

1. Scope and Overview of the Environmental and Social Review

The Client is a manufacturing company constituted in the Dominican Republic more than two decades ago.

As part of the Environmental and Social Due Diligence (ESDD) Process, IDB Invest visited the Client in June 2019, at which time it held meetings with the economic group's management, its employees and contractors, as well as with representatives of the neighboring communities. It also reviewed key documents, including the Code of Ethics, the Environmental Management Plan, the Emergency Response Plan, Environmental Compliance Reports (October 2018, January 2019), social policies, manuals, plans and programs, and its environmental licenses.

1.1. Environmental and Social Categorization and Rationale

The Project is classified as a Category B (medium risk) operation under IDB Invest's Environmental and Social Sustainability Policy, since its environmental and social risks and impacts (mainly noise due to the operation of machinery; slight air pollution due to particulate emissions; and waste generation) will be limited, site-specific, and subject to feasible mitigation through good industry practices.

The operation triggers the following Performance Standards (PS):

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, Safety and Security

Given that the Client has been operating for several decades in an intervened industrial area where there are no vulnerable species or conservation sites, no other Performance Standards are triggered. The area has no history of archeological remains, nor are there any indigenous groups there.

2. Environmental and Social Context

The Client's operations are located on the outskirts of a major urban center, in an area in which many industries operate. Its facilities have been built in modules, which has allowed the gradual growth of its production capacity.

2.1. Assessment and Management of Environmental and Social Risks and Impacts

a. E&S Assessment and Management System

The Client has an Environmental Management Plan (EMP) and management programs that have been submitted to the Ministry of Environment as a requirement to obtain the corresponding Environmental License. The EMP contains the measures required to prevent, mitigate, or compensate for the environmental impacts associated with the Client's operations.

b. Policy

The Client has a policy that provides for a Comprehensive Management System, through which it commits to fulfill all legal requirements, national and international quality management,

environment, safety, and health standards, foster training and promote continuous improvement. The Client also has an Occupational Health and Safety Policy that promotes good prevention practices against exposure to occupational hazards and diseases associated with working conditions, the environment, and other factors that may compromise the safety, health, and physical integrity of its personnel.

However, it has yet to develop Project-specific Human Resources policies, Environmental and Social policies, Occupational Health and Safety policies, and client-specific Quality policies. To date, it has a draft Environmental Policy that is projected to be completed and approved as part of its upcoming ISO 9001 and ISO 14001 certifications.

c. Identification of Risks and Impacts

Most of the risks, impacts, and required management measures have been included in the EMP. The Client has furthermore identified hazards, risks, and mitigation measures per process and per activity in three different action scenarios: normal, maintenance, and emergency (the latter for only some activities in each process). The Client has an occupational hazards risk assessment matrix for each activity.

d. Management Programs

The Client has several management programs in place as part of the Comprehensive System and EMP, the most important of which include measures to: protect air quality, manage domestic and industrial wastewater, manage and handle fuels and waste oil, manage solid waste, manage water and energy, and train and onboard employees.

e. Organizational Capacity and Competency

The Client's Human Resources and Environmental, Social and Health and Safety Management have dedicated teams in charge of implementing the abovementioned management programs.

f. Emergency Preparedness and Response

The Client has an Emergency Response Plan (ERP) that describes the roles, responsibilities, and general procedures used to prevent, direct, coordinate, and execute its staff's actions in an emergency. The ERP addresses the following scenarios: fire and explosion, gas leaks (LPG), spills, medical emergencies (occupational accidents), plant incidents (intruders, road blockages, vandalism, transport robberies, etc.), transport emergencies or collisions, and natural events (floods, hurricanes, earthquakes).

g. Monitoring and Review

In order to keep its Environmental Permit, the Client submits a biannual Environmental Compliance Report (ECR) to the Ministry of Environment and Natural Resources. It must also submit regular reports to international quality certifying bodies.

The Client also has an Auditing, Risk and Compliance Committee that meets every two months to, among other things, analyze and evaluate the E&S risks of the groups' projects.

h. Stakeholder Engagement

- (i) Stakeholder Mapping/Analysis and Engagement Planning (and ongoing)

To date, there is only a preliminary stakeholder analysis, which was done as part of the requirements to obtain the ISO 9001 and 14001 certifications.

- (ii) Disclosure of Information

The Client discloses information on the Project through its website and through the Facebook and LinkedIn social media platforms.

- (iii) Inquiries

No community consultations have been conducted for the Project in question, as the Client's operating facilities were built in the 1980s, fulfilling all environmental and legal requirements in force.

i. External Communication and Grievance Mechanisms

- (i) External Communication

The Client has collaborated with the community by donating school supplies and supporting the refurbishment of schools. These activities, however, are part of its Corporate Social Responsibility activities and are not part of the disclosure of the risks associated with its operations.

- (ii) Grievance Mechanism for Affected Communities

The Client still lacks an external or community grievance mechanism, with the exception of an Ethics Hotline whose number is on the group's website.

j. Ongoing Reporting to Affected Communities

Given that the Project has no direct impact on the population—so there is no directly "affected" population—there is no ongoing reporting to the affected communities. There is a good relationship between the Client and the population, since the company is one of the main employment generators not only for the surrounding communities (neighborhoods), but also for the nearest city.

2.2. Labor and Working Conditions

a. Working Conditions and Management of Worker Relationships

- (i) Human Resources Policies and Procedures

The Client has a Code of Ethics that defines and delimits the relationship with the staff; the relationship with other clients and suppliers; the relationship with the community (conceived as Corporate Social Responsibility); the disciplinary measures to be applied in the event of transgressions; and an Ethics Hotline.

Although there are no restrictions on employees' freedom of association, no unions have been formed in any of the Client's companies.

- (ii) Non-discrimination and Equal Opportunity

The Code of Ethics contains a section prohibiting sexual harassment, bullying, and abuse in any shape or form. Moreover, the Client prohibits discrimination against individuals based on gender, ethnic group, religion, political preference, sexual preference, or national origin and any other form of discrimination. Grievance Mechanism.

- (iii) Grievance Mechanism

The Client's Code of Ethics includes an Ethics Hotline. The former fails to identify, however, how the grievance process is registered, evaluated, responded to, and closed.

b. Protecting the Workforce

The Client complies with the national labor legislation, which prohibits forced labor, child labor, and the employment of minors younger than 16 years old. It also defines an eight-hour workday, without overtime pay. Should it be necessary to reinforce a work team in order to comply with commitments to the client, the workday is extended, and overtime is paid in keeping with the law.

c. Occupational Health and Safety

The Client maintains strict control over the use of Personal Protective Equipment (PPE), through a permanent on-site supervisor who keeps a record of breaches. Repeated breaches result in the employee receiving written reprimands that may result in termination.

It also monitors its workers' blood and hearing health twice a year to ensure that they are unaffected by its manufacturing processes.

d. Workers Engaged by Third Parties

Workers are engaged by third parties under the same terms used for direct hiring, including, among others, an onboarding process and checks to verify formal employment. However, no Contractor Control Manual could be found.

e. Supply Chain

The raw material used by the Client comes from various parts of the world. The criteria for selecting suppliers are basically quality, price, and availability. Environmental parameters are not included in supplier selection.

2.3. Resource Efficiency and Pollution Prevention

a. Resource Efficiency

- (i) Greenhouse Gases

The company does not measure greenhouse gas emissions.

- (ii) Water Consumption

The supply of water for consumption is through the public water network. There is also a well from which water for domestic consumption is drawn for the corporate building, especially for cleaning and services. Water consumption and payment is registered monthly.

b. Pollution Prevention

The Client regularly monitors atmospheric emissions, air quality, and noise in its manufacturing processes.

The inputs warehouse located at the Client's plant lacks secondary containment mechanisms capable of mitigating the impact of a spill. Even though containers are no larger than 3 gallons, it is

important to ensure the prevention of spills. This requirement is included in the Environmental and Social Action Plan (ESAP).

- (i) Waste

The Client employs the services of a company that cleans septic tanks and those of another company that collects manufacturing by-products.

- (ii) Hazardous Materials Management

The Client uses a company certified by the Ministry of Environment for the final disposal of hazardous waste.

2.4. Community Health, Safety and Security

a. Community Health and Safety

- (i) Infrastructure and Equipment Design and Safety

The Client's facilities are equipped with efficient pollution prevention technology to avoid any impact on the health or safety of the population.

- (ii) Hazardous Materials Management and Safety

The Client has a Hazardous Waste Management Plan that is included in its Environmental Management Plan.

b. Security Personnel

Security personnel are supplied by a company dedicated to providing security to the Client and other external clients. For the most part, the security guards are armed. They have weapons carry licenses and have the training to use them.