

## Environmental and Social Review Summary (ESRS) PLASTECH III – HAITI

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### 1. General Information of the Project and Overview of Scope of IDB Invest’s Review

Les Entreprises Plastech Haiti S.A. and Plastech Solutions S.A. (“Plastech”, “The Company” or the “Client”), is a medium-scale Haitian company that manufactures and distributes plastic packaging for the local market and for some countries in the region. Its business includes: i) injection and blow molding of institutional and domestic products; ii) polyethylene terephthalate (“PET”) preforms, closures and blown bottles; and iii) a recycling facility<sup>1</sup>. The Client’s industrial plant is in Cité Militaire, Port-au-Prince, Haiti.

The proposed operation will support the growth and competitiveness of Plastech. The funds will be used for the purchase industrial machinery and more efficient equipment (less use of raw material) to serve its local increasing demand (from Coca Cola, Brana, Sejourne) and foster exports to other countries in the Caribbean region (the “Project”).

IDB Invest’s Environmental and Social Due Diligence (“ESDD”) consisted in appraising environmental, health and safety (“EHS”) and social related information that included, among others, the following: i) Plastech Environmental and Social Compliance Report – 2021; ii) Hatch’s Environmental and Social Management System - Site Visit and Completion Audit Report –2020; iii) quality and safety certifications (ISO 9001: 2015 and Food Safety System - FSSC 22000 V5.1); iv) organization charts; v) independent audits reports; and vi) internal grievances records. The appraisal, performed virtually due to COVID restrictions, included calls with the Company’s representatives (CEO, Vice-President, and technical staff).

### 2. Environmental and Social Categorization and Rationale

The Project has been classified as a C operation according with BID Invest’s Environmental and Social Sustainability Policy, since it will likely result in medium-low potential adverse E&S risks and impacts that are few, generally site-specific, largely reversible, and prone to be addressed by well-known mitigation measures.

Key E&S issues across existing facilities related to the Project include: i) Company’s capacity and systems to manage E&S risks and issues including regulatory compliance; ii) EHS and Labor management practices; and iii) management of air emissions and solid waste.

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<sup>1</sup> An advisory service linked to this loan is studied to support Plastech to increase the volume of clean and recycled plastic content (bottles, pellets and/or flakes), through the identification and implementation of circular practices along the value chain.

The Performance Standards (“PS”) triggered by the Project are: i) PS1: Assessment and Management of Environmental and Social Risks and Impacts; ii) PS2: Labor and Working Conditions; and iii) PS3: Resource Efficiency and Pollution Prevention. Since the Company’s manufacturing operations are in a well-established industrial zone of Port au Prince, away from any nearby residential communities, the Project does not trigger PS4: Community Health Safety and Security.

### **3. Environmental and Social Context**

#### **3.1 General characteristics of the Project’s site**

Plastech’s existing facilities are in a well-established industrial zone of Port au Prince, away from any nearby residential communities. The land for the Project, acquired by the Company a few years ago, lies immediately adjacent to the actual facilities.

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

#### **4.1 Assessment and Management of Environmental and Social Risks**

##### **4.1.a E&S Assessment and Management System**

Plastech has developed an E&S Management System (“ESMS”) with technical assistance of IDB Invest, as per defined in the previous loan Environmental and Social Action Plan (“ESAP”). The ESMS, implemented across all operational processes, is consistent with IDB Invest Environmental and Social Sustainability Policy (“ESSP”), including local regulatory requirements as well as World Bank General Environmental, Health and Safety (“EHS”) Guidelines, sector specific EHS guidelines (Plastics), and Good International Industry Practice (GIIP). To the date, based on an external current appraisal<sup>2</sup>, the Corporate ESMS rollout is in continuous improvement.

##### **4.1.b Policy**

Plastech has developed a basic Environmental Policy and Occupational Health and Safety Statement, both of which communicate the Company’s desire to conduct its activities in a responsible manner, limit its environmental impacts and commits to maintain workplaces safe as well as a healthy environment for its employees. Both documents were updated as part of a wider development of corporate-level Environmental and Social Management System and reflect the new vision and realities of their investment program, which incorporate sustainability strategically into the Company’s decision-making process. The policy applies to each development stage of any product, from research to full scale operation, and applies to all existing processes and products.

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<sup>2</sup> Site visit report performed by Hatch (a third-party E&S advisor) team in March 2020.

#### 4.1.c Identification of Risks and Impacts

Plastech operates three different production units, which include (i) Les Entreprises Plastech “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. All three units are now certified to Food Safety System Certification / ISO 22000 (FSSC) standard<sup>3</sup> in 2021 for a 3-year period. For this plant, it follows ISO 14001 (without external certification) and aspects of the IFC Performance Standards.

As required in the ESAP of the first operation, the Company developed a corporate-wide ESMS that addressed environmental, social, occupational health and safety issues, consistent with IDB Invest ESSP.

The ESMS is detailed in a Corporate Manual that covers all the locations and manufacturing facilities of Plastech. The Manual includes: i) a procedure for the identification of risks and impacts for new facilities; ii) a corporate-wide procedure for incident reporting that includes near misses, non-production related incidents taking place within the Company’s premises and traffic incidents; and iii) a hazard identification and risk assessment (“HIRA”) process for all the activities across the Company’s units. In addition, the Plastech developed an action plan to enhance the use of personal protective equipment (“PPE”) by its staff and contractors, which includes periodic refresher training, and regular monitoring of staff for appropriate usage of the equipment.

#### 4.1.d Organizational Capacity and Competency

Plastech’s EHS management is the responsibility of the EHS and Systems Manager, who joined the company in 2017 and has the task of coordinating teams across departments and production sites. Such person brings senior experience in EHS management from similar roles in large multinational beverage companies. As required by IDB Invest, the Client has appointed a new EHS Coordinator to support the EHS Manager in operations and to adopt EHS enhancements across units by coordinating with respective plant production managers and maintenance supervisor.

While Plastech has in place an Incidents Committee to report accidents, quality, and health and safety events to senior management, as per IDB Invest requirement, the Company created a corporate EHS committee that encompasses E&S analysis, resource efficiency, occupational health and safety (“OHS”), and monitoring and performance across all three existing units.

#### 4.1.e Emergency Preparedness and Response

Based on identified hazards and risks at each of the Company’s unit, a plant-wide emergency preparedness and response plan (“EPRP”) was developed in 2017 alongside Plastech’s certification process. The plan contemplates diverse risk situations including fire, hurricane,

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<sup>3</sup> Global STD certificate of registration dated February 18, 2021.

tsunami, terrorist attack, earthquake, people agitation, and business continuity. Based on 2021 environmental and social compliance report (“ESCR”) and Hatch’s appraisal, the plans are comprehensive and up to date. Regular emergency response drills, including evacuation and fire drills are carried out for the different type emergencies. Evacuation routes and assembly points have been established, and emergency simulations are conducted twice a year. Training is provided to employees periodically and audited both internally and externally.

#### 4.1.f Monitoring and Review

Under Plastech’s current ESMS, a monitoring and review program is underway to demonstrate the Company’s compliance with its food safety certification. A more limited monitoring review applies to the other units. Key performance indicators (“KPIs”) have been established primarily for water and energy use and OHS incidents. Internal and external audits, conducted annually, focus on root cause analysis and, when needed, define corrective actions. The Company does monitor ambient air quality and ambient noise levels, with exception of stack emissions.

AS per IDB Invest requirements, Plastech developed an internal and external reporting and monitoring program. To ensure compliance with environmental and social aspects, the analysis and reporting processes were expanded to include reporting on resource efficiency, including CO<sub>2</sub> reduction, against defined EHS KPI’s in all Plastech’s operational facilities.

#### 4.1.g Stakeholder Engagement

Plastech operates within a relatively limited footprint in a defined industrial zone. While there are no adjacent affected communities nearby Company’s facilities, it actively coordinates and plans its investment with relevant stakeholders.

The Company has developed and maintained healthy relations with relevant stakeholders. A Community Engagement Program is in place, implemented and maintained to handle community related aspects in friendly manner to maintain good relations with nearby community.

### 4.2 Labor and Working Conditions

#### 4.2.a Working Conditions and Management of Worker Relationships

In 2021, Plastech had slightly over 500 direct employees<sup>4</sup> that worked across its facilities (manufacturing, loading, printing, unloading, housekeeping, quality testing, and administration). Of the latter, roughly 23% were women. However, among senior management the balance between men and women is practically the same thanks to a corporate policy established in 2012 that aimed at increasing the share of women.

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<sup>4</sup> Male:460 and Female:107. Total: 567 employees.

The Company employs four sub-contractors responsible for engineering, construction, security, transport, and information technology (“IT”), which together constitute roughly 107 indirect employees.

4.2.a.i Human Resources Policies and Procedures and Non-Discrimination and Equal Opportunity

To ensure compliance with Haitian labor and employment laws, Plastech has developed a corporate human resources (“HR”) Policy, a Code of Conduct, and associated procedures. Such policy, submitted to and approved by the Ministry of Labor, is written in both French and Creole.

All employees are working on permanent contracts. The Company’s HR policy 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.

4.2.a.ii Working Conditions and Terms of Employment

In Haiti workers work a maximum of 40 hours weekly, after which overtime pay is required. The Company operates two shifts in its plants and strictly complies with this requirement and local laws.

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 reached 10 years employment in Plastech. It provides health insurance and makes it available to employee family members. The Company also offers paid sick leave per year beyond the statutory requirement.

4.2.a.iii Workers’ Organizations

All employees are free to organize and join labor unions, however, none has chosen to do so. Employee benefits offered by the Company are considered more advantageous than those available in the market.

4.2.a.iv Grievance Mechanism

The Company has a formal internal grievance procedure that provides 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. Grievances to date<sup>5</sup> are largely related to salary requests.

4.2.b Protecting the Workforce

The ESDD did not find any evidence of child or forced labor.

4.2.c Occupational Health and Safety

Plastech has carried out a hazard identification and risk assessment study 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 are delivered of which a significant portion covers labor safety, production safety and food safety management system (“FSMS”). Refresher trainings are also provided annually.<sup>6</sup>

The HIRA process developed for all the activities across Plastech’s units, including its recycling facility, analyzes raw material handling and storage, and 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.

An OHS plan is in place to reduce the number of operating forklifts within the plant through the introduction of vacuum conveyor systems that transport raw PET pellets to different manufacturing platforms. The corporate ESMS also includes safe working manuals associated with each workstation as identified through HIRA.

Under the expanded EHS Committee, reporting on safety is standardized as well and safety performance reviewed on a regular basis. The site level EHS committee reports to the corporate level EHS committee on a semi-annual basis on EHS aspects including accidents, incidents, near-misses, first-aid cases, EHS training, and fire incidents. There is an incident reporting mechanism in place which records all accidents, and an 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 includes first aid cases, near misses and lost time accidents along with cause of accident, immediate action taken, and corrective action required.

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<sup>5</sup> Total Internal Grievances for 2020 -2021 period: 200 cases.

<sup>6</sup> In 2019, 258 people and in 2021, a total of 70 people were trained in context of the project. During 2020, trainings were limited due to the restrictions imposed by the COVID 19 pandemic.

#### 4.2.d Workers Engaged by Third Parties

The Company has a limited number of contracted workforce in engineering, construction, security, IT, and transport. Plastech verifies that all the contractors adhere to the Company's policy, ensures that their staff are working in safe conditions and enforce safety procedures. Plastech performs an assessment of contractor employment conditions to ensure that all subcontractors and suppliers adequately comply with Haitian regulations.

### 4.3 Resource Efficiency and Pollution Prevention

#### 4.3.a Resource Efficiency

As part of its ESMS, the Company developed a plan and procedures for measuring and baselining resource use (principally water, and energy), emissions and ambient air quality, water quality, noise levels, and pollution generated. The plan includes baseline information and performance targets for improved resource efficiency and pollution prevention. Targets are reflective of the EHS guidelines and benchmarks required and are being monitored quarterly, except for stack emission testing, that could not be implemented due to COVID restrictions. Plastech maintains records of disposal of any hazardous wastes.

##### 4.3.a.i Greenhouse Gases

As per IDB Invest requirement, Plastech reduced diesel fuel needs by 90%, largely with the replacement of diesel fuel with LNG powered generators. A combined heat and process system that additionally use exhaust to heat water for cleaning needs at the recycling facility, and radiant heat are used to cool the chillers required for molding.

##### 4.3.a.ii Water Consumption

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 either from an on-site well or via trucks that bring it to the site and is stored in cisterns. Current usage is estimated at 12,000 to 15,000 gallons per day. Plastech has implemented a rainwater harvesting program at some areas of plant, which is estimated to reduce its well and purchased water requirements by approximately 50%.

#### 4.3.b Pollution Prevention

Solid waste is segregated and collected in designated bins and sent for disposal to municipality operated facilities by third-party contractors. Hazardous wastes (such as used oil and discarded containers) are temporarily stored in designated areas and thereafter handed to authorized contractors who are in charge of its final disposal, in compliance with local regulations). Transfer and chain of custody records are maintained by the Company.

The site is in transition with respect to fuel storage, fuel usage and power generation. The currently existing fuel storage tank will be used to store diesel in minor quantities (500 to 700 liters) to supply vehicles, forklifts, and small generators. As the new site configuration develops spill prevention and control measures will be developed.

The source of noise includes various machines and equipment. Ambient noise monitoring equipment was installed at three locations on the site. An initial set of data was collected during Hatch’s site visit in 2020. Initial readings suggest that the site is close to compliance with the Industrial, Commercial thresholds<sup>7</sup> (less than 70 dBA) at the site boundary. Some minor modifications will be necessary.

## 5. Environmental and Social Action Plan

This Environmental and Social Action Plan seeks to complement the actions proposed in the original operation under the updated IDB Invest's ESSP.

No.	Item	Action	Deliverable	Completion Date
<b>PS 1: Assessment and Management of Environmental and Social Risks and Impacts</b>				
1.1	Environmental and Social Management System	Roll out of the ESMS.	Annual E&S Compliance Report (ESCR),	Twelve months after the signing of the loan agreement, and thereafter as part of the Environmental and Social Compliance report (ESCR).
<b>PS 2: Labor and Working Conditions</b>				
2.1	Occupational Health, Safety, and Security	Submit an annual occupational risk assessment determining exposure limits to physical, chemical, biological, and psychosocial agents, by job post.	Annual occupational risk assessment report.	As part of the periodic ESCR.
2.2	Workers engaged by third parties	Implement a procedure to control and monitor contractors' environmental, health, and safety obligations (E&S).	Report on E&S control and monitoring procedure for contractors.	Twelve months after the signing of the loan agreement, and thereafter as part of the ESCR.
<b>PS 3: Resource Efficiency and Pollution Prevention</b>				
3.1	Pollution prevention	Finalize ambient air quality baseline.	Air quality baseline.	Nine months after the signing of the loan agreement.
3.2	Pollution prevention	Monitor concentration of PM, SO <sub>2</sub> and NO <sub>x</sub> and compare them to the limits contained in the IFC Environmental, Health, and Safety (EHS) Guidelines for Air Emissions and Ambient Air Guidelines.	Air Monitoring Reports	As part of the ESCR.
3.3	Pollution prevention	After fuel storage facilities are finalized, perform an audit to verify their compliance with IFC EHS Guidelines for Environmental Hazardous Materials Management. .	Audit Report of prevention and control measures.	Nine months after the signing of the loan agreement.

<sup>7</sup> Environmental, Health, and Safety (EHS) Guidelines for Environmental Noise Management, April 30, 2007.



## **6. Local Access of Project Documentation**

The documentation relating to the company can be accessed at the following link:

<https://www.lephsa.com/home>