Best Practices in Corporate Social Responsibility in Nicaragua

October 2006

Translated from Spanish into English by Connie Gonzalez in August 2009.
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Introduction

Corporate Social Responsibility (CSR) is a relatively new topic in our region. It has been widely discussed in the past few years by Central American businesspeople and organizations. Companies are becoming more aware of the importance of promoting business that goes beyond creating profit to incorporate social and environmental aspects in their business strategies.

Despite the progress that has been made in our region, we still find that the private sector, governments and civil society organizations work in isolation. This gap makes private sector efforts have less impact on civil society. For each day that passes - in today’s rapidly changing technology, education and trade sectors – without coordination between these actors, the gaps grow even larger. Considering that we already face great inequality in terms of opportunities, governments, the private sector and civil society must coordinate their resources and actions to face the development challenges we have in front of us. Ideally, as time passes, both the for-profit and non-profit organizations in the private sector will be able to assume roles that were previously assigned and controlled by governments. Our current vision of sustainable development is that only with coordinated and complementary actions between governments, civil society and the private sector, will we be able to solve the region’s development problems in a structured way.
A Comprehensive Corporate Social Responsibility Model

A large number of companies in the region have implemented CSR initiatives; however, many do not know how to measure them or report on them. The Manual of Corporate Social Responsibility Indicators is a self-assessment tool that can be used to review a company’s management in each area of corporate social responsibility. The following should be taken into consideration:

1. National strengths in Central American countries,
2. International CSR trends,
3. The tool should allow for comparisons between companies and sectors and be adapted to the different countries in the region, and
4. The results obtained from using this tool should be highly relevant to the private sector in terms of comparing our region’s progress in the area of CSR.

The CSR Model includes eight categories in two general areas: internal and external. Internal issues refer to those used inside companies; external ones are those focusing on social and environmental investments that impact the community, and therefore, the company’s image. The model follows a logical sequence, which begins with the company’s most immediate stakeholders and works away from them.

The Model indicates that the company should focus on each critical area in a comprehensive and balanced way, as well as identify and satisfy the requirements that each stakeholder has to exhibit responsible behavior in the society where the company operates.
Categories and Sub-Categories

The Model is structured in eight categories, each one including several sub-categories. In addition, each sub-category includes a set of specific issues. For example, the area of Legal Compliance has six sub-categories: one is “Compliance with Labor Legislation,” which includes a group of qualitative indicators with closed Yes and No questions. The following figure lists the categories and sub-categories.

<table>
<thead>
<tr>
<th>Internally</th>
<th>Externally</th>
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<tr>
<td><strong>Legal compliance</strong></td>
<td><strong>Employee benefits</strong></td>
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<td>• Salaries relative to industry</td>
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<tr>
<td>• Compliance with environmental specifications</td>
<td>• Social security system and pensions</td>
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<td>• Quality and frequency of social reports</td>
<td><strong>Projection in the community</strong></td>
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<td><strong>Human capital development</strong></td>
<td>• Generate direct or indirect employment</td>
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<td>• Investment in employee training</td>
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<td>• Training programs</td>
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<td>• Evaluation system and feedback</td>
<td>• Project CSR to clients and suppliers</td>
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<td>• Productivity and compensation</td>
<td><strong>National or regional projection</strong></td>
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<td><strong>Mitigation of negative impacts</strong></td>
<td>• Levels of total investment</td>
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<td>• Occupational safety policies and mechanisms</td>
<td>• Support for governmental institutions</td>
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<td>• Managing lay-offs and personnel reductions</td>
<td>• Collaboration with universities</td>
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<tr>
<td>• Frequency management of accidents on the job</td>
<td>• Communicate and promote standards</td>
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<tr>
<td>• Waste, water and emissions management</td>
<td>• Economic and social value added</td>
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Best Practices in Corporate Social Responsibility in Nicaragua

Unión Nicaragüense para la Responsabilidad Social Empresarial (UniRSE)

UniRSE’s creation is part of the progress that has been made in Nicaragua in terms of CSR. UniRSE was founded by some of Nicaragua’s most prominent business leaders to promote Corporate Social Responsibility (CSR) in the country. The idea for the organization came from a working lunch with more than 100 participants. They decided they wanted to form an independent institution that could promote CSR activities. In April 2005 at the II National Forum on Corporate Social Responsibility, UniRSE was launched. The founding members include:

- Laboratorios Riestra
- Euro - Trading S.A.
- William Baez Sacasa
- DIVAC
- Dr. Allan Galeano González
- OCAL
- ALASA
- COBIRSA
- ENIMOSA
- BATCA
- Corporación Supermercados Unidos (Now Wal-Mart Latin America)
- Carlos Reynaldo Lacayo
- Corporación Roberto Terán
- Matthias Dietrich
- Fundación Roberto Terán
- Grupo Pellas
- Pedro Antonio Blandón
- Congreso de Mujeres Empresarias
- César Augusto Lacayo
- Cesar González
- LAFISE
- José Martín Vargas

Other members have joined, including: Grupo Taca, SISSAT and Ramacafe. In addition, there is a group of companies in process of affiliation: Fundación Pantaleón, Fundación Coen, Findesa and Tip-Top Industrial.

UniRSE’s main areas of focus include: 1) labor regulations, 2) business ethics, 3) the role of business in society, 4) responsible marketing, and 5) environmental protection. To promote these areas, UniRSE works in close coordination with Consejo Superior de la Empresa Privada (The Private Business Council, COSEP), National Commission on Competitiveness, national foundations and international organizations. Despite the fact that Nicaragua was the last Central American country to join in on CSR initiatives, UniRSE has been able to project the country’s
efforts and become a member of Forum Empresa¹ and the regional network of the World Business Council for Sustainable Development (WBCSD).² (See Exhibits 1 & 2.)

UniRSE’s mission

Have companies commit to include social responsibility in their objectives, based on ethical and business values, through:

- **Incorporation of the concept within the company’s mission and vision and relevant documents and internal policies to improve the company’s growth and competitiveness.**

- **Broad interaction with the company, community and civil society when applying CSR topics favoring the country’s socio-economic development.**

- **Internal institutionalization of Corporate Social Responsibility.**

- **Articulate and strengthen CSR in Nicaragua, facilitating and supporting member (and non-member) companies in their objectives and promoting interaction and exchanges.**

Main objectives

1. Promote, spread and deepen understanding on Corporate Social Responsibility (CSR) in five action areas in Nicaragua.

2. Organize events to exchange opinions and make special offers to companies and members of UniRSE and interested companies for training programs on CSR.

3. Study and publish cases on best practices in CSR at Nicaraguan companies to learn from their successes and examples.

4. Support Nicaragua in adopting a unified concept of CSR geared toward regional and international experiences and develop exchanges with CSR organizations in Central America, Latin America and globally.

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¹ This is an alliance of business organizations that promote CSR in Latin America. Currently, 18 organizations are members, representing 16 countries in the region and including close to 3,500 companies.

² This organization includes institutions sharing the commitment to sustainable development, ecological balance and social progress. The regional network includes more than 56 organizations from Europe, Asia, the Americas and Africa.
Future Projects

UniRSE will soon begin a program directed toward small and medium enterprises. This program will launch with four pilots projects in tourism, agriculture, textiles and forestry, and its purpose is to support different companies in the areas of Rivas, Matagalpa, Granada and Esteli to adopt CSR initiatives. To promote necessary changes, the program will start with a basic analysis of the company’s current management. This program also seeks to achieve and maintain UniRSE’s sustainability. One of the organization’s priorities is to grow, which means they need to incorporate new members.

“There is a big difference between philanthropy and CSR. CSR has to be sustainable. It means economic growth and should be adopted as a modern business concept within companies.”

Matthias Dietrich, Director of UniRSE

Another project on UniRSE’s agenda is to introduce CSR topics to young businesspeople in Nicaragua. The organization has already reached out to local universities to create CSR courses within their academic curricula. UniRSE is also concerned about a lack of interaction between the private sector, civil society and the government. Communities and companies rarely form alliances to carry out social projects. Governmental ministries (Ministries of Health, Education and Labor) rarely participate in meetings held to promote CSR.
Nicaraguan Legal Framework on CSR

In the area of CSR, there exists a debate between what is a “regulation” and what is a “voluntary commitment.” Many experts believe that social responsibility begins where regulations end.

“CSR goes beyond laws and is more dynamic than legislation. CSR needs certain flexibility to move companies and society.”

Matthias Dietrich, Director of UniRSE

Though Nicaraguan legislation on the topic is quite broad, most of these regulations are not complied with, either do to a lack of incentives, procedures or system deficiencies (See Exhibit 3). In order to prioritize, CSR legislation creates a baseline for companies to comply with sector standards.

**Internally**

**Legal Compliance**

- Compliance with labor legislation
- Compliance with tax obligations
- Compliance with environmental specifications
- Compliance with product specifications
- Compliance with safety standards
Best Practices in Corporate Social Responsibility in Nicaragua

Ethics and Transparency: BAC/Credomatic Financial Network

About BAC/Credomatic Network

BAC/Credomatic Network is the financial arm of the Grupo Pellas, a corporation with more than 125 years of history. This regional bank operates in three business areas: personal banking; commercial affiliates to serve companies; and corporate banking, serving company needs.

The BAC Financial Network began operations in Nicaragua in 1952 with Banco de America. In 1971 they added credit card services through Credomatic and launched a local card in the market. Over the years BAC has expanded its operations geographically in El Salvador, Costa Rica, Guatemala and Honduras. Later, they opened offices in Panama and Grand Cayman. This geographic expansion was coupled with additional financial services, such as private banking, stocks and investment funds. From the beginning BAC developed a strategy to grow in an organized manner, investing high quality assets and continuously strengthening the institution’s equity.

At the beginning of 2000, BAC and Credomatic joined forces to implement a business strategy for regional coverage. They began standardizing their systems and procedures into regional operations, both for banking and credit card services. This also allowed them to certify their operations ISO 9000 in 2000. In 2003 BAC/Credomatic Network offered the same range of products and services throughout the region with the same quality standards. At the end of that year, they merged their six markets under one corporate image and regional strategy. Their change of name and image had an important impact on positioning BAC/Credomatic Network among clients.

Mission of BAC/Credomatic Network

Facilitate the exchange and financing of goods and services to our clients in the region where we operate with excellence, by providing innovative and profitable payment options and financial solutions to contribute to improving the quality of life of our clients, stakeholders and shareholders.

Currently, BAC/Credomatic Network has approximately US $3.4 billion in assets and a loan portfolio of US $2.2 billion, with just over 8,000 employees. Credomatic is a leader in credit and debit cards in the region, invoicing US $5.5 billion in 2005.

The year 2005 was one of the most important ones for BAC/Credomatic Network. In May of that year, the Network finalized details for an alliance with GE Consumer Finance, a subsidiary of GE Capital, to strengthen the organization and its competitiveness for the future.
“By combining one of the leading global financial services companies with one of the most respected brand names worldwide, we think that we will be able to honor our commitment to expanding products and services to Central American consumers with even more success.”

Carlos Pellas, BAC President

About General Electric Company and GE Consumer Finance

As noted by its slogan “Imagination at Work,” GE is a diversified company working in the areas of technology, media and financial services, focused on resolving some of the world’s greatest needs. With products and services ranging from airplane turbines, energy generation, water processing and applied security technology, to medical imaging, financing for companies and individuals, press and advanced materials, GE serves clients in more than 100 countries and employs more than 300,000 people globally.

With more than US $151 billion in assets, GE Consumer Finance, a unit of General Electric Company, is a global provider of credit services for consumers, businesses and agencies operating in 41 countries around the world. GE Consumer Finance, based in Stamford, Connecticut, offers a wide range of financial products, including credit cards with private brands, personal loans, banking cards, loans and leases for automobiles, mortgages, corporate travelers’ and credit cards, debt consolidation, loans for liquidity and credit insurance.

Commitments to Ethics and Transparency at BAC/Credomatic Network

The company has been able to form transparent internal and external relationships that strengthen its vision thanks to its Ethics Code and values. The Code and values have guided and clarified the institution’s position when forming new relationships. With this philosophy, BAC/Credomatic has worked using the same corporate principles as Grupo Pellas, including a commitment to ethics, honesty and integrity.

Corporate Vision

We, and companies belonging to the Pellas Group, propose: to be leaders in our markets, generate exceptional returns for our stockholders, develop the potential of our collaborators and contribute, in a sustainable manner, to investments and social and environmental development programs.

To achieve this:

1) We align our organizations in such a way that our vision is shared by all and that our values, market forces and the satisfaction of our clients determining factors in what we do.

2) We value our personnel, and we are sensitive to their needs, contributing to their development, training, adequate compensation, and motivation in search of excellence.
3) We operate under strict ethical, social, and environmental principles contributing to the development of our community and the protection of our environment.

4) We are passionately committed to excellence, continued improvement and technological development, which characterize us as world-class companies that adhere to international standards.

5) We seek synergy and coordinate our efforts with other companies within the Group, which allows us to combine efforts, adhere to the best practices, and improve our competitive edge.

Corporate Values

Trust: We are trustworthy, value honesty, integrity, loyalty, and fulfill our promises.

Respect: We are respectful towards our clients, collaborators, the environment, and our community, which places us at a high level and assures us stability.

Humanitarianism: We are committed to ethical conduct and supportive of development within all sectors of society.

Responsibility: Our actions affect our surroundings. We are responsible for what we do and this responsibility demands excellence from us.

BAC/Credomatic’s commitment to these corporate principles translates into a vision dedicated to ethics and austerity in daily operations with clients.

Vision of BAC/Credomatic Network

Grupo BAC/Credomatic aspires to be the region’s best financial option for its leadership in financial performance, the quality of its products and services and its distinct technology skills, resource administration and types of payments.

In order to meet this objective, the Group has a professional and creative team passionately committed to excellence and guided by ethical principles, acting with a clear sense of financial austerity.

In order to satisfy client needs, Grupo BAC/Credomatic operates as a regional unit, promoting a single organizational culture and measured by world-class financial standards.

BAC/Credomatic Ethics Code

Ethics are a key area of focus in BAC/Credomatic’s new CSR strategy. The company has a formal Ethics Code, in which it openly commits to transparency, along with the precision and reliability of information provided to its stakeholders. This commitment runs throughout the organization, which promotes ethical behavior from executives as models for staff. The Board of Directors and senior management are also highly committed to making these principles or values listed in the Ethics Code a part of the company’s organizational culture, processes and policies. In order to achieve this, BAC/Credomatic has designated committees or boards to manage ethical
topics and has established mechanisms to monitor compliance with the Ethics Code and apply internal disciplinary actions for those in non-compliance.

“Transparency and good management are basic to being recognized as a socially-responsible company. A dishonest company that acts illegally can donate to great charity projects, but it will never be known as a responsible company. Ethics, transparency and good business governance characterize a responsible company.”

Roxana Viquez, BAC/Credomatic CSR

As part of its commitment to CSR, BAC/Credomatic has made some important changes to facilitate more transparent communication with its stakeholders. BAC/Credomatic hopes to continue growing, with high legal and ethical standards. Likewise, it will incorporate best practices in CSR in the medium-term, also developing a social report to be published in an annual CSR report. In addition, BAC/Credomatic will develop a section of its website to inform about the products and services it offers with all associated costs and requirements to promote transparency.

**GE Consumer Finance Strengthens its Commitment to Ethics and Transparency**

The fact that General Electric participates as a partner at BAC/Credomatic and the other Grupo Pellas companies, makes it a particular case. GE participates with representation on the Board of BAC/Credomatic and also in committees governing the corporation. At the management and operations levels, GE understands that the excellent results experienced over recent years have to with the quality of the companies’ stakeholders. The management’s high quality was a key factor in the acquisition process. The company’s reputation for transparency and success in administration was one important reason why GE decided to ally itself with BAC/Credomatic Network.

“This new alliance will help us expand our business in Central America, and we are quite excited to be working with such a respected and successful team as BAC.”

Mark W. Begor, President and CEO of GE Consumer Finance

“BAC’s management is strong and respected, and it has built a solid business offering financial services in Central America. We are quite excited about the bank’s future growth potential.”

Glen Wakeman, General Manager of GE Consumer Finance- Latin America

Despite GE’s shareholder status, BAC/Credomatic Network is not an affiliate controlled by GE Consumer Finance. Independently, GE’s policies state that the company must encourage

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3 GE press release, Stamford, Connecticut. – May 12, 2005
4 GE press release, Stamford, Connecticut. – May 12, 2005
companies in which GE has at least 50% ownership to adopt and apply its compliance policies, including its Code of Conduct: Integrity Policy.

**GE’s Code of Conduct: Integrity Policy**

For more than 125 years, GE has demonstrated a firm commitment to performance with integrity. It has a long history of sustained growth, in addition to having a reputation around the world for impeccable legal and ethical behaviors. In several surveys with general managers, GE has been named the most respected and admired company worldwide. It has placed first in terms of its integrity and governance. In the recent Fortune America’s Most Adored Companies 2006, General Electric was ranked in first place. The survey considered the following areas: innovation, skills, social responsibility, management quality, long-term investments, product/service quality, financial stability and the use of corporate assets.

In order to maintain its reputation, GE uses its Code of Conduct as a guide to deal with problems related to integrity. GE applies these practices to comply with its goals for growth.

“There is no conflict between excellent financial performance and high management standards and compliance; in fact, they provide mutual reinforcement. While we are trying to achieve our goal of being the company with the greatest growth in the 21st century, we must recognize that only one type of performance will allow us to maintain our reputation, increasing consumer confidence in our company, products and services; and helping us to grow – performance with integrity.”

_Jeffrey R. Immelt, President of the Board of Directors and General Manager_

GE’s Code of Conduct determines the responsibilities that its stakeholders and leaders have to guarantee that the company’s organizational culture is present at all levels. According to the Code of Conduct, all employees must learn and understand the policies related to their jobs and are responsible for voicing their concerns about possible infractions to GE. Leaders should create a culture of compliance, in which employees understand their responsibilities and feel comfortable enough to voice their concerns without fear of repercussions, fostering ethical behaviors and leading by example.

The GE Code of Conduct states the following principles:

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5 Introduction letter on GE’s Integrity Policy, June 2005.
GE’s Code of Conduct indicates which behaviors should be exhibited by the following stakeholders:

- Be honest, fair and trustworthy in all your GE activities and relationships.
- Avoid all conflicts of interest between work and personal affairs.
- Foster an atmosphere in which fair employment practices extend to every member of the diverse GE community.
- Strive to create a safe workplace and to protect the environment.
- Through leadership at all levels, sustain a culture where ethical conduct is recognized, valued and exemplified by all employees.

Working with clients
GE explicitly prohibits pay-offs in commercial transactions in all countries of the world, whether to governmental institutions or private companies. Client relationships also encompass international commercial controls. GE applies many of these laws to its operations, such as for products and services crossing borders, but also when exchanging information, even by email. To
help employees comply with these laws when dealing with clients, GE created a “Warning Signs” list, which is available at integrity.ge.com. Another topic included here is money laundering. To avoid money laundering and backing and financing terrorism, GE suggests application of its “Knowing your client” procedure. This procedure asks employees to collect and provide documentation on potential clients, representatives and commercial partners to guarantee that the commercial activities are legitimate and that funds are coming from legal sources.

Working with suppliers
GE bases its relationships with providers on legal, efficient and fair practices. GE only works with suppliers that comply with applicable legal standards, as well as GE’s guidelines with respect to labor, environmental, health and security issues. Compliance with these guidelines guarantees that providers do not damage the company’s reputation. GE also offers competitive opportunities to small companies and others belonging to disadvantaged or minority groups to participate in its procurement processes. International commercial controls also apply to providers. In order to avoid non-compliance with legislation, GE suggests the application of its “Knowing your provider” procedure. Another important issue is discreet management of personal and private data. GE manages all provider information with the utmost confidentiality.

Working with governments
GE frequently interacts with governmental entities and officials and international organizations. Employees must act with the highest ethical standards to comply with applicable laws and regulations, including special requirements associated with governmental transactions.

Relationships with the competition
GE’s relationship with this stakeholder includes compliance with competition and antimonopoly laws. This legislation is complex and global in terms of scope, and can be applied in different ways depending on the situation. Compliance prohibits agreements between competitors that weaken competition, regulates how dominant companies operate, and requires preliminary reviews, and in some cases, authorization for mergers, acquisitions and transactions in order to prevent them from reducing competition.

Relationship with employees
GE is committed to complying with all laws on freedom of association, privacy, collective agreements, immigration, schedules, salaries and hours, as well as those prohibiting forced or child labor and discrimination on the job. Going beyond mere legal compliance, GE tries to create a safe and favorable environment for all of its employees. It pays great attention to jokes or materials that may ridicule or offend a member of the company, as well as sexual harassment. In terms of security, GE tries to create and maintain a safe working environment and prevent accidents. It tries to minimize unsafe working conditions and activities, such as blocked emergency exits, unsafe driving, working at high altitudes without proper harnesses and equipment, exposure to serious infectious diseases, etc.

Relationship with the community
GE’s commitment to the community seeks safe operations in order to minimize environmental impacts. This policy applies to all of the company’s activities, not only its waste and emissions. For example, GE applies this policy when designing and producing products and services, when employees are diving vehicles for work purposes, when acquiring new companies
and when offering services to clients. GE evaluates legal risks that may affect its reputation before beginning a new activity, the sale of a new product or the acquisition of a new company, for instance.

**Relationship with shareholders and investors**

The company’s regulations on its relationships with investors or shareholders include: comptroller, conflict of interests and privileged information and information on shares. Comptroller policies require the application of generally accepted accounting principles, the application of obligations to generate accounting and financial reports, guarantees on the financial and non-financial information in the reports and precise operations. The conflict of interests policies state that GE must divulge all external activities, financial interests or relationships that may create a conflict. Conflicts that GE tries to avoid include: operations with provider companies that belong to or are managed by relatives or close friends of a GE employee, and the hiring and promotion of relatives or close friends. Shareholders or investors may access material information on GE or other companies before it becomes public. The use of this information for personal gain, or its transmission to others, violates this policy and may even break local laws.

**Compliance with the Code of Conduct**

In order to guarantee compliance with its policies, GE has created different channels for employees to voice their concerns on questions related to integrity. The fastest way to act is for the employee to inform his or her immediate supervisor or manager. However, this is not the only option. The organization has an internal leader in charge of compliance with the Code of Conduct. Employees may also inform the company’s legal advisor. Finally, GE has an ombudsman position. GE’s corporate ombudsman position allows employees to ask questions and voice concerns with respect to integrity anonymously and receive an answer. For questions related to accounting, internal accounting controls or GE’s audits, the company has a management board and an audit committee, which may be contacted by employees.

Employees and leaders who violate GE’s policies are subject to disciplinary actions, which may include termination. Bad behavior that may result in these actions includes:

- Violation of GE’s policies
- Encouraging others to violate GE’s policies
- Not speaking up about a known or supposed violation of GE’s policies
- Lack of cooperation in investigations about possible infractions at GE
- Retaliation against another employee for speaking up about an issue related to integrity
- Lack of leadership and due diligence to guarantee compliance with legislation and GE’s policies.

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6 The Ombudsman is a government official in charge of representing the interests of the people against abuses committed by national authorities. The figure was created in the Swedish Constitution in 1809 as an answer to citizen concerns about abuses that were difficult to respond to using bureaucratic or judicial channels.
Developing Human Capital and Employee Benefits: Compañía Cervecería de Nicaragua

About Compañía Cervecería de Nicaragua

The Compañía Cervecería de Nicaragua was founded more than 70 years ago as two breweries: Cervecería Toña and Cervecería Victoria. During the 80s Victoria was “nationalized” by the government, with continued ownership by the company’s union. The brewery was not returned to its original owners until the beginning of the 90s; however, the union continued to own a large part of it. Cervecería Toña remained a private company and part of Grupo Pellas. In 1996 foreign investors bought both companies and between 1999 and 2000 they were merged to create Compañía Cervecería de Nicaragua.

The merger provoked major changes in production, quality and sales at both companies, especially in employee culture. With the merger, Cervecería Victoria’s operations were transferred to the Cervecería Toña’s plant. At that time, employees were used to competing in the local market. After the merger the company had two employees for each position, one from Toña and one from Victoria and with different collective agreements. This was the new company’s first challenge. To overcome it, the company had to unite both sides’ interests in celebrations and activities for the new company, as mentioned by the Human Resources Manager at the end-of-the-year party:

“For the ‘Purisima’ festivities prior to Christmas, Victoria had one Virgin Mary statue and Toña had another. The first year we celebrated together, we acquired a new Virgin Mary statue that was blessed in an official event, so that we had a Mary for the entire company, and no one could say it wasn’t theirs.”

This challenge was addressed over time and by 2003 no longer caused any problems. Other cultural aspects that were necessary to change were the inefficiency, bureaucracy and lack of discipline that existed. The company created an efficient communications system to deal with the many rumors and gossip that were spread. This system included: paper placemats in the cafeteria that contained information, centerpieces with information, bulletin boards, bulletins, emails and Intranet. All of these venues had information on the company’s mission, vision, values and interpretation of these values. The company also created “letters from the management,” which were letters from the General Manager that were distributed to all employees when they began working at the company. Pay slips also included comments on the company. To complete this intense communications campaign, the company held lectures with mandatory attendance by all employees.

Mission
- Our company produces and sells beer and other world-class beverages in the local and international markets, achieving high

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7 One of the strongest conglomerates in Nicaragua with investments in banking, insurance and sugar production, among others.
productivity and profitability.
- Our brands are synonymous with excellence, and their attributes are recognized by our consumers.
- We are focused on exceeding our customers’ expectations with our trained staff, state-of-the-art technology and world-class processes.

Values
We are a company that values INTEGRITY, or, in other words, TRUST, DISCIPLINE and RESPECT FOR PEOPLE. We value LOYALTY and a SENSE OF BELONGING to the company. We always promote a PASSION FOR EXCELLENCE in our company, which we achieve through TEAMWORK and EMPOWERMENT in employee initiatives.

In addition to communication, the company also focused on its policies. It had to create clear but strict policies to eliminate several bad habits. The main areas of focus included equity among employees, debt and the consumption of alcoholic beverages. Previously, employees had received per diem and bonuses under different systems, for example, the unions were used to requesting benefits for their members. To eliminate this, the company had to design an equal per diem and bonus policy and immediately apply it at all levels of the organization. This showed employees that the company did not prioritize or have preferences at certain levels. The company also had to work on the issue of seniority in terms of equity. Previously, a person who had worked for the company for 20 years could earn 50% more than a new person even if the new person performed more efficiently. The company had a hard time implementing this policy due to opposition from many union members.

Almost all of the company’s employees had debt problems. Seventy-five percent were indebted by 50% or more; therefore, the company decided to apply a credit policy by which employees who did not pay their quotas were fired. Likewise, the company prohibited credit card companies from entering the premises or leaving information. At first several employees had to leave their positions in order to control their debt problems and develop a new lifestyle. As one employee mentioned, “We all know that it’s a sin to let your credit card consume you!”

Another policy that clearly changed the lifestyle of many employees was related to alcohol. The company strictly prohibited employees from consuming alcoholic beverages during working hours, coming to work under the influence or even smelling of alcohol. It defined working hours as hours during the day or night, including company events or parties. Non-compliance resulted in the employee losing his or her job. Like the new policy on debt, several employees were fired at first. It is important to mention that this alcohol policy was accompanied by an alcoholics anonymous support program for employees who were interested in participating.

All of these changes were necessary for Compañía Cervecería de Nicaragua to organize itself and the employees to adopt its values. According to the Human Resources Manager, the General Manager, Jaime Rosales Pasquier, promoted these changes. When he began working at the company, he decided to change the management based on company values and redefine systems: principally in human resources. That was when the company’s employees became its greatest assets. These actions allowed the company to receive international certifications and global awards for quality and enter new international markets.
Developing Human Capital

At the end of 2000, Compañía Cervecería de Nicaragua decided it wanted to be the first brewery in Latin America to be certified ISO 9001, version 2000. At that time, 64% of the company’s staff were illiterate, meaning most could not write. It was difficult to imagine ISO certification with employees who could not write procedures or keep records. At that point the company decided to make a huge change: rather than firing staff who did not have the appropriate educational level, the company decided to train them to reach the level needed.

Employee training

In order to improve the company’s illiteracy problems, it inaugurated an intensive primary school in 2001. The school was divided into three levels: level 1 with 1st and 2nd grades, level 2 with 3rd and 4th grades, and level 3 with 5th and 6th grades. The company’s school was no ordinary school. Because of the company’s different shifts, the school had to adjust its hours to fit with employee schedules. For example, if an operator worked from 6 am to 2 pm, his classes would go from 2 pm to 4 pm. The company wanted the classes to fit with both the employee’s shifts and breaks. One exception was made for sales employees who normally started work at 6 am. The company allowed them to start one hour later so that they could attend classes from 5:30 am to 7 am. Only 1% of employees dropped out of the program; even employees on vacation or on leave continued to attend classes.

The Human Resources Manager indicated that when the company first invited employees to join the classes, very few signed up. The relationship with the union became more important at that point as the company promoted the training. The company also used its communications systems to let employees know about its goal to receive ISO certification and what an important role they would play in helping the company achieve its goals. After these two efforts were made, enrollment increased significantly. The company provided the classroom and equipment and also gave each student a small bag with school supplies. Three years after the school program began, the company had graduated 254 employees from the three levels of primary school.

In 2004 Compañía Cervecería de Nicaragua had achieved its goal of having literate employees; however, the training did not stop then. Since the three levels were taught simultaneously, the company started three technical programs for graduates: basic maintenance, mid-level industrial maintenance and business administration. Students interested in the basic maintenance program had to have graduated from sixth grade, and those in the mid-level program had to have passed ninth grade. When the company finally had a large number of mid-level technicians who had passed ninth grade and were close to being able to graduate from high school, it started two high school degree programs: in marketing and sales and in accounting.

For employee training the company provided all materials necessary at no cost to employees. In exchange, employees had to attend a minimum of 80% of classes and sign an academic agreement about how they would treat their classmates and teachers. The program had experienced no major problems, and only had a couple of cases of employees who did not
perform well. Employees who had academic problems were offered personal tutors. In December 2004 the company graduated its first technical class, a total of 76 employees including 17 basic technicians, 36 mid-level industrial technicians and 23 business administration technicians. The program was so successful that the company offered the basic technician and high school classes to its employees' children. The company paid 50% of the cost of the program monthly for them. In addition, it provided registration, an identification card, grades, study materials, slides, notebooks and paperwork for the diploma.

**College scholarships**
Beginning in 2000, the brewery began offering a college scholarship program for employees. These scholarships covered 50% of the costs of any private university that the employee wished to attend. The employee’s position at the company was not a factor for receiving the scholarship. First the employee would select the university and program (as long as it did not interrupt working hours), and the company provided the scholarship. The employee had to maintain a grade of at least a 75/100. The company also helped the employee receive his or her degree, providing financing and no-interest loans for degree courses that usually cost between US $800 and US $1,000.

**Formal training programs**

“There is nothing sadder than having a person start work at a company and leave just like he entered. If people feel like they are growing personally, they develop a sense of loyalty, belonging and pride for the company. Those may seem like “soft” issues, but they are worth an awful lot!”

**Ana Isabel Sobalvarro, Human Resources Manager**

Together with its school training program Compañía Cervecería de Nicaragua also needed to train its employees in management issues; it developed the “Skills Development at Compañía Cervecería de Nicaragua” program with help from Hay Group.8 The company committed itself to:

- Aligning human resources initiatives with business initiatives
- Strengthening team leadership at the management and supervisor level in order to guide staff for high performance
- Developing internal staff to take on positions of greater responsibility.

The company began by elaborating a Skills Development Manual to determine skills needed and levels for each position. Skills were divided into two main groups: technical and behavioral. Each level up in the organization required more significant behavioral skills, which could be illustrated using an iceberg (See Exhibit 4).

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8 The largest human resources firm in the world with 72 offices in 37 countries and a staff of approximately 2,000 consultants serving more than 9,000 clients.
For example, the company identified 14 skills for managers and supervisors, including:

- Efficiency and personal development
  - Personal management
  - Pro-activeness
  - Passion for excellence
- Support
  - Analytical thinking
  - Conceptual thinking
  - Flexibility
- Work management
  - Performance monitoring
  - Process monitoring and control
  - Information search
  - Organizational integration
- Team management
  - Team leadership
  - Ability to influence
  - Teamwork
  - Talent development

Once the skills had been identified for each position in the organization, the company carried out a gap analysis. In other words, it measured what the requirements were for each position and how the current employee scored in terms of those requirements. The gap analysis methodology could differ depending on the skills. For technical skills the company had pre-designed tests on mechanics, hydraulics, reading manuals, and others. For the analysis on behavioral skills, the company hired Hay Group. The analysis was carried out every two years, though sometimes it was not done if the organization was making important structural changes. For example, when the company began using a completely automated bottling line, staff was cut from 22 to 8 people. The new job descriptions required different skills, so the company had to update the skills and carry out a new gap analysis.
Based on the results from the gap analysis, the company was able to determine what training was needed at Compañía Cervecería de Nicaragua. This was the basis for creating a training program for the next two years. Then, the company created a budget for the program and began implementation. Independent of an employee’s position and level, all employees were trained in basic skills in 2004. In 2005 the company began intermediate skills training. The training budget has remained constant during the past three years, close to $2.4 million cordobas.9

During the training program, the company determined that middle managers were not receiving enough training. At the end of 2004, Compañía Cervecería de Nicaragua signed an agreement with the Adolfo Ibáñez University from Chile to develop a degree program for middle management. This Industrial Business Administration program lasted eight months, and 40 managers participated. University professors traveled to Nicaragua to teach. Employees were asked to attend classes and maintain a grade of at least 80.

**Internal promotion**

Compañía Cervecería de Nicaragua does not prioritize internal promotion over skills matches. Employees are invited to apply for positions internally as long as they meet the skills requirements. If an internal employee has the same skill set as an external candidate, the company gives priority to its current employee. However, if the external candidate is better for the position in terms of his or her skills, that person is hired. Even though the company follows this strategy, it does promote many employees internally. Most of these promotions are made at operational levels. The brewery has very qualified managers, and supervisors are hardly ever promoted to the manager level. The company’s philosophy is that if an employee could not be promoted because of the organizational structure, the company should try to find ways for the employee to grow in his or her current position.

**Evaluation and recognition**

The company carried out performance evaluations for employees once a year. Compañía Cervecería de Nicaragua performed a 360° evaluation using software called Xpertus. Based on the evaluation results, the company would offer appropriate recognition and compensation. It gave annual performance bonuses throughout the organization and equally to all qualified employees. In other words, if managers received two months’ salary as their bonus, then truck drivers would, as well. This type of bonus is given for all employees with a Balanced Scorecard (BSC). Administrative staff does not have BSC, so their bonuses are determined by the Board of Directors.

In October of each year the company celebrates the Day of the Brewer with employees from across the country. The company recognizes the employees with the best performance, including certificates and monetary compensation. In addition, the company posts the information in its bulletin and on bulletin boards. Employees who have been recognized are considered for career positions, new projects and promotions.

The company also recognizes volunteer groups, such as the beer cuppers, customer service evaluators and firemen. The cuppers participate in an annual party and receive a basket of food

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9 At the time this document was written, the Exchange rate was CS$17.71 cordobas per US$1.00, or US$135,516 in annual training.
for Christmas. The best ones are recognized in the official bulletin and received awards that they can use with their entire family. Customer service evaluators go out once a month to conduct customer service surveys and audits. The company selects the best evaluators and firemen to received prizes, such as electrical appliances and promotional materials. A total of 160 employees form part of these volunteer groups.

In order to create an environment that promotes employee participation in finding solutions and suggesting innovative and proactive improvements that impact performance, Compañía Cervecería de Nicaragua created an “Innovation and Creativity” award in 2002. The categories of this award are:

- External client: consumption habits, service and improved client relationships.
- Products: quality, new products, costs.
- Processes: efficiency and process efficiency.

Any employee may participate in the innovation award, and the company encourages the formation of multidisciplinary teams. Some selection criteria include: economic impact in terms of savings in costs or generating revenue, originality, use of statistical and financial tools and taking advantage of a technology platform and existing resources. The prize for first place is US $1,500 and second place is US $800, plus 10% of the savings or earnings generated from implementation. Teams are offered technical support and equipment, such as computers.

**Employee Benefits**

Brewery employees receive benefits, ranging from competitive salaries to a housing program.

**Relative salaries**

Compañía Cervecería de Nicaragua has developed a very transparent salary system. Hay Group created a tool called the HayData Benefit Valuation Model, which the company uses to determine a specific score for each position. The scores are linked to specific positions so the company can look at a score and see what salary corresponds to it. This also promotes internal equality and lets the company measure salaries in relation to the market. Employee salaries at the same level may vary by 15% depending on the position’s responsibilities. Once a salary passes 15%, the person should be promoted. Hay Group carries out an annual study so that the company can adjust its salaries to the market. The Human Resources Manager commented: “The brewery wants to pay more than the industry average because we want to have the best people in the market.”

The company’s salary policy states: for positions with a score of less than 400, such as operational jobs, the salary equals the market average plus 20%; middle managers receive 75% more and managers receive the maximum level in the market.

**Retirement system**

Compañía Cervecería de Nicaragua offers two types of retirement plans to employees. The first began in 2005 and includes additional contributions made by the company to the retired
employee. In addition to the five months stipulated by law, the company offers another eight to 24 months of salary after the employee retires. Employees must be 65 years old or have worked in the company for 25 years to qualify.

Three years ago the company formed the Savings Cooperative for Brewery Employees. This cooperative is managed by employees with support from the company. The company was interested in promoting savings as a good habit and create a retirement fund for all employees, so it decided to provide a monthly amount to increase savings for full-time employees (employees hired for an indefinite timeframe) belonging to the cooperative. The company contributes 4% of the employee’s monthly salary plus an additional percentage based on seniority, independent of the amount that employee has saved.

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When an employee retires, he or she receives his or her own savings plus the company’s contribution. If the employee stops saving with the cooperative, the company no longer provides an additional contribution.

**Corporate health policies**

When the two companies merged in 1999, they built a health clinic to serve employees, as a way to encourage attendance and decrease tardiness due to health issues. The clinic is currently run by three doctors and two nurses during two shifts. The first shift runs from 6 am to 2 pm and the second from 2 pm to 10 pm. In addition to providing medical treatments to employees, the clinic also facilitates access to medicines for employees and their families. The company offers medicines with a 20% discount and also has financing options.

For employees at the supervisor level or higher, the company provides additional health insurance. The company pays for 100% of the cost of medical insurance for area managers. Executives have two options and may select either one of them: 1) an international insurance policy for US $25,000, the company pays 70% and the employee pays the other 30%, or 2) an international insurance policy worth US $1 million, the company pays 50% and the employee the other 50%.

**Housing program**

Compañía Cervecería de Nicaragua offers housing to employees in an area called “Santa Maria de las Victorias.” The project has space for 224 houses, and 20 have been built. The property was donated by the brewery, and the company also pays for administrative services, such as architectural design, permits and licenses. This contribution totals some US $124,000, which does not include the cost of the homes.
Because the project is social in nature, the company was able to receive housing bonuses from the Urban and Rural Housing Institute (INVUR for its name in Spanish). INVUR also provides employees with a US $1,300 bonus to own their home. The rest of the cost may be financed through one of the two national banks. The company supports employees with the most need. If the employee’s monthly salary is less than US $300, then the company covers the bank’s payment expenses. This allows employees to buy their homes with monthly fees of US $40.

**Food and nutrition**

Compañía Cervecería de Nicaragua also provides three meals to employees, equaling some 12,000 plates of food a month. There are two menu options: regular and diet. Diet food options were designed for employees with diabetes. A nutritionist created balanced meals based on the time of day the food is served and the employee’s position. For example, people working in production need to eat more calories due to the heat given off by the machinery. Pregnant employees are offered a complementary glass of milk two or three times a day. Night shift workers are given a late snack at 11 pm.

Employees also receive a monthly bonus to help cover the purchase of basic food items, worth C$ 590 cordobas. These coupons can be exchanged at the UNION or PALI supermarkets. In December an additional bonus is provided to cover Christmas dinners. Employees who are covered by collective agreements receive these bonuses.

**Other benefits**

Compañía Cervecería de Nicaragua offers an eye exam each year for employees. Working with a local eye company, employees receive a 20% discount on any glasses purchased. In addition, the company pays and offers other discounts to employees. The company also offers a Life Program to cover terminal diseases not covered by the social security system, such as cancer or open heart surgeries. Compañía Cervecería de Nicaragua usually pays between US $25,000 and US $30,000 a year for this program.

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10 This organization is responsible for developing and strengthening the housing sector, especially for low-income families.
Mitigating Negative Impacts: Cemex in Nicaragua

About Cemex Nicaragua

Nicaragua’s cement industry dates back to the 1930s. After the 1931 earthquake that leveled Managua, a Swiss businessman, Pablo Dambach, built the first cement company in Nicaragua, but it was not until 1936 that he began feasibility and geological prospecting studies. He determined that the area of San Rafael del Sur, 45 kilometers to the southeast of Managua was a good site to find limestone and calcareous deposits. In May 1939 the Compañía Nacional Productora de Cemento Canal was officially created with an initial capital of US $120,000. That same year the National Congress approved a contract/concession to support the industry by conceding free machinery imports, the free use of national land and water sources and tax exemption. In 1941 the new company’s machinery arrived at the Corinto Port, and in 1942 the company initiated operations.

For six decades Cementera Canal met local construction demand in Nicaragua; however, its operations did not take into consideration labor or environmental protection or productive recuperation of deposits. It was not until 2000 that the company began to change how it operated. At that time, Cemex, the world’s third largest cement manufacturer, saw great potential in Nicaragua and leased the San Rafael del Sur plant for 25 years.11 When Cemex Nicaragua began operations in 2001, it faced great challenges in terms of technology, quality, productivity and the mitigation of negative impacts.

In the area of technology, the company had to substitute manual operators for integrated computer networks. This allowed for more precise operations, early warnings and increased productivity. The company provided 140 personal computers with business applications, Internet and internal network access to employees. Through this internal network, Cemex Nicaragua employees could connect to more than 20,000 employees around the world.

To develop permanent high quality service and product production, the company bought modern X-ray equipment to analyze samples in just eight minutes – a process that had previously taken eight hours. This provided stability to production, optimized raw material use and guaranteed quality cement.

To increase productivity in all areas of operations, the company developed a project when it began operating the plant belonging to Compañía Nacional Productora de Cemento. Before 2002 Cemex Nicaragua used bunker fuel in its ovens. The new project consisted of building a system to use coke12 and replace the bunker fuel and the acquisition of high-technology burners to better control the process and guarantee efficient fuel use. These burners also allowed the company to utilize other fuels, such as used oil, in the ovens. Cemex Nicaragua reuses old oil from the plant’s

12 Coke is a fuel obtained by distilling coal. Coal is a fossil fuel that contains between 75% and 90% carbon.
other equipment and also buys some from other companies to avoid contamination of topsoil and aquifers.

**Corporate Policies to Mitigate Negative Impacts**

One of Cemex’s priorities was to reduce the company’s negative impact on the environment and community. At the corporate level, Cemex’s policy is that all of its company operations be safe for its employees, communities, facilities and the environment.

In the areas of health and safety, Cemex seeks to protect its employees at and away from work, assuring they have access to appropriate medical attention and creating cultures of overall health. Health and security include a wide range of programs and initiatives at the company. The main ones are: a platform called SISTER (Security Indicator System in Real Time, or Sistema de Indicadores de Seguridad en Tiempo Efectivo y Real in Spanish),13 training, emergency preparation, investigations on accidents, risk management in processes, Cemex Security Award, safety audit, and risk analysis in each country.

In 2005 the company’s accident index14 was 1.40 percent of cement operations and 2.11 percent for all Cemex operations. Despite recent progress in terms of occupational safety, 27 deaths were reported in 2005 among all operations, including: 4 employees, 11 contractors, and 12 third-parties. Cemex’s goals in the areas of health and occupational safety are to have an accident index of 1.0 in 2010 and 0.5 in 2015 and reduce the number of fatalities to zero by 2010.

At the corporate level Cemex is quite committed to reducing its operations’ environmental impact, actively conserving natural resources, minimizing waste and increasing operational efficiency. Environmental protection programs are supported by the company’s most senior managers and the Board of Directors, the President and General Manager, to develop strategies for the entire organization. The corporate policy and model on environmental management guides Cemex operations in different countries in the areas of performance and support to develop programs and initiatives that comply with environmental objectives. Many installations, including Germany, Costa Rica, Croatia, Egypt, Spain, the Philippines, Mexico, Panama, the United Kingdom, and Venezuela have ISO 14001 certified environmental management systems.15 With the company’s growth, overall CO2 emissions have increased, but Cemex has improved efficiency in operations and reduced CO2 emissions per ton of cement produced.

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13 Electronic tracking and monitoring platform that allows plant supervisors to access data on accidents in real time, share best practices and alert other managers about potential occupational safety situations.
14 The number of accidents causing disability divided by the number of direct employees.
15 ISO 14001 (International Organization for Standardization) is a standard that means that the company’s environmental management complies with internationally defined and recognized standards.
The corporation’s environmental goals are: reduce CO2 emissions per ton of cement by 25% by 2015, using 1990 as a baseline; reduce energy use by substituting it with 10% alternative energy sources by 2015 and 15% by 2020; reduce the use of raw materials by substituting them with 12% of alternative raw materials by 2015 and 15% by 2020; and constant monitoring of ovens with 50% of monitors installed by 2010 and 100% by 2015.

As part of its environmental commitment, Cemex is a member of the World Business Council for Sustainable Development (WBCSD) and is one of ten leading cement companies participating in the Cement Sustainability Initiative (CSI). This project seeks to assure that the industry is covering its current needs without compromising the ability of future generations to meet their needs.

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16 Other leading cement companies that are members of CSI include: Cimpor from Portugal, Corporación Uniland, S.A. from Spain, CRG plc from Ireland and Holcim from Switzerland, among others.
**Cemex Nicaragua’s Efforts in Hygiene, Health and Safety**

Cemex Nicaragua believes that it is strategically important to prevent accidents and care for its employees’ health in order to meet its objectives in daily operations. Managers and supervisors are deeply committed to fostering and complying with a culture of health and safety.

Since arriving in Nicaragua, Cemex has implemented several important initiatives to improve its employees’ health and safety. One key project was the creation of the “Labor Hygiene and Safety Organizational Technical Regulation.” This regulation was published and distributed to all employees. Cemex Nicaragua also applied a self-evaluation process in the areas of health and occupational safety.

The company made large investments to improve safety and health conditions at the workplace, including:

1. All employees received uniforms and safety equipment.
2. They built a modern cafeteria with a capacity for 300 people to provide balanced meals.
3. They built a medical clinic located at the San Rafael del Sur plant, providing medical and dental services to employees for free.
The company has an ambulance with the equipment needed to provide first aid services at the plant.

All of these actions represent significant achievements for the company. During 2000, when the company was managed by the government, there were 83 accidents. In 2001 Cemex reduced that number to 19, and by 2005 that number was reduced to xxx. Cemex Nicaragua has been recognized by the National Hygiene and Occupational Safety Council for its "Excellence in Creating and Implementing Actions in the Areas of Hygiene and Safety" for three consecutive years (2003-2005). This has made Cemex Nicaragua a leader in developing organizational and management systems on hygiene, safety and health, according to standards established by the Council.

**Waste Management and Emissions**

By focusing on industrial ecology, Cemex Nicaragua seeks to minimize everything that does not add real value to the company, including; waste, emissions and wastewater. By using alternative raw materials and fuels, reusing and recycling materials and implementing innovative practices and technologies for operational processes, the company seeks to protect the environment and society while assuring high quality products.

To implement its environmental preservation policy, Cemex Nicaragua contributes economic resources and adopts plans and programs recognized by the Cement Sustainability Initiative. Likewise, the company trains and spreads awareness among its employees continuously about taking care of the environment in the communities where it works. Since arriving in Nicaragua, the company has invested US $21 million to make the necessary changes to be “in harmony with the environment.” As a result of these practices, in 2004 Cemex Nicaragua was awarded the Semper Virens (Always Green) prize from the Ministry of Environment and Natural Resources (MARENA for its name in Spanish). This award is given to companies that most effectively introduce processes, adjustments and technologies in their industry that contribute to controlling contamination and preserving the environment.

**Back Filling**

Cement is an essential construction material; however, its production requires extensive natural raw material use. To extract raw materials, companies practice open pit mining. This process removes the materials, a waste rock called “tailings,” which are found above the limestone or calcareous deposits and are not used in cement production. The result of this process is that many layers of earth are removed.

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17 Branch of the Ministry of Labor that supervises and promotes issues of hygiene and safety in companies in Nicaragua.
When Cemex Nicaragua began extraction at the Santa Rosa mine, it introduced the “back-filling” technique. As the heavy equipment extracted the tailings from one side of the mine to the other, it deposited them on the opposite side, in other words as it traveled from the back to the front of the site. Later, the company back-fills the part of the mine that does not have usable raw materials by pushing some of the tailings back across the land to fill the area. This means that the tailings are not left outside of the mine, where they could destroy eco-systems. Fuel consumption is minimized since transportation is reduced and no new material has to be trucked in to fill the mine.

**Reforestation program**

The company constantly reforests mined areas in collaboration with property owners, depending on specific needs for different types of plants. The company reforests areas with native species, trees in danger of extinction and fruit or forest species, as well as cover plants, such as star grass, gamba grass and other plant or stone barriers. It has protected 296 hectares of forest, annually cleans them to prevent forest fires and monitors them to avoid logging and burning.

**Using alternative fuels**

Cemex Nicaragua owns much heavy machinery for its operations to explore, extract and transport raw materials. This equipment is usually running, requiring frequent oil changes for motors and hydraulic systems. The burnt oil resulting from these changes used to be dumped in the mines where the company was working, causing contamination of the soil and aquifers. This oil is now used in clinker ovens. These ovens reach temperatures of more than 1,000º C, so they are good for burning waste. Today, the company has a separate tank to manage this fuel and burns up to 60,000 gallons of oil a month. This represents approximately 10% of the used oil produced in Nicaragua.

Compañía Nacional Producetora de Cemento (Canal) previously used bunker fuel. After finalizing an ambitious project to install a storage system and new fuel burners, Cemex replaced bunker fuel with coke in May 2002. In 2004 it started a project to use rice chaff.

Rice grains generate a large amount of casings, representing 20% of the rice grain. Small amounts are used for boilers, dried or used in the poultry industry, but most is burned out in the open. In order to use this byproduct, the company installed a storage silo and system to feed the oven. Containers loaded with chaff travel to the plant and unload it to be stored in the silo. Later it is air-injected into the oven where it burns as a flame. New burners are able to inject two fuels

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18 Clinker is the main component in common cement, and therefore, concrete.
at a time – coke and chaff. By adding the chaff, the amount of coke used is reduced and both sides benefit. Cemex is more profitable because it produces cement using cheaper fuels. The rice processors also win because they have a final destination for their waste, which would otherwise contaminate the air, rivers or soil.

**Reducing particle emissions**

The topic of particle emissions from the plant was a priority for Cemex Nicaragua’s management, a topic mentioned in Law No. 356, the Compañía Nacional Productora de Cemento Leasing Act. The technology team at Cemex Central and South America and the Caribbean carried out a complete engineering study that allowed the company to select the most appropriate technology to design a filter for the San Rafael del Sur plant.

The company invested US $4.5 million to build an electrostatic filter so that the company could fulfill its legal commitment. Electrostatic filters trap dust by ionizing suspended particles and removing them to safe storage areas. These filters are highly efficient, capturing more than 99% of all emissions.

While the filter was being installed, the company took the necessary measures to temporarily decrease particle emissions. For instance, it stopped using its second oven, reduced oven production by 30% and placed a deflector cone on the oven\(^\text{19}\). The deflector allowed air to mix and join material that continued on through the production process. In order to have optimal filter efficiency, the company had to renovate its electrical generation system at the plant and actually build the filters, each one the size of a 6- to 7- story building. Cemex Nicaragua also proposed a follow-up plan consisting of monthly visits to the plant by municipal authorities and the municipality’s Environmental Commission.

**Other programs**

In order to promote world-class environmental standards, Cemex took the initiative to implement an ISO 14001 management system.

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\(^{19}\) The deflector is a cone-shaped metal structure that is put at the end of the oven and outside the chimneys.
Caring about Families: Ramacafe Fine Estates

About Ramacafe

Today, Ramacafe’s coffee is sold as an exclusive product by the famous Irish roaster Bewley’s and to the industry giant, Starbucks. Despite being a young company, Ramacafe has good profits and, more importantly, has been able to access the international market.

“Our coffee is sold in exclusive boutiques right along with some of the world's best beans from Nicaragua, Colombia, Kenya and Java, as Bewley’s Explore.”

Henry Hüeck, General Manager

The business started years ago, but it was not until the international coffee crisis that Ramacafe Fine Estates was created. The Rappaccioli family, who emigrated from Italy in the 1800s, started the company by working with local coffee producers. The coffee boom at the time allowed them to develop coffee production and processing properties to export under the family’s name. After four generations the Ramacafe Fine Estates brand-name coffee was created in 1995. With no prior coffee experience, General Manager Henry Hüeck, faced the challenge of establishing and developing this new company.

Ramacafe was created after the La Virgen plantation was acquired in Matagalpa, in the northern part of Nicaragua. At the time it was acquired, the farm was in horrible conditions and had practically been abandoned. During the first few years, Mr. Hüeck was in a learning curve. He and his team visited some of the best coffee producers in the region to learn about their procedures and production practices, while the farm was being recovered. In 2000 he began to participate actively in specialty coffee conferences and scientific symposiums on coffee, to learn about the best producers from different countries. Ramacafe expanded geographically and bought the San Martin plantation, also located in Matagalpa, for a total of 1,400 manzanas between the two properties. La Virgen property became Ramacafe’s headquarters since it had a better house to use as offices and was located closer to the capital city of the department.

Slowly production yield per manzana improved and sales grew. At the time that Ramacafe bought the farms they were both producing 200 quintals of green coffee beans from 240 manzanas, which equaled less than 2 quintals per manzana. Through the company’s innovative recovery and reestablishment plan, it was able to convert several large pasture areas for shade coffee production for a total of 340 manzanas.

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20 Bewley’s is the market leader in ground coffee sales in Ireland and forms part of the Campbell Bewley Group. Annual sales surpass IR£123 million Irish pounds, and the Group employees just over 4,500 people.

21 Translator’s note: a measurement unit used in Nicaragua, one manzana equals approximately 1.7 acres.
Characteristics of El Tuma – La Dalia Municipality

Both plantations are located in the municipality of El Tuma – La Dalia, 45 kilometers away from Matagalpa, the capital city of the department. El Tuma – La Dalia has ideal conditions to grow quality coffee. The climate is semi-humid forest with 2,000 to 2,500 millimeters of precipitation per year and a temperature of between 22° and 24° Centigrade. Because of these conditions, the municipality’s main economic activity is agriculture, mostly coffee production for export. Coffee is produced in a traditional manner on small farms, totaling approximately 500 producers (See Exhibit 6).

The municipality has a total population of 64,287 inhabitants, of which 14.16% live in urban areas and 85.84% in rural ones. The birthrate is 7.37%, almost double the national average. Infant mortality rates are also high; the main causes of death are exogenous diseases, such as infections, parasites, diarrhea and chronic respiratory disease.

Environmental conditions

The municipality’s environment has been seriously affected by agriculture, including the production of coffee and basic grains. Coffee byproducts are the main contaminants. The municipality produces approximately 200,000 quintals of green coffee beans. Byproducts, such as pulp and waste water, run off wet processing mills and are usually dumped into freshwater sources. This type of contamination makes the water unsafe for human consumption and damages aquatic flora and fauna. According to a PANIF study, the watershed that is most affected by coffee production run-off is the Tuma River. Another factor that causes contamination is the exaggerated use and inadequate management of agricultural chemicals for coffee and basic grains cultivation. These chemicals also end up in water supplies and seriously affect human health and aquatic flora and fauna. In addition, farmers continue to slash and burn fields, causing a loss of forest cover, fertile soil and native fauna and damage to human health.

These environmental conditions have a direct impact on the population. As soils lose fertility, crop yields decrease, affecting food security. Contamination of rivers from coffee byproducts and the use of agricultural chemicals put human health at high risk. Because of these factors, El Tuma – La Dalia has one of the highest levels of poisoning from agricultural chemicals in the country.

Population conditions

The municipality is connected to the national electricity grid, but service does not cover the entire urban area. Only six of the nine neighborhoods have electricity, and even then, coverage is not complete. Coverage in the rural areas is minimal: Guapotal County 30%, El Coyolar County 60%, Yale County 20%, La Tronca County 15%, La Caratera County 25% and Peñas Blancas

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22 Elaborated using the technical note on El Tuma – La Dalia municipality from the Nicaraguan Institute of Municipal Support (Instituto Nicaragüense de Fomento Municipal). This section of the case includes some textual information from the mentioned chapter. For more information, please see the complete source.


24 Programa Ambiental Nicaragua-Finlandia (PANIF) at the Ministry of Environment and Natural Resources in Nicaragua.
County 30%. In addition, rural areas lack sewage connections, and most people use traditional latrines.

The Ministry of Education indicates that desertion and absence from school are major problems. Part of this is due to the location of the schools. In addition, many households need extra income and since the municipality’s main economic activity is agriculture, which is very labor intensive, children leave school to work. According to the last National Census, of the total Nicaraguan population ages 10 to 14 (6,472 children), 24.8% work. In other words, one-fourth of these children are employed. This problem increases in rural areas where 38.9% of children in that age group work. Healthcare services are scarce, and most rural communities are located more than 10 kilometers away from the closest healthcare facility.

**Trajectory for Corporate Social Responsibility Practices**

Since 1995 the company has invested in several areas to improve labor conditions and conditions for employee families gradually. Even before the company learned about certification or international standards programs in terms of responsible coffee production, it began implementing projects in the areas of environmental protection and working conditions. The municipality’s particularities and specific needs led the General Manager to begin investing in improving the living conditions for his employees. Due to a lack of basic services in the area, his first investment was to install electricity and potable water in homes. Later, the company built a school and health clinic for employees and their families. These investments were a clear response to local needs. Because the farms were located so far from urban centers, most employee children did not attend school. Other factors, such as how coffee was cultivated and a lack of education, caused serious problems for employees and their families. This was why building the health clinic was seen as a priority by the company.

At the end of the nineties, the coffee industry began to spiral down into the so-called “global coffee crisis.” Coffee prices on the international market hit the lowest that they had been in real terms in the past 100 years.25 Incomes fell, which was particularly difficult for countries whose income relied on coffee exports. Nicaragua’s coffee producers were greatly affected. Traditional producers, with low technology and high production costs saw their income fall drastically. In general, the industry was hit with higher unemployment and a lack of liquidity, which led one national bank to declare bankruptcy. Despite the crisis’ obvious effects in the country, Ramacafe did not stop investing in its employees and their families.

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The main reason why these investments continued was because of the philosophy held by the General Manager and the Rappaccioli family. Ramacafe Fine Estates’ shareholders are successful businesspeople with different agricultural companies, so annual dividends could be reinvested. This provided the General Manager with a larger budget to make social investments to improve environmental and social conditions on the farms.

“The investments we make aren’t expenses. It’s about attitude, and this attitude comes from our Board of Directors because they don’t demand dividend payments or profits. If they did, it’d be a little different.”

Henry Hüeck, General Manager

Ramacafe gradually changed its practices until they became a strategic part of the company, and social and environmental issues were incorporated into its mission and objectives. In addition, these actions have allowed the company to receive international certifications and export to more demanding markets where their efforts are recognized in the price consumers pay.

**Mission**

| Produce high quality coffee that meets the needs of our clients and the most demanding specialty markets. Establish long-term relationships to achieve economic sustainability while promoting the development and well-being of our employees and surrounding communities, as well conserving the environment. |

**General Objective**

| Produce and sell high quality coffee with economic and social responsibility while maintaining our leadership in the area of environmental conservation. |

**Certifications**

The General Manager’s participation in conferences and fairs on coffee allowed him to better understand international trends in the industry and innovative practices that could be applied on the Ramacafe plantations. By 2002 Nicaraguan coffee was world renowned as a high quality
coffee, thanks to the Cup of Excellence contest. That same year the Third National Coffee Forum was held with the slogan “Comprehensive Quality, How to Achieve it and Market it.” During the Forum, participants talked about coffee tourism projects for the first time. Other topics about ECO-OK (today Rainforest Alliance) and C.A.F.E. Practices (at the time, a pilot project that had not begun) were also discussed. Ramacafe used these opportunities to prepare itself for international certification.

In 2003 Ramacafe Fine Estates was assessed for Rainforest Alliance certification, and in 2004 it received the certification. More recently, it has received C.A.F.E. Practices and Utz Kapeh certifications. Being C.A.F.E Practices certified allows Ramacafe to sell directly to Starbucks Coffee. Utz Kapeh allows the company to reach a more demanding market willing to pay a premium price.

**Rainforest Alliance Certification**

The Sustainable Agricultural Network, through Rainforest Alliance, fosters social and environmental sustainability in agricultural activities by developing standards and certifying farms that comply with them. The Rainforest Alliance seal allows final consumers to identify products that come from plantations that implement responsible practices and allow producers to differentiate their products, enter more demanding markets and demand better prices.

The purpose of the certification is to measure social, environmental and best practices performance in farm management. Compliance is evaluated through an assessment that establishes the level at which the farm’s environmental and social practices meet the defined standards. By observing agricultural and labor practices, evaluating existing infrastructure and interviewing workers and the management or administrators, the auditors determine if the farm meets the following criteria:

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26 The Cup of Excellence is a strict competition that selects the best coffees produced in a specific country during one particular year. The winning coffees are sold through an electronic auction to the highest bidder.

27 Starbucks Coffee Company is a world leader in specialty coffees, with net sales of US $5.3 billion and more than 8,500 establishments in 31 countries.

28 The Sustainable Agriculture Network is a coalition of independent and non-profit conservation organizations that links responsible producers to environmentally-aware consumers.
1. Social and environmental management system
2. Eco-system conservation
3. Protection of wildlife
4. Water resource management
5. Fair treatment and good working conditions
6. Health and occupational safety
7. Community relationships
8. Comprehensive crop management
9. Soil management and conservation
10. Comprehensive waste management

The following is an example of the certification standard:

<table>
<thead>
<tr>
<th>PRINCIPLE</th>
<th>3. WILDLIFE PROTECTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Criteria</td>
<td>3.4 The producer should maintain an inventory of wild animals in captivity on the farm and implement policies and procedures to regulate and reduce trapping. Endangered species or those in danger of extinction may not be held in captivity.</td>
</tr>
</tbody>
</table>

The audit team scores the farm’s performance with respect to each standard criteria. In order to be certified, farms must comply with at least 50% of the criterion for each principle and 80% of all certification criterion.

**C.A.F.E. Practices Certification**

In collaboration with Conservation International, Starbucks developed a guide to guarantee that coffee is purchased in a socially responsible way; it is called C.A.F.E. Practices. This guide was designed to facilitate strategic alliances between Starbucks and coffee producers to guarantee coffee quality; promote equal opportunities among producers, employees and the community; and protect the environment. Producers must comply with the minimum standard set for this certification in order to supply Starbucks. Producers are reviewed annually by an authorized firm in economic, environmental, social and quality issues. The producers with the highest scores receive a preferential status as a Starbucks supplier, including better prices and contractual terms. C.A.F.E. Practices has 28 specific indicators categorized in 5 areas (See Exhibit 7).

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29 An international non-profit organization that protects areas of great biodiversity in more than 40 countries on 4 continents.
Utz Kapeh Certification

Utz Kapeh’s slogan is “Tomorrow, responsible and traceable coffee will be the standard.” 30 Their certification program is world renowned as a standard for responsibly-produced coffee. Utz Kapeh and the previous certifications are based on the same fundamental environmental, social and economic issues. The difference with Utz Kapeh is that it places greater emphasis on traceability to answer the question, where does the coffee come from?

The Utz Kapeh system traces certified coffee throughout the supply chain from producer to roaster. Buyers can check the Utz Kapeh system to see if the bean is really certified. Certification assures buyers that what they receive complies with all responsible production standards. Buyers recognize this additional value and pay a premium price for it. This premium is negotiated directly between the producer and the buyer. Though Utz Kapeh does not interfere in negotiations, it provides key information to members on average premiums paid and volumes sold by country.

Environmental Practices

Despite the fact Ramacafe has several environmentally-friendly practices, the certifications have greatly helped the company improve them. When preparing for the assessments and annual audits, Ramacafe identifies areas for improvement. By having the three certifications, Ramacafe is truly applying the strictest standards. Though the certifications are based on similar principles, specific criteria change. For example, when comparing environmental criteria, Rainforest Alliance use a standard distance of 15 meters between coffee plantations and natural water springs, while C.A.F.E. Practices uses 10 meters. The certifications complement each other and allow a company to use the strictest criteria.

Habitat conservation

Before receiving certification Ramacafe prohibited hunting of wild animals on its plantations. With the certifications it was required to put up signs indicating that. Trails through the plantations now have signs that prohibit hunting, logging and the destruction of plant life, in general. In addition, employees and their families participate in lectures about the importance of environmental and animal conservation. When the program began, lectures were given weekly,


Source: Utz Kapeh
and later changed to monthly. When a new family is hired on either of the plantations, Ramacafe provides them information on these regulations. By providing this information to families, the company has been able to eliminate the presence of wild animals in captivity; it is quite common to find wild birds in captivity in rural areas of Nicaragua. Thanks to the certifications, Ramacafe currently protects 115 bird species.

Not all land on the farms is suitable for coffee cultivation. These parts are designated as forest and are protected. Ramacafe has reforested several areas to help recover tree diversity, planting a total of 40,000 trees in areas around the coffee crops, paths, rivers and wetlands. The way the company cultivates coffee also fosters natural habitat conservation. It produces shade-grown coffee, which helps protect the coffee plant and conserve biodiversity. As the company increases its cultivation, it also plants new trees. The trees growing among the coffee bushes receive a special type of pruning to remove branches growing vertically and induce horizontal expansion and coverage.

**Soil conservation**

Ramacafe has developed several techniques to avoid soil erosion on its plantations. It builds barriers quite frequently. The waste from tree pruning is used to create barriers in areas subject to erosion. Along trails and plantations, Ramacafe plants medium-sized plants that serve two purposes: they help prevent erosion along the roads and break the wind to decrease stress on the coffee bushes. In areas with inclinations, the company has planted peanut plants, which require close maintenance. These plants are often attacked by weeds at first. In order to avoid the use of herbicides, Ramacafe employees weed manually. The company has also implemented two other practices to avoid erosion between lots. In the space, or road, between each plot, the company has planted greenery. During the rainy season, these plants have to be trimmed so they do not grow too much; however, runoff channels protect the soil from being washed away.

**Protecting water sources and water conservation**

Coffee production creates highly contaminated byproducts due to the excessive use of agricultural chemicals, fertilizers and pesticides and the waste and products resulting from the pulping and washing stages. Ramacafe tries to reduce water contamination and conserve water to decrease the amount used in production.

Runoff channels also help protect watersheds. Coffee is protected from disease by the use of chemicals. During the rainy season, these chemicals are washed off and carried by water currents. The channels help contain the chemicals so they are not washed into rivers and streams. Wet processing coffee is one of the most contaminating ways to produce it; wet processing releases pulp and contaminated water as byproducts. On farms that do not use high technology, these
byproducts often drain into rivers, causing serious environmental impacts and affecting the health of humans. Ramacafe has several innovative processes to mitigate this negative impact.

**Water treatment:** Water used in the de-pulping process comes out highly contaminated. Water treatment begins in large tanks where it is treated with lime. This reduces the water’s acidity back to normal levels. Once the water passes through this stage, it is transferred through pipes to an anaerobic or sedimentation lake. This treatment reduces DQO and DBO contamination. Finally, the treated water passes through a bio-filter of volcanic rocks which filters off any solid residues. The anaerobic treatment process generates biogas, which can be reused. Ramacafe is conducting a study on building a bio-digester for run-off water to use the gas produced by heating the water. Ramacafe hopes to complete the project by the end of this year.

**Ecological wet processing:** The mill uses water to transport coffee from the reception area to the de-pulping machine. By building an ecological wet processing mill, Ramacafe would reduce its water consumption. Water used in this part of the process would be recycled using a pump. Another way to reduce water consumption significantly is by de-pulping the coffee in an almost dry process. After improving the de-pulping machine, Ramacafe reduced its water use from 1,000 liters to 260 liters per quintal. The pulp waste is also treated. Dry de-pulping has a positive effect on the quality of the coffee bean because it avoids washing the bean with sugars produced by the fruit. This allows for faster fermentation, which helps reduce the amount of weight lost.

**Waste Treatment:**

Coffee production creates two main types of waste: byproducts (pulp) from wet processing and solid wastes generated by farm inhabitants. Both types of waste are treated and used.

**Bio-digester:** The bio-digester accumulates all human waste produced on the farm. It produces a gas that is used in a project for stoves. This project uses solid waste from the farm and decreases the use of wood for fuel. It is in its initial stages at the San Martin farm and has not yet begun on the La Virgen plantation; however, it is expected that it will be up and running for this year’s harvest.

**Pulp treatment:** The pulp resulting from the wet processing is treated to create organic compost with earthworms. Every three weeks the pulp is added as food for the worms to produce dirt. This project began in 2003 with 4 kilograms of worms. Currently, the project has a little over 1,000 kilograms of worms and produces 100 quintals of organic compost every three weeks, which is used at the farm’s nurseries.

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31 According to the US Geological Survey, a normal PH range for a stream is between 6 and 7.
32 The chemical need for oxygen is a parameter that measures the quantity of organic material that is able to be oxidized by chemicals in a liquid simple. This is used to measure contamination and is expressed in mg O₂/liter.
33 Biochemical oxygen demand is the amount of oxygen that micro-organisms need to degrade organic material found in water.
34 Interview with José Benito Cruz, Farm Manager at Ramacafe Fine Estates.
“Nothing is wasted here. All waste products, plus those from the houses, are used to produce biogas to reduce dependence on butane and help take care of the environment by using the waste that was going to pollute the soil and water on the farm and the surrounding areas.”

Henry Hüeck, General Manager

Caring About Families

Out of all of Ramacafe’s corporate social responsibility actions, the social area is the company’s strength. As indicated by the last C.A.F.E. Practices audit, Ramacafe complied with 85% of the social criteria in the evaluation. In other words, of a maximum score of 40, Ramacafe received 34 points. In order to become a strategic supplier for Starbucks, companies must score at least a 32 in this section. Ramacafe’s social objective is to guarantee good living conditions, nutrition, education and health for its employees and their families.

Houses

Before beginning the certification process, employees and their families lived in different parts of the farm. As a requirement for certification, the families had to live close together and in safe conditions. The families had also been exposed to contamination because they lived near the crops. Therefore, the company moved the families to an “urban” area so it could provide the necessary living conditions. Some families had to leave because they were used to having animals, littering, going to the bathroom outside and taking baths in the river. Some of these families could not adapt to a cleaner lifestyle. The families who stayed formed a committee in charge of respecting the environment, keeping the living area clean and coordinating cleaning of the bathrooms.

Concrete houses with potable water and electricity were built for the families. They have a small terrace, living room, kitchen and bedroom. Ramacafe also equipped all of them with an eco-oven. The family committee helps keep the living area clean for the benefit of employees and their children.

Nutrition

The main kitchen and cafeteria were the first installations built when the company acquired the farms. These clean facilities provide three meals a day to pickers, administrative staff and visitors. All food scraps are given to the pigs. Currently, the company has six pigs. In addition to eating scraps, the pigs also serve the purpose of providing a varied diet for the families when they are butchered.

In addition, the company is promoting a small farming project. This purpose of this project is to provide children with balanced and nutritional food. Products made on the farm will be provided to the families for consumption, including milk, hard cheese, fresh cheese and cream. The project has not yet begun because Ramacafe is still preparing the pasture area for the livestock; however, the goal is to start it at the end of this year.

35 An eco-oven has a wood burner with wiring, a metal grill for cooking and a chimney. It uses 50% less wood than an open fire.
Education

“Even though we face the present as well as we can, Ramacafe is always thinking about the future, as apparent in the attention we give to our children, who have been born and grown up on the farm.”

Henry Hüeck

Ramacafe promotes comprehensive education beginning with small children in nursery school. The company has a total of three education programs. The regular program is for children ages pre-school to sixth grade. The second program is an alternative program that includes dance, singing and computers. The third program is for adults.

Infant Development Center: The IDC on the La Virgen farm has an instructor who teaches children manners and how to play and draw. Children ages three to six attend the IDC from Monday to Friday 8:00 am to 11:00 am. Most children belong to employees, but there are also some children from surrounding communities. The IDC was established through an agreement with the Ministry of Education. Teaching materials belong to the Ministry and Ramacafe provides the physical installations. During harvest, the company feeds the children before class.

Primary School: The primary school had two shifts of students and two classrooms. The morning shift from 7:30 am to 11:30 am is for children in first to fifth grades. Children in sixth grade attend in the afternoon. One classroom is used for first and second grades and the other for third, fourth and fifth. Children receive lessons developed by the Ministry of Education on topics including social studies, math and Spanish. The Ministry also provides textbooks, and Ramacafe gives the children supporting materials. Students receive a snack before classes. Most children attending the school belong to employees, but other children from the community are also allowed to attend. Children attending school do not work; in the mornings they go to school and the afternoons are used to help out at home. The company does not have a middle school, but after sixth grade, children are given transportation to attend the local school on weekends.
Health

The company built a health clinic to provide medical assistance to employees and their families. The clinic is open every day and also serves anyone in the community needing medical attention. A nurse lives on the farm and is available to provide emergency attention. The nurse indicated that the most common procedures are: visits, sutures, cleaning of ears and pre-natal controls. Children are vaccinated at the clinic. The clinic also keeps a record of attention provided to women. They are given a papanicolau test every six months and have access to family planning. In addition, there is a general record of all visits. Based on this, the company offers lectures on topics to prevent disease. The clinic has basic medicines provided by the Ministry of Health: medicines for respiratory diseases, inflammation, vaccinations, parasites, etc. Ramacafe provides materials, such as gloves, gauze, injections and anesthesia.

Each year the company puts together a program on different topics for employees and their families. Children are taught about hygiene and cleanliness, brushing their teeth, personal appearance, taking care of the community, water conservation, how to care for domestic animals, how to use latrines and waste management. Families receive lectures on taking care of the environment, personal care and how to prevent disease. Ramacafe has encouraged families to form a Health Committee that is responsible for these informal talks and maintaining clean living spaces (See Exhibit 8).

Future Challenges

The General Manager, Henry Hüeck, has been responsible for leading the company’s corporate social responsibility initiative. Social investments, improved technology and innovation have allowed Ramacafe to enter new markets. Like many family businesses, the challenge is assuring that these initiatives are continued: so that the company’s coffee is recognized in international markets and so investments improving employee working conditions are continued.
National or Regional Projection: Grupo Pellas

About Grupo Pellas

Grupo Pellas is one of the most important and diversified conglomerates in the Central American region with activities in different areas, including agriculture, computer and software distribution, automobile distribution, production and commercialization of liquor, banking services, credit cards, telecommunications and entertainment systems, real estate management, insurance and production in duty free areas (See Exhibit 7). From the beginning Grupo Pellas and its associated companies have assumed a strong commitment to social development. The flagship is Nicaragua Sugar State, better known as the San Antonio Mill. For years the mill has implemented social practices, such as eliminating chemicals and pesticides, decreasing the use of bunker, providing medical attention to the entire community at the mill’s hospital and a new project to produce alcohol as an alternative fuel.

A message from the President of Grupo Pellas, Carlos Pellas Chamorro, states: “Our first priority is contributing to our countries’ development through non-profit organizations that help those who need it most to obtain a better quality of life. Corporate social responsibility is a value that is always present in our company philosophy.”

The previous contributions made by Grupo Pellas’ different companies in their communities only encompassed one aspect of Corporate Social Responsibility (CSR). The Group’s companies have looked for ways to integrate CSR in their business strategies in order to consolidate the topic as a fundamental pillar and not just a philanthropic action. One of the first steps taken by the Group was to elaborate CSR implementation strategies. Beginning a year ago, the Group has established a clear concept of CSR that serves as a guide for how Grupo Pellas should act in a socially-responsible manner.

Basic Concepts of Corporate Social Responsibility at Grupo Pellas

The abovementioned initiatives resulted in a manual with the Group’s basic concepts for its CSR strategy. The Manual first defines several main issues in the CSR strategy, including:

- A long-term commitment involving all Grupo Pellas leaders to follow a communications strategy that provides information and spreads awareness to employees
- The starting point for the CSR strategy should be the Group’s vision and values
- CSR implies strategic thinking
- Going from a focus on stockholders to a more comprehensive one incorporating all stakeholders

Once these principles were established, Grupo Pellas elaborated a corporate strategy for CSR with two approaches: internal and external. This strategy is very similar to the model presented at the beginning of this document because the Group created its strategy using several main CSR conceptual frameworks as a reference, including the Global Reporting Initiative, Business Impact Review, Corporate Responsibility Index and INCAE Business School’s CSR Manual.

![CSR Diagram]

**Internal**

Internally, Grupo Pellas considered the companies’ immediate stakeholders, making them the basis for its CSR practices. The Group came up with four basic questions to analyze its current internal management:

1. What does the company do in areas critical to employees, the community, the market and the environment?
2. What does the company do strategically? Does the company collect the management information that it needs?
3. If the answer is yes, how does the company report and communicate internally and externally?
4. If the answer is no, what risks and opportunities exist by not reporting and communicating?

To answer these questions, Grupo Pellas developed a CSR model called the CSR Diamond. Each side of the diamond includes a series of key performance indicators (See Exhibit 9).
External

External performance refers to social and environmental investments made by Grupo Pellas with a significant impact in the community. The Group developed a logical sequence moving from its closest stakeholders to those furthest away. To process social investments made by the Group’s companies, it created the following value creation framework.

The Group determined two basic conditions to create value in social investments. The first is that the project should have an intrinsic connection to the company’s purpose. The second is that stakeholders, senior managers, employees, clients, suppliers and the community, in general, should all participate.

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**Strategic Social Alliances**

Each company in Grupo Pellas has developed its own set of programs to support the community in which it operates. These actions include social and environmental investments, volunteer programs, donations of products and services and community service with civil society.

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37 From the Grupo Pellas’ online publication, Edition No. 6-2006. “Alianzas estratégicas: una eficiente forma de servir.”
organizations and the government. The insurance company Seguros América helps Nicaragua’s main civil society organizations, such as Asociación Pro Niños Quemados de Nicaragua (APROQUEM), Corazones Abiertos, Asociación Francisco de Asís, Operación Sonrisa and American Nicaraguan Foundation (ANF). The Compañía Licobera de Nicaragua has focused on the following areas: industrial safety, housing, health, education, youth, religion, the economy, the environment, culture and citizen safety. Organizations receiving help from this company include: the Red Cross, Lotería Nacional, APROQUEM, Comisión Nicaragüense de Apoyo a Niños con Cáncer (CONANCA) and ANF. The company has also offered support to vulnerable sectors, such as youth and children with disabilities, retirement homes, daycare centers and the national penitentiary system, among others. The Group’s GBM company currently leads and develops a national education program in Costa Rica, which provides schools with computers and tools and offers advisory services on learning and educational computer programs. Grupo Estesa, through Channel 11, promotes the “Proudly Nicaraguan” campaign, offering support to the national police with a computer network and benefits to different social institutions by creating and showing spots and live events. Casa Pellas has invested in housing, health, education and sports. Executives and employees from the company support its social initiatives personally. The BAC/Credomatic Financial Network is known for its social volunteer programs at BAC Honduras, BAC Nicaragua and BAC Florida.

Grupo Pellas has a wide variety of corporate social responsibility programs. It first tried to systematize and analyze company information by carrying out a survey on CSR. This survey allowed the Group to write its first CSR report, highlighting some of the most relevant initiatives. The purpose of this document was to communicate and share initiatives and ideas that the companies have implemented and serve as the basis for future work. In addition, the Group has started working on the design of future reports using the Global Reporting Initiative (GRI).38

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38 GRI has been internationally established to develop and disseminate globally-applicable guidelines to create a Sustainability Record. These standards are voluntary for organizations to spread information about the impact of their activities, products and services.
In addition to the individual programs run by each company, Grupo Pellas has developed alliances with organizations that have allowed it to extend the scope of its efforts to develop countries in the region and make them more efficient. These organizations are: American Nicaraguan Foundation (ANF), Asociacion Pro Niños Quemados (APROQUEM) and INCAE.

American Nicaraguan Foundation (ANF) is a non-profit organization created by Alfredo Pellas. ANF channels international cash and in kind donations to civil society organizations in Nicaragua that forward them to people in need. The four main areas where ANF works are: education, nutrition, health and housing. Since its foundation in 1992, ANF has mobilized more than 1,771 containers of medicines, medical equipment, food and school supplies, worth over US $309.5 million. In addition, the organization has sustainable development projects for reforestation, installation of potable water systems and creating workshops for women. (See Exhibit 10).

Grupo Pellas has an important strategic alliance with APROQUEM. Since its foundation in 1993, APROQUEM has offered free medical attention to burned children, including rehabilitation, reconstructive surgery and physical therapy. In 2004 in order to provide more specialized attention to the children with the most modern and high technology equipment, the Group founded a new burn unit at the Vivian Pellas Metropolitan Hospital (See Exhibit 11).

In the past few years Grupo Pellas has consolidated its strategic social alliances with INCAE. The Group has invested a good amount of resources to build and renovate classrooms and auditoriums at INCAE’s Nicaraguan campus and created a Carlos Pellas Scholarship Program for low-income students with an excellent academic record to develop their skills and talents at a world-class institution.
“Businesspeople Helping Businesspeople”

Grupo Pellas’ General Manager decided to go beyond the abovementioned initiatives to develop a program that would create value in society and that could be measured externally. Initially, the Group analyzed three ideas: an educational program to train teachers, energy sustainable houses and support for small and medium enterprises (SMEs). These ideas were evaluated in order to estimate which one would have the greatest impact on society. One of the evaluation criteria was if the program was aligned with the skills and capacities of the companies in Grupo Pellas, including training for executives and officials to manage and administer the projects. In addition, according to the latest Employment Survey done by the Instituto Nacional de Estadísticas y Censos de Nicaragua (INEC), SMEs accounted for 81% of jobs in Nicaragua. As a consequence, Grupo Pellas decided to invest in the SME sector and founded the Pellas Business Center, or Centro Empresarial Pellas in Spanish.

Centro Empresarial Pellas (CEP) provides a great service to society. CEP Director, Antonio Lacayo Oyanguren, stated: “Carlos Pellas says that successful companies cannot exist in failed societies, and that’s true. It doesn’t matter if our companies are very successful if we are operating in a society that is unable to grow like we see other region’s growing.” CEP will have a direct impact on the country’s economy. As it grows and becomes more dynamic, the Group’s companies will also improve because the demand for the goods and services that they offer will also grow.

“You have to understand that Corporate Social Responsibility isn’t pure philanthropy, the biggest difference is that CSR is a business philosophy because in the long run it’s good to contribute to society, if not, the companies’ existence and survival are put at risk.”

Antonio Lacayo, CEP Director

CEP was created to have an impact in the entire Central American region; however, the initial focus is going to be in Nicaragua because that is where Grupo Pellas has the most presence and because development indicators show it is the country that needs the most help. Nicaragua will be the starting point, and the Group hopes to learn by doing so that the best results can be replicated in other countries in the region. CEP has already begun by making contact with several SMEs in the furniture, dairy and honey sectors, and it has conducted some studies to understand the economic sectors better.

Originally, the Group foresees that it will support sectors that have the most growth potential for trade through the free trade agreement with the United States. Two of these are the export sector and companies related to tourism. CEP will be open to all sectors but will give priority to those with the most chance for growth so that they can soon create more jobs. SMEs interested in working with CEP must present a business plan about the company, its initiatives and desires. Finally, results will be measured based on a priori and posteriori company evaluation. Results are not immediate; however, CEP hopes to see an increase in sales, the number of jobs created, in product quality and overall sales for companies participating in the program within at least two

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39 According to data from the World Bank, Nicaragua has the lowest GDP in the region, with US$4.6 billon, followed by Honduras with US$7.4 billon.
years. Final indicators have still not been established; however, CEP estimates that two or three of the abovementioned factors will be considered to measure the return on its efforts.

CEP will provide support for small and medium enterprises in all services, such as business development or non-financial services. At the same time, at the region level BAC/Credomatic will offer financial services appropriate for the sector. That way Grupo Pellas will be able to offer both types of support: financial services from BAC/Credomatic and non-financial ones from CEP. Some of these services include: training, advisory services, market research and overcoming technological problems. CEP will use managers from Grupo Pellas and get them to donate their time and experience in companies assigned to them.

CEP will also offer support to entrepreneurs who have not yet started-up their companies. CEP recently signed an agreement to collaborate with TechnoServe\(^\text{40}\) to help small and medium Nicaraguan enterprises. TechnoServe’s project is called “Idea your Company” and it promotes future and current entrepreneurs in developing solid business plans for successful companies. “Idea your Company” is an annual competition for business plan development, in which entrepreneurs with good ideas can start-up companies or diversify existing businesses. The six best business plans are selected and given $10,000 each to use as seed money. In order to promote SME development in the country, CEP will award one of these prizes.

In addition to all of these plans, CEP and its Director face a great challenge: sustainability. CEP’s resources will initially come from Grupo Pellas and its human capital. Employees play a key role in CEP’s operations. It is clear that the Group’s employees are willing to support society with their professional work, teamwork and quality of work, and that they will be valued and recognized for their efforts. The initial financial resources provided by Grupo Pellas will be donated in relation to each company’s size. In the medium-term, the Group will form alliances with international donors to achieve its objectives and continue supporting the growth of the Central American region.

\(^{40}\) TechnoServe is a non-profit organization that helps entrepreneurs in rural areas of developing countries.
Exhibit 1. Members of Forum Empresa

<table>
<thead>
<tr>
<th>Country</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>Fundación del Tucumán</td>
</tr>
<tr>
<td>Brasil</td>
<td>Instituto Ética</td>
</tr>
<tr>
<td>Canada</td>
<td>Canadian Business for Social Responsibility</td>
</tr>
<tr>
<td>Chile</td>
<td>Acción RSE</td>
</tr>
<tr>
<td>Colombia</td>
<td>Centro Colombiano de Responsabilidad Empresarial, CCRE</td>
</tr>
<tr>
<td>El Salvador</td>
<td>FUNDEMAS</td>
</tr>
<tr>
<td>United States</td>
<td>Business for Social Responsibility (BSR)</td>
</tr>
<tr>
<td>Guatemala</td>
<td>CentroRSE</td>
</tr>
<tr>
<td>Honduras</td>
<td>FUNDAHRSE</td>
</tr>
<tr>
<td>México</td>
<td>CEMEFI</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>uniRSE</td>
</tr>
<tr>
<td>Panamá</td>
<td>Integrarse</td>
</tr>
<tr>
<td>Paraguay</td>
<td>Asociación de Empresarios Cristianos (ADEC)</td>
</tr>
<tr>
<td>Perú</td>
<td>Perú 2021</td>
</tr>
<tr>
<td>Uruguay</td>
<td>Desarrollo de la Responsabilidad Social, DERES</td>
</tr>
<tr>
<td>Venezuela</td>
<td>Centro de Divulgación del Conocimiento Económico, A.C. (CEDICE)</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>Asociación Empresarial para el Desarrollo (AED)</td>
</tr>
<tr>
<td>Bolivia</td>
<td>Consejo Boliviano de Responsabilidad Social Empresarial “CCBORSE”</td>
</tr>
<tr>
<td>Puerto Rico</td>
<td>consultarRSE</td>
</tr>
<tr>
<td>Ecuador</td>
<td>Consorcio Ecuatoriano para la Responsabilidad Social - CERES</td>
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</table>


Exhibit 2. WBCSD Members in Latin America

<table>
<thead>
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<th>Country</th>
<th>Organization</th>
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</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>Consejo Empresarial Argentino para el Desarrollo Sostenible (CEADS)</td>
</tr>
<tr>
<td>Bolivia</td>
<td>Consejo Empresarial para el Desarrollo Sostenible (CEDES Bolivia)</td>
</tr>
<tr>
<td>Brasil</td>
<td>Consejo Empresarial para el Desarrollo Sostenible</td>
</tr>
<tr>
<td>Colombia</td>
<td>Consejo Empresarial Colombiano para el Desarrollo Sostenible (CECODES)</td>
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<tr>
<td>Costa Rica</td>
<td>Asociación Empresarial para el Desarrollo (AED)</td>
</tr>
<tr>
<td>Ecuador</td>
<td>Consejo Empresarial para el Desarrollo Sostenible (CEDES Ecuador)</td>
</tr>
<tr>
<td>El Salvador</td>
<td>Consejo Empresarial para el Desarrollo Sostenible (CEDES El Salvador)</td>
</tr>
<tr>
<td>Guatemala</td>
<td>CentroRSE</td>
</tr>
<tr>
<td>Honduras</td>
<td>Consejo Empresarial Hondureño para el Desarrollo Sostenible (CEHDES)</td>
</tr>
<tr>
<td>México</td>
<td>Consejo Empresarial para el Desarrollo Sostenible (CEDES México)</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>uniRSE</td>
</tr>
<tr>
<td>Panamá</td>
<td>Integrarse</td>
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<tr>
<td>Paraguay</td>
<td>Red de Empresa para el Desarrollo Sostenible (REDES)</td>
</tr>
<tr>
<td>Perú</td>
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<tr>
<td>Uruguay</td>
<td>Desarrollo de la Responsabilidad Social, DERES</td>
</tr>
<tr>
<td>Venezuela</td>
<td>Consejo Empresarial Venezolano para el Desarrollo Sostenible (CEVEDES)</td>
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</table>

Source: WBCSD website, http://wbcsd.ch/
# Exhibit 3. Legal Framework in Nicaragua

## Exhibit 3 a. Labor Legislation

<table>
<thead>
<tr>
<th>Remuneration</th>
<th>Minimum Wage Act</th>
<th>Law No. 129, May 24, 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Thirteenth Month Salary Act</td>
<td>Law No. 117, November 26, 1990</td>
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<table>
<thead>
<tr>
<th>Training</th>
<th>Creation of National Worker Training System Act</th>
<th>Decree No. 398, May 10, 1990</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Creation of professional training institute for hotels and tourism</td>
<td>Agreement No. 58-2004, approved January 20, 2004</td>
</tr>
<tr>
<td></td>
<td>Creation of Instituto Nacional Tecnológico (inatec)</td>
<td>Decree No. 3-91, January 10, 1991</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Social Security</th>
<th>Extension of social security to rural areas, disabled, old-age, death and professional risks</th>
<th>Ministerial Agreement No. 3, approved February 3, 1994</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Special Social Security Coverage for Miners Act</td>
<td>Decree No. 331, February 29, 1980</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Child Labor</th>
<th>Creation of National Commission to Eradicate Child Labor and Protection of Teenage Workers</th>
<th>Decree No. 43-2002, approved May 7, 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agreement on Minimum Age for Employment</td>
<td>Agreement No. 39, Published in Gazette No. 55, May 6, 1992</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equal opportunity</th>
<th>Regulation for Law 202, on Prevention, Rehabilitation and Equal Opportunities for People with Disabilities</th>
<th>Decree No. 50-97, August 25, 1997</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Prevention, Rehabilitation and Equal Opportunities for People with Disabilities Act</td>
<td>Law No. 202, approved August 23, 1996</td>
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</table>

<table>
<thead>
<tr>
<th>Labor associations</th>
<th>Regulations for union associations</th>
<th>Decree No. 56-97, September 29, 1997</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Regulations for union associations</td>
<td>Decree No. 10-97, February 20, 1997</td>
</tr>
<tr>
<td></td>
<td>Social Volunteering Act</td>
<td>Law No. 543, approved June 22, 2005</td>
</tr>
<tr>
<td></td>
<td>Creation of National Labor Council Act</td>
<td>Law No. 547, approved July 6, 2005</td>
</tr>
</tbody>
</table>
### Exhibit 3 b. Environmental Legislation

<table>
<thead>
<tr>
<th>Environmental Awareness</th>
<th>Environmental Impact</th>
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<tbody>
<tr>
<td><strong>Law creating national environment and natural resources week</strong></td>
<td><strong>Mandatory technical regulation on air quality</strong></td>
</tr>
<tr>
<td>Law No. 195, approved April 26, 1998</td>
<td>Technical Law, approved November 2002</td>
</tr>
<tr>
<td><strong>Law creating environmental and natural resources specifications</strong></td>
<td><strong>General Environmental and Natural Resource Act</strong></td>
</tr>
<tr>
<td>Law No. 342, approved March 28, 2000</td>
<td>Law No. 217, approved March 27, 1996</td>
</tr>
<tr>
<td><strong>Creation of Semper Virum annual ecological awards</strong></td>
<td><strong>Strategy to prevent and control pollution</strong></td>
</tr>
<tr>
<td>Decree No. 53-93, approved December 2, 1993</td>
<td>Ministerial Resolution No. 009-99, approved May 5, 1999</td>
</tr>
<tr>
<td><strong>Creation of ecological seal for Nicaraguan products</strong></td>
<td><strong>Regulation for the General Environmental and Natural Resource Act</strong></td>
</tr>
<tr>
<td>Decree No. 71-99, approved June 8, 1999</td>
<td>Decree No. 9-96, approved June 25, 1996</td>
</tr>
<tr>
<td><strong>Act to Promote Renewable Energy Sources</strong></td>
<td><strong>Special law authorizing fees for maintenance, cleaning, environmental protection and citizen safety at beaches in Nicaragua</strong></td>
</tr>
<tr>
<td>Law No. 532, approved April 13, 2005</td>
<td>Law No. 451, approved April 9, 2003</td>
</tr>
<tr>
<td><strong>Agreement to restore and defend Nicaragua’s forests</strong></td>
<td><strong>National policy on comprehensive management of hazardous substances and waste products</strong></td>
</tr>
<tr>
<td>Presidential Resolution No. 146-93, Approved June 5, 1998</td>
<td>Decree No. 91-2005, approved November 21, 2005</td>
</tr>
<tr>
<td><strong>National policy on cleaner production</strong></td>
<td><strong>National policy on cleaner production</strong></td>
</tr>
<tr>
<td>Decree No. 23-2006, approved March 27, 2006</td>
<td>Decree No. 23-2005, approved December 1, 1993</td>
</tr>
<tr>
<td><strong>Soil Protection and Erosion Control Act</strong></td>
<td><strong>Establish a comprehensive plan to reduce industrial pollution gradually</strong></td>
</tr>
<tr>
<td>Decree No. 139, approved August 29, 1983</td>
<td>Ministerial Resolution No. 04-2000, Approved May 22, 2001</td>
</tr>
<tr>
<td><strong>National policy on comprehensive solid waste management</strong></td>
<td><strong>National strategy on biodiversity and action plan</strong></td>
</tr>
<tr>
<td><strong>Law prohibiting trafficking of hazardous waste and toxic substances</strong></td>
<td><strong>Geothermal Exploration and Exploitation Act</strong></td>
</tr>
<tr>
<td>Law No. 168, approved December 1, 1993</td>
<td>Law No. 443, approved October 24, 2002</td>
</tr>
<tr>
<td><strong>Regulation to control substances depleting the ozone</strong></td>
<td><strong>Establish an energy policy</strong></td>
</tr>
<tr>
<td>Decree No. 91-2000, approved September 4, 2000</td>
<td>Decree No. 13-2004, approved March 2, 2004</td>
</tr>
<tr>
<td><strong>Forest Conservation, Promotion and Sustainable Development Act</strong></td>
<td><strong>Provisions to control pollution from domestic, industrial and agricultural sewage water</strong></td>
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<tr>
<td>Law No. 482, approved June 26, 2003</td>
<td>Decree No. 33-95, approved June 14, 1995</td>
</tr>
<tr>
<td><strong>Hydrocarbon Supply Act</strong></td>
<td><strong>Hydrocarbon Exploration and Exploitation Act</strong></td>
</tr>
<tr>
<td>Law No. 277, approved November 26, 1997</td>
<td>Law No. 205, approved March 10, 1998</td>
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Exhibit 3 c. Product Specifications

<table>
<thead>
<tr>
<th>Law</th>
<th>Date</th>
</tr>
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<tbody>
<tr>
<td>Consumer Protection Act</td>
<td>Law No. 182, approved September 27, 1994</td>
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<tr>
<td>Regulation for Law No. 182 «Consumer Protection Act»</td>
<td>Decree Agreement No. 2187, approved June 14, 1994</td>
</tr>
<tr>
<td>Technical and Quality Standardization Act</td>
<td>Law No. 219, May 9, 1996</td>
</tr>
<tr>
<td>Regulation on food, drinks and entertainment</td>
<td>Regulation, approved August 7, 2001</td>
</tr>
<tr>
<td>Call for First National Quality Control 2004</td>
<td>Agreement No. 031-2004, approved July 8, 2004</td>
</tr>
<tr>
<td>Public Services Supervisory Board Act</td>
<td>Law No. 511, approved November 24, 2004</td>
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Exhibit 3 d. Ethics & Transparency

<table>
<thead>
<tr>
<th>Law</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special law on bribery and international trade and investment crimes</td>
<td>Law No. 581, approved March 21, 2006</td>
</tr>
<tr>
<td>Regulation on Geothermal Resources Exploration and Exploitation Act</td>
<td>Decree No. 003-2003, approved January 13, 2003</td>
</tr>
<tr>
<td>National Hiring Act</td>
<td>Law No. 323, approved December 2, 1999</td>
</tr>
<tr>
<td>Regulation on Geothermal Resources Exploration and Exploitation Act</td>
<td>Decree 3-98, approved July 17, 1998</td>
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<tr>
<td>Penal Code Act</td>
<td>Decree No. 297, April 1, 1974</td>
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<tr>
<td>Tax Equity Act</td>
<td>Law No. 453, approved April 29, 2003</td>
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<tr>
<td>Labor Code</td>
<td>Document Type</td>
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<tr>
<td>--------------------------------------------------------------------------</td>
<td>------------------------------------------</td>
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<tr>
<td>National Day on Worker Hygiene and Safety</td>
<td>Presidential Resolution</td>
</tr>
<tr>
<td>Regulation on construction safety</td>
<td>Decree No 44, approved December 22, 1999</td>
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<tr>
<td>Ministerial standard on labor hygiene and safety in maquilas clothing sector in Nicaragua</td>
<td>Technical Standard, approved April 5, 2002</td>
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<tr>
<td>Ministerial Resolution on labor hygiene and safety, on maximum weight that can be carried by a worker</td>
<td>Ministerial Resolution, approved February 22, 2002</td>
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<tr>
<td>Agreement on Radiation Protection</td>
<td>Ministerial Resolution No. 115, June 22, 1970</td>
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<tr>
<td>Agreement on prevention and control of professional risks caused by carcinogens</td>
<td>Published in Gazette No. 81, March 15, 1982</td>
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<td>Ministerial minimum standard on hygiene and equipment</td>
<td>Ministerial Resolution, approved 3/04/1996</td>
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<td>Ministerial standard on industrial hygiene at work</td>
<td>Ministerial Resolution, approved July 28, 2000</td>
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<td>Safety regulation on the use insecticides</td>
<td>Decree No 45, approved December 22, 1959</td>
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<tr>
<td>Ministerial Resolution on hygiene safety measures to that should be adopted by construction companies carrying out open pit mining</td>
<td>Ministerial Resolution, approved October 7, 1996</td>
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<tr>
<td>Ministerial Resolution on hygiene and safety measures applicable when using and applying pesticides and other agricultural chemicals in working areas</td>
<td>Ministerial Resolution, approved November 24, 2000</td>
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Exhibit 4. General Organizational Structure of Compañía Cervecería de Nicaragua
Exhibit 5. Map of Matagalpa Department
### Exhibit 6. Starbucks Evaluation Points

#### C.A.F.E. Practices Evaluation Checklist

<table>
<thead>
<tr>
<th>Product quality - Prerequisite</th>
<th>Benefits</th>
<th>Providers</th>
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<tr>
<td>General conditions</td>
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<tr>
<td>PQ-1 Green coffee preparation - Prerequisite</td>
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<tr>
<td>PQ-2 Cup profile - Prerequisite</td>
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<td></td>
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<tr>
<td>Economic responsibility - Prerequisite</td>
<td></td>
<td></td>
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<tr>
<td>Incentives for sustainability</td>
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</tr>
<tr>
<td>EA-IS1 Demonstrate economic transparency</td>
<td></td>
<td></td>
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<tr>
<td>EA-IS2 Equal financial contributions</td>
<td></td>
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</tr>
<tr>
<td>Financial feasibility</td>
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</tr>
<tr>
<td>EA-FV1 Financial feasibility</td>
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</tbody>
</table>

#### Social responsibility

Minimum for Preferential 60% | Minimum for Strategic = 80% | Total possible points in this section: 40
---|---|---|---|---|---|---|---|
Labor and hiring policies   |          |           |
SR-HP1 Minimum salary/family income/ overtime* | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
SR-HP2 Freedom of association/collective negotiation | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
SR-HP3 Vacations/disability for illness | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
SR-HP4 Child labor/discrimination/ forced labor* | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
Working conditions           |          |           |
SR-VWC1 Access to housing/water/sanitary facilities | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
SR-VWC2 Access to education | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
SR-VWC3 Access to medical care | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
SR-VWC4 Access to training, health and safety | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |

#### Coffee production - Environmental leadership

Minimum for Preferential 60% | Minimum for Strategic = 80% | Total possible points in this section: 45
---|---|---|---|---|---|---|---|
Natural resource protection |          |           |
CG-WR1 Protection of watersheds | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
CG-WR2 Protection of water quality | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
Soil protection              |          |           |
CG-SR1 Soil erosion control | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
CG-SR2 Improve soil quality | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
Biodiversity conservation    |          |           |
CG-CB1 Shade canopy and natural vegetation conservation | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
CG-CB2 Wildlife protection | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
CG-CB3 Conservation of protected areas/ ecological reserves | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
Environmental management and control |          |           |
CG-EM1 Ecological pest and disease management, reduced use of chemicals | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
CG-EM2 Farm management and monitoring | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |

#### Coffee processing - Environmental leadership

Minimum for Preferential 60% | Minimum for Strategic = 80% | Total possible points in this section: 20
---|---|---|---|---|---|---|---|
Water conservation            |          |           |
CP-WC1 Minimize water use   | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
CP-WC2 Reduce impact from waste water | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
Waste management              |          |           |
CP-WM1 Waste management/reuse | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
CP-EC1 Energy conservation/impact | Dry processing | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
Waste management              |          |           |
CP-WM2 Waste management/reuse | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
Energy use                    |          |           |
CP-EC2 Energy conservation/impact | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |

**Total possible points**

Minimum for Preferential Providers (unless criteria are N/A) | 85 | 80 | 105 | 105 |
Minimum for Strategic Providers (unless criteria are N/A) | 51 | 56 | 63 | 63 |

*minimum yield required*
### Exhibit 7. Ramacafe’s Talks on Prevention Schedule

**RAMACAFE FINE ESTATE COFFEES**  
**LA VIRGEN FARM**  
**SCHEDULE OF EVENTS FOR PERSONNEL, 2006**

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>LOCATION</th>
<th>DATE</th>
<th>TIME BEGINS</th>
<th>METHODOLOGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preventing disease</td>
<td>Clinic</td>
<td>10/19/2006</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Vaccinations</td>
<td>Clinic</td>
<td>11/02/2005</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Family planning</td>
<td>Clinic</td>
<td>11/15/2005</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Use of medicines</td>
<td>Clinic</td>
<td>11/22/2005</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Dangers of injections</td>
<td>Clinic</td>
<td>12/06/2005</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Malnutrition</td>
<td>Clinic</td>
<td>12/26/2005</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Respiratory diseases</td>
<td>Clinic</td>
<td>01/10/2006</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Fevers and malaria</td>
<td>Clinic</td>
<td>01/24/2006</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Pregnancy</td>
<td>Clinic</td>
<td>02/09/2006</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Diarrhea and dehydration</td>
<td>Clinic</td>
<td>02/22/2006</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Sexually-transmitted diseases</td>
<td>Clinic</td>
<td>03/08/2006</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>AIDS</td>
<td>Clinic</td>
<td>03/23/2006</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Skin diseases</td>
<td>Clinic</td>
<td>03/30/2006</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Prostate gland</td>
<td>Clinic</td>
<td>04/05/2006</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Breast cancer</td>
<td>Clinic</td>
<td>05/09/2006</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Uterine cancer</td>
<td>Clinic</td>
<td>05/23/2006</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Lice</td>
<td>Clinic</td>
<td>06/05/2006</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Fungus</td>
<td>Clinic</td>
<td>08/21/2006</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Dental problems</td>
<td>Clinic</td>
<td>07/12/2006</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Hypertension</td>
<td>Clinic</td>
<td>07/26/2006</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Tuberculosis</td>
<td>Clinic</td>
<td>08/10/2006</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Breastfeeding</td>
<td>Clinic</td>
<td>06/30/2006</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Taking care of the environment</td>
<td>Clinic</td>
<td>09/08/2006</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Trash collection</td>
<td>Clinic</td>
<td>09/28/2006</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Using a latrine</td>
<td>Clinic</td>
<td>10/19/2006</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
</tr>
<tr>
<td>Burns</td>
<td>Clinic</td>
<td>03:00 p.m.</td>
<td>Explanation</td>
<td></td>
</tr>
</tbody>
</table>
Exhibit 8. Grupo Pellas Companies

- Aduanera y Almacenadora Pellas, S.A.
- CableNet
- Estesa
- Seguros América
- Compañía Lícorera de Nicaragua
- Nicaragua Sugar State Limited

- GBM
- CEM Comunicaciones
- E. Chamorro Industrial, S.A.
- BAC - Credomatic
- Casa Pellas

Exhibit 9. Grupo Pellas CSR Diamond

![Diagram of Grupo Pellas CSR Diamond]

- Community
- Economic Sustainability
- Vision and Values
- Employees
- Environment
- Competitiveness/Marketing

Stakeholders: Shareholders, Clients, Providers, Minority groups, Community and the Environment

"Measuring impact": management systems
"Reporting impact": sustainability report
"Communicating impact": communication strategy
Exhibit 10. Poster from American Nicaraguan Foundation & BAC/Credomatic

It doesn’t matter how much you donate because together we can promote quality healthcare. Every 1,000 points we receive will buy more than US $1,500 of medicines, supplies, basic medical equipment and antibacterial gel, as well as support campaigns to prevent disease in the communities that need the most help in our country.
Exhibit 11. Poster from APROQUEM and BAC/Credomatic