

MEXICO: PETSTAR SOCIAL ACTION PLAN

Petstar's Child Labor Management Program and accompanying Action Plan include the following elements:

1. Technical and Organization Capacity and Financial Resources:

Petstar will work closely with the NGO Mundo Sustentable by contributing to, and cooperating with, the creation of a specific program dedicated to the reduction of informal harmful child labor in its supply chain focusing on the supply sites where informal harmful child labor is known to be an issue and where Avangard has some level of influence (e.g. the 184 Mixed Waste Disposal Sites where Avangard purchases 27% of supply volume). The program will be supported by current internal capacity within both Petstar and PASA and will draw on expert advice and assistance from the Sponsor's Foundation, Fundacion Mundo Sustentable, which has an established track record and environmental and social education and development programs.

2. Action Plan:

Petstar's child labor management program will be based on the following internationally proven strategies to reduce the incidence of child labor in waste scavenging activities: (i) changing the structure of the waste management model to recognize and legitimize the role of waste pickers; (ii) improving the income of affected families; (iii) facilitating access to educational resources; (iv) working with stakeholders, namely government entities and private sector companies, to influence broader national change. The Social Engagement Program will incorporate the following elements:

Baseline assessment and research: Petstar will conduct a formal study on informal harmful child labor in its supply chain with an emphasis on Group iii (Mixed Waste Disposal Sites). The results of the study will be used to gain a better understanding about the incidence of child labor and its contributing factors within the Mexican context and will fill a clear research gap at the country level.

Development and Implementation of Two Pilot Projects: Petstar will develop two contrasting and complimentary pilot projects with the objective of demonstrating alternative approaches at different types of supply site and under different constraints.

- a. The first pilot will be on a disposal site managed and controlled by its Sponsor PASA and will demonstrate conversion of an informal waste picker community into a formal cooperative operating a material recovery facility ("MRF"). Petstar and PASA will construct a simplified recovery facility at PASA's new landfill site. Petstar will then support and train the 250 pepenadores from the current, informal disposal site (scheduled for closure) to form a cooperative to run the MRF. Petstar will also implement a social program, working with local schools to ensure access to education and working with the pepenadores to communicate the value of education. A Community Education Center will be constructed for educational, recreation and community purposes.
- b. The second pilot will be at a municipal disposal site over which Avangard's control is limited to its commercial influence as a major PET purchaser. Here Petstar will work with the community of 220 pepenadores to encourage and enable education of the approximately 50 children estimated to reside at the site. As in the previous pilot, Petstar will

coordinate with local schools, consult with the community and construct a Community Education Center.

Both pilots will be initiated after an indepth consultation and design period and success of both will be measured with lead and lag indicators against baseline data. The first will demonstrate how to increase the proportion of Avangard's supply coming from collection separation suppliers (group ii) and the second will demonstrate how to reduce child labor in mixed waste supply sites (group iii). The pilot projects will also have the direct short-term benefit of helping eliminate the informal harmful child labor of approximately 75 children as well as improve the income and health and safety standards of over 400 pepenadores. Petstar will target full implementation of the pilot projects over the next 12 to 18 months.

Scale and leverage impact: Petstar's program will initially focus on direct impact at a small scale, providing demonstration of successful interventions and approaches in the Mexican context. At a later stage it will seek to encourage and facilitate replication on a larger scale by influencing federal, state and municipal governments. Because it may be beyond the ability of any single private sector entity to address the wider issue of informal harmful child labor at waste disposal sites, Petstar's role will be primarily to educate and lobby government officials and other major private sector players about the need to expand on the successes and lessons of the pilot project. Other key stakeholders will include the paper, glass, and aluminum container industries that also depend on the supply of raw materials from informal recycling activities.

Monitoring and Reporting: IFC will require that Petstar monitor and report on progress against the following two specific objectives: (1) Reduction in the incidence of harmful child labor at current supply sites (both as a result of client actions and external causes); and (2) Proportion of the supply chain that is free of informal harmful child labor. In order to track progress on these two objectives, the client will be required to report against a set of representative indicators of performance. Possible elements to reporting and potential covenanted commitments being considered include:

- a. Overall Program Reporting:
 - Identification of candidates and contracting of a suitable Manager for the Social Engagement Program;
 - Annual operational plan and budget
 - Annual progress report (the client will be required to report to IFC on a quarterly basis during early program development and pilot implementation stages)
- b. Baseline Assessment and Research
 - Research program design;
 - Results, supply chain baselines and specific pilot site baselines.
- c. Development and Implementation of two Pilot Projects:
 - Program design and implementation at the two pilot project sites, including:
 - i. Definition of objectives, indicators, and monitoring methods;
 - ii. Results of consultation with local municipal agencies, NGOs (including the religious organizations already present at one of the pilot sites) and other potential partners;
 - iii. Results of consultation with pepenadores at the local communities;
 - iv. Operational performance of pilots;

- v. School attendance rates;
 - vi. Incidence of informal harmful child labor; and
 - vii. Problems and corrective actions identified.
- d. Scale up and Leveraging Activities:
- Additional stakeholders engaged with program
 - Additional stakeholders contributing to program
 - Record of activities with potential partners including number of entities involved, meetings held, and specific commitments and agreements;
 - Inclusion of scale up and leveraging activities in overall program design;
 - Number of sites into which pilot lessons are being applied by other entities;
 - School attendance rates (site-specific and overall); and
 - Rates in the incidence of harmful child labor (overall).

IFC will audit the project on a semi-annual basis or more frequently as determined by project circumstances.