

**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 this project are environmental and social assessment and management system; occupational health, safety, fire prevention and firefighting, and labor practices.

**Environmental and Social Assessment and Management System:** GMG Holding has corporate staff and employees in every country in which it operates to address environmental, social, health, and safety issues related to its operations. The company has been implementing an Environmental and Social Action Plan (ESAP) to ensure that, once ESAP measures are implemented, the proposed project will comply with the national regulations of the countries in which the company operates, IIC environmental and labor requirements, and International Finance Corporation/World Bank performance standards on social and environmental sustainability and environmental, health, and safety guidelines. GMG Holding is developing a comprehensive management system to address environmental, social, and health and safety issues. The system includes monitoring of and reporting on the company's operations and meets ISO 14001 and OHSAS 18001 guidelines.

**Occupational Health, Safety, Fire Prevention, and Firefighting:** GMG Holding has developed procedures for choosing store locations, whereby proposed locations are inspected and authorized prior to store openings. All of the company's facilities (including offices, distribution centers, service centers, and retail stores) have the permits required by national regulations, including those required by the Fire Department and the Ministry of Health. The company's facilities have fire extinguishers and alarms, and some of the facilities have smoke detectors, fire hoses, and sprinklers. Extinguishers are regularly inspected and maintained by local contractors. The facilities have emergency response plans and evacuation routes. Evacuation drills are held every year. During the implementation of the ESAP, the company reviewed and improved emergency exits and their signage at distribution centers and furniture assembly plants, particularly at its distribution centers in Costa Rica and Honduras. Distribution centers and furniture assembly plants in all of the countries in which the company operates underwent an occupational health and safety risk assessment. As a result, at the end of 2010 some improvements were made to the facilities, including installing signage, smoke detectors, extinguishers, and emergency lighting.

All of the company's offices, distribution centers, warehouses, and service centers and a sample number of retail stores in each of the countries in which the company operates were audited by a consultant specialized in fire safety engineering. Audit recommendations are being implemented: distribution centers, administrative offices, and stores already have the required equipment and staff trained on fire safety. If the company builds new stores or leases a whole building, the design, construction, and operation of the facilities shall comply with all applicable national regulations, including those set out in the building and the Fire Department regulations, as well as with such internationally accepted fire safety guidelines as those established by the United States National Fire Protection Association.

**Labor Considerations:** GMG Holding complies with national labor laws. Mandatory core labor standards include social security benefits, freedom of association, organization of workers' unions, prohibition of forced labor and exploitative and abusive child labor, and nondiscrimination in the workplace. As part of the actions taken to implement its ESAP, the company has developed a grievance mechanism that consists of a policy and implementation procedures for workers to relay their concerns regarding the workplace.

**Monitoring and Reporting:** GMG Holding will continue to implement its Environmental and Social

Action Plan to ensure compliance with domestic regulations and the IIC's environmental and workplace safety and health guidelines. The ESAP shall provide for a yearly report on the implementation of the environmental and social management system, occupational health, safety, fire prevention and firefighting, and labor practices.