

1. Scope of Environmental Review

Plastech is a medium-scale Haitian company that manufactures and distributes plastic packaging for the local market. Its business includes: injection and blow molding of institutional and domestic products, PET preforms, closures and blown bottles, and a soon-to-be completed recycling facility. As of IDB Invest's review of this investment consisted of appraising technical, environmental, health and safety (EHS) and social related information submitted by the company including: Environmental, Occupational Health and Safety (EOHS) policy, organization charts, Environmental and Social Management, related documentation and records, human resources (HR) policies and procedures, accident/incident records, environmental monitoring reports, emergency response plan and energy/water/raw material consumption details.

The appraisal included a site visit to Plastech's corporate office in Port au Prince, and manufacturing facilities in September 2018. Discussions were held with the company's CEO, and Vice-President as well as with the heads of EHS and HR.

2. Environmental and Social Categorization and Rationale

This is 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 in number, generally site-specific, largely reversible and readily addressed thorough mitigation measures.

Key E&S issues across existing facilities related to this project include: (a) company's capacity and systems to manage E&S risks and issues including regulatory compliance; (b) EHS and Labor management practices; and (c) management of air emissions, effluent and waste in compliance with World Bank Group (WBG) EHS guidelines.

While all Performance Standards are applicable to this investment, IDB Invest's environmental and social due diligence indicates that the investment will have impacts which must be managed in a manner consistent 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

3. Environmental and Social Context

The existing facilities are located in well-established industrial zone away from any nearby residential communities. The company's manufacturing operations present low risks to the neighboring industries, and hence PS4 Community Health Safety and Security is not applicable for this investment. The land for the project is directly owned by the company. They have acquired recently immediately adjacent sites to make room for the recycling facility and warehousing of recycled product to be used as an input.

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

4.1 Assessment and Management of Environmental and Social Risks and Impacts

Policy: Plastech has developed a basic environmental policy and Occupational health and Safety statements and set of procedures, both of which communicate the company's desire to conduct its

activities in a responsible manner, limit its environmental impact and maintain its work place as a safe and healthy environment for its employees. Both documents will be updated as part of a wider development of corporate-level Environmental and Social Management System (see ESAP #1), and will reflect the new vision and realities of their investment program, which incorporate sustainability strategically into their investment decision making. The new policy will apply to each stage of the development product, from research to full scale operation. It will apply to all three plants as well as existing processes and products.

Identification of Risks and Management Programs; Plastech operates three different production units, which include (i) LEP 1 - Preform and closure manufacturing (ii) LEP 2 - injection molding, blow molding and recycling, and (iii) LEP 3 - household plastic products manufacturing and storage. Its preform unit is most advanced in terms of E&S management and was certified to Food Safety System Certification / ISO 22000 (FSSC) standard in 2015. For this plant, it follows ISO 14001 (without external certification) and aspects of the IFC Performance Standards. The EMS includes compliance review procedures, hazard analysis assessment for processes, emergency preparedness and response plans, monitoring plans for EOHS key performance indicators (KPIs), grievance handling, PPE issues and accident logs, among others.

Some inconsistency in implementation of EMS/OHSAS systems was observed across various facilities due to infrastructure limitations, particularly within those that are not certified to FSSC standards. As proposed in the ESAP #1, the company will develop a corporate-wide Environmental and Social Management System (ESMS) that will address environmental, social, occupational health and safety issues, consistent with IFC Performance Standard (PS) requirements, to ensure regulatory compliance as well as that with the World Bank Group (WBG) General EHS guidelines, EHS Guidelines for Metal, Plastic, and Rubber Products Manufacturing and Good International Industry Practice (GIIP). The ESMS will cover all the locations and manufacturing facilities of Plastech. The ESMS, apart from the existing EMS procedures at LEP 1 unit, will cover aspects such as internal and external communication, the standard operating procedures (SOPs) for plant operation across product lines, emergency preparedness and response procedures, waste management, and resource efficiency and monitoring, among others. It will define various record formats to ensure uniformity in EHS management practices across facilities. The company will ensure the implementation of the ESMS requirements across all the existing facilities as well as the proposed production lines in future (e.g. recycling plant). [1]

Organizational Capacity and Competency: Plastech's commitment to quality EHS management is established by its senior management, all of whom have previous experience in analyzing and monitoring EHS issues from previous positions in beverage and oil and gas companies. The EHS responsibility at Plastech falls under the management of the EHS and Systems manager, who joined the company in 2017. He is responsible for coordinating teams across departments and production sites, and brings senior experience in EHS management from similar roles in large multinational beverage companies. Since joining, EHS management has been consolidated, formalized, and enhanced, particularly in the operation of injection and blow-molding unit. He serves as the only full-time EHS employees across all operations. As outlined in ESAP #2, the company will create an additional dedicated EHS officer role to support the EHS Manager in operations and EHS enhancements across units. While Plastech has in place an Incidents Committee to report accidents, quality, and health and safety events to senior management, there is no broad-reaching and dedicated EHS Committee across all three units. Under ESAP #2, the company will further create a corporate level and integrated EHS committee that will encompass E&S analysis, resource efficiency, OHS, and monitoring and performance across all three existing units and any future ones.

Emergency Preparedness and Response - Based on identified hazards and risks at the preform unit,

a plant-wide emergency preparedness and response plan was developed in 2017 alongside Plastech's certification process. The plan contemplates diverse risk situations including fire, hurricane, tsunami, terrorist, earthquake, people agitation, and business continuity. Based on observation and document review, the plans appear comprehensive and up to date. Regular emergency response drills, including evacuation and fire drills are carried out for different emergencies, and evacuation routes and assembly points are established, and emergency simulations are conducted twice a year. Training is provided to employees periodically and audited both internally and externally. During a site walk through, fire safety (including alarms, smoke detection, and extinguishers) was observed to be satisfactory and consistent with international best practices.

Monitoring and Review - Under Plastech's current EMS, a monitoring and review program is underway with the partial aim to demonstrate compliance and under its food safety certification status. More limited monitoring review applies to the other units. KPIs analyzed relate to primarily water and energy use, and OHS incidents, and reports internally to employees weekly. Internal and external audits are conducted annually, apply root cause analysis, and where warranted define corrective actions. The company does not monitor ambient air quality, stack emissions, ambient noise levels. Under ESAP item #3, Plastech will develop an internal and external reporting and monitoring program with provision for common site level internal monitoring, and external monitoring from time to time. Analysis and reporting will be expanded to include reporting on resource efficiency, including CO2 reduction, against defined EHS benchmarks (See ESAP #4)

Accordingly, Plastech will report to IDB Invest annually on environmental and safety performance of the operations across all its operational facilities. The same reporting and monitoring protocol will be replicated for the new recycling facilities once they become operational.

Stakeholder Engagement - Plastech operates within a relatively limited footprint in a defined industrial zone. While there are no adjacent affected communities with which the company consults or discloses information, it actively coordinates and plans its investment with other relevant stakeholders. Under its proposed investment to develop a recycling facility, Plastech has been approached by UNDP to coordinate development of a third-party plastic collecting initiative across nearby communities. It is estimated that PET collection can supply up to 50% of its input needs within the recycling facility and indirectly employ up to several thousand laborers. A technical cooperation grant is under evaluation to support Plastech in formalizing the proposed operation of this third-party community program and defining a Shared Value proposal.

4.2 Labor and Working Conditions

Plastech has slightly over 500 direct employees that work across its facilities engaged in manufacturing, loading, printing, unloading, housekeeping, quality testing, and administration. Of these employees roughly 40% is women. Among senior management the balance between men and women is more equal. A corporate policy was established in 2012 to increase the share of women in its work force from 10% to be more equally balance. The company employs three sub-contractors responsible for security, transport, and IT, which together constitute roughly 80 indirect employees.

Human Resources Policies, Procedures, and Non-Discrimination: Plastech has developed a corporate HR Policy, Code of Conduct and associated procedures, to ensure compliance with Haitian labor and employment laws. Its HR Policy was submitted to and approved by the Ministry of Labor, and is written in both French and Creole. All employees are working on permanent contracts. The HR policy of the company includes clear and comprehensive statements on ensuring decent, fair and safe working conditions to employees, investing in their training and development, eliminating discrimination on any grounds, preventing abuse and harassment, recognition of freedom of association and collective bargaining rights, provisions and measures against child labor and forced

labor. This policy is handed out to all new hires together with an employment contract which outlines the terms and conditions of their employment (such as duration of the contract; job title and terms of reference; wages and benefits; hours of work; overtime arrangements and compensation; performance review, resignation, lay-off and dismissal, vacation and probation period). The company has a growing number of workforce and is not anticipating retrenchment as the operations are growing. The company's HR policies and procedures are consistent with the local regulations and IFC Performance Standard 2.

Working conditions: In Haiti workers work a maximum of 40 hours weekly, after which overtime pay is required. The company operates two shifts within its plant and the company strictly complies with local law and its requirements for overtime pay. Plastech is currently constructing a canteen that will be run by the company. Bottled drinking water is provided in several locations across the plant. Workers are entitled 15 calendar days paid leave, and the company provides a total 20 days for those that have reach 10 years employment with the company. Plastech provides health insurance and makes it available to employee family members. The company also offers paid sick leave per year beyond the statutory requirement.

Workers' 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 labor organization within the country. The company developed in 2017 a formal internal grievance procedures. The procedures provide documented instructions on how to submit grievances through line managers and anonymously. The HR Committee receives these complaints and action is taken within a set period of time. Grievances to date related largely to conduct and work-related requests.

Workers Engaged by Third Parties: The company's a limited number of contracted workforce in security, IT, and transport. The company ensures that all the contractors adhere to the company policy and ensure that their staff are working in safe conditions and enforce safety procedures. Plastech does an assessment of contractor employment conditions to ensure that the companies in question are adequately licensed, trained, and provide statutory retirement and health benefits in line with Haitian regulation.

Occupational Health and Safety: Plastech has carried out a hazard identification and risk assessment study for it LEP 1 preform factory in line with its certification requirements. It reports via its Incident Committee on periodic mishaps and defines corrective actions accordingly. For each new hire a total of roughly 150 hours of training is planned, of which a significant portion cover labor safety, production safety and food safety management system (FSMS). Refresher trainings are also provided periodically. Going forward, the Corporate level ESMS will include the hazard identification and risk assessment (HIRA) process for all the activities across its units, including the to-be-developed recycling facility. This HIRA will analyze raw material handling and storage, machine operations including but not limited to blow molding, injection molding, plastic crate manufacturing, screen printing, finished products storage, and waste storage and disposal including solid waste and (See ESAP#3). A three year plan is in place to significantly reduce the number of operating fork lifts within the plant through the introduction of vacuum conveyor systems that will transport raw PET pellets to different manufacturing platforms. The corporate ESMS will also include safe working manuals associated with each work station / operation as identified through HIRA (refer ESAP#1).

As previously indicated under the expanded EHS Committee, reporting on safety will be standardized as well and safety performance will be reviewed on a regular basis. The site level EHS committee will report to the corporate level EHS committee on a monthly basis on EHS aspects including accidents/incidents, near-misses, first-aid cases, EHS training, fire incidents. There is an

incident reporting mechanism in place which records all accidents and accident investigation report is prepared after site investigation and root cause analysis. Adequate first-aid is available at all facilities and records are maintained for the first aid incidents. The incident reporting mechanism will be updated to include first aid cases, near misses and lost time accidents along with cause of accident, immediate action taken and corrective action required (refer ESAP #1 and #3)).

4.3 Resource Efficiency and Pollution Prevention

Resource Efficiency: IDB Invest's assessment considered the company's operations regarding resources consumption (water, and diesel fuel), efforts to optimize resource inputs, waste minimization and management practices as well as the storage and handling of hazardous materials used in the operations of facilities. The most significant improvements will come from the intended use of proceeds that specifically aim to i) replace Plastech's reliance on diesel fuel with LNG, ii) design and construct the country's first medium-scale plastics recycling facility, and iii) install a 500kW solar system to power office related equipment, lights, and air conditioning.

Greenhouse Gases - Energy conservation provides the most significant commercial and environmental opportunity for enhancement. Plastech currently derives 100% of its energy supply via diesel fuel powered generators, as the national electricity grid is unreliable and fails frequently. The company requires between 80-85,000 gallons of diesel fuel monthly, and has not yet calculated the associated GHG emissions. It recently implemented a program to synchronize its four generators, which resulted in a 20-25% energy savings. Through the IDB Invest investment program, Plastech aims to further reduce its diesel fuel needs by 90%, largely with the replacement of diesel fuel with LNG powered generators. A combined heat and process system will additionally use exhaust to heat water for cleaning needs at the recycling facility, and radiant heat will be used to cool the chillers required for molding. Plastech aims to reduce its cost of energy from 27 cents/kwh to 13 cents by 2020. The investment program also calls for the installation of a 500kW solar facility on its corporate office rooftop, which estimates indicate will reduce diesel fuel by 8%.

Air Emissions and Ambient Air Quality: Plastech's operations involve primarily process of blow molding, injection molding, and preform molding. With diesel fuel as the sole source of power, the diesel generators produce significant emissions. There is limited acoustic enclosure around the generator and noise levels, which are not currently monitored, are believed to be high. At each of the facilities, there are shredders for the rejected products which are to be reused for molding operations. The dust bag collector is currently used for collecting the dust in the shredder area. Ambient air quality and stack emissions are not currently monitored. Plastech is requested under ESAP item #4 to bring its air emissions and ambient air quality in line with WB EHS Guidelines specific to the plastics industry.

Water Consumption and Wastewater: Water is primarily used for machine cooling, cleaning and domestic purposes (e.g showers areas, bathrooms, etc.). Unit LEP 2 uses water for washing the containers post the screen painting, and in cleaning recycled plastic materials. All water is sourced from an on-site well as well as via trucks that bring additional water on site and which is stored in cisterns. Current usage is estimated at 12-15K gallons per day. Plastech has implemented a rainwater harvesting program at some areas of plant. In future it will be implemented to all areas as per catchment area suitability. Rainwater storage is estimated to reduce its well and purchased water requirements by 50%.

Noise: The source of noise includes various machines and equipment. Ambient noise monitoring is done in-house periodically at unit LEP 1. Noise monitoring is not done within LEP 2 where the plant's four diesel generators operate. PPE usage needs to be improved and enforced strictly especially in high noise areas. Under ESAP #4, Plastech will initiate ambient noise testing

consistent throughout its operations.

Waste: Solid waste is segregated and collected in designated bins and sent for disposal to municipality operated facilities by third party contractors. The company will ensure that hazardous wastes generated (such as used oil and discarded containers) are stored in designated hazardous waste storage area and sent for disposal to authorized contractors as stipulated by local regulations; transfer records and chain of custody records will be maintained (refer ESAP #4).

[1] It is not a requirement that this be certified.