

1. Scope of Environmental Review

IDB Invest's review included meetings with LED's management teams in their offices in Saint Michael, Barbados at their main manufacturing center with the heads of Operation, Human Resources (HR), and accounting. The evaluation included an assessment of Caribbean LED's general environmental and social management across its facility, and approach to supply chain management. A site visit took place February 12 to 13, 2019. The due diligence included a review of supporting information such as its employee handbook, manuals, and procedures, HR policies, occupational health and safety (OHS) programs, and general waste management practices.

Given the nature of this facility to provide supply chain finance exclusively to Caribbean LED's network of suppliers, the emphasis of this review was focused on environmental and social (E&S) management and labor and working conditions at the producer level (Caribbean LED), and management programs focused on LED's suppliers and their compliance with basic environmental and social requirements.

2. Environmental and Social Categorization and Rationale

According to the IDB Invest Environmental and Social Sustainability Policy, the operation has been classified as a low risk Category B, since its potential environmental and social risks and impacts are limited, are largely reversible, and can be mitigated via measures that are readily available in the context of the operation.

The IFC Performance Standards triggered in this operation are the following:

- Performance Standard 1: Assessment and Management of E&S Risks and Impacts
- Performance Standard 2: Labor and Working Conditions

3. Environmental and Social Context

Caribbean LED Lighting Inc is dedicated to the assembly of LED lighting products from commercial, industrial, and residential use. It is considered one of the fastest growing companies in the Caribbean region, having expanded its facility in 2013, doubling its floor space. It has distributors in nearly ten Caribbean countries and exports to a total of 16 countries.

Its corporate assembly plant and headquarters are located in Barbados within a designated industrial area. Caribbean LED relies on a network of roughly 5-6 suppliers, which operate principally in the provision of raw inputs and services including plastics, wiring, lights and transport.

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

4.1 Assessment and Management of Environmental and Social Risks and Impact

a. E&S Assessment and Management System - As a small nascent start-up, Caribbean LED has a basic set of procedures in place to address the types of environmental and social risks present in its assembly facility. These pertain primarily to occupational, health and safety. The Operations Manager is largely responsible for all details pertaining to production issues including health and safety. As a component of its partnership with LED Roadway Lighting in Canada, Caribbean LED undergoes periodic audits to assess operational, environmental and health and safety issues.

b. Policy - Caribbean LED currently lacks an environmental policy (See ESAP #1). Under this loan, the company will be expected to develop and implement a policy that sets out the its commitment to environmental management and define the means in which addresses these impacts. A formal policy

declaration has been identified as a 2019 priority.

c. Identification of Risks and Impacts and Management Programs - Caribbean LED possesses a basic work place Health and Safety policy, which meets IDB Invest requirements given the level of risk identified. The OHS policy sets out specific procedures for machine operation, as well as incident reporting. During external audits, issues related to health and safety are reviewed and recommendations provided. Basic waste management programs for waste disposal are not present (See ESAP #2). Under this requirement, the company will develop a waste management manual by including specific guidelines on storage, handling and disposal of waste streams that are generated at the facility (especially hazardous waste).

d. Organizational Capacity and Competency - The Operations Manager is in charge of all issues related to environmental and social risks, including health and safety. The manager provides training to specific production line staff, and all employees have undergone training on specific operation tasks and their corresponding risks. As part of Caribbean LED's association with external partners, management staff undergo international best practice training.

e. External Communication and Grievance Mechanisms - Caribbean LED possesses internal and external grievance mechanisms that attends to clients, communities, and employees. The company's Compliance Policy provides details on how grievances should be reported and acted upon.

4.2 Labor and Working Conditions

a. Human Resources Policies and Procedures - Caribbean LED has in place HR policies and procedures that covers ethics, induction and training, diversity and inclusion, performance evaluation, promotion, and disciplinary action. All new employees undergo an induction and training process, which describes core values and available policies.

b. Working Conditions and Terms of Employment - Caribbean LED provides clear terms of employment, which are defined in internal rules and regulations, and are provided to employees on hiring. They include benefits, hours of work and overtime, life insurance, health insurance, etc., which exceed legal minimum requirements in Barbados.

c. Managing Supply Chains - Through its contractual relationship with LED Roadway lighting, Caribbean LED complies their supply chain audit program and Code of Conduct. Under this requirement, the 3-4 suppliers that supply Caribbean LED with components that are manufactured on behalf of LED Roadway must comply with basic health and safety, worker safety, and local legislation requirements. The evaluation assesses licensing, permitting, HR issues related to pay, child and forced labor, working hours, housing conditions, health and safety, and environmental protection, among others.

d. Non-discrimination and Equal Opportunity - Caribbean LED's HR policies include provisions related to non-discrimination based on race, nationality, disability, social class, sex, religion and/or political ideas. It is an equal opportunity employer that extends equal employment opportunity to all applicants and its selection decisions are merit base. The minimum hiring age is 18 years old, and the company is in compliance with the local law and IFC PS2.

e. Occupational Health and Safety - For the assembly plant, Caribbean LED relies on Safety Manuals to ensure effective management of OHS risks for the employees. Detailed training and machine operation are provided to employees and exists in operating manuals. Avoiding accidents remains a safety goal within Caribbean LED with adequate performance to date.

5. Local Access of Project Documentation

There is no project associated with this loan for which public access to project documentation is not required.