

1. General information on the scope of the IDB Invest Environmental and Social Review The IDB Invest conducted a due diligence visit in August 2016 to the facilities of Industria Nacional de Ensamblajes S.A. ("Innacensa") at the site where the new plant will be constructed and to Comandato. The due diligence covered a review of environmental, social, health, safety, and labor-related aspects of Innacensa and Comandato in order to evaluate possible gaps between them and the IDB Invest Environmental and Social Sustainability Policy. It is expected that the project will be designed and executed in accordance with the policy and through the implementation of an Environmental and Social Action Plan (ESAP).

2. Environmental and social classification and rationale In accordance with the IDB Invest Environmental and Social Sustainability Policy, this is a category "B" project because the impacts and risks are expected to be limited to the site of the project, reversible, and can be mitigated by adopting measures available in the context of the operation.

3. Environmental and social context Innacensa plans to construct a new plant for the assembly and distribution of technology products and household appliances, to be located on a 69.1 hectare plot in Samborondón on the outskirts of Guayaquil. The plot will need a small amount of filling and smoothing in order to make it ready for construction. Construction is projected to include a covered area of approximately 11,000 m² in three buildings, as well as offices, dressing rooms, and a dining area in one of the buildings. These new facilities will be developed in compliance with the National Fire Protection Association (NFPA) standards; municipal ordinances; Ecuador's fire protection legislation, the Ley de Defensa contra Incendios; the National Electrical Code; and Ecuador's construction standards, the Norma Ecuatoriana para la Construcción (NEC).

4. Environmental impacts and risks and proposed mitigation measures and compensation

4.1. Evaluation and management of environmental and social risks and impacts Innacensa currently has an environmental policy and some management programs. However, Innacensa will develop an Environmental and Social Management System (ESMS) which will be applied to the construction and operational stage. The system will include the following components: (i) policy; (ii) identification of risks and impacts; (iii) management programs; (iv) organizational capacity and competence; (v) emergency preparedness and response; (vi) stakeholders participation; and (vii) monitoring and evaluation. The IDB Invest will require both Innacensa and the builder to have their own ESMS and to comply with the IDB Invest Environmental and Social Sustainability Policy. Innacensa subscribes to the LG quality policies, through a consumer-directed quality management system (QMS). Innacensa will obtain ISO9001:2015 certification for all company processes in the final quarter of 2016. The main environmental risks and impacts will occur during the construction phase due to the involvement of personnel in construction and assembly tasks and the movement of vehicles and machinery. The risks inherent to construction activities include the generation of solid and liquid wastes, dust emissions, noise generation, and the possibility of accidents, both in construction and assembly tasks and on access routes due to vehicular traffic. During the operation stage, the main risks are related to high energy consumption, generation of solid and hazardous waste, loading and unloading of material and finished products, contact with electrical current, ergonomic hazards, being caught by machinery, fires, and job stress. Innacensa has an Environmental Registration Certificate and a Provisional Intersection Certificate from the Provincial Government of Guayas for the fill stage. For the construction phase, Innacensa will perform the respective environmental study in accordance with IDB Invest requirements before the work begins. Innacensa applies an occupational health and safety policy, guidelines, and procedures at a corporate level including the investigation of occupational incidents and accidents, handling of personal protective equipment, monitoring of workers' health and safety, and internal audit. Innacensa will develop specific occupational health and safety procedures for the assembly industry, which should include the construction and operational stage. Innacensa has specialists in environmental, social, health, and workplace safety issues. Innacensa has implemented an Emergency Plan that includes an Evacuation Plan, a Maintenance Plan to protect materials against fire, and a training plan. For the new location, Innacensa will develop a new emergency plan applicable to the new site for the construction and operation stages and will obtain the Fire Safety Permit for the new facilities. Innacensa uses

community awareness mechanisms such as newspapers, radio, and billboards in the area. However, it should develop a grievance mechanism available to the community which should be publicized and presented to those affected by the project. The company should maintain records of the complaints it receives and have a system for responding to them. For this project, Innacensa will hold consultations before the permit is granted and during construction the company will maintain records with photos, signatures, and invoices.

4.2. Work and labor conditions Innacensa complies with national labor laws, as well as with the International Labour Organization (ILO) standards. All companies in the group are governed by internal labor regulations based on the Labor Code, which contains specific labor regulations and [rules on] the provision of services by the company's employees. The internal labor regulations must be updated by expanding their scope to include Innacensa. The company has a total of 79 permanent employees, only four of whom are women. Innacensa will evaluate different possibilities for employing more women in all areas and at all levels of the company. All labor contracts at Innacensa are subject to the conditions of the Ecuadoran Labor Code. Each year, the Labor Risks Audit System (Sistema de Auditoria de Riesgos del Trabajo - SART) of the Ministry of Labor conducts internal social security audits. Innacensa provides its workers with food and transportation service. There are currently no unions in any of the group's companies. However, according to Article 440 of the Labor Code, workers have the right to freedom of association. Innacensa employs the disabled in compliance with Article 64 of the Organic Law on Public Servants (Ley Orgánica del Servidor Público - LOSEP), supports them with individual monitoring by specialists, and provides constant feedback to their families. Innacensa will create approximately 70 new jobs during the operation, including direct hires and contractors to expand the television production line and the new line of washing machines. Internally, Innacensa's employees have an intranet-based grievance mechanism. Innacensa will also implement a complaints box to offer their personnel an anonymous process. Employees receive medical coverage through Social Security. Numerous training sessions are conducted throughout the year for Innacensa personnel. External auditors perform annual monitoring of noise, heat stress, respirable dust, lighting, thermal comfort, and vibrations. Innacensa will work on improving thermal comfort and lighting in order to comply with international standards. Innacensa has certification from the Ministry of Labor as a Joint Workplace Safety and Health Organization. Innacensa applies a Preventive Standard procedure for contractors and third parties to establish the risk prevention standards with which contractor companies, subcontractors, and third parties must comply during the course of contracted activities and/or services. Security, transportation, and food services are contracted to third parties. The raw material for assembling technology products and household appliances is provided by LG Korea. Thanks to an agreement between the governments of Ecuador and Korea on technology transfer, Innacensa assembles the Printed Circuit Board (PCB) cards for the television sets produced in the country.

4.3. Efficiency in the use of resources and pollution prevention The company is in compliance with national standards on the consumption of water and electricity. A wastewater treatment plant will be constructed at the new facilities in compliance with national standards regarding its design and operation. At Innacensa, non-hazardous solid waste is controlled and managed in specific areas set aside for storage and subsequent removal by recycling companies or the trash collection company. Innacensa has had a Registration as Generator of Hazardous and/or Special Waste since August 2016, also has a Hazardous Waste Management Procedure, an area set aside for its storage; and maintains records on the disposal of such waste as required by law.

4.4. Community health and safety During the construction stage, the main risks of affecting the community are related to the movement of vehicles, dust emissions, noise, effects on bodies of water, waste accumulation, and the generation of hazardous materials. The construction company's ESMS will consider all these aspects. During the operations stage, the risks of affecting the community are minimal due to the nature of the industry. Waste will be generated and managed appropriately without impacting the community. There are no risks of exposing the community to diseases. Innacensa's risks to the community are minimal or non-existent. However, it will maintain an open channel for dialogue with the community in order to hear its concerns, comments, and

complaints, and thus allay the doubts the community may have regarding the risks and impacts of the company's activities and make improvements in the event of complaints. Innacensa is in compliance with the Monitoring and Private Security Law. It will develop an Access and Ssecurity Plan at its locations in compliance with the Performance Standard 4. As part of its Corporate Social Responsibility (CSR), the group has established the Prohoy Foundation to improve the quality of life of children, adolescents, youth, women, and the elderly in the vulnerable sectors of the cantons of Daule, Salitre, Samborondón, and Guayaquil, through sustainable health, education, and community development programs and projects.

4.5. Land acquisition and involuntary resettlement The new plant will be developed on land owned by the Ulstercorp S.A. company, part of the group's real estate division. There are now rice fields on this site to keep the land productive. The site was purchased from various people who agreed on purchase prices in free transactions that allowed them to receive fair prices for their lands. There is a house on the site where a family of four people lives, a father, mother, and two children aged one and seven. They have been living on this property for five and a half years before it was purchased by Ulstercorp S.A. They previously worked with one of the land owners, who is now leasing part of the site for sowing rice. The house has no electricity, drinking water, or sewer. Water is supplied in tanks; the family cooks with gas and uses a latrine. Innacensa will ensure that the current leaseholder relocates the family to a home with access to basic services and offers the father a job under similar or better conditions than at present.

4.6. Conservation of biodiversity and sustainable management of living natural resources There are no risks to the conservation of biodiversity or natural habitats. There are no protected areas or sensitive ecosystems, as the site is considered modified habitat.

4.7. Indigenous peoples There are no indigenous populations in the area where the project is being developed.

4.8. Cultural heritage There is no component declared to be of cultural value within the property where the site is located. However, Innacensa's environmental management system will make provision for how to proceed in the event of chance discoveries of archeological or cultural heritage materials.