

**MIGA****Multilateral Investment
Guarantee Agency**
WORLD BANK GROUP

Environmental and Social Review Summary

Whirlpool Acquisition of Indesit Turkey

This Environmental and Social Review Summary (ESRS) is prepared by MIGA staff and disclosed prior to the date on which MIGA's Board of Directors considers the proposed issuance of a Contract of Guarantee. Its purpose is to enhance the transparency of MIGA's activities. This document should not be construed as presuming the outcome of the decision by MIGA's Board of Directors. Board dates are estimates only.

Any documentation that is attached to this ESRS has been prepared by the project sponsor, and authorization has been given for public release. MIGA has reviewed the attached documentation as provided by the applicant, and considers it of adequate quality to be released to the public, but does not endorse the content.

Country:	Turkey
Sector:	Manufacturing
Project Enterprise:	Indesit Company Beyaz Esya Pazarlama A.S. and Indesit Company Beyaz Esya Sanayi ve Ticaret A.S.
Environmental Category:	B
Date ESRS Disclosed:	March 30, 2015
Status:	Due Diligence

A. Project Description

The project entails the acquisition of Indesit Company Beyaz Esya Pazarlama A.S. (Sales Operation) and Indesit Company Beyaz Esya Sanayi ve Ticaret A.S. (Manufacturing Operation) (together Indesit Turkey) by Whirlpool Corporation in the amount of approximately €150.0 million (the Project). Indesit Turkey comprises a Manufacturing Operation in Manisa, approximately 40 kilometers from Izmir on the West coast of Turkey, and a Sales Operation in Istanbul.

Indesit Turkey's cooling plant in Manisa has been in operation since 1990, producing refrigerators and freezers. A finished product warehouse was added in 2008, and the construction of a washing machine plant was completed in 2014. The total production of the cooling plant currently amounts to approximately 1.2 million units per year, out of which approximately 80% is exported and the remainder sold to the Indesit Sales Operation in Turkey.

Both manufacturing plants are located within the Manisa Industrial Zone (the Industrial Zone), the largest industrial zone in Turkey, originally established in 1968 with enlargements in 1988, 1997 and 2007. The Industrial Zone covers almost 10 km², with around 180 companies in operation, employing approximately 41,000 staff. The zone includes a waste water treatment plant, potable water supply, a fire brigade, power station, and waste management services.

The Indesit Turkey manufacturing facility within the Industrial Zone covers an area of 245,000 m², including the washing machine plant, the cooling plant (fridges, freezers), the finished product warehouse, and a canteen.

The Sales Operation is based in Istanbul, and sells products manufactured in Manisa, as well as imported cookers, ovens, hoods etc. to wholesalers and retailers in Turkey. Apart from administrative offices, the facilities include a show room.

B. Environmental and Social Categorization

The Project is Category B under MIGA's Policy on Environmental and Social Sustainability (2013). The Project is expected to have limited environmental and social (E&S) impacts that are generally site-specific and largely reversible. Key E&S issues related to the Project include Indesit Turkey's capacity to manage environmental, social, health and safety performance; worker health and safety; storage, handling of and use of hazardous materials and waste; emissions; wastewater treatment and disposal; emergency response (including fire and explosion); and supply chain management.

C. Applicable Standards

While all Performance Standards (PS) are applicable to this Project, based on our current information the Project will have impacts which must be managed in a manner consistent with the following Performance Standards:

- PS1: Assessment and Management of Environmental and Social Risks and Impacts
- PS2: Labor and Working Conditions
- PS3: Resource Efficiency and Pollution Prevention
- PS4: Community Health, Safety and Security

E&S issues associated with the following PSs were not encountered during the assessment of the Project:

- PS5: Land Acquisition and Involuntary Resettlement is not expected to be applicable as the Project involves no physical or economic displacement;
- PS6: Biodiversity Conservation and Sustainable Natural Resources Management is not triggered as there are no known impacts on conservation or biodiversity;
- PS7: Indigenous Peoples is not expected to be triggered as no known indigenous peoples are within the areas of the Project; and
- PS8: Cultural Heritage is not triggered as the Project is not located in areas of known historical or cultural significance, and involves no construction activities.

The following World Bank Group (WBG) Environmental, Health, and Safety (EHS) guidelines are applicable to the project:

- General EHS Guidelines
- Metal, Plastic, and Rubber Products Manufacturing

D. Key Documents and Scope of MIGA Review

In addition to reviewing environmental and social documentation, MIGA conducted a site visit of the manufacturing plants in February 2015. MIGA also met with relevant representatives of Indesit Turkey for the Manufacturing Operation and for the Sales Operation, and with the Manisa Industrial Zone.

The following documents were reviewed by MIGA:

- *Integrated Management Systems Handbook*, Indesit Company S.p.A. Rev 3, dated 5/31/2012.
- *Environmental Management System Manual ISO 14001*, Indesit Company. S.p.A. Rev 1, dated 5/13/2013.
- *Environmental Impact Assessment Matrix (in Turkish)*, Indesit Company Manisa.
- *Emergency Preparedness Procedures*, Indesit Company. Rev. 1, dated 1/10/2013.
- *Environmental Risk Analysis Instruction*, Indesit Company. Dated 4/30/2013.
- *Management of H&S and Environmental Legal and Regulatory Requirements Procedure*, Indesit Company. Rev. 1, dated 1/10/2013.
- *Waste Management Directive for Turkey*, Indesit Company. Rev. 1, dated 5/10/2013.
- *Statement of Waste Water Analysis Review*, issued by Manisa Industrial Zone, dated 3/5/2015.
- *Air Emissions Measurement Summary Report*, issued by Çevtest Measurement Lab. TIC. LTD, July 2014.

E. Key Issues and Mitigation

PS1: Assessment and Management of Environmental and Social Risks and Impacts

MIGA's review considered Gigawatt's capacity to manage its environmental, safety and health performance and compliance with Turkish permitting requirements. The review concluded that the Project's management systems and operations are in line with the requirement of PS1.

Environmental and Social Assessment: A Preliminary Environmental and Social Impact Assessment Report for the construction of the washing machine plant was prepared according to the requirements of the Ministry of Environment and Urbanization. Given that the constructing took place within the Industrial Zone, and foreseen impacts of the construction and operation were considered limited, the Manufacturing Operation was not required to prepare a full impact assessment. The preliminary assessment identified the main impacts being air and water emissions,

as well as waste generation. Mitigation and monitoring of these impacts have been incorporated into the Project's Environmental Management System.

Management Program and Monitoring: The Manufacturing Operation has an Environmental Management System in place, certified to ISO 14001 and in line with Performance Standard 1. The management system includes an environmental policy, description of regulatory requirements, procedures for control and monitoring, environmental management of production and operational activities and risks, as well as reporting and communications procedures. The Sales Operation has a separate Environmental Management System of similar scope applicable to the office in Istanbul.

Indesit Turkey also has a Quality Management System in place, certified to ISO 9001. The management systems will remain intact under Whirlpool ownership, with minor changes to, for example, reporting parameters to the corporate level.

Indesit Turkey submits monitoring data (e.g., air emissions, water quality, etc.) to the regulatory authorities on an annual basis and reports to Whirlpool Corporate on EHS matters on a monthly basis. Indesit Turkey will be required to submit annual monitoring reports to MIGA.

Emergency Preparedness Procedures: The Manufacturing Operation has Emergency Preparedness Plans in place, describing responsibilities, identified potential emergencies, procedures for identification and actions after identification, training and organization in case of emergency, as well as recording of emergencies and corrective actions.

Selected staff members receive training related to emergency response, to form on-site teams for firefighting, first aid, security, and rescue (in case of explosion etc.), giving the Project capacity to respond to emergency situations. All staff receive training on emergency response, including evacuating procedures and basic first aid and firefighting skills.

The manufacturing facilities have been inspected by the fire brigade of the Industrial Zone, and have a Fire Permit in place. All buildings are equipped with automatic fire detection systems, sprinklers, fire extinguishers and hoses. There are two rooms equipped with firefighting Personal Protective Equipment (PPE) and equipment for the internal firefighting team.

Gas leak and heat detection systems are installed at work sites exposed to such risks, as well as signage for evacuation and response procedures in the event of an incident.

The Sales Operation has emergency preparedness procedures for the offices and show-room, including evacuation plans and signage, fire extinguishers, and selected staff members trained in first aid and evacuation procedures.

Organizational Capacity and Training: The Health Safety & Environment (HSE) Manager at the Manufacturing Operation has a team of four technicians and one HSE Specialist. At least one technician is always on duty, in the case of an environmental or safety incident. The HSE Manager reports directly to the Site Director, as well as the HSE team at the Whirlpool European Headquarters in Italy. Mandatory training for all staff in the manufacturing plant includes separate sessions on health, safety, environment, energy, emergency and fire management.

Supply chain management: Procedures for supply chain management are set out in the Environmental and Quality Management Systems. All primary suppliers are required to comply with local legislation, maintain all relevant environmental licenses and certificates, and follow quality assurance guidelines as set out by Indesit Turkey's Quality Management System and requirements of the ISO 9001 certification.

PS2: Labor and Working Conditions

The Manufacturing Operation employs around 1,100 permanent staff over 3 shifts. During periods of high demand, additional capacity is added to the workforce through approximately 200 short-term contracts. The Sales Operation employs around 130 permanent staff. Indesit Turkey currently has no plans for staff reductions or large increases to the number of employees.

Working Conditions: Indesit Turkey has a set of human resources (HR) policies and procedures governing working conditions at both the Manufacturing Operation and Sales Operation, including performance management, recruitment and selection, training, bonus management, travel, minimum age (18 years), non-discrimination, and code of conduct.

All factory workers are members of the national Union for Metal Industry Workers, and an agreement is in place between the Indesit Turkey and the Union covering employee's rights. Under this agreement, a disciplinary committee comprising of two representatives from the Union and two from the employees advise and negotiate on issues raised between employees and the management. Although not unionized, the Sales Operations staff can collectively bargain with management should they decide.

Employees at the manufacturing plant receive labor skills training as needed, including fork lift and crane operations training, working at heights, electrical work, etc., and are offered shuttle bus from Manisa center, and lunch/coffee and drinking water at the work stations.

Grievances from all staff can be directed to the team leader, union representatives, HR manager, or anonymously through the Occupational Health and Safety (OHS) reporting system.

Worker Health and Safety: Indesit Turkey has a Health and Safety Policy in place, recognizing the importance of healthy and safe working environments, and their commitment to identification, assessment and control of hazards and risks through the application of the OHS Management System, which is certified to OHSAS 18001. The system includes procedures for safety and incident control, training, monitoring and reporting, and is in line with the requirements of PS2 and WBG EHS Guidelines for Metal, Plastic, and Rubber Products Manufacturing.

All manufacturing employees are provided with clothing and PPE adapted to his/her respective work station. First aid kits are available, and apart from mandatory first aid training for all staff, designated employees receive additional training to form a first aid team at the manufacturing facility. Appropriate signage is in place, including machinery with moving parts, material safety data sheets, separation of walking and fork lift operation areas, etc.

A near miss reporting system has been implemented at the manufacturing facility since 2009, using identification of unsafe conditions, unsafe acts, and near miss incidents to improve safety performance. Stations with reporting forms are available at multiple locations in the plant, and actions taken on each reported item are followed up by the EHS Manager and reported to the site director. Since the onset of the program in 2009 the number of incidents have decreased from 15 – 20 per year, to 1 – 5 per year, while the number of accidents per hours worked have decreased from 4 - 5 (per 10 million hours worked) to less than 1.

A machine safety improvement program is under implementation at the manufacturing facility with the purpose of ensuring that all old machines are upgraded to modern standards for safe work conditions. Human exposure analysis has been carried out by a third party, including noise assessment and unhealthy procedures at work stations. The findings of the analysis have been addressed, and additional improvements are currently managed through the near miss reporting system.

PS3: Resource Efficiency and Pollution Prevention

Risks and impacts for the Project are primarily related to water and air emissions, solid and hazardous waste, and spills. These risks and impacts are managed through procedures outlined in the Environmental Management Plan. Emission levels, and waste management procedures are in line with the requirements in WBG EHS Guidelines for Metal, Plastic, and Rubber Products Manufacturing.

Air quality: Air emissions arise from various sites in the manufacturing facility, including chemical preparation room, plastic sheet production, foam injection, welding stations, paint shop, etc. Vent hoods are in place at appropriate locations. The main gases used in the process include cyclopentane, isocyanides, nitrogen, and oxygen. All stack emissions are measured and analyzed every two years by a third party company, which also makes an assessment of any other potential air emissions from the plant. Air quality within the manufacturing plant is monitored through a gas leak detection system. The environmental permit, which includes air emissions limits, must be renewed with the Ministry of Environment and Urbanization every five years.

Water quality and usage: Wastewater from the manufacturing facility is discharged to the Industrial Zone's internal chemical and biological water treatment system, as per the facility's permit. Monthly sampling and reporting of the facility's discharge is carried out by the zone, which has an in-house laboratory, to ensure that effluent from the facility is within applicable limits. The effluent from the Industrial Zone's treatment plant is continuously monitored by the Ministry of Environment and Urbanization. To date, there is no record of levels of pollutants exceeding applicable limits, or spills at the manufacturing plant.

The manufacturing plant's main source of water is from groundwater wells, supplemented by water from the municipal network. The groundwater is treated at the plant's potable water treatment plant.

Waste management: Waste management procedures at both Manufacturing and Sales Operations follow legal requirements for recyclables, domestic, and hazardous waste. Hazardous waste at the manufacturing plant, including chemical containers, waste chemicals etc., is collected and stored in a dedicated storage facility, and transferred and disposed by a licensed contractor.

The hazardous waste storage is locked and accessible to the waste contractor's staff only, covered and protected from rain and surface water, and has a separate drainage system. Any runoff is removed and disposed by the contractor.

Recyclables, including plastic, paper, metal etc., are collected in the production process at the manufacturing facility, transferred to a temporary storage area designed for the purpose and collected by a licensed contractor. The contractor has personnel and equipment on site at the waste storage area to ensure that waste separation storage procedures are followed.

Domestic waste at the manufacturing plant, including food waste, garbage etc., is collected by Industrial Zone and disposed in the waste disposal area of Manisa Municipality.

PS4: Community Health, Safety and Security

The Industrial Zone is located approximately 8 km from Manisa city center, and provides a large proportion of the city's employment opportunities. The land where the Manufacturing Operation is located has been dedicated as an industrial zone since 1988. Thus, given its location within the zone, the manufacturing plant's impacts on and interaction with the local community mainly concerns employment opportunities, potential risks associated with transports to and from the facility, and security. The Industrial Zone regulates speed limits, signage requirements, heavy transport regulations, etc. within the Zone.

Firefighting equipment is available on-site, and approximately 50 staff members have received firefighting training and have capacity to manage small to medium fire incidents. In addition, the Industrial Zone has its own firefighting brigade available 24 hours a day, supporting the Project's internal firefighting capacity. Regular drills are held, but so far no fire incidents have been reported at the manufacturing plants.

Security Arrangements: The Industrial Zone has open access through several road entry points, each facility within the zone ensures individual security arrangements. The manufacturing plant area is fenced, with controlled access points (gates) and a local security company has been contracted for security control. Unarmed security guards are on site 24 hours a day. Within the Industrial Zone the municipal police is responsible for general security, and a police station is located within the zone.

F. Environmental Permitting Process and Community Engagement

In addition to a general environmental permit to operate the manufacturing plant, Indesit Turkey has indicated that it is required to maintain a variety of permits related to hazardous waste storage, groundwater abstraction, and wastewater discharge. No environmental permits are required for the Sales Operation. Based on recent monitoring reports, Indesit Turkey is in compliance with host country requirements.

Indesit Turkey reported having a good reputation as employer in Manisa, and only employs local staff for factory worker's positions. Indesit Turkey meets regularly with representatives from the Industrial Zone and from other facilities located within the Zone.

G. Availability of Documentation

There is no documentation attached to this ESRS.