

1. Scope of Environmental Review

IDB Invest performed due diligence on the Project from March 16th to 19th 2020. In addition, environmental information was reviewed from different reports, internal documents on Fernandes Guyana Enterprises Inc. (FGE) policies and procedures, and staff were interviewed.

2. Environmental and Social Categorization and Rationale

This is a category B project, in accordance with the IIC' s Environmental and Social Sustainability Policy, as it could have moderate but mitigable environmental and social impacts. The main potential risks associated with the project are related to: (i) management of the environmental and social aspects and monitoring systems; (ii) management of labor and adequate working conditions, occupational health and safety ("OHS") programs; (iii) food safety; (iv) fire and life safety; (v) relationship with the community; (vi) sustainability of the supply chain; and (vii) procedures for security forces.

As a result of the Environmental and Social Due Diligence, it can be concluded that this operation will have impacts that will be managed in accordance with the following Performance Standards:

- 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

PS5: Land Acquisition and Involuntary Resettlement, PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources, PS 7: Indigenous Peoples, and PS 8: Cultural Heritage are not currently applicable. If these PS's become applicable, FGE will immediately inform IDB Invest.

3. Environmental and Social Context

FGE's main activity is the production and commercialization of bakery goods and the distribution of import products (Ice Cream and Bake-Off). The company produces healthy and preservative free products for the Guyanese market distributed in four of the largest administrative regions of Guyana with routes covering Linden, Georgetown, East Bank and East Coast Demerara, West Coast and West Bank Demerara.

FGE's site in Land of Canaan is in an industrial area approximately 26.7km away from the capital city (Georgetown). The site has a Certificate of Sanitary Fitness for operation granted by the Office of the Senior Environmental Health Officer and valid until December 2020. For Demerara Bakery, the previous owner had obtained a construction permit for the expansion of the plant, FGE (the current owners) will have to update this permit in case there are major changes to the construction of the building. The expansion of the facility is critical as it will allow FGE to increase the current bakery production capacity, gain economies of scale, cost savings with technological improvements to speed up processing time, standardize and improve the quality of its products and develop new products. This site is bordered to the left by a supplier for the offshore oil industry, to the right a government owned water treatment site and across a building material manufacturer.

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

4.1 Assessment and Management of Environmental and Social Risks and Impacts

The company has no Environmental and Social Management System (ESMS) nor Environmental and Social Policy. FGE will implement an ESMS that will incorporate the following elements: (i) policy; (ii) identification of risks and impacts; (iii) management programs; (iv) organizational capacity and competency; (v) emergency preparedness and response; (vi) stakeholder engagement; and (vii) monitoring and review. FGE identifies, analyzes and assess the potential risks and impacts related to its business activities covering Occupational Health and Safety (OHS) only. The company needs to include additional procedures to manage all Environmental and Social (E&S) issues. Several people within the organization oversee different activities related to E&S matters, but no Environmental and Social Officer has been designated. An E&S specialist will be hired to manage the tasks under the ESMS. FGE does not have emergency plans, however, they will have to develop one for the facility. E&S aspects are not monitored or reviewed beyond OHS; inclusion of all E&S issues will be required. FGE has no stakeholder identification and engagement process. The company has no standardized external communication procedures on E&S matters. Currently the interaction with the community for E&S matters is via the Neighborhood Democratic Council (NDC) or directly with Management. FGE has a mechanism for customer service satisfaction responsible for receiving, addressing and responding to complaints received in social media or clients who call the company directly. Although there is an open channel of communication available, the mechanism does not ensure confidentiality and there is no documentation nor standard response format.

The intention of the Company is to become ISO 22000 (food safety management system) and HACCP certified within the next few years.

4.2 Labor and Working Conditions

FGE have approximately 112 direct employees, of which 67 are female and 45 are male. 44% of the employees work in production, 29% in sales, 16% in administrative/ security positions and 12% in technical areas. As it relates to senior positions, they have some representation of women including 1 managerial, 3 supervisory (1 in sales). No employees under the age of 18 are hired. The company does not have third party contractors for the operation, during construction the assigned contractor will provide a temporary workforce based on construction needs and timeframe. As there are no construction talks as of yet, the temporary construction workforce is still unknown. Transportation and security are corporate services; therefore, all drivers and security personnel are direct employees. The company currently does not have migrant workers.

The company is consistent and complies with national labor law. Salaries and allowances are paid to employees, who also are registered to the national health insurance scheme and receive an additional accident insurance. FGE does not have employee associations or trade unions, and its workers have not signed collective agreements. The company does not anticipate retrenchment, in contrast, 25 people are expected to be hired in the next few years.

For human resources management, the company has a draft Ethics Policy and a draft Employee Handbook which represents FGE's HR Policy and includes among others non-discrimination and non-harassment aspects, and an internal grievance mechanism. The handbook will be shared with every new employee during induction. The HR policy and the grievance mechanism should be updated in accordance with PS2 and communicated to the staff.

FGE will implement a Work Health and Safety Policy that includes a series of standards for personnel in order to prevent labor risks. Also, an Occupational Health and Safety Manual draft has been developed and includes obligations of both management and other levels of employee, an Inspection Checklist and Accident or Occurrence report in relation to assessment and mitigation of occupational safety and health risks. The OHS Manual needs to be updated to include provisions on security for drivers, life and fire safety plan, emergency response plan, and first responder

organizations. Workers are provided with personal protective equipment (PPE) and its use is mandatory. FGE assesses the health status of every worker who joins the company. An annual health fair is available by the company to all its employees and the surrounding community. There have been no fatal accidents at FGE. The company tracks and reports on occupational accidents, lost days and hours of absenteeism, but doesn't track illnesses. The Lost Time Injury Frequency Rate (LTIFR) will be monitored and reported to IDB Invest in the annual report. The LTIFR is the number of lost time injuries per million man-hours worked.

Mandatory training about Food and Health Safety Management is offered by the Guyana National Bureau of Standards (GNBS) to all employees and FGE has collaborated with GNBS on Food and Health Safety Management trainings were conducted in January and February 2019. Every position also has a training plan and in some cases a mentor program until obtaining the correct technical experience. FGE will be required to report on workplace conditions such as air and physical parameters resulting from industrial processes (e.g. dust from bread flour Maximum Threshold Limit for particulate (Inert or Nuisance Dust) is 10 mg/m³, exposure to temperature Maximum Threshold Limit is 25°C).

FGE does not have a fire, life and safety plan. No emergency plans or drills are considered. Adequate signage needs to be installed and fire brigades need to be created for the site. For the existing locations, and expansions FGE shall implement Fire Prevention and Fighting Systems, which shall be prepared by a duly qualified professional, demonstrating that the buildings comply with safety and fire prevention requirements and that safety and fire prevention systems shall be designed and installed using established standards or a performance-based design, following good technical practices.

FGE uses specific checklist for drivers and the company mechanical team to assess the vehicles' mechanical conditions before and after every workday. The Maintenance checklist assesses engine, steering and brake functionality, coolants and pressure gauges, among other mechanical requirements whilst the vehicle checklist requires that these functionalities be corroborated by the driver to ensure safety and operational efficiency.

FGE's supply chain comprises 23 suppliers, 18 of which are national and 5 international. FGE has a 24% dependence on its largest production supplier which is locally based. The company has purchasing procedures for raw materials; however, it does not verify its primary supply chain on child or forced labor issues. FGE shall verify this matter through site visits, questionnaires and supplier audits.

4.3 Resource Efficiency and Pollution Prevention

The company tracks the consumption of resources and material inputs. Water use is limited to domestic use and cleaning of the production plant, ensuring FGE is not a significant consumer of water, average consumption over 2018 was 176 m³ per month. Effluents in Land of Canaan are discharged in a septic tank that receives periodic maintenance. The power supply source is through the public power grid. The company tracks electricity and fuel consumption, monthly average consumption over 2018 was 6,271 kWh and 8,370L respectively for the existing location. The operation has undergone minimal changes since 2018, so water, electricity and fuel consumption should not have changed significantly. FGE does not measure GHG emissions. Current emissions are linked to burning fuel used for the ovens and the delivery fleet (6 trucks). All vehicles have a Certificate of Fitness which is a valid technical-mechanical inspection document, indicating that vehicle's gas emissions to be among allowed range.

There is no written procedure or plan for the storage, handling, and disposal of solid wastes. Solid

waste is collected by municipal garbage collectors. No recycling or special treatment for hazardous waste is performed by the company. FGE will develop a Waste Management Plan including the management of hazardous materials applicable to all locations.

Pest management is performed by a licensed third party. As part of the service provided, Ia/Ib pesticides would not be used in FGE's activities, if not possible, FGE will provide evidence to report that it has modified any service contracts to require that third parties and suppliers to provide education and training to employees to use adequate PPE based upon Material Safety Data Sheets (MSDS) and/or International Chemical Safety Cards (ICSC) for the pesticides used.

FGE holds refrigeration equipment that uses R134A refrigerant. Acquisition of new equipment for refrigeration must take into consideration the exclusion of refrigerants considered ozone depleting substances or those with high Global Warming Potential (GWP).

4.4 Community Health, Safety and Security

The main risk of the company's activity on neighboring communities is related to incoming and outgoing delivery traffic. FGE does not have procedures for transportation/traffic safety. Currently, the production plant is in an industrial area, hence the risk is low. Direct impacts to neighbors such as fire, noise, heat, waste management and pest control need to be also considered.

Internal staff provide armed security services. Security employees are required to provide a 'Police Clearance' which usually states if the employee was ever charged or indicted for a criminal offense. Background checks are also carried out with former employers via reference checklist. The company does not have provisions or guidelines on the interaction with employees, clients and neighboring communities, including the appropriate use of force and arms. The company confirmed that there have not been any unlawful and/or abusive acts by security personnel towards employees or nearby communities in the past. FGE will include operating procedures in its ESMS to manage the security forces in accordance with the requirements of PS4.

FGE will conduct a health and safety assessment to get an indication of the health and safety risks that can affect the community. The community is an important stakeholder of the company. The following aspect will be part of the assessment: i) routine and non-routine activities; ii) exposure of community to disease; iii) exposure to accidents; iv) emergency preparedness and response; and v) Impact on eco system.