

**Classification:** This is a category III project according to the IIC's environmental and labor review procedure because specific impacts may result that can be avoided or mitigated by adhering to generally recognized performance standards, guidelines, and design criteria. During project appraisal, the following environmental and labor issues were analyzed: solid waste management and disposal, liquid effluents, materials storage, emergency response and firefighting, occupational health and safety, and other labor issues.

According to current environmental law, all new companies must prepare an environmental impact and mitigation program before they start up operations. In April 2003, the Company applied for inclusion in the Registry kept by the Ministry of Natural Resources and Environment in order to obtain an environmental license, which is currently under consideration. In 1998, when the Company started up operations, there were no regulations requiring these industries to obtain an environmental license.

**Solid Waste Management.** The facilities generate approximately 40 tons of solid waste each month. The waste generated from the manufacture of laminated cups is mainly biodegradable paper. Other solid waste is generated by the cafeteria, administrative offices and restrooms on the premises. Solid waste is temporarily stored in a container at the Company's facilities. It is collected, transported and disposed of twice a day by a local private company duly authorized and engaged for this purpose. This company collects, transports and disposes of solid waste in the municipal sanitary landfill of San Pedro Sula on a daily basis, in compliance with domestic regulations. Given the amount of solid waste that requires temporary storage, the IIC will request that the Company have sufficient additional containers to temporarily store this waste.

**Liquid effluents:** Sewage from the restrooms and wastewater from the cafeteria are discharged into special septic tanks. However, this year the municipality plans to bring the sewer system to the neighboring towns and build oxidation ponds for sewage treatment. Therefore, the Company is currently finishing the construction of a sewer system to pipe it to the municipal sewer system once it becomes available. There is no discharge of wastewater; industrial use water is strictly cooling water, used because cup forming machines need water to cool down. Hot water that is generated in the process passes through a cooling tower and is recycled in a closed circuit cooling system that prevents wastewater discharge, helping the Company to save on water consumption. Only water that is lost through evaporation needs to be replaced in the cooling system.

**Materials storage:** Inks used in the printing process are water-based, do not contain lead, and are stored in a ventilated, secure warehouse located away from the processing area. Less than 55 gallons of diesel fuel are stored in a metal tank built into the electric generator for its operation; it is located away from the plant and warehouses, in a restricted access area that is fully ventilated, fenced in, and secure. Corrugated boxes and finished products are stored in the warehouse. They are loaded on wooden pallets and placed on metal racks. There is signage in the walkways and loading areas. Raw materials for the manufacture of plastic products such as cup lids and polyethylene bags are also stored in the warehouse. However, during the site visit to the Company's facilities it was observed that space is needed to store finished products more safely in the current plant, given the Company's increase in production. With the new facility that will be built as part of the project investments, the IIC will request that the Company improve the storage conditions for raw materials and finished products to improve safety in these areas.

**Emergency response and firefighting:** Given the flammable nature of the raw materials and finished products that are handled at the facilities, the emergency response plan comprises firefighting squads made up of workers on each shift that have been trained in the use of the portable extinguishers that are located in the processing plant, warehouses and offices. The plan

also includes a request for assistance from the Fire Departments of the cities of La Lima and San Pedro Sula, as well as the International Airport; the closest of which is located 3km, or 3 minutes, away from the plant, and the farthest one 10km, or 15 minutes, away from the plant. There are two water storage tanks, one 2,000-gallon tank located next to the plant and one 10,000-gallon tank located next to a water well 50 meters from the plant, in the industrial park where the Company is located. There are signs for emergency exits and fire extinguishers, as well as signs in nonsmoking areas and warning signs in high voltage areas. The request for the assistance of the municipal Fire Department is underway, in order to evaluate the existing firefighting system and obtain recommendations regarding the installation of the following new systems: a) sprinklers, b) hydrant pipes, and c) a fuel pump to connect to a hydrant and tank system in case of emergency and power failures. The IIC will request that the Company complete a satisfactory evaluation of its current emergency response and firefighting system so that the necessary improvements to its existing industrial plant are implemented and are included in the new industrial plant to be built as part of the project investments.

**Occupational health and safety:** Plant workers are provided with appropriate protective gear, shoes, and clothing, as well as rest rooms and a first aid kit. The industrial area is equipped with extractor fans to refresh the air. There is also a water purification system and water coolers in the processing area and warehouse for the convenience of the staff. Operators of the manufacturing equipment have been trained in the use of the equipment by qualified personnel; technicians are regularly brought in from abroad for training purposes. Rollers and movable parts of the machines are fitted with protective devices to prevent workers from getting caught in them. For cup manufacturing, the Company only uses water-based, food-grade inks, which are the most environmentally friendly and are approved by the FDA. In order to avoid an increase in noise levels, power and service equipment, such as air compressors, vacuum pumps and electric generators are located outside the production area. However, since the laminated cup cutting, printing and forming processes generate a lot of noise, workers are required to wear earplugs. The Company has an occupational health and safety committee that is headed by the management of the quality department. The IIC will request that the Company improve the extractor fan system for proper ventilation, as well as to raise awareness among workers about the use of individual protective gear.

**Labor Considerations:** Workers have access to well-lit fully tiled restrooms and sinks, equipped with toilet paper and soap. The cafeteria is clean and well ventilated. It has a capacity of 80 people, a storage area, a kitchen, a food preparation and delivery area, a sink and a dining area. Food in the cafeteria is priced at 25% less than outside the plant. The Company complies with the regulations regarding minimum age for employment, prohibition of compulsory labor, freedom of association, and other government and legal regulations. Workers have established a credit union and participate in its administration and management. The Internal Work Rules have been approved by the Ministry of Labor and Social Security of Honduras.

**Oversight and compliance:**

The Company will be required to implement an Environmental Management Plan acceptable to the IIC. The plan must include: 1) a description of planned improvements to the Company's emergency response and firefighting system, and to the other safety, occupational health and environmental protection measures; 2) a schedule for implementing all of the environmental and safety measures mentioned herein; and 3) the annual monitoring requirements. Throughout the project, the IIC will ensure compliance with its own environmental and labor review policies, review the verification reports that the Company submits each year, and make regular field visits as part of the project supervision process.