

Environmental Classification and Issues:

Environmental Classification: This is a category III project according to the IIC's environmental and labor review procedures because specific impacts may result that can be avoided or mitigated by adhering to generally recognized performance standards, guidelines and design criteria. The environmental and labor considerations related to the project include the following: (1) quality control and third-party certification; (2) solid and industrial waste management; (3) discharge of liquid effluents, (4) air emissions; (5) fire safety and occupational safety and health; and (6) labor practices.

Environmental and Labor Issues:

The company has been proactive in complying with environmental legislation applicable in Ecuador and has carried out an environmental audit of its industrial operations to evaluate its own performance and draw up a management plan for preventing and controlling environmental pollution. The environmental compliance audit and environmental management plan were approved by the environmental unit of the City of Guayaquil in September 2005. Plásticos del Litoral (Plastlit) is also implementing an energy audit program to save energy in its industrial facilities.

1) Quality control and third-party certification: Plastlit has built good manufacturing practices into its industrial processes and sources its raw materials from suppliers with quality assurance systems who certify that the raw materials used to manufacture food packaging comply with European safety regulations and United States Food and Drug Administration (FDA) standards.

2) Solid and industrial waste: The solid waste is generated primarily in the industrial processing area; it is classified as recyclable or nonrecyclable. Recyclable solid waste is plastic from the industrial process that is reused by Plastlit. The process is designed to recycle virtually all of the plastic waste generated. Nonrecyclable plastic waste, which is minimal, is collected daily from stations throughout the plant and stored in a container along with other waste, such as cardboard, wood, and refuse from the cafeteria, administrative offices, and workshops, and collected and disposed of at a municipal sanitary landfill by a contractor. Used solvent and dried ink from cleaning the equipment are stored temporarily in metal drums for final incineration at a cement company in keeping with Ecuadorian environmental regulations.

3) Liquid effluents: Liquid effluents are chiefly domestic, including the water used by staff in washing up, sewage from the bathrooms, and water from food preparation in the company cafeteria. Sewage is piped for treatment in septic tanks prior to discharge in the public sewer system. The minimal amount of wastewater is treated appropriately by Interagua, the company that holds the municipal drinking water and sewer concession, and subsequently discharged into the public sewer system. Measurements taken in March 2006 show that the wastewater discharged generally complies with applicable environmental legislation.

4) Air emissions: Air emissions consist of diesel fuel combustion gases from the boilers and forklifts and from the plant's motor vehicles. Measurements taken during Plastlit's environmental audits show that the concentration of these gases in the workplace ambient air is in compliance with international standards such as those of the American Conference of Governmental Industrial Hygienists (ACGIH).

5) Fire safety and occupational safety and health: Plastlit has an emergency response plan and has taken appropriate fire safety measures, such as creating emergency brigades with the support of the fire department and installing a network of fire hydrants and extinguishers strategically located throughout the plant, as well as smoke detectors and firewalls. Plastlit provides its workers with

task-specific personal protection gear and training in first aid, work safety, and firefighting. The facilities have the required signage.

6) Labor practices: Plastlit is in compliance with national labor laws and only hires workers who meet minimum age requirements. Workers receive the benefits required by law. There is no labor union, but the workers are free to organize by creating a workers committee (comité de empresa). There is a dispensary on the premises staffed by two physicians, a nurse, and a social worker. Employees are required by law to participate in the social security system, but they also have accident, health, and life insurance that few companies in Ecuador provide.

Monitoring and Annual Reporting:

The IIC will monitor Plastlit's compliance with the environmental, safety, and labor issues covered by the company's environmental management plan and referred to herein. Plastlit will submit an annual report summarizing tracking data on quality control, third-party certification, solid and industrial waste management, discharge of liquid effluents, air emissions, fire safety, occupational safety and hygiene, and labor practices.