

Environmental and Labor Issues:

This is a Category II project according to the IIC's environmental and labor review procedure because it does not result in direct or indirect environmental impact and thus does not require an environmental impact assessment. The main environmental and labor considerations related to the project are safety, fire prevention and firefighting, solid waste and liquid effluent management and disposal, and labor issues.

Edilar's corporate offices and main warehouse are in the State of Mexico. The facilities have the requisite operating permits, licenses, and authorizations (land use permit, civil protection, and fire department authorization, among others). Corporate office building management handles trash collection, security, common area safety measures, and all other facility services. The group companies renew their own operating permits and fire department authorizations yearly or as required, and they refill the fire extinguishers at the offices and warehouses. There are safety brigades per fire department and labor safety regulations, in keeping with authorized handbooks.

Edilar also leases book and educational material warehouses in twenty-seven states throughout Mexico. These facilities have the requisite permits, licenses, and authorizations issued by the relevant state and municipal authorities.

The municipal civil protection authorities have certified that Edilar's facilities meet the safety conditions and measures (including fire extinguishers, fire brigades, and first aid stations) required by national, state, and municipal regulations. Edilar has a civil protection program and holds regular evacuation and fire drills at its main facilities where most of its employees work under outsourcing arrangements with other group companies. The company also monitors its warehouses to ensure that they meet the safety conditions and measures required by national, state, and municipal regulations.

Edilar's core operations, which include selling books and educational materials, generate recyclable materials that are, for the most part, recovered for sale (principally, paper, cardboard, plastic, and packaging materials). Solid waste generated at the main warehouse is stored temporarily on site in a container provided by Gen Industrial S.A. de C.V., a duly authorized local contractor who collects and transports the waste for final disposal at authorized sites in keeping with national and local environmental protection regulations.

There are bathrooms and hot-water showers available to workers at Edilar's facilities. Sewage is discharged into the municipal sewer system under the requisite authorization.

The labor practices of the group of companies that Edilar belongs to comply with Mexican labor standards, and employees receive the wages and benefits established by law in Mexico. Workplace accidents involving employees are reported yearly to the Instituto Mexicano del Seguro Social to determine the premium payable. The report, which shows the average number of employees at each group company for the year, also shows a zero accident rate. This means that the group has had no cases of disability or death caused by work-related accidents. The report covers the three group companies with employees on the payroll, be they administrative, warehouse, or general help.

Supervision: During the project with the IIC, Edilar will submit an annual report setting out the monitoring data for the issues discussed 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.