

1. Scope of Environmental Review

Delimart is a medium-scale Haitian company, one of Haiti's main supermarkets chains with four company-owned points of sale and a wholesale distribution network of food and general merchandise^[1]. IDB Invest's review of this Project consisted of appraising technical, environmental, health and safety (EHS) and social related information submitted by the company including stakeholder management plan, personnel roles and responsibilities, organization charts, human resources (HR), emergency response plan and energy and water consumption details. IDB Invest focused its due diligence on ensuring the following (i) proper management of environmental and social aspects of the business, (ii) proper management and oversight of occupational health and safety risk and labor issues, both during construction and operations, and applicable to direct workers and workers engaged by third parties, and (iii) appropriate consideration of community health and safety.

The appraisal included a site visit to Delimart's office in Port au Prince on 15th and 16th July 2019. IDB invest E&S specialist visited three supermarkets of Delimart's chain, "Clercine" (operating), "Turgeau" (under construction), and "Delmas 30" which is the objective of this investment. Discussions were held with the company's CEO, Operations and Technical Directors and head of Human Resources, also interviews with staff, workers at different levels, contractors (EPC, security services) and two companies of their supply chain.

2. Environmental and Social Categorization and Rationale

This is a category B project according to IDB Invest's Sustainability Policy because the financing will result in limited potential adverse E&S risks and/or impacts that are few, generally site-specific, largely reversible and readily addressed through mitigation measures.

Key E&S issues across existing facilities related to this Project include: (a) the company's capacity and systems to manage E&S risks and issues specially during construction; (b) EHS and labor management practices; (c) management of contractors; and (d) occupational health and safety of workers. IDB Invest's environmental and social due diligence indicates that the investment will have impacts, which must be managed in a manner consistent with Performance Standards (PS) triggered by the Project: PS 1 - Assessment and Management of Environmental and Social Risks and Impacts, PS 2 - Labor and Working Conditions, PS 3 - Resource Efficiency and Pollution Prevention, PS 4 - community Health and Safety.

3. Environmental and Social Context

In July 2018, three out of four stores of Delimart supermarkets were vandalized and looted during the events of July 6, 7 and 8, 2018 in Port-au-Prince, during popular demonstrations to denounce the government's decision to raise the price of petroleum products on the local market. Since then, the Company has been working on the reconstruction of these three stores that will gradually reopen for business in the next months.

According to Delimart's CEO, the rebuilding process of their stores gained the empathy of Haitians because after the incident, the Company decided to reopen the stores that were even nicer than before becoming the pride of the people of their respective areas. During the site visit, it was evident that Clercine's neighborhood uses Delimart's supermarket as a gathering space, as its design includes a food court where people go to chat and get together.

The existing facilities are in a well-established commercial zone away and their operations present low risks to the neighboring communities. The land for the project is directly owned by the company,

as Delimart bought it after renting it for almost 10 years. Currently, the Project is at the design phase with a contractor managing it including the supervision of an independent firm. There is no bidding process yet in place for the construction phase of Delmas 30.

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

4.1 Assessment and Management of Environmental and Social Risks and Impacts

4.1.a. E&S Assessment and Management System

Delimart operations are mainly managed based on the experience of their management staff and have not implemented a management system addressing their processes or their environmental nor social aspects of their operations. Consequently, an Environmental, Social, Health and Safety Management System (ESHS MS) needs to be elaborated based on the assessment of its social and environmental matters for the Project's construction operation phases.

4.1.b. Policy

Delimart needs to build its Environmental, Social, Health and Safety (ESHS) Policy.

4.1.c. Identification of Risks and Impacts

The Project has not yet identified its ESHS risks and impacts for the construction and operation phase. However, as result of the social riots that vandalized and looted the Company's stores last year, they have made an internal exercise to assess social disruption risks and implement some initiatives to control them. Further effort must be done in order to complete this initial assessment and include all ESHS aspects relevant for Delimart's business as part of an ESHS MS.

4.1.d. Management Programs

Since no specific environmental and social assessment has been undertaken for the Project, no mitigation or control measures or management programs are available to avoid impacts during its construction and operation. Even though impacts and risks are considered medium-to-low or low, management programs need to be developed to avoid them or manage them, especially the following i) occupational health and safety of workers; ii) emergency preparedness, iii) community relations, and iv) management of contractors and subcontractors (contracts and contractor performance).

4.1.e. Organizational Capacity and Competency

Delimart's organizational chart has two main directors: operations and financial. Under the first one lies the Technical Director, who has the responsibility of all Delimart's technical matters (including environmental and social aspects). Notwithstanding, Delimart has not identified its environmental and social aspects. Delimart should identify the knowledge and skills necessary for managing its EHS aspects within an ESHS MS, and designate a professional in charge for planning, implementing and monitoring all the required environment, social and health & safety related actions.

Boulos Group's business Principles highlights its continuous investment in the training of its professionals in order to be largely market-competitive and to keep moving forward^[2]. Interviewed workers at Clercine highlighted the added value Delimart represents for their development and the on-the-job training they received. However, environmental, social and occupational health and safety aspects are not yet considered as part of the current on the job training scheme. Delimart should deliver training triggered by past events (emergency situations, accidents, internal or external

grievances) or shortcomings in performance to improve their current practice.

4.1.f. Emergency Preparedness and Response

To date, Delimart has not identified hazards and risks at their business and the Company will need to prepare an Emergency Preparedness and Response Plan that includes a safety analysis to determine the need for fire detection systems (including alarms, smoke detection, and extinguishers).

According to Clercine's Emergency Plan, there are fire extinguishers in appropriate locations and fire safety inspections are carried out twelve times a year. It is important that they ensure that extinguishers have visible and easy to read information on their location and that the operating instructions are in Haitian Creole. They will also be required to maintain monthly records of the inspections and ensure that equipment is fully charged as part of a more detailed fire detection system. Furthermore, the group has employed 2 firefighters full time invested in 2 brand new fire trucks that are ready to deploy 24/7.

Delimart will need to carry out evacuation and fire drills for different emergencies and establish evacuation routes, emergencies exit and assembly points. Also, training needs to be provided to employees periodically and Delimart's staff should know about the security Protocols to be implemented in Delimart supermarkets by their security armed guards.

4.1.g. Monitoring and Review

The Company will need to develop a compliance matrix for legal and contractual obligations, including a set of key performance indicators to measure the effectiveness on ESHS aspects.

4.1.h. Stakeholder Engagement

After the 2018 riots, which caused enormous damage to Delimart's stores, the directors have acknowledged the importance of social engagement in order to manage risks. Actions taken after these events involved the implementation of some social initiatives in Delimart's management. Since then, Delimart is engaged with social media, has reinforced its physical security and is more aware of the social aspects.

Delimart has worked on a stakeholder management plan, however it is still a first version not yet approved and needs to be improved by identifying its stakeholders, proposing an engagement plan, integrating current social initiatives into a program, defining the means of communication, performance indicators, etc.

In 2018 the Boulos Foundation was created by Boulos Group CEO to promote Education and Health initiatives as part of Boulos Group Social Corporate Responsibility. It has had some initiatives implemented in Delimart's area of influence, mainly Corporate and Social Responsibilities activities (donations of soccer balls, school bags, etc).

Delimart has implemented a couple of initiatives on stakeholder engagement in Clercine. The first one includes a group of twelve men from Clercine's surrounding community, with whom the company works everytime Clercine's canal needs to be cleaned. The second initiative was conceived when Clercine's surrounding wall incorporated in their design avoiding the impact to informal merchants located in the area. Delimart decided to modify the emplacement of its surrounding wall and engaged with 24 informal merchants by building six commercial stalls to be used in shifts by them to continue their economic activity.

4.1.i. External Communication and Grievance Mechanisms

Delimart manages external communications and grievances through social media and receiving letters in their stores. Most of the communications they received are job related, mainly people asking for jobs or financial support. As reported by their Human Resources Director, social media is the mechanism they use to reply to job offers (95% messages received on Facebook are job requests). There is no formal mechanism or program for external communication, nor to standardize the redress grievance mechanism. Although a redress practice is in place, Delimart will need to establish a program, key performance indicators and measures its practice in order to assess the effectiveness of their practice.

Delmas 30 Stakeholder Management Plan states that “individual stakeholders will be encouraged to participate and to voice questions and concerns, with the most serious issues and concerns that are raised addressed in a formal, rigorous process through the Issues and Risk logs”⁵. Therefore, there is evidence Delmas 30 is considering a strategy to address grievances, now it needs to complement its plan with the processes it refers to, the logs, training, responsibilities, etc.

4.1.j. Ongoing Reporting to Affected Communities

Social media is the way Delimart communicates about its business. The engagement plan drafted for Delmas 30 states “Delmas 30 Project will have mechanisms to receive ongoing direct feedback from key stakeholders, including periodical group meeting -Information Sharing -”^[3]. The company should complement it elaborating an engagement plan by each key stakeholder identified and an ongoing reporting during the construction and operation phases.

4.2. Labor and Working Conditions

4.2.a. Working Conditions and Management of Worker Relationships

Delimart has 240 direct employees (69% men and 31% women). The Labor code in Haiti is the basis for their practice in labor conditions. Delimart’s salaries are higher than the minimum rate and it provides private health insurance to its employees and family members at no cost to the employee.

The recruitment process is formalized for high professional profiles in the organization, but for non-professional positions, the common practice is to receive resumes at their stores, HR compiles them and keeps a database of potential candidates.

According to Haitian Labor law, the individual contract of employment may be verbal or written. In Delimart all direct employees have signed contracts, which are in French (not in creole), therefore, the company mentions they go line by line and explain them to the employees in groups or individually. Also, in Haiti workers work a maximum of 48 hours weekly, after which overtime pay is required. The company operates two shifts and complies with local law and its requirements for overtime pay. New employees receive 15 days for training on the job, is not a formal process but an inhouse practice.

Also, the company refers that it is supervised by the Ministry of Commerce every semester, the Ministry of Health twice a year and Ministry of Labor once every trimester. However, it still needs to work on its Internal Regulations according to Haiti Labor code (art. 396 to 403) and communicate it to the employees. If Delimart doesn’t comply with the requirement to have internal rules it is liable to a fine.

4.2.b. Worker’s organizations and Grievance Mechanism

All employees are free to organize and join labor unions, however, none have chosen to do so.

Employee benefits are considered more advantageous, and there is limited number of labor organizations within the country. Therefore, there are no unions or such of organizations in Delimart, no one acts on behalf of the employees as they promote the direct contact among parties.

The Company manages an open-door policy, which promotes a strong two-sided communicational competency that are developed among employees and employers, investors and partners, professionals and all staff. Workers can go to HR director to raise any concern, however there is no formal Workers Grievance Mechanism in place. The report from the HR director is the only one they maintain when a grievance is raised. Every three months, the HR director holds a meeting with the employees to review concerns. Also, they have implemented a Whatsapp group between employees and HR.

4.2.c. Occupational Health and Safety

Delimart needs to develop an occupational Health & Safety policy, that should be extended to their contractors, especially during the construction of the new store. This Policy should commit to establish a working environment where the health and safety of its employees and stakeholders are the highest priority.

The company needs to identify its risks and the needed control measures for their operations, develop procedures, keep registries of incidents and accidents, design a training program on OHS for its workers, and extend the Policy and procedures to their main contractors.

Delimart has a written Emergency Plan, which integrates a communication plan referring relevant contact numbers as the city council manager, the chief of police, among others. This plan was updated after the social disruption event last year; however, it needs to be rolled out.

4.2.d. Workers Engaged by Third Parties

Delimart's influence and control over the third parties on ESHS aspects are not robust, nor aligned with measures to mitigate health and safety risks. In order to follow the Haitian Labor code, the company needs to ensure that all the contractors adhere to the company policy and ensure that their staff are working in safe conditions and enforce safety procedures.

4.2.e. Supply Chain

For fresh local produce, meat, seafood, Delimart does not deal directly with local farmers. Instead they deal with brokers who are able to supply them with the full variety of items needed. These brokers play an integral part of Delimart's supply chain and Delimart supports them in a variety of ways, most notably by putting them on accelerated payment terms. Delimart intends to put in place a credit line for these key suppliers to further support their commercial activity and allow them to better meet the needs of Delimart. Delimart buys local products from a variety of local suppliers and across all available categories and actively favors these products in its shelf management. Its main goal is to increase its sales of locally produced items from 28% to 40% over the next 5 years.

4.3. Resource Efficiency and Pollution Prevention

4.3.a. Resource Efficiency

Delimart uses the municipal utility system and groundwater they pump from a well located in the Clercine parking lot, which is then stored in a water tank for their use. There is no formal document for water rights and volume authorized, licenses or clearances from the Environmental Ministry for

using groundwater are not available.

IDB Invest's assessment considered the company's operations regarding resource consumption (water, and diesel fuel), efforts to optimize resource inputs, waste minimization and management practices. The most significant improvements will come from the intended use of proceeds that specifically aim to: i) partially replace Delimart's reliance on diesel fuel with the installment of solar panels on the roof of Delmas 30, ii) the elimination of all foam packaging products for in their stores, and iii) promote the use of recycled bags at their stores a cost which they subsidize.

4.3.b. Pollution Prevention

Delimart manages solid waste by storing it on site and then disposing of it daily using the services of an authorized waste management provider. Liquid effluent is drained to a septic systems tank and removed monthly from the site by a sanitary contractor. Disposal certificates are not available as they are not provided by any government entities. As they are not connected to the national electrical grid, the company has an energy provider that installed diesel generators on the Company's sites while they will explore the feasibility of using solar panels.

4.4. Community Health, Safety and Security

4.4.a. Community Health and Safety

Due to the potential for fires and given the historic social disruption associated with it, the enforcement of a fire protection measures will be required at the stores.

4.4.b. Security Personnel

Delimart has contracted a security firm to oversee all security issues at their stores. All the security guards are armed and trained on their protocols. The security contractor should provide Delimart its hiring procedures, training of its personnel in the adequate use of force, good use of communications (radios, phones, etc.), first aid and fire fighting among other aspects. With this input, Delimart should elaborate its security forces management plan and protocols.

4.5. Land Acquisition and Involuntary Resettlement

The land for the development of Delmas 30 is already acquired and is on a commercial site, which Delimart had been renting for 10 years before the acquisition. Therefore, the land acquisition and involuntary resettlement Performance Standard (PS 5) is not applicable for this Project.

4.6. Biodiversity Conservation and Natural Habitats

The Project is located on an existing commercial site. Therefore, the biodiversity conservation and natural habitat Performance Standard (PS 6) is not applicable for this Project.

4.7. Indigenous People

No indigenous peoples are in the area, therefore, the indigenous peoples Performance Standard (PS 7) is not applicable for this Project.

4.8. Cultural Heritage

The Project is in already existing commercial area where the store was operating for 10 years before the vandalism events in 2018. Therefore, PS 8 on Cultural heritage is not applicable for this Project.

[1] Available online <https://groupeboulos.ht/delimart/>

[2] Available online: <https://groupeboulos.ht/principles/>

[3] Delimart Delmas 30 Stakeholder Management Plan (Version 1.00 January 2019)

5. IDB Invest Contact Information

For project inquiries, including environmental and social questions related to an IDB Invest transaction please contact the client (see **Investment Summary** tab), or IDB Invest using the email requestinformation@idbinvest.org. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to mecanismo@iadb.org or MICI@iadb.org, or calling +1(202) 623-3952.