

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 therefore does not require an environmental impact assessment. The main environmental and labor considerations related to this project are occupational safety and health, efficient resource management, pollution prevention, labor practices, and social issues.

As part of the environmental and social review of the project, a field visit was made in February 2013 to Munkel's facilities in Managua (main offices, warehouse, lens production laboratory, two optical shops that offer eye examinations and sell eyewear, and a small print shop that produces company invoices and stationery). The project includes the remodeling of the company's main offices, warehouse, and laboratory to make them more functional. In addition, the storefront of some optical shops will be remodeled or their interiors will be redecorated and their furniture replaced.

Occupational safety and health: Attention is paid to occupational safety and health in the facilities visited, although the need for certain improvements was observed. The facilities are equipped with safety signage, fire extinguishers, and first-aid kits. However, the Borrower must ensure that first-aid kits are properly equipped and that all fire extinguishers are where they should be. Munkel furnishes its staff with personal protective equipment tailored to the specific needs of the job. For example, the technicians who operate lens manufacturing equipment are provided with face masks, gloves, and goggles, and warehouse employees, with lifting belts and gloves. The Borrower will ensure that the print shop has adequate lighting and ventilation, a fire extinguisher, and a first-aid kit and that the employees who work there are provided with personal protective equipment (e.g., earplugs, gloves, goggles, and face mask) and actually use it. Since remodeling the Borrower's facilities (especially the main offices, warehouse, and laboratory) will require contractors and construction workers, Munkel will also ensure that such workers have and use personal protective equipment. To better address these matters, the Borrower has reached an agreement with the IIC that Munkel will create a position in the company's organizational chart for an occupational safety and health officer and appoint someone to fill it.

The Borrower will secure all the permits required for its remodeling project under the building code and other applicable regulations in Nicaragua. The IIC will also require that the remodeling project for the main offices, warehouse, and laboratory be certified by an independent expert and that this certification include compliance with the fire safety and protection measures contained in the international NFPA 101 Life Safety Code. Munkel's facilities are currently equipped with safety signage and fire extinguishers.

Efficient Resource Management and Pollution Prevention: Wastewater from the restrooms is discharged into the sewer system, which channels it to the municipal treatment plant. The municipal government provides trash collection and disposal services. Laboratory, warehouse, and print shop waste consists largely of paper, cardboard, and plastic, with a small amount of liquid waste from the cleaning of equipment. For more efficient use of recyclables, the Borrower will establish a recycling program.

Labor Practices and Social Issues: Labor relations between Munkel and its employees (e.g., staff recruitment/hiring, rights and obligations of both parties, working hours, benefits, performance evaluation, contract termination, promotions, and training) are governed by the company's internal work regulations, approved by the Ministry of Labor in 2010, and the country's labor laws, including the Labor Code. The legally-mandated benefits that Munkel provides to its employees include one day off per week, paid leave, and paid holidays. There is no union but employees may join one if they choose. Low employee turnover (around 4%) indicates that labor relations between workers and the company are good, as observed during the field visit. Munkel has a human resources manager and a

staff of 295, whose work in the company is distributed across different areas—mainly administration; the warehouse, which contains supplies and equipment for optometry and other medical specialties; the laboratory, where lenses are manufactured; and optical shops at different locations in Nicaragua, where optometrists perform eye exams and eyewear is sold.

An individual employment agreement is drawn up for each new employee and the internal work regulations are explained to him or her. The new employee is then registered with the Nicaraguan Social Security Institute (INSS) so that the employee and his or her family receive medical coverage. Although the contractors and construction workers that will be involved in remodeling the Borrower's facilities are not direct employees of Munkel, at the IIC's request the Borrower will ensure that they are registered with the INSS while working on Munkel facilities and that they receive the wages and benefits legally mandated under Nicaraguan labor law.

In response to interest expressed by the Borrower, opportunities for technical assistance will be explored during the project with the IIC. Munkel has provided support to low-income communities in the surrounding area and, with such technical assistance, wishes to formalize this socially beneficial work by establishing a corporate social responsibility program or foundation. Another opportunity for technical assistance could be training for one of its technicians in the use of new laboratory equipment.

Supervision: Munkel will prepare an environmental and social action plan and a yearly report containing follow up information on the matters included 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.