

1. Overview of Scope of IIC E&S Review

The environmental due diligence of this project was carried out between October 3 and 5, 2016 in San Salvador, El Salvador where the regional offices of Unicomer Group are located and in Port of Spain, Trinidad.

The evaluation was done by gathering information through interviews with Occupational Health and Safety, Corporate Social Responsibility, Human Resources and Finance staff, as well as reviewing documentation compared to IFC Performance Standards.

2. Environmental and Social Categorization and Rationale

This is a category B project according to the IIC's Environmental and Social Sustainability Policy because it may result in certain impacts that can be avoided or mitigated following performance standards and guidelines.

3. Environmental and Social Context

The main environmental and labor considerations related to the project include: evaluation of the Environmental and Social Management System; Occupational health and safety programs; Emergency plans and aspects of human and labor resources.

Regal Forest has operations in 24 countries, of which only 5 (Costa Rica, Trinidad and Tobago, Guyana, Paraguay and Barbados) will be financed through this operation. As of March 2016, the company had 987 stores and more than 14 thousand employees (6,771 women and 8,007 men).

4. Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1 Assessment and Management of Environmental and Social Risks and Impacts

Regal Forest implements some programs (health and occupational safety, emergency plan, job description) in the different countries where it has operations, however there is no unified Corporate and Environmental Management System at the corporate level. Regal Forest will develop an Environmental and Social Management System that incorporates the following elements: (i) policy; (ii) identification of risks and impacts; (iii) management programs; (iv) organizational capacity and competence; (v) emergency preparedness and response; (vi) participation of social actors, and (vii) monitoring and evaluation.

Regal Forest does not have personnel specifically assigned to handle environmental and social issues in its operations. The company confirms compliance with national regulations in the countries where it operates and undertakes to work to comply with the IIC's environmental and social sustainability policy.

Regal Forest has a "Management Plan" and a "Health and Safety Manual" for the management of industrial safety and occupational health aspects in compliance with the national legislation of each country where it operates.

Regal Forest provides training programs for its employees in occupational health and safety and first aid related to their operations. The company must continue to offer these trainings and must ensure that its contractors also participate. The company should keep track of the training offered and the number of people trained.

4.2 Labor and Working Conditions

Regal Forest has a Corporate Human Resources Policy aligned to comply with the national laws of each country where it operates in relation to labor issues. Among the main labor standards of application and compliance are: legal benefits, freedom of association, prohibition of forced labor,

elimination of exploitation and abuse of child labor and non-discrimination in the workplace. The staff receives an induction training in which they are presented with this information and the company's Code of Ethics, updated in 2014. Regal Forest has Human Resources personnel at corporate level and in each country where it operates for the management of Selection and development of personnel, payroll and training.

Apart from the salary and benefits required by national legislation in each country, some of the additional benefits that employees receive are: education scholarships for their children, funds in the event of natural disasters or calamities, training opportunities at Unicomer University.

In relation to communication channels for the effective application of the company's Code of Ethics, it has developed a mechanism through an electronic mail and a telephone line to confidentially report possible violations of the Code of Ethics. The Human Resources area is responsible for receiving the aforementioned communications, monitoring, providing a response and transferring them to the corporate ethics committee. In addition, labor climate surveys and focus groups are conducted.

Regal Forest has developed a "Health and Safety Manual" for Unicomer El Salvador, in order to establish the guidelines for avoiding diseases and accidents at work, to identify the risk factors that threaten the physical integrity and material goods of the company and to develop a culture of prevention. This Handbook includes an Emergency Plan which includes fire, evacuation, and first aid procedures in addition to documentation requirements to report incidents. Emergency drills have been conducted using the evacuation plans designed. The company must implement this Manual at the corporate level and continue to review the procedures and update them according to the needs in each country where it operates, in addition to continuing to carry out the drills periodically keeping a record of them.

Regal Forest has developed a "Handbook of Loss Prevention" which establishes corporate standards aimed at risk prevention, such as: reduction of claims to the insurer, reduction of fire risks, adequate structural analysis of the sites of operation and Strengthening of a preventive culture.

The facilities where the company operates such as offices, distribution centers, and stores are equipped with fire extinguishers and some with alarms, smoke detectors, hoses and fire sprinklers under the NFPA standard. Fire extinguishers are frequently maintained and inspected in accordance with the company's "Portable Fire Extinguisher Maintenance Policy and Procedures Manual". Facilities have emergency response plans and evacuation routes. Evacuation drills are held annually. In addition, it will continue to carry out self-inspections for fire prevention and continue to provide training to ensure that personnel are trained. A qualified fire protection engineer, acceptable to the IIC, will audit a representative number of offices, distribution centers, and stores in each country of the operation. In addition, it will review emergency response plans, and recommend revisions if necessary. The specialist will establish the scope of a Corrective Action Plan and the time to implement the changes, which must be agreed between the specialist, IIC and Regal Forest.

Regal Forest manages four Business Clinics in Costa Rica, Nicaragua and El Salvador that function as an extension of Social Security to care for its workers. In other locations, workers come to state health centers. At present, there is no control of accidents and absences of workers. Regal Forest will implement a corporate-level control mechanism to report the number of accidents and hours not worked due to illness or accidents at work.

4.3 Resource Efficiency and Pollution Prevention

The main direct environmental impacts are associated with the operation of distribution centers, service centers and the transport of materials to and from operating centers and stores.

The facilities of Regal Forest are connected to the electricity grid, aqueduct and to the municipal sewage system in its majority. In several facilities, solar panels have been installed to reduce energy consumption and emissions, although these are not quantified.

Regal Forest has developed a "Solid Waste Integral Management Policy" in El Salvador which includes procedures for the collection and delivery of solid waste, recycling at points of sale and offices, and control, management and registration of assets. However, this policy does not include hazardous waste management; therefore the company will develop at corporate level a Waste Management System in accordance with the existing Solid Waste Integral Management Policy that also includes the management of hazardous waste.

Regal Forest will begin producing annual reports with performance indicators quantifying recycled material, water and energy consumption.

4.4 Community Health, Safety and Security

All Regal Forest facilities are approved by the Fire Departments, equipped with fire extinguishers and staff trained in an emergency. Emergency drills are conducted periodically in offices and in stores.

Transport services are subcontracted through small service providers. There are no vehicle driving or maintenance policies, drivers' code of conduct or safety assessments. The company will develop a corporate-level program for transportation providers.

Regal Forest has security guards at most stores. The security services are subcontracted and handled by specialized companies. Regal Forest will confirm that all subcontracted security companies comply with the principles of proportionality and international practices with respect to recruitment, standards of conduct, training, equipment and supervision of such personnel, as well as applicable law. Regal Forest will require subcontractors to conduct reasonable investigations to ensure that security officers have not been involved in abuses, adequately trained in the use of force (and, where applicable, firearms), in appropriate conduct towards the workers and clients, and the Communities Affected, and will require them to act in accordance with the applicable legislation.

Regal Forest will develop a contractor management system to ensure acceptable environmental, social, health, safety, and labor conditions for contractor employees who offer subcontracted services such as transportation, security and cleanup.

The company has a call center and a web page as a grievance mechanism for the community. Regal Forest invests 5% of the previous year's profits in Corporate Social Responsibility annually. Some of the initiatives it promotes are: school grants, school grants, educational infrastructure and equipment, community development, educational reinforcement programs, support to vulnerable communities, training, renewable energy, recycling and reforestation.

4.5 Land Acquisition and Involuntary Resettlement

Regal Forest has procedures in the "Manual of Loss Prevention" that allows them to select the sites for the location of their stores, so that the proposed sites are inspected and authorized prior to the opening of the stores. In the event that the company decides to build new stores or lease a new space, the design, construction and operation of the facility must comply with all applicable national regulations, including those established in construction regulations. Regal Forest will develop a report that ensures compliance with these procedures prior to the selection of a new location.

4.6 Biodiversity Conservation and Natural Habitats

Regal Forest sells furniture from domestic and international producers. The company will develop a

corporate approach to the selection and use of sustainable wood.

5. Environmental and Social Action Plan

Regal Forest will continue to implement its Environmental and Social Action Plan to ensure compliance with national regulations and IIC guidelines regarding environmental, occupational health and safety aspects. The PAAS will include an annual report with information on the implementation of the environmental and social management system, occupational health, safety, fire prevention and combat, as well as labor aspects.

Regal Forest, Environmental and Social Action Plan (ESAP) - November 2016

Item	Action	Compliance Indicator	Time for compliance
1	Regal Forest will develop an Environmental and Social Management System that may be applicable in all countries. The system should include the following elements: (i) policy; (ii) identification of risks and impacts; (iii) management programs; (iv) organizational capacity and competence; (v) emergency preparedness and response; (vi) participation of social actors, and (vii) monitoring and evaluation. Programs currently implemented may be part of this system.	Document detailing the Corporate Environmental and Social Management System	9 months after disbursement
2	Regal Forest will hire a corporate environmental specialist to handle all environmental aspects of the company. This professional will coordinate the environmental tasks in the different countries.	Recruitment of environmental specialist.	6 months after disbursement
3	Implement the Health and Safety Manual at a corporate level and continue to review the procedures and update them according to the needs in each country, in addition to continuing to carry out the drills periodically keeping a record of them.	Implement the Health and Safety Manual in the 5 countries where the financing is requested.	6 months after disbursement
4	Regal Forest will continue to offer first aid and occupational health and safety training and must ensure that its contractors are included in these trainings. The company must keep track of the training offered and the number of people trained.	Training Reports and Attendees	Continuous
5	A qualified fire protection engineer, acceptable to the IIC, will audit a representative number of offices, distribution centers, service centers and stores in each country where the financing is requested. In addition, it will review emergency response plans, and recommend revisions if necessary. The specialist will establish the scope of a Corrective Action Plan and the time to implement the changes, which must be agreed between the specialist, IIC and Regal Forest. In addition, it will continue to carry out self-inspections for fire prevention and continue to provide training to ensure that personnel are trained.	Implementation of the improvement plan Corrective Action Plan	6 months after disbursement Continuous
6	Regal Forest will develop a plan to implement a corporate-level control mechanism to report the number of accidents and hours not worked due to illness or accidents at work.	Updates in case they are made Report of accidents and hours not worked	6 months after disbursement

7	Regal Forest will elaborate a plan to develop a corporate Waste Management System in accordance with the existing Solid Waste Integral Management Policy, which also includes the management of hazardous waste. Standardize procedures for preparing reports.	Document detailing the Corporate Waste Management System	9 months after disbursement
8	The company will develop a corporate-level transportation provider program that includes vehicle driving and maintenance policies, driver code of conduct, and safety assessments.	Document detailing the Transportation Program	9 months after disbursement
9	Regal Forest will confirm that all subcontracted security companies comply with the principles of proportionality and international practices with respect to recruitment, standards of conduct, training, equipment and supervision of such personnel, as well as applicable law. Regal Forest will require sub-contracting companies to conduct reasonable investigations to ensure that security officers have not been involved in abuses, are adequately trained in the use of force (and, where applicable, firearms), in appropriate conduct towards workers and clients, and the Communities Affected, and shall require them to act in accordance with applicable law.	Confirmation of compliance with principles of proportionality and international practices.	6 months after disbursement
10	Regal Forest will develop a contractor management system to ensure acceptable environmental, social, health, safety, and labor conditions for contractor employees who offer subcontracted services such as transportation, security, and cleaning.	Certificate issued by the security company. Document detailing the Contractor Management System	9 months after disbursement
11	Regal Forest will develop a report to ensure compliance with site selection procedures for the location of stores prior to the selection of a new location described in the Loss Prevention Manual.	Compliance Report	Continuous - every time a new store opens
12	Regal Forest will develop a formal institutional approach to species selection and the use of wood from sustainable operations.	Develop a policy or institutional mandate for the selection and use of wood	9 months after disbursement