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**Audit Report according Performance  
Standards on Social & Environmental  
Sustainability (MIGA) and Environmental  
Health and Safety Guidelines (IFC)**

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10<sup>th</sup> October, 2011

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**1. GENERAL INFORMATION**

<b>COMPANY:</b>	JP INDUSTRIES
<b>SOCIAL ADDRESS:</b>	40, Bd de la Résistance Casablanca - Maroc
<b>CONTACT PERSON:</b>	Hatim Moreno (Chief financial officer)
<b>SCOPE:</b>	Industrial assembly of aluminum doors and windows

**2. AUDIT DESCRIPTION**

<b>OBJECTIVES OF THE AUDIT</b>	<ul style="list-style-type: none"> <li>▪ To evaluate the fulfillment with the eight Performance Standards.</li> <li>▪ To evaluate the fulfillment with the four EHS Guidelines.</li> <li>▪ To present options of improvement.</li> </ul>
<b>STANDARD</b>	<ul style="list-style-type: none"> <li>▪ Performance Standards on Social &amp; Environmental Sustainability (MIGA).</li> <li>▪ Environmental Health and Safety Guidelines (IFC).</li> </ul>
<b>LEAD AUDITOR:</b>	Rafa Sole
<b>AUDIT DATES:</b>	September 20 and 21
<b>VISITED CENTERS:</b>	ZI Lot 12/13 Zone Industriel, BP. 24, El Jadida – Maroc About 140 people working
<b>METHODOLOGY:</b>	<p>In fulfillment of the audit plan, the following activities have been carried out:</p> <ul style="list-style-type: none"> <li>- Initial Meeting</li> <li>- Evaluation of the implementation of the Social and Environmental Management System: <ul style="list-style-type: none"> <li>. Documentary review</li> <li>. Technical visit to the facilities to evaluate the fulfillment with the eight Performance Standards and the four EHS Guidelines.</li> <li>. Qualitative interviews with key persons of the organization</li> </ul> </li> <li>- Final Meeting</li> </ul>

### 3. RESULTS OF THE AUDIT

#### 3.1 ASSESSMENT OF COMPLIANCE WITH THE PERFORMANCE STANDARDS

##### PS1. Social and Environmental Assessment and Management Systems

##### Social and Environmental Management System / Social and Environmental Assessment

##### Evidences found during the audit:

Although there is no management system in place, nor a social and environmental assessment, the company is conducting the following:

A plan for implementing an environmental management system based on the ISO 14001:2004 standard which has already begun to develop and is scheduled for completion on the second quarter of 2012. Among the most important aspects are:

- Initial diagnoses of environmental impacts
- Environmental policy wording and definition of objectives and goals
- Decisions on external communications
- Develop a reference list of authorizations on environmental issues
- Awareness of staff in environmental
- Training (management, impacts, waste,...)
- Statement of roles and responsibilities
- Establish working groups, waste characterization and process, documentary structure development, develop metrics according to procedures, designing emergency and evacuation plans, management of Non conformities, management of potentially dangerous products, design monitoring and performance measurement.
- Internal audits

The company has a system of quality management certified according to ISO 9001 since 2005. Is planned to integrate management systems ISO 9001 Quality, ISO 14001 Environment, Occupational Safety OHSAS 18001 and ISO 26000 Social Responsibility

##### Actions to take / Actions to consider

Not applicable

##### Appreciations of the expert auditor:

Without considerations.

### **Management program**

#### **Evidences found during the audit:**

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Planned. There is a draft procedure for identifying environmental aspects and impacts.

The company has drafted a procedure for hazard identification and risk assessment that includes quantitative assessment of these.

#### **Actions to take / Actions to consider**

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Not applicable.

#### **Appreciations of the expert auditor:**

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Without considerations.

### **Organizational Capacity / Training**

#### **Evidences found during the audit:**

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Planned and ongoing.

#### **Actions to take / Actions to consider**

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Not applicable.

#### **Appreciations of the expert auditor:**

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Without considerations.

### **Community engagement**

Not applicable.

### **Monitoring / Reporting**

#### **Evidences found during the audit:**

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The company has planned the following activities:

- Control of water consumption

- Control of electricity consumption
- Control of gas-oil consumption
- Packaging consumption control
- Waste management (computer, paper industry.)
- Chemicals Management
- Dossier of environmental analysis

It is planned the preparation of reports to control these activities

Actions to take / Actions to consider

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Not applicable.

Appreciations of the expert auditor:

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Without considerations.

## PS2. Labor and working conditions

### Working conditions and management of worker relationship

#### Evidences found during the audit:

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All workers have been informed of working conditions and terms of employment including salary rights and any benefits.

Company provide of working conditions and employment that requires national legislation. Company fulfill with the Moroccan Labor Code. Law 65-69 and its implementing decrees.

Is recognized the right of workers to join labor organizations, complying this way with national law, and they does not get any interference to negotiate collective bargaining agreements and protect their rights.

There is no evidence that employment relationships are not based on principles of equal opportunity and fair labor. There is no evidence that employment decisions are not based on personal characteristics unrelated to inherent requirements of the position.

The company carries out annual studies about staff satisfaction. These studies are carried out through anonymous surveys and takes into account aspects such as:

- Communication
- Work environment
- Stability
- Relationship with superiors
- Motivation
- Work teams
- Provision of company services
- Salary
- N° of shares proposed training and adaptation of training to job
- Areas for improvement

#### Actions to take:

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Not applicable.

#### Actions to consider:

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A human resources policy should be documented as clear and understandable statement of the practices of the organization for the management of employees, at a minimum, including information on the rights of employees in accordance with national laws on labor and employment.

This policy will be explained or will be provided at the time of taking the job.

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Appreciations of the expert auditor:

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Without considerations.

**Protecting the work force**

Evidences found during the audit:

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The company doesn't employ children. Forced labor is not employed.

Actions to take / Actions to consider:

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Not applicable.

Appreciations of the expert auditor:

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Without considerations.

**Occupational Health and Safety. GENERAL GUIDELINES: HEALTH AND SAFETY**

Evidences found during the audit and actions to consider

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The company has a plan for implementing a management system for Safety and Health at Work based on OHSAS 18001 standards. This planning is expected to be approved in the month of October this year. The most important highlights are:

- Risk assessments
- H&S policy wording and definition of objectives and goals.
- Identifying legal requirements.
- Develop a reference list of legal authorizations on H&S issues.
- Awareness of staff in H&S.
- Training (management, risk, emergency and evacuation, fire,...)
- Statement of roles and responsibilities.
- Establish working groups, develop risk analysis and identification of significant, to map lighting, documentary structure development, develop metrics according to procedures, designing emergency and evacuation plans, management of Non conformities, design monitoring and performance measurement.
- Internal audits.



The company has a report dated 23/06/2011 with the situation of the company in H&S aspects and a list of issues examined and improvements to make.

It has a budget for the review of the technical equipment of the facility. This budget includes electrical equipment, lifting equipment and cranes and safety against fire.

General facility design and operation	
Integrity of workplace structures	Pending of risk assessment by the acceptable light and noise conditions in factory
Severe weather and facility shutdown	Not applicable
Workspace and exit	Appropriate
Fire precautions	Fire extinguishers are revised. Pending of risk assessment for the rest of the fire protection facilities
Lavatories and showers	Appropriate
Potable water supply	Not applicable
Clean eating area	Not applicable
Safe access	Pending of risk assessment (it should contain assessment of passageways for pedestrians and vehicles, equipment and installations requiring servicing, inspection and/or cleaning, falling items, unauthorized access to dangerous areas,...)
First aid	Eye-wash stations should be provided close to all workstations where immediate flushing with water is the recommended first-aid response.
Air supply	Not applicable
Work environmental temperature	Pending of risk assessment (Exposure to hot or cold working conditions in indoor or outdoor environments)

Communication and training	
OHS Training	A tab has been verified with training session to all workers at H&S in date 11/06/2011 of a 3h course on "Security Awareness".
Visitor orientation	Not applicable
Area signage	See "Actions to take"
Labeling of equipment	Pending of risk assessment (vessels that may contain substances that are hazardous as a result of chemical or toxicological properties, piping systems that contain hazardous substances, ...)
Communicate hazard codes	Not applicable

Physical hazards	
Rotating and moving equipment	Pending of risk assessment to assure that all equipments are safe according Loi 65-99, relative au code du travail, Dahir n° 1-03-194, art.286.
Noise	Pending of risk assessment. But note the use of hearing protection.
Vibration	Not applicable
Electrical	Pending of risk assessment (Exposed or faulty electrical devices, such as circuit breakers, panels, cables, cords and hand tools that can pose a serious risk to workers,...)
Eye hazards	Pending of risk assessment. But note the use of eyes protection.
Welding / Hot work	Pending of risk assessment. But note the use of eyes protection such as welder goggles and a full-face shield.  Special hot work and fire prevention precautions and Standard Operating Procedures should be implemented if welding or hot cutting is undertaken outside established welding work stations, including 'Hot Work Permits, stand-by fire extinguishers, stand-by fire watch, and maintaining the fire watch for up to one hour after welding or hot cutting has terminated.
Industrial vehicle driving and site traffic	Not applicable
Ergonomics, repetitive motion, manual handling	Pending of risk assessment (Facility and workstation design, mechanical assists, tools that reduce force requirements and holding times, and improve postures, additional special conditions,...)
Working at heights	Pending of risk assessment (installation work on client)
Illumination	Pending of risk assessment (glare/reflections and flickering of lights, work area light intensity,...)

Chemical Hazards	
Air Quality	Pending of quantitative risk assessment to detect possible contaminants into the work place, but positive feedback during the visit.
Fire and Explosions	Pending of risk assessment (resulting from ignition of flammable materials or gases)
Corrosive, oxidizing and reactive chemicals	Not applicable
Asbestos containing materials	Not applicable

Others	
Biological hazards	Not applicable
Radiological hazards	Not applicable
Personal protective equipments	Pending of risk assessment. It was verified that all personal protective equipment are certified and the workers used them.
Special hazard environments	Pending of risk assessment. (Confined space and lone and isolated workers)
Monitoring	Accidents Reports are available although not performed a detailed investigation of the same.

Actions to take:

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The company must ensure that qualified first-aid can be provided at all times. Appropriately equipped first-aid stations must be easily accessible throughout the place of work.

The signage must be in accordance with international standards and be well known to, and easily understood by workers, visitors and the general public as appropriate.

Actions to consider:

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According to national legal requirements, I should be Where the scale of work or the type of activity being carried out so requires (consult), dedicated and appropriately equipped first aid room(s) must be provided.

Appreciations of the expert auditor:

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Without considerations.

**Non-employee workers**

Not applicable.

**Supply chain**

Evidences found during the audit:

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The company subcontracts the assembly of manufactured parts. It has contracts with these companies.

Actions to take / Actions to consider:

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Not applicable.

Appreciations of the expert auditor:

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Without considerations.

### PS3. Pollution prevention and abatement

#### General requirements

##### Evidences found during the audit:

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There is evidence of a planning to implement an environmental management system. See performance standar 1.

It's pending to make an evacuation plan in office and factory. Planned

##### Actions to take / Actions to consider:

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Not applicable.

##### Appreciations of the expert auditor:

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Without considerations.

#### Technical guidance. GENERAL GUIDELINES: ENVIRONMENTAL

##### Evidences found during the audit and actions to consider

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The company has developed a list of the most important legal requirements of environmental issue to date 05/09/2011, among which include:

- Water Law
- Regulation of unhealthy or dangerous places
- Law on Environmental Protection
- Law on Environmental Impact Study
- Law on prevention of air pollution
- Law on the use of degradable plastic bags and biodegradable
- Law on waste and disposal. List of hazardous waste
- Decree on the discharges on surface water or groundwater

GENERAL GUIDELINES: ENVIRONMENTAL	
Air emissions and ambient air quality	Planned their measurement
Energy conservation	Should be established global guidelines for energy management involving technical and economically feasible opportunities for improvement in energy conservation. These guidelines could include <ul style="list-style-type: none"> <li>▪ Identification and measurement of the major energy flows of the facilities</li> <li>▪ Definition and review of energy performance targets to introduce changes that affect the most influential factors in the use of energy</li> <li>▪ Identify areas where it is necessary to implement measures to reduce energy use</li> <li>▪ Reporting on the performance of energy use</li> </ul>
Wastewater and ambient water quality	Actions to ascertain the quality and quantity of effluent should be established (only sanitary wastewater, no water is used in the production process). Check local or national legislation
Water conservation	Water conservation programs should be implemented in proportion to the amount of water used and their cost. It should promote a continued reduction of water consumption.
Hazardous material management	Planned
Waste management	Currently, authorized agents are being used for evacuation (SITA El Beida) and treatment (Pizzorno) of waste. It was verified the existence of records of waste management by both managers and leaf weight.
Noise	Not applicable
Contaminated land	Not applicable

**Actions to take:**

Not applicable.

**Appreciations of the expert auditor:**

**The waste generated is not considered hazardous** (glass, aluminum and other inert metals) and their fate is waste disposal and treatment.

**Ambient considerations**

Not applicable.

**Greenhouse gas emissions**

Not applicable.

**Pesticide use and management**

Not applicable.

**PS4. Community Health, Safety and Security**

Not applicable

**PS5. Land Acquisition and Involuntary Resettlement**

Not applicable

**PS6. Biodiversity Conservation and Sustainable Natural Resource Management**

Not applicable

**PS7. Indigenous Peoples**

Not applicable

**PS8. Cultural Heritage**

Not applicable

**3.2 ASSESSMENT OF THE STRONG AND WEAK POINTS**

**3.2.1 STRONG POINTS**

The hiring of a technical specialist for the design and implementation of management systems in both disciplines.

The planning of all activities that will meet the requirements of the standard Performance.

**3.2.2 WEAK POINTS**

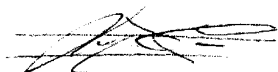
**3.3 CONCLUSIONS**

This is a company with limited environmental and social impacts, few in number and located at specific sites, all reversible and readily addressed through mitigation measures.

**3.4 FINAL DECISION ON THE PROJECT**

Favorable.

**Lead auditor signature:**



Rafa Sole

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