

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 following issues were analyzed during project appraisal: good environmental practices and third-party certification; solid waste, liquid effluent, and air emission management; occupational safety and health, labor practices, and social issues.

Good Environmental Practices and Third-party Certification: Casa Pellas has a social and environmental responsibility policy in place for its operations, which can be accessed on its website. The environmental management program for its facilities includes cleaner, more efficient processes. In November 2008 the company received a cleaner production award for its good operating practices for reducing energy, water, paper, and carbon paper use, recycling, and other practices followed at its auto service shops. The award was granted by a committee with members from the ministries of the environment and natural resources (Ministerio del Ambiente y los Recursos Naturales or MARENA), health (Ministerio de Salud or MINSA), development, industry, and commerce (Ministerio de Fomento, Industria y Comercio or MIFIC); Universidad Nacional de Ingeniería (UNI); Nicaragua's chamber of industry (Cámara de Industrias de Nicaragua or CADIN); and other Nicaraguan government and private agencies. Implementing good environmental practices at auto service shops has enabled the company to save approximately 8,000 m³ of water and 250,000 sheets of paper between September 2007 and June 2010. Carbon paper is no longer used for service tickets or invoices, and some car cleaning products have been replaced with biodegradable ones.

Because there are liquor storage and distribution areas on company premises and liquor is a potentially flammable substance, a risk assessment study of the facilities and the safe operation measures in place was carried out in July 2009. To ensure the quality of its products and services, the company follows ISO 9001 practices, and internal compliance audits are performed regularly. The company also undergoes third-party certification audits performed regularly by an authorized certification firm and the company's suppliers. Vehicle distribution and auto shop operations are inspected quarterly by a field manager from Toyota Motor Corporation (TMC), who verifies compliance with TMC quality standards. TMC-qualified instructors provide continuous training for the technical staff working in the auto service shops. The last inspection visit was in May 2010.

Solid Waste, Liquid Effluent, and Air Emission Management: Auto service shop operations generate materials and refuse that are collected, sorted, classified, and temporarily stored at the company's 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 authorized to sell them; rags and paper soaked with grease, paint, or solvent are delivered to third parties that use them to fuel boilers. All fluid waste from vehicles, such as used oil, brake fluid, and coolant, are collected to avoid discharging them to the drainage system. They go to a certified treatment company for recycling or reuse, or to be used as fuel. Other liquid effluents generated at the facilities pass through grease and solid waste traps prior to discharge into the municipal sewer system. To prevent oil spills at the auto service shops, the oil storage tank is equipped with an alarm. Auto service shops have air conditioning refrigerant recovery and recycling equipment to prevent air pollution from refrigerant emissions. To maintain good air quality inside the auto shops, there are two fume extractors that are connected to vehicle exhaust pipes. In addition, the area has enough natural ventilation. Noise emissions are monitored regularly to ensure compliance with Nicaragua's environmental regulations.

Occupational Safety and Health: There are committees coordinated by an occupational safety and

health manager to handle occupational safety and health issues and monitor implementation of and compliance with relevant measures. Because there are liquor storage and distribution areas on company premises and liquor is a potentially flammable substance, a risk assessment study of the facilities and the safe operation measures in place was carried out in July 2009. All of the company's facilities have fire prevention and firefighting measures in place. There is an emergency response plan and first aid, fire, and evacuation brigades. All of Casa Pellas' facilities also have fire extinguishers, safety signage, and evacuation routes. Employees receive task-appropriate personal protection gear, and the company provides occupational safety and health training. In 2009, 278 employees attended the training program, which covered such issues as workplace safety, electricity hazards, use of extinguishers and forklifts, occupational safety and health, ergonomic load-lifting, accident investigation, first aid, and occupational safety and health committees. Fire and evacuation drills are held every year with personnel from the local fire department and Red Cross. The last evacuation drill was held in January 2010.

Labor Practices and Social Issues: Casa Pellas complies with national labor regulations. Employees' salaries and social security benefits exceed those established by law. Benefits include life insurance, allowances for eyeglasses, annual training plans, and help for those employees who wish to continue their education, with scholarships of up to 70% of schooling costs. Since 2008, 44 employees have been granted scholarships. Employees' children who are attending school (first level of elementary school through the fifth level of secondary school) receive a kit with such basic school supplies as notebooks, pencils, rulers, and calculators. Over the past school year the company handed out some 1,000 school supply kits. Regarding corporate social responsibility practices, Casa Pellas has worked with the American Nicaraguan Foundation and Nicaraguan government and nongovernmental institutions on a program for building housing for low-income families in the country's poorest areas. The company also provides financial support to several nongovernmental and religious organizations, such as an old age home; several associations that treat children with cancer or burns and visually impaired children; and religious seminars.

Monitoring and Annual Reporting: During execution of the project with the IIC, the company will submit an annual report summarizing project-related monitoring data on the environmental, occupational safety and health, and labor and social issues cited herein. During 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 by conducting regular field visits as part of the project supervision process.