs, bringing into the formal system various people who, due to the crisis, have lost their jobs (about 17.3% of its affiliates have lost social security) and have had to find informal employment.

As more than 50% of the company’s suppliers are local, the expansion of branches will incorporate more micro and small enterprises in the value chain, generating productive chains, encouraging the development of these MSMEs, increasing their sales levels, and improving their well-being and that of their families.

In addition, the real estate affiliate DM was established in 1994, starting as a real estate company dedicated to the development of commercial buildings where the La Colonia Supermarkets have been installed. Starting in 2004, DM expanded its operations and began to build plazas and commercial centers, distribution centers and warehouses. It generates most of its income from financial operations and from leasing its buildings and some of the supermarkets’ equipment. Thus, its main client is CM. It currently has more than 30,000 m² of built space, primarily in the capital of Managua, but it also has properties in the cities of León, Masaya, and Granada.

The scope of the IDB Invest environmental and social review during the evaluation of CM included an analysis of the Projects’ environmental permits and health licenses as well as meetings and conference calls with representatives of the co-borrowers. In addition, the IDB Invest environmental and social specialist conducted an environmental and social due diligence (ESDD) visit on May 23-24, 2019 in the city of Managua, Nicaragua, which included the following activities: (i) a meeting with company personnel; (ii) an inspection visit to model supermarkets in Managua and their surrounding areas of influence; and (iii) informal “spot” type interviews with supermarket managers and workers. Upon completion of this ESDD visit, the review of documents related to manuals, procedures, licenses and permits, and operational reports, et al. continued.

2. Environmental and Social Classification, and its Rationale

This is a **Category B** project according to the IDB Invest Environmental and Social Sustainability

Policy, in that its environmental and social (E&S) impacts and risks are generally expected to be reversible and can be mitigated with available measures using current technologies.

With regard to the Project's activities in the construction of new supermarkets (see Section 1), the potential environmental and social impacts and risks will be: (i) the generation of hazardous and non-hazardous waste; (ii) atmosphere polluting emissions (primarily combustion gases from machinery and construction equipment); (iii) the generation of wastewater; (iv) noise pollution; (v) earth moving; (vi) removal of vegetation; (vii) ground vibrations; (viii) workers' occupational safety and health risks; and (ix) community health and safety concerns related to increased vehicular traffic. During operation and maintenance (O&M), the environmental risks and impacts relate to: (i) workers' health and safety; (ii) the generation of solid (hazardous and non-hazardous) wastes and liquid wastes (primarily domestic wastewater), (iii) atmospheric emissions (primarily combustion gases from vehicles that transport goods) and odors (particularly due to the storage of solid waste from perishable products); and (iv) the use of resources such as energy and water sources (underground wells, for cleaning areas) primarily.

Finally, given the Project's location, natural disasters such as earthquakes, fires, floods, and hurricanes represent a very low to low risk, based on potential damage both to the supermarkets' physical infrastructure and to users/clients as well as a possible loss of business.

Based on the ESDD visit and the information provided in the Environmental and Social Questionnaire, the Project is expected to have an effect on the following performance standards (PS) of the International Finance Corporation (IFC).

- PS-1. Assessment and Management of Environmental and Social Risks and Impacts
- PS-2. Labor and Working Conditions
- PS-3. Resource Efficiency and Pollution Prevention
- PS-4. Community Health and Safety.
- PS-8. Cultural Heritage

No provisions are made for the application of PS-5, Land Acquisition and Involuntary Resettlement (see Section 4.5), PS-6, Biodiversity Conservation and Sustainable Management of Living Natural Resources (see Section 4.6), or PS-7, Indigenous Peoples (see Section 4.7).

3. Environmental and Social Context

With the Project, six more branches will be built in the departments of Managua, Carazo, Rivas, Chontales, Estelí, and Las Colinas, providing access to perishable goods for the medium and medium-low socioeconomic segments of those departments and diversifying competition in these sectors.

The supermarkets are classified as commercial-use buildings in which different activities can be found, including: i) fast food areas and bakeries; ii) freezers; iii) warehouses; iv) kitchens; v) administrative offices; vi) machine rooms; vii) waste/garbage areas; viii) sales areas with shelves and exhibitors of cold products; ix) butchers, vegetables, and dairy; x) cold rooms; etc.

Based on environmental and occupational health and safety regulations, in order to operate the operation supermarkets primarily require an environmental authorization accompanied by an Environmental Management Program, and Emergency Plan that complies with NTON 22-001-09 and NTON 22-003-10, an Occupational Health and Safety License from the Ministry of Labor, and a Health License from the Ministry of Health (MINSAs).

In 2016, CM decided to incorporate in its business model the social responsibility strategy based on

the Global Pact and its 10 principles and the 10 Sustainable Development Goals, aligning in turn with the Corporate Social Responsibility (CSR) pillars, through the formulation of seven inclusive programs with interest groups: community, suppliers, employees, and consumers.

With regard to CM's social component, for 2018 there were a total of 1,323 job positions, 61% of which were held by men, with the remaining 39% held by women. As for key executive positions at CM (90 in total), 53% are held by men and the remaining 47% are held by women. According to an analysis done by the company, in the last three years average turnover was 2.29%; 2017 was the year with the lowest turnover (2.07%) and 2018 had the highest turnover (2.63%), with 60% in the form of resignations and 40% in the form of dismissals. In addition, the positions with the highest turnover were cashiers, cash assistants, and internal control.

As for suppliers and the chain for the provision of supplies, primarily fruits and vegetables, CM's portfolio currently has 78 local suppliers and two foreign suppliers (Costa Rica and Guatemala). Of the 78 local suppliers, 60% are small and medium producers and most of them have been working with the La Colonia supermarkets for more than 10 years. These include the principal vegetable cooperatives, one in Jinotega and the other in Sebaco (Tomatoya^[1] and COPRAHOR^[2] respectively). Some production (sowing) plans are coordinated with these cooperatives, based on demands for specific products and in the past financing lines have even been granted for infrastructure improvements, equipment purchases, etc.

Expansion Program:

The 2019-2021 Expansion Program consists of the construction of seven (7) new branches (supermarkets) at the following sites:

No.	Branches	Location	Basic Services (*)
1	Villa Fontana	Adjacent to the Colegio Anunciación; Managua Dept.	MWS; MSS; ELE; TEL
2	Diriamba	Pan American Hwy, adjacent to Hosanna; Carazo Dept.	MWS; ELE; TEL
3	Rivas	Pan American Hwy, adjacent to Coca Cola warehouse; Rivas Dept.	MWS; ELE; TEL
4	Juigalpa	Adjacent to Radio Centro; Chontales Dept.	MWS; MSS; ELE; TEL
5	Estelí 2	Army Command Pan American Hwy, 150 m to the north; Estelí Dept.	MWS; MSS; ELE; TEL
6	Granada Centro	Adjacent to Mayor's Office facing Central park, Granada Dept.	MWS; MSS; ELE; TEL
7	Las Colinas	Facing south corner of Spanish Embassy, Managua Dept.	MWS; MSS; ELE; TEL

Note (*): Municipal water system (MWS); Municipal sewer system (MSS); Electrical energy (ELE); Telecommunications (TEL)

For each new supermarket, CM and/or its affiliate DM will have to arrange for and obtain the following key permits/authorizations, according to the stage of the Project: i) Construction stage: Certificate of Land Use and feasibility of public services from the Mayor's Offices of each municipality; Construction Permit from the Mayor's Offices of each municipality; Review of plans by the General Directorate of Firefighters (those plans that apply, for example: electrical plan, fire protection systems, fire detection and alarms system plan, plan for multiple use sites, etc.); Environmental Authorization based on the Environmental Management Program (Art. 18, Decree No. 20-2017);^[3] well water use right, only for the Villa Fontana branch; and ii) Operation stage: Emergency plan (NTON 22-003-10)^[4] and/or fire protection certification for sites (if applicable)

from the General Directorate of Firefighters; Occupational Health and Safety License from the Ministry of Labor (Law 618 and its regulations);^[5] Sanitary License Certification, from the Tourism Institute (INTUR); Health License from the Ministry of Health (MINSa) through each of its departments and the Local Comprehensive Healthcare System (SILAIS); Opening of Business Registration, from the Mayor's Office of each municipality; and sealed liquor sales permit from the Public Safety authorities of the National Police in the respective territorial division.

4. Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1. Assessment and Management of Environmental and Social Risks and Impacts

4.1.a. Environmental and Social Management System

Based on the information it provided, CM has a social responsibility strategy based on the Global Pact and its 10 principles^[6] and the Sustainable Development Goals, aligned in turn with the Corporate Social Responsibility (CSR) pillars, through the formulation of the seven inclusive programs for interest groups: community, suppliers, employees, and consumers. However, in order to achieve compliance with PS-1 CM will have to develop a specific Environmental and Social Management System (ESMS) based on its operations. In this regard, an ESMS will be developed that includes: (i) policies (see Section 4.1.b); (ii) its own procedures for identifying, evaluating, and managing the potential environmental, social, occupational and workplace safety and health (OSH) risks and impacts associated with each Project activity, as well as for its contractors and subcontractors; (iii) internal procedures for complying with the Environmental Management Program (EMP); (iv) organizational capacity and competence, with the definition of functions and assignment of responsibilities for the implementation of this ESMS; (v) emergency preparedness and response protocols (see Section 4.1.f); (vi) key actors' participations methods or plans (see Section 4.1.h); (vii) external communication and claims acceptance mechanisms (see Section 4.1.i); (ix) protocols for disseminating information to communities, decision-making, and training; (x) protocols for evaluation and continuous improvement of the ESMS; and (xi) periodic audits and inspections with respect to the environmental, social, and health and safety requirements applicable under Law No. 217, Nicaragua's General Law on the Environment and Natural Resources^[7] (Action 1.1 of the ESAP^[8]).

4.1.b. Policies

According to the information provided, CM has an Environmental Policy. However, in order to achieve compliance with PS-1, that policy must be evaluated based on the IFC Implementation Handbook and Toolkit^[9] (Action 1.2 of the ESAP). According to the results of that evaluation, the environmental and social policy will be strengthened/updated within the ESMS. In addition, CM will have to strengthen that policy to: (i) indicate who, within the organization, will ensure compliance with that integrated policy and be responsible for its execution and as well as how this policy will be communicated to all levels of the organization; and (ii) create a mechanism to measure and communicate continuous improvement in its implementation (Action 1.2 of the ESAP).

4.1.c. Identification of Risks and Impacts

All new construction, particularly the construction of new branches or supermarkets under the Expansion Program, in addition to verifying compliance with environmental impact regulations (see Section 3), will be required to identify and evaluate environmental and social risks and impacts. On this basis, regardless of the mechanism for complying with Nicaragua's environmental law in terms of permits and evaluation of environmental impacts,^[10] CM will identify and assess risks and

impacts, taking into account greenhouse gases, relevant risks associated with climate change, and adaptation opportunities. (Action 1.3 of the ESAP). Due to risks associated with the primary supply chains, CM will be required to extend its impact and risks identification and assessment process to the main providers of fruits and vegetables, and possibly adopt appropriate corrective measures (see Section 4.2.e).

Finally, given the Project's dynamic execution and operation and in compliance with PS-1, CM will continuously update the environmental, social, and safety and health risks matrix for each Project phase (design, construction, O&M and/or close/abandonment) for all its operations, to obtain, monitor, and control the operating permits and licenses (see Section 4.1.g).

4.1.d. Management Program

For its existing operations, CM has an Environmental Management Program (EMP) for each branch; these are authorized by the Ministry of the Environment and Natural Resources (MARENA).

However, for the Expansion Program, CM will be required to develop a specific EMP for the construction phase and its adaptation for the operational and maintenance ("O&M") phase, in compliance with the provisions of Nicaragua's environmental, social, and occupational health and safety regulations and PS-1. This EMP will focus on the construction of all branches considered in the Expansion Program ("the Project"). In this regard, CM will develop a specific EMP for each branch in the Expansion Program, with mitigation and compensation measures to address each significant environmental impact, both negative and positive, during the construction phase (Action 1.4 of the ESAP). This EMP will include the following measures: (i) an impact management program for the physical, biological, and visual environment, which will include mitigation measures for the impact of removing or moving earth, managing solid wastes (hazardous and non-hazardous); controls on emissions of polluting gases from machinery and construction equipment, disturbance of the environment due to increased generation of dust and noise; control of both industrial and domestic liquid effluents; (ii) an impact management program for the socio-economic environment, which will include safety measures for the Project's neighboring communities/dwellings; training for construction managers and workers in E&S and OHS matters; measures for inter-institutional coordination; and measures to guarantee safe and hygienic-healthy conditions for workers during construction. Similarly, the EMP for O&M will include the following measures: (i) an Environmental Monitoring and Surveillance Program, (ii) a Comprehensive Solid and Liquid Waste Management Program emphasizing measures for environmentally-friendly storage and disposal of any waste that cannot be reduced, reused, and recycled and also providing special management measures for hazardous wastes such as oils, grease, paints, solvents, medications, disinfectants, or any other special handling product used during O&M activities at each CM branch, based on local environmental and social regulations; and (iii) a Labor Risks Prevention Management Program (see Section 4.2.b).

4.1.e. Organizational Capacity and Competence

CM does not have an organizational division dedicated to environmental and social (E&S) issues. However, it does have an individual responsible for Occupational Health and Safety (OHS) who monitors and implements the OHS regulations with which CM must comply, so as to minimize labor accidents and ensure that the company's products are harmless. In addition, in compliance with the General Law on Occupational Health and Safety (Law 618), besides having an individual responsible for OHS, CM has its Joint Occupational Health and Safety Committee (CMHST).

However, to comply with PS-1, CM will have to designate an individual responsible for E&S issues within its organizational structure as well as define functions, responsibilities, and powers for

implementation of the ESMS (e.g., planning, implementing, and monitoring all required E&S actions in the EMP) and ensure adequate human and financial resources within the ESMS. CM will also be required to develop an introductory training and updating program to be conducted at least once a year for all staff responsible for the environment and OHS (Action 1.5 of the ESAP).

4.1.f. Emergency Preparedness and Response

For the existing branches, CM has an Emergency Response Plan (ERP) or Emergency Plan in compliance with Law 618 on Occupational Health and Safety, Technical Standard NTON 22 003-10.[\[11\]](#)

However, for each new branch in the Expansion Program, CM will have to develop a specific ERP defining the guidelines for responding to various scenarios and incidents, whether technological (e.g., spills, fires and explosions, ammonia leaks, hazardous and non-hazardous materials spills, including LPG gas leaks exceeding 55 gals. or 100 kgs., etc.), as well as natural events (e.g.: fire, hurricanes, or tropical storms, floods, tremors or earthquakes) or human events (e.g.: civil disorders and armed conflicts) identified, which are evaluated as a whole in simulations throughout the year (Action 1.6 of the ESAP). CM will also have to seek Certification of Emergency Brigades (BRAE), with their members and proper training sessions, in compliance with Technical Standards NTON 22 001-04[\[12\]](#) and NTON 22 003-10.

In addition, to comply with PS-1, each Emergency Response Plan in CM's existing branches and the new branches in the Extension Program will need to develop a Training Plan and a Root Cause Analysis procedure for each major accident or fatality, as well as the description of the corrective actions needed to minimize the risk of a recurrence (Action 1.6 of the ESAP).

4.1.g. Monitoring and Evaluation

CM is responsible for ensuring the implementation of the monitoring and control plans described in the EMPs of each branch in the Project (see Section 4.1.d.) In this regard, CM will develop a compliance matrix with its set of key performance indicators (KPIs), to measure the effectiveness of the EMP and compliance with all the legal and contractual obligations of each existing branch and the new branches constructed in the Project's Expansion Program, during the construction and O&M phases (Action 1.7 of the ESAP). This compliance matrix must include: (i) the competent authority that grants authorization or issues the permit/license; (ii) issue and effective dates; (iii) the individual responsible within CM for monitoring/compliance; and (iv) the communication and future compliance procedures.

To comply with the requirements of PS-1, an independent environmental and social consultant is required to periodically prepare a consolidated report for CM on the compliance status of all environmental, social, and OHS policies and measures applicable to the Project's works, including progress made in ESMS actions related to the established key performance indicators; as well as the status of compliance with the IDB Invest Environmental and Social Sustainability Policy, Nicaragua's environmental, social, and OHS legislation, and the IFC Performance Standards (Action 1.8 of the ESAP).

4.1.h. Participation of Social Actors

Through its emergency response strategy, CM is helping to build a better society for all. However, to comply with PS-1, CM needs to implement a Management Plan for Dialogue with Interest Groups at its existing branches (Action 1.9 of the ESAP), incorporating the following: (i) differentiated measures to allow the effective participation of disadvantaged or vulnerable groups; (ii) a

mechanism to ensure that community representatives reflect the opinions of the communities affected; (iii) details on how information is disseminated to interested parties; (iv) details on the process of participation among interested communities and how to gain access to the grievance mechanism (see Section 4.1.i).

Additionally, because the participation of social actors is a unique and ongoing process based on location, CM is required to develop a Management Plan for Dialogue with Interest Groups for the new branches in the Expansion Program, including: (i) analysis of social actors and planning for their participation; (ii) the disclosure of information; (iii) the claims/complaints mechanism; and (iv) the provision of periodic reports to the community. Finally, CM will have to establish the mechanisms for implementing and disseminating the Dialogue Management Plan, within the Training Program for its entire staff (Action 1.9 of the ESAP).

4.1.i. External Communication and Grievance Mechanism

To receive external claims and reports from clients, CM only has a contact site on its webpage. However, in accordance with the requirements of PS-1, CM will have to document external communications by detailing: (i) how information is received from key actors and/or the general public; (ii) how these claims are evaluated; (iii) how responses are provided and followed up, to conclude with closing the complaint; and (iv) any adjustment or improvement in the EMP, with respect to the communication and dissemination of information. Thus, CM will provide the following:

- An External Grievance Mechanism (focused on key actors, including local authorities, and in communities and/or among neighbors affected or with some interest within the indirect area of influence of the Project's works within a radius of approximately 250 m) for the construction phase on the new branches in the Expansion Program; and copies of the evidence of its implementation. This external grievance mechanism must include details on how these claims or complaints are recorded, investigated/evaluated and the process of follow-up and close or resolution (Action 1.10 of the ESAP).
- A similar External Grievance Mechanism during the O&M phase for the new branches in the Expansion Program, including those existing branches (Action 1.11 of the ESAP), and incorporating experiences and lessons learned in the construction phase.

4.1.j. Periodic Reports to Affected Communities

CM provides information on its seven CSR programs on its website (<http://lacolonia.com.ni/rse/>) and through social media (@LaColoniaNic) on the following sites: <https://es-la.facebook.com/SupermercadosLaColonia/>.

4.2. Labor and Working Conditions

4.2.a Working Conditions and Labor Relations Management

Human resources policies and procedures

CM has a series of instruments for managing its human resources, primarily: (i) the 2018 Internal Work Rules endorsed by the Ministry of Labor, which contain: the standards of conduct (rights and duties), personnel management, occupational health and safety, working and rest hours, vacation leaves, and disciplinary system; (ii) the Human Resources Manual, with different models or procedures for different activities (e.g., applicant search and hiring model, profile classification and data confirmation model; model for conducting entry and evaluation tests; interviews and selection model; contracting and location model; and contract personnel induction model); and (iii) the Career Plan, which presents the career plan pyramid and testimonies.

The Internal Work Rules comply with Nicaraguan labor laws and establish the principles of gender equality and non-discrimination, equal opportunities, fair treatment, the labor conditions agreement and adequate terms of employment, notice of dismissal and severance.

All these aspects related to employment and working conditions are managed by the person responsible for human resources, with the support of those in charge of recruitment and selection, and occupational health and safety with the respect to the issues within the purview of each.

Working conditions and terms of employment

CM complies with Nicaragua's Labor Code (Law No. 185, of 1996) and its amendments, as well as the Law on Equal Rights and Opportunities (Law No. 648 of 2008) through its internal work rules. In addition, CM has models or procedures in the Human Resources Manual on the attraction, selection, and contracting of human talent.

However, to comply with PS-2 and in accordance with Nicaragua's labor legislation, CM will submit the following procedures: (i) the employment procedure and tests of its implementation for workers contracted by third parties, in which the contracting and dismissal conditions are consistent with local regulations and those of the International Labour Organization (ILO), including, at a minimum, provisions to prevent child labor and forced labor; and (ii) the performance management and monitoring procedure for workers contracted by third parties (Action 2.1 of the ESAP).

Labor organizations

Nicaragua is a signatory to various ILO international agreements and treaties related to workers' rights, including Convention 87 on Freedom of Association and Protection of the Right to Organize and Convention 98 on the Right to Organise and Collective Bargaining. In this regard, through its Internal Work Rules, CM complies with Nicaragua's Labor Code, which establishes employers' obligations regarding respect for trade union rights and non-interference in the establishment and operation of trade unions (Art. 17).

Non-discrimination and equal opportunity

See the description of human rights policy and procedures. In addition, Nicaragua is a signatory to various ILO international conventions and treaties related to workers' rights, including Convention 100 on Equal Remuneration and Convention 111 on Discrimination (Employment and Occupation).

Labor force reduction

See the description of working conditions and terms of employment.

Complaints Handling Mechanism

As part of its Internal Work Rules, CM has a complaints management system in which the individual responsible for Human Resources has informed the employees that they can address any situation with the immediate superior or with Human Resources, in writing.

However, in the case of a major situation or one that involves the employee's supervisor, such as immoral conduct or a lack of values that may affect the worker or the company, employees cannot use the alternate reports channel, such as e-mail, webpage link, free telephone line and cell number, that allows complaints to be made and dealt with anonymously and without any reprisal.

Thus, CM must adapt its complaints system to meet the requirements of PS-2, documenting the

internal claims of its employees, contractors, and subcontractors, detailing: (i) how the information is received; (ii) how these claims are evaluated; and (iii) how responses are provided and followed up, to conclude with closure of the complaint. In this regard, CM will provide the following:

- An Internal Grievance Mechanism (for direct employees, contractors, and subcontractors) for the construction phase on the new branches in the Expansion Program and copies of evidence of its implementation. This grievance mechanism must include details such as how such claims or complaints are recorded, investigated/evaluated and the process for following up/closing the complaint (Action 2.2 of the ESAP).
- A similar Internal Grievance Mechanism during O&M of the Project's new branches, including existing branches (Action 2.3 of the ESAP), incorporating the experiences and lessons learned in the construction phase.

4.2.b. Labor Force Protection

Nicaragua is a signatory to various ILO conventions and treaties related to workers' rights, including Convention 138 on the Minimum Age, Convention 182 on the Worst Forms of Child Labour, Convention 29 on Forced Labour, and Convention 105 on the Abolition of Forced Labour. It also has the Labor Code (Law 185 of 1996) governing labor relations and establishing the minimum rights and duties of employers and workers, and the Law on Equal Rights and Opportunities (Law 648 of 2008) promoting equality and equity in the enjoyment of human, civil, political, economic, social, and cultural rights among women and men. In this regard, CM has Internal Work Rules that comply with Nicaragua's Labor Code (Law 185 of 1996) and its amendments (see Section 4.2.a).

4.2.c. Occupational Health and Safety

Occupational Hygiene, Health, and Safety at CM are managed by the Office of Administration and Finance through the individual responsible for Occupational Health and Safety. According to the analysis of existing information and in compliance with Occupational Health and Safety legislation,^[13] CM (i) has health and safety personnel (H&S); (ii) has risk assessment, a risks map, and an intervention plan; (iii) has a license in the area of H&S; (iv) has developed, implemented, and certified the Emergency Plan, approved by the General Directorate of Firefighters; (v) has its workers enrolled in social security through the Nicaraguan Social Security Institute (INSS); (vi) conducts training sessions for workers and emergency brigade members; (vii) conducts workforce medical exams and compiles statistics on work-related accidents and illnesses; and (viii) has established the Joint Occupational Health and Safety Commission and complies with the remaining provisions of Law 618.

CM also has Organizational Technical Rules and a Health and Safety Manual, with rules for the safe performance of hazardous work, including: (i) electrical risks; and (ii) work done at heights. In addition, CM has the Safe Work Procedures Manual, which analyzes and establishes the basic requirements for occupational safety and health in each work station or area.

Finally, the CM company and its branches are periodically audited by the Ministry of Labor's Occupational Health and Safety Inspectorate. As of the date this report was prepared, no negative findings had been recorded.

Refrigeration systems

During the inspection visit to the branches of the La Colonia supermarkets, it was noted that refrigeration units use ammonia (NH₃) as the cooling agent (R717 refrigerant^[14]). CM has operation and maintenance procedures for refrigeration system equipment that uses ammonia; these

procedures are provided by the equipment suppliers. The workers also know the health risks of exposure to ammonia. However, CM does not have safety and inspection procedures on the use and storage of the ammonia refrigeration system nor does it have maps on the distribution of personal protective gear (PPG) for emergencies (e.g., encapsulated suits and self-contained breathing equipment).

In this regard, in order to achieve compliance with PS-2, CM must implement a Safety Plan for the Comprehensive Management of Ammonia, to ensure that ammonia management and safety complies with the country's safety regulations, the general standards of the World Bank Group Environmental, Health and Safety Guidelines (WBG EHS Guidelines) and with applicable international standards such as those of the International Institute of Ammonia Refrigeration (IIAR) (Action 2.5 of the ESAP). This Safety Plan must include training, programmed drills, and a proactive and regular communication plan for all employees and contractors, in coordination with the emergency response authorities and the involvement of communities that are very likely to be affected.

4.2.d. Workers Contracted by Third Parties

All aspects related to labor and working conditions for CM are managed by the individual responsible for Human Resources, with support from the individual responsible for OHS in those areas within his/her purview. However, to comply with PS-2, CM must develop an Outsourced Personnel Contracting and Service Delivery Policy that complies with the Labor Code and the ILO international conventions and allows it to: i) ensure that contractors who hire these workers are legitimate companies with recognized integrity and have an adequate environmental and social management system for operating in a manner compatible with the requirements of PS-2; ii) establish policies and procedures for the management and performance monitoring of these third party employers, through commercially reasonable measures incorporated in contractual agreements; and finally, iii) ensure that workers contracted by third parties have access to the contractor's or the developer's grievance mechanism (Action 2.6 of the ESAP). CM will also be required to develop a training program on this Contracting Policy, for implementation and dissemination to all personnel who contract external services (Action 1.5 of the ESAP).

4.2.e. Supply Chain

CM has a list of requirements for the registration/entry of new suppliers, where it seeks copy of primary commercial or operating licenses or registrations (e.g., Municipal Registration, health license, health registration, etc.). However, based on the information on the principal fruits and vegetables supply chain (see Section 3) and the risks associated with potential child labor or forced labor, CM will have to establish a Principal Supply Chain Regulation Program to: (i) control and prevent risks or incidents of child labor or forced labor in compliance with legislation and international conventions to which Nicaragua is a signatory;[\[15\]](#) and (ii) ensure that the principal suppliers of the supply chain are taking measures to prevent or correct situations that imperil workers' lives due to unsafe conditions in the handling/transport/supply of goods (Action 2.7 of the ESAP).

4.3. Resource Efficiency and Pollution Prevention

4.3.a. Resource Efficiency

Water Consumption

As regards water for domestic use, CM has supply contracts with the state company Empresa

Nicaragüense de Acueductos y Alcantarillados [Nicaraguan Aqueducts and Sewer Company] (ENECAL), as established by Law 620: the General Law on National Waters. Based on its CSR commitment and improvements in its environmental performance, CM has implemented the following general water saving-measures in all its branches: i) Monitoring of the monthly water use indicator; and ii) whenever there is a variation/alteration in consumption, CM proceeds to verify and correct the cause, either by repairing a leak or replacing accessories.

For the new Villa Fontana branch included in the Expansion Program, CM will seek a concession from the National Water Authority (ANA) to operate wells located in the respective facilities, as established under Law 620: the General Law on National Waters.

Energy

Since 2016, CM has made investments to reduce its environmental footprint and support sustainability. Evidence of this is that 18 of the 28 existing branches nationwide have a photovoltaic system for generating renewable energy, which eliminates the use of fuel and generates estimated savings of 1,921.7 MWh/year, thus reducing 1,345.2 tons of CO₂ each year.

Again, based on the CSR commitment and improvements in its environmental performance, CM has implemented the following general energy savings measures in all its branches: i) installation of photovoltaic solar systems (when justified); ii) installation of or replacement with high efficiency air conditioning systems with ozone-friendly refrigerants (replacing the use of R22 as a refrigerant); iii) installation of LED lighting in sales floor areas, operating areas, and parking areas; iv) automation of processes through programmable logistical controls to increase energy efficiency; v) investment in technology to maximize efficiency in equipment in most demand such as industrial refrigeration systems and air conditioning system; and vi) application of insulating and thermo-acoustic materials to reduce heat transfer and eliminate noise.

4.3.b. Pollution Prevention

Waste

To control liquid effluents, CM has a system that pretreats wastewater (grease trap) before discharging it to the municipal sanitary sewer system (operated by ENECAL) in compliance with the provisions of Decree 21-2017: Regulations Establishing Provisions for the Discharge of Wastewaters.

As part of the CSR commitment and improvements in its environmental performance, CM has classified its solid wastes in three components: 1) rejects corresponding to damaged products being disposed of; 2) donations corresponding to products not suitable for sale but that can be used and are delivered free of charge to different foundations; and 3) recycling of cardboard, plastic, organic and metal waste that is removed by an SME (Reciclaje Galilea) based on a service contract.

CM does not transport hazardous and non-hazardous (domestic) solid waste outside its facilities; these are managed by companies certified by the MARENA, as established in standards NTON 05-014-02 and NTON 05-015-02.

Handling of hazardous wastes

CM does not generate hazardous waste unless there has been an incident (spill or leak) with some piece of equipment, which for the Emergency Plan will be used and service will be sought from an authorized manager to remove and dispose of the waste, in compliance with standard NTON 05 015-02.

According to the information provided through the technical sheets or safety data sheets, none of CM's cleaning products (detergents, degreasers, bleaches, etc.) and/or disinfectants (sanitizer, soaps, etc.) can be considered hazardous to the environment. However, proper handling and effective occupational safety and health (OHS) practices are required, such as the use of appropriate PPG.

4.4. Community Health and Safety

4.4.a. Design and Safety of Infrastructure and Equipment

CM's new supermarkets will have to be designed and constructed by competent, recognized contractors with experience in the construction and operation of this type of work and that use international good practices recommended by the industry that are expected to comply with applicable national and international construction and safety guidelines, standards, and codes.

Fire protection systems

According to Nicaraguan Required Technical Standard NTON 22-002-09, the design of the Life and Fire Safety (L&FS) systems and installations in the Project's buildings and facilities must comply with the international standards of the National Fire Protection Association (NFPA) and NTON 12-006-04[16] on the rights and the principle of accessibility and equal opportunities for persons with disability in Nicaragua (Law 763 and its regulations)[17] and/or the standards of the 2010 Americans with Disabilities Act (ADA) for accessible design (universal standards facilitating greater access to the physical environment, according to the Project's conditions). In this regard, CM will provide certification by a qualified professional acceptable to IDB Invest verifying that the design of the fire protection installations of the new branches in the Expansion Program comply with the L&FS requirements of the IFC's General Environmental, Health, and Safety Guidelines and that the design adheres fully to the international L&FS code and the NTON standards of Nicaragua (Action 4.1 of the ESAP). Following construction, a qualified L&FS professional acceptable to IDB Invest will inspect the project and submit a certificate that the buildings and facilities considered in the Project are constructed according to the previously approved L&FS design and that all the L&FS devices were installed as designed and tested in accordance with international requirements (Action 4.1 of the ESAP).

Road Safety

One aspect that may have a negative impact on the communities' safety is increased cargo vehicle traffic on neighboring roads during the Project's construction and operation phases. In this regard, local and/or regional traffic authorities must be consulted regarding road capacity and traffic, scheduling, and road safety measures such as signage, speed controls, etc. Thus, CM will develop a specific Road Safety Management Plan for each construction site for the Expansion Program's new branches, to include mitigation measures for possible impacts on affected communities, particularly during the supermarkets' construction phase and/or expansions of their infrastructure and future growth, but will also include O&M and vehicular composition in the analysis (Action 4.2 of the ESAP).

4.4.b. Security Staff

The inspection visit confirmed that there is generally security staff at CM's installations (primarily at access points or customs). Thus, CM will provide a copy of the contract between each supermarket or corporate and the security company or companies to verify, among other aspects, that conditions have been included that will allow CM to: (i) conduct reasonable investigations to ensure that the security staff do not have criminal backgrounds and has not participated in cases of abuse in the

past; (ii) verify details on the training necessary with regard to the use of force; (iii) verify restrictions on the use of firearms; and (iv) identify details on training in environmental and social awareness, including topics on respect for human rights (Action 4.3 of the ESAP).

4.5. Land Acquisition and Involuntary Resettlement

The Project will be developed on company-owned land purchased in the past through a private sales agreement/contract and does not involve any involuntary resettlement.

4.6. Biodiversity Conservation and Natural Habitats

The Project will be developed on the company's own land that has been subject to previous intervention (for mixed use) with regenerative vegetation (primarily pasture and/or individual trees or small groups of 2-5 randomly spaced trees) of little ecological value or installations in disuse (old installations and/or sites within commercial plazas).

4.7. Indigenous Peoples

The Project will be developed within the main cities of Nicaragua (e.g., Managua, Diriamba, Rivas, Juigalpa, Estelí, and Granada) where there are no indigenous peoples in each supermarket's area of development.

4.8. Cultural Heritage

4.8.a. Procedures in the Event of Chance Finds

Based on the recommendations of the Nicaraguan Institute of Culture (INC) and the Department of Cultural Heritage and as part of the environmental permits that must be obtained to execute any other additional work associated with the Project that requires excavation and/or earth movement, CM will have to develop a Chance Finds Procedure^[18] (Action 8.1 of the ESAP) consistent with the requirements of PS-8, which will be applied, as its name indicates, in cases of chance archeological or paleontological finds, in addition to complying with the remaining technical provisions of the Directorate of Cultural Heritage.

5. Local Access to Project Documentation

The CM company provides its information on its principal website: <http://lacolonia.com.ni/>.

^[1] Cooperativa Agropecuaria de Servicios Tomatoya.

^[2] Cooperativa de Productores de Hortalizas (COPRAHOR).

^[3] Decree No. 20-2017, System for the Environmental Evaluation of Permits and Authorizations for the Sustainable Use of Natural Resources. Managua, November 28, 2017; D.O No. 228.

^[4] NTON 22-003-10, Nicaraguan Required Technical Standard, Fire Protection Measures. Emergency Plans.

^[5] Law No. 618, General Law on Occupational Health and Safety and its regulations, Decree 96-2007.

[6] United Nations Global Pact.

[7] Law No. 217 - General Law on the Environment and Natural Resources; D.O. No. 105 of June 6, 1996.

[8] Environmental and Social Action Plan (ESAP); see Section 6.

[9] Environmental and Social Management System, Implementation Handbook - General; IFC; version 2.1; November 2015. Environmental and Social Management System, Toolkit - General; IFC; version 1.2; November 2015.

[10] Decree No. 45-94, Environmental Impact Permit and Evaluation Regulations; D.O. No. 203 October 31, 1994.

[11] Nicaraguan Required Technical Standard for Emergency Plan - NTON 22 003-10.

[12] Nicaraguan Required Technical Standard for Fire Protection - NTON 22 001-04.

[13] Art. 82, paragraph 4 of the Political Constitution, Title V, Chapter I of Law 185, Labor Code; Law 618 the General Law on Occupational Health and Safety and its regulations.

[14] Anhydrous ammonia is used incessantly in the refrigeration industry due to its high energy conversion efficiency and low cost.

[15] Art. 84 of the Political Constitution of the Republic; Convention on the Rights of the Child (Art. 61 of the Political Constitution); ILO Convention 138; Law 474 amending Title VI, Book One of the Labor Code; Ministerial Agreement JCHG-08-06-10, on prohibition of hazardous tasks for adolescents and listing of hazardous tasks.

[16] NTON 12-006-04 - Nicaraguan Required Technical Standard on Accessibility, for anyone who for various reasons permanently or temporarily has limitations or reduced mobility.

[17] Law 763, the Law on the Rights of the Disabled and Decree No. 11-2014 approving the regulations for the Law on the Rights of the Disabled.

[18] A chance find procedure is a specific procedure of the project that describes measures to be adopted in the event of finding a previously unknown item belonging to the cultural heritage.