

INTER-AMERICAN DEVELOPMENT BANK



HAITI

***WILLBES HAITIAN
(HA-L1069)***

**ENVIRONMENTAL AND SOCIAL MANAGEMENT REPORT
(ESMR)**

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I. INTRODUCTION

- 1.1 Willbes Haitian S.A. (“Willbes HA” or the “Company”), a Haitian manufacturing company, operates in the textile industry, cutting, sewing and printing fabrics to be sold to companies in the United States of America. Willbes HA is a strong candidate to capitalize on the benefits from the United States trade preference programs. These programs include the 2008 Haitian Hemispheric Opportunity through Partnership Engagement (HOPE II)¹ and its successor, the 2010 Haiti Economic Lift Program (HELP) Act.² The Project sponsor is The Willbes & Co LTD (“Willbes”), a privately-owned company, headquartered in Cheonan, Korea.
- 1.2 Willbes HA is currently located in the Parc Industriel Métropolitain (PIM) in Port au Prince. Operated by the national industrial park society (*Société Nationale des Parcs Industriels* or SONAPI), the PIM is currently the site for all of Haiti’s garment industry, except for the Grupo M operations in the CODEVI Free Zone in Ouanaminthe, in the Département du Nord-Est. The PIM is home to 22 garment manufacturers (including Willbes HA) which occupy about 2.2 million square feet (about 206,000 square meters) of factory space in 62 buildings on a site of approximately 49 hectares. Willbes HA is renting ten buildings in the PIM with five of them currently being used: two as factories (buildings 41 and 42) and three for storage.
- 1.3 New capital investment entails the 2012-2013 expansion program of its existing garment production facility (sewing) and the addition of a printing facility in the PIM (“the Project”). The Project is expected to add 30 lines to the existing 40, with an annual capacity of about 21 million garment pieces (units) a year in 2010 to about 35 million units a year by 2015, and will result in training and employment for around 918 new Haitian workers.
- 1.4 The first stage of the Project will require an estimated investment of US\$12 million. The Project loan facility is expected to be up to US\$8 million, including an International Finance Corporation (IFC) loan facility of up to US\$ 4 million and a matching parallel loan from the Inter-American Development Bank (“IDB” or “Bank”). The funds contribution of Willbes HA to the Project will be a minimum of US\$4 million.

II. PROJECT DESCRIPTION

A. Site Location

- 2.1 As mentioned in 1.2, Willbes HA’s factories are located in the PIM, in the north-east part of Port-of-Prince, Haiti, next to the international airport (see Figure 1). Currently Willbes HA is using two buildings in the PIM for cutting, sewing and packaging and is also using three other buildings for storage of fabric and final products covering around five hectares (see Figure 2). Each building has robust steel frame and cement structures suitable for light industrial usage or storage; the buildings have not been impacted by the 2010 earthquake. Raw material (mostly fabric already dyed) would be provided by a Willbes factory in the Dominican Republic.

¹ Approved by the US Congress, HOPE II initiated support efforts to expand the industry in Haiti by extending duty-free treatment of textiles, apparel and other goods until 2018. Labor standards compliance was included as a prerequisite of this legislation.

² The HELP Act passed by the US Congress in the wake of the 12 January 2010 earthquake in Haiti will expand duty-free access to the US market for additional Haitian textile and apparel exports, and extend existing trade preference programs for the country through 2020.

- 2.2 Water, electricity, waste water treatment and solid waste management are the responsibility of SONAPI under the lease agreement between Willbes HA and SONAPI. Willbes pays SONAPI a fee per square meters per year for the rent of the buildings and a fee for water and energy based on their use. The lease agreement includes the provisions for waste water treatment and solid waste management. Currently wastewater of the different buildings (only domestic since Willbes HA is and will be only doing cutting and sewing) goes to septic tanks then in a bacterial bed and through a gravel tank prior to evacuation in a stream that goes to the sea. Solid waste is collected by the SONAPI dump trucks and the waste goes to the Truitier waste dump site.
- 2.3 The Project will need buildings and space to expand and increase its production capacity. Two options in the industrial park are available: (i) Willbes HA will use their existing rented buildings (representing around five hectares and 9,600 square meters of factory space) in the park some located next to already leased buildings and others in the western side, or (ii) increase the capacity of two of the existing building (buildings 41 and 42) representing construction of new buildings over around three hectares and 4.200 square meters of factory space (see Figure 3). Each solution has different potential impacts and risks; mainly additional construction environmental and social risks in the second case. The SONAPI, as the park management company, will decide if new buildings will be constructed in the future for Willbes HA. As it currently stands, the plan is for Willbes HA to use existing buildings (see also 2.7 for more information).

B. Project Workforce

- 2.4 The Project per se will not involve any construction activities. In the case that the SONAPI expands the current buildings leased by Willbes HA construction activities will take place and will required around 50 workers (employed by the SONAPI) over four months.
- 2.5 The Project is expected to need around 918 workers mostly from Port-of-Prince that will be trained and employed by Willbes HA.

C. Project Schedule and Costs

- 2.6 Willbes HA is expected to buy the equipment needed for its expansion in 2012. The total costs for its expansion is expected to be around US\$12 million.

D. Project Alternative Analysis

- 2.7 No other sites for the Project were analyzed since Willbes HA is already operating in the PIM. The current Willbes HA plan is to use the existing rented buildings for their expansion; nevertheless should the Project result in the construction of new buildings to accommodate the Company (as described in 2.3), the Bank will require the Company to take into account environmental and social factors as part of their analysis (see 5.2 to 5.6 for more information).

III. OPERATION COMPLIANCE EVALUATION

A. Compliance with National Regulation

Environment Framework

- 3.1 The National legal standards related to the environment are, since 1995, grouped in the Haitian code of the environment that has the laws and several decrees. The main state agency responsible for the safeguarding and protection of the environment is the Environmental Ministry (MDE or *Ministere de l'environnement*). The ministry has low institutional, enforcement and monitoring capacity.
- 3.2 The 1987 constitution considers the trans-sectorial nature of the environment. It has seven articles dedicated to the environment, the rational use of land, natural sites, vegetation cover and the development of renewable energy, and toxic waste. Haiti signed several agreements, conventions (around 50) and international treaties to enrich the legal environmental framework of Haiti. The most important international conventions are: the Biodiversity Convention of 1992; the United Nations framework convention on climate change and the 1994 convention on desertification.
- 3.3 In 2006 was signed a key decree on environment management (the *Décret sur la Gestion de l'Environnement*) The decree provides framework and structural arrangements for sustainable land management, it also proposes measures and provisions to manage the country's natural resources as well as air, solid waste, water, biodiversity, hazardous materials and disaster risks management.

Social Framework

- 3.4 The 1987 constitution also tackles social aspects in several of its articles. It covers : (i) rights for housing, education, food and social security; (ii) work freedom; (iii) salary, rest, paid vacation and bonus; (iv) work and salary equality based on gender, beliefs, opinions and civil status; (v) consultation requirements; (vi) labor union liberty and freedom; (vii) strike rights; and (viii) worker age limits.
- 3.5 The Haitian Labor Code (*Code du Travail*) of 1984 revised in 2006 transformed the legislation to follow International Labor Organization requirements. The document covers the main aspects of social management relevant for the Project: (i) verbal contracts; (ii) required worker documents: the worker booklet (*livret de travail*); (iii) health and safety; and (iv) accidents and work related conflicts.

Specific National Requirements and Compliance of the Project

- 3.6 The key national requirements relevant for the Project are related to social as well as health and safety aspects and are covered in the Labor Code and Law. Based on audit reports from Better Work,³ Willbes is compliant with most National requirements but still needs to work on non-compliances. These non-compliances are considered to be minor and include aspects such as: (i) contract termination requirements; (ii) emergency preparedness; (iii) health services and first aid; (iv) occupational safety and health issues in the factory; and (v) daily break periods.

³ Better Work is a unique partnership program between the International Labor Organization (ILO) and the International Finance Corporation (IFC). Launched in February 2007, the program aims to improve both compliance with labor standards and competitiveness in global supply chains.

- 3.7 The Company will have to manage their waste adequately prior to SONAPI's collection (for instance for oils and filters). Apart from the management of solid waste prior to collection, there are no specific environmental requirements expected since these will be managed by the SONAPI.
- 3.8 No permits are required for the Project since (i) Willbes HA is leasing buildings from the SONAPI and (ii) in case of construction of additional buildings for Willbes HA, it will be within the boundaries of the SONAPI property and won't require major works.

The SONAPI

- 3.9 The SONAPI mission is to ensure the construction, organization and management of the industrial parks that will primarily house industrial companies as mandated by law (under the 22nd of October 1981 decree).
- 3.10 The SONAPI developed a new strategic plan (2007-2012). The plan which focuses on the modernization of the institution, delineates the following objectives: (i) institutional enhancement, (ii) open PIM shares to the private sector, (iii) draft an organic law, (iv) expand PIM via the construction of new buildings and the installation of new industrial parks throughout the country, (v) streamline the SONAPI finances and (vi) better governance. The plan had to be adjusted after the January 12th 2010 earthquake. Prioritizing the development of growth poles to accelerate the decentralization process in Haiti.
- 3.11 The SONAPI currently has five technical employees managing construction and operational aspects including solid waste and wastewater management. As for similar Haitian government institutions, the SONAPI's capacity to manage environmental aspects is limited.

Better Work

- 3.12 Willbes HA is working with Better Work to help them enhance their labor and health and safety performance based on national (local laws) and international (ILO standards) requirements. Better Work carries out factory assessments to monitor compliance with international core labor standards and national labor law. Better Work highlights non-compliance findings and reports these figures to help factories easily identify areas in need of improvement. Better Work organizes reporting into eight areas, or clusters, of labor standards. Four of the clusters are based on fundamental rights at work and four are based on national labor law relating to working conditions. Each of the eight clusters is divided into its key components, known as "compliance points". The detailed list of compliance points appears in Table 1.

B. Compliance with IDB Safeguards Policies and Other International Requirements

- 3.13 Based on the moderate nature of the impacts and risks, as described in section V of this report, mitigation measures proposed by the Company and requirements set forth by the Bank, the team confirmed during the due diligence the environmental classification of "B" for the Project under the Environment Safeguard Policy (OP-703).
- 3.14 Key directives of OP-703 triggered in this project include B.4 (other risks) in case of the construction of additional buildings by the SONAPI due to potential environmental and social risks during construction (see 5.3 to 5.6 for the description of those risks); B.6 (consultation);

- B.7 (supervision and compliance); and B.11 (pollution prevention and abatement) since there will be wastewater effluents and production of solid waste.
- 3.15 To mitigate the risks triggering Directive B.4 (see 3.14) the IDB will require Willbes HA, on a best effort basis to ensure construction risks are adequately managed by the SONAPI (see section VIII). In case the construction is financed by the IDB as part of the HA0093 operations IDB policies are expected to be complied with.
 - 3.16 Due to the minor to moderate potential impact of the Project and taking into account that the project mainly involves the buying of equipment and working capital (for raw material and spare parts), no formal environmental and social assessment was realized. Nevertheless a environmental and social due diligence was performed by the IDB and the IFC and as part of the process the Bank reviewed key audit documents and assessments done by external companies buying Willbes HA products such as GAP and Wal-Mart, and by external organizations such as Better Work (see 3.21 for more details), therefore meeting the requirements of Directive B.5. Furthermore as part of the Bank recommendations (see section VIII) the Bank will require the Company to implement an Environmental, Social, Health and Safety Management System (ESHSMS) which will include specific environmental as well as health and safety management plans.
 - 3.17 Information about the Project will be posted on the main gate of the buildings leased by Willbes HA prior to board approval in order for relevant stakeholders to be informed and have the possibility to comment on the Project. Two Better Work biannual synthesis reports under the HOPE II Legislation Compliance were also disclosed on the IDB website and are available for people to view. Compliance with the consultation requirements of Directive B.6 will therefore be attained.
 - 3.18 The Company will comply with Directive B.11 by implementing an ESHSMS mitigating potential environmental and health and safety impacts and risks (see section VI and VIII for more information). The Bank will require that Company ensure, on a best effort basis, adequate wastewater and solid waste solutions provided by the SONAPI are and will be in place.
 - 3.19 The IDB Access to Information Policy (OP-102) and the Natural Disaster Policy (OP-704) were also triggered. To comply with OP-102, relevant documents (such as the Environmental and Social Strategy (ESS) and Better Work biannual synthesis reports under the HOPE II Legislation) were disclosed to the public on May 5th 2011. To comply with OP-704 the Company will ensure that the buildings they are using and will be using can withstand extreme events such as earthquakes and hurricanes (this will be done in collaboration with the SONAPI which have specific construction contract clauses to ensure buildings follow construction best practices and codes).
 - 3.20 The Company's human resources policy promotes equal opportunity and treatment across race and gender, and therefore it is expected that the Project will comply with the Gender Equality in Development Policy (OP-270). The Project will not require involuntary resettlement nor will it affect indigenous peoples.
 - 3.21 Due to the involvement of the IFC in the Project loan facility, the Company will have to comply with the relevant IFC performance standards and textile manufacturing guidelines.

IV. ENVIRONMENTAL AND SOCIAL CONDITIONS

A. Environmental Conditions

- 4.1 Conditions in the PIM are comparable to small industrial park in urbanized areas: land is primarily used for buildings (factories and offices) and roads; there is very limited flora (trees with no conservation value) and fauna; and there is also unoccupied space with no flora or fauna. Around twenty meters behind buildings 41 and 42 in the SONAPI-owned land (representing around three hectares) there are currently crops being cultivated.
- 4.2 Air quality in the PIM is comparable to air quality in Port-of-Prince with the main contamination coming from cars (NO_x, CO) and from dust in the dry periods. Due to the minimal effects on air quality of the Project no air quality baseline was done; the main emissions would come from the burning of small diesel boilers provided by the SONAPI.
- 4.3 The Parks' surrounding area is urbanized and developed (see Figure 4) composed mainly of paved roads on the northeast and southeast side of the Park, around fifty houses on the northwest side (around 200 meters from buildings 41 and 42), a temporary camp (for the homeless people impacted by the 2010 earthquake) within the airport boundaries on the eastern side (around 200 meters from the main entrance) and commercial buildings on the south and east sides of the Park (within 50 meters of the Park boundaries). The *Cité Soleil*⁴ is located more than two kilometers west from the Park boundaries.

B. Social Conditions

- 4.4 The situation in Haiti before the 2010 earthquake was critical with around 80% of the population in poverty and 54% in extreme poverty situations. Indications are that since the earthquake the situation has likely worsened. Port-of-Prince's population was 704,776 as of the 2003 census, and was officially estimated to have reached 897,859 in 2009 with high levels of unemployment and a low level of skilled worker. The Project will be drawing from the local Port-of-Prince population and therefore no influx of workers is expected.
- 4.5 The land where the potential additional construction of buildings will occur is currently owned by the SONAPI and no land acquisition will be necessary. As described in 4.1, there are crops cultivated behind the current Willbes HA buildings in the land owned by the SONAPI. As the current plan does not involve the construction of additional buildings no information on the families cultivating the land, and agreements between them and the relevant government authorities was analyzed. Nevertheless in case construction in the future occurs and families' livelihoods are negatively impacted, the Bank will require Willbes HA to analyze the impacts to the families and ensure that appropriate compensation measures (under Bank policies) are provided to these families.
- 4.6 The current Willbes HA operations do not have any child labor, forced labor or human rights issues; with the Company's Human Resources policy and Better Work continued collaboration no future issues are expected (see 5.14 to 5.16). The Company faced in 2010 a

⁴ The *Cité Soleil* is an extremely impoverished and densely populated commune located in the Port-au-Prince metropolitan area in Haiti. *Cité Soleil* originally developed as a shanty town and grew to an estimated 200,000 to 400,000 residents, the majority of whom live in extreme poverty.

labor issue (coercion issue we due to supervisors' keeping workers' time card to ensure the workers stayed overtime without management knowledge) which was quickly resolved by the Company and its management team.

V. ENVIRONMENTAL AND SOCIAL IMPACTS AND RISKS

5.1 There will be no direct construction impacts as a result of the Project itself, however if new buildings are built to accommodate Willbes HA by the SONAPI, there could be short-term environmental, social and health and safety risks due to those activities. In that case Willbes HA will need to ensure adequate management of environmental, health and safety and social impacts and risks. During operations impacts and risks will be related to labor, health and safety and waste (solid waste and domestic wastewater).

A. Construction Risks

5.2 As mentioned previously the Project could require in the future the construction of additional buildings. In such case, the construction will be the responsibility of the SONAPI; nevertheless the Project could be at risk if construction impacts are not managed adequately. When analyzing the new buildings' option with the SONAPI, the Company should take into account environmental, social, and health and safety aspects (see 5.3 to 5.6).

Environmental, Health and Safety Risks

5.3 The main environmental impacts are related to the generation of solid waste, dust and noise. Dust and noise are expected to be minor to moderate and directly affect only the area within the industrial park boundaries. Solid waste will be managed through the contractor. The IDB will require, on a best effort basis that the Company ensure that these environmental risks are adequately managed.

5.4 During construction the IDB will require, on a best effort basis that potential health and safety risks are adequately managed to ensure that Project risks are mitigated. Construction risks include mainly accidents or incidents to contractor workers and employees working in the industrial park (traffic related accidents or incidents). Additionally, inadequate construction standards could lead to an unsafe working environment for Willbes HA employees. The IDB will require Willbes HA, as part of their ESHSMS and on a best effort basis, to ensure that these risks are adequately managed.

5.5 Based on discussions with the SONAPI the construction will be done by contractors following terms of reference prepared by the SONAPI. These terms of reference include references to the International Building Codes (IBC)⁵ especially in relation to seismic-protection requirements. As mentioned in section 3.11, the SONAPI currently has five technical employees managing construction and operational aspects including solid waste and wastewater management.

Social Risks

⁵ The IBC is a model building code developed by the International Code Council (ICC). The ICC is a membership association dedicated to building safety, fire prevention and energy efficiency; it develops the codes used to construct residential and commercial buildings.

- 5.6 Potential social risks from construction could arise due to the presence of crop plantations on the land to be used for the construction of new buildings to be leased to Willbes HA. The IDB will require the Company to collaborate with the SONAPI in the evaluation of the families growing the crops (e.g. how many families could be impacted), the number and size of the lots and the agreements between the families and the SONAPI. The IDB will require Willbes HA to ensure that these risks are adequately mitigated (and that families are adequately compensated) since they could lead to Project delays and negative visibility for the Company and the Bank. The Company currently does not have a mitigation plan for such risks but as part of the Bank requirements will need to prepare it if necessary.

B. Operation Impacts and Risks

Environmental Impacts and Risks

- 5.7 The main environmental and social impacts of the Project are related to (i) domestic wastewater (no industrial wastewater is expected since Willbes HA is and will be only doing cutting and sewing); (ii) solid waste generated in the production process (recyclable textile waste estimated at around 8% of the production capacity and non-recyclable waste at 0.5%) and by the employees (mainly domestic waste); and (iii) air emissions from the Company's boilers (used to make steam for ironing). Wastewater and solid waste impacts are considered to be moderate. As described in 2.2, wastewater is currently treated using septic tanks with partially treated wastewater going then through a bacteria bed and a gravel tank prior to evacuation towards the sea. During the site visit it was noted of that there was some septic tanks overflowing confirming that SONAPI will need to improve its management. The IDB will require therefore, that Willbes HA find a solution to improve the system (contracting themselves companies to pump the septic tanks on time for instance). Solid waste is and will continue to be collected by the SONAPI dump trucks and the waste goes to the Truttier waste dump site (the only available dump site in Port-of-Prince). Impacts from the boiler air emissions are considered to be moderate to minimal and the IDB will require Willbes HA as part of the ESHSMS to ensure adequate maintenance of the boilers mitigating the impacts.
- 5.8 Potential environmental risks are present when managing fuel and oils for their boilers (used to produce steam for ironing) and (ii) in their supply chain. Willbes HA will be required, as part of the ESHSMS, to ensure adequate management of the boiler fuels and oils (having permitted contractors for the buying of fuel and oil and for the disposal of oils). Materials used by Willbes HA come and will continue to come from the Willbes plants in the Dominican Republic (that will deliver fabric already dyed and ready for cutting and sewing). To mitigate the risk related to potential impacts from the Dominican Republic operation, the Company will ensure that an adequate ESHSMS is in place for those plants.
- 5.9 Annual greenhouse gas emissions from the ultimate development of the project are estimated at 5,500 tons per annum CO₂ equivalent. Much of this represents generator fuel: major uses of electricity are many very small sewing machine motors, and factory lighting. Willbes Haiti will seek to use high fluorescent efficiency lighting aligned with work stations when and if the new factory buildings are established.
- 5.10 Additional potential environmental risks are present when inadequately disposing of the small quantities of fuel and oil waste Willbes HA is generating (which was noted during the due

diligence). As part of the Bank requirements, the Company will need to contract an external company for the disposal of hazardous waste (oil, fuel...).

Health and Safety Impacts and Risks

- 5.11 The textile manufacturing process, and specifically at the Willbes HA facility, predominantly includes cutting and sewing, which can generate potential health and safety risks to employees (accidents/incidents when cutting and sewing, ventilation for employee wellbeing, eye guard protection when sewing). Several minor health and safety shortcomings were found during the environmental and social due diligence; for instance, there were examples of employees not using proper protective equipment (such as eye guards for sewing, hand and mouth protection for cutting and cleaning protective equipment), inadequate ventilation of buildings, inadequate lighting in some building areas and inadequate management of first aid kit (no clear responsibilities defined). In order to manage and mitigate those risks, the Bank will require the Company to implement specific health and safety measures as part of the ESHSMS (for example by implementing procedures to ensure there is always a responsible for the first aid kit available, by discussing with the SONAPI ways to improve ventilation as well as lighting and implement them, by improving health and safety measures and by providing free health checks for its employees).
- 5.12 Additionally, based on compliance assessment reports of both of their operations (in the Willbes Haitian II and III) from Better Work, other minor health and safety shortcomings included: (i) inadequate labeling and storage (unventilated areas) of some chemicals, (ii) unavailability of chemical safety datasheets, (iii) inadequate emergency management (escape routes, drills), (iii) non-performance of medical checks, and (iv) unavailability of occupational health and safety assessments. To mitigate the risks put forward by Better Works the Bank will require Willbes HA, as part of the requirements (see section VIII), to present and implement an Action Plan with clear issues, ownerships and deadlines to comply with the requirements of the different compliance points as defined in the assessment reports. Some of these actions will require collaboration with the SONAPI (for instance regarding the availability of toilets for employees).
- 5.13 Willbes HA has an occupational health and safety committee comprised of management and workers; the committee meets once a month and present recommendations to management. Willbes HA will need to ensure that these recommendation and actions are documented to ensure adequate follow-up.

Social Impacts and Risks

- 5.14 Key social risks during operation are related to potential labor issues and working conditions. The due diligence and the Better Work compliance assessment reports highlighted some minor to moderate shortcomings which included (i) inadequate break periods (some workers working for instance over their lunch breaks), (ii) inadequate contributions to the office of health, maternity and work-related accidents (OFATMA or *Office d'Accidents du Travail, Maladie et Maternité*), (iii) submission of accident records to OFATMA, (iv) inadequate piece rate level (leading to less than 90% of piece rate workers earning under 250 Gourdes per day for ordinary hours of work), and (v) overtime exceeded in some production required cases. The Bank will require Willbes HA to address those risks as part of the human resource policy, social management and the Action Plan (see section VIII). The Action Plan as described in

5.12, will have defined clear issues, ownerships and deadlines to comply with international core labor standards and national labor law.

5.15 The Company does not hire employees under age and does have written contracts with all of their employees and limits the amount of hours worked per week (48 hours under the Haitian labor code requirements). These aspects will be included as part of the ESHSMS and human resources policy.

5.16 The Company has in place a grievance mechanism (each factory has a suggestion box where employees can anonymously provide suggestions or comments). The only complaint received so far was related to a disagreement between two workers that was resolved.

C. Other Risks

5.17 Potential environmental, social and health and safety risks are present since Willbes HA will receive fabric supplied by the Willbes plants in the Dominican Republic. To mitigate the risk related to the Dominican Republic operation, the Bank will require the Company to present a Plan (see section VIII) to ensure adequate environmental, social and health and safety measure are in place to mitigate the Dominican Republic operations' impacts and risks. For instance the Plan should define clear issues, ownerships and deadlines in order to (i) have an adequate human resources policy (that should include references to the ILO⁶ and international labor standards), (ii) ensure at a minimum compliance with national standards. On a best effort basis and over time the Bank will expect the Willbes operation in the Dominican Republic to move towards compliance with international standards such as the IFC guidelines for textile manufacturing.

D. Positive Impacts

5.18 With the involvement of the IFC and the Bank, it is expected that the environmental, health and safety and social standards of Willbes HA will be enhanced with the implementation of the ESHSMS, the required Action Plan and specific social measures. Specifically though the Bank requirements it is anticipated that there should be fewer health and safety issues and better social conditions.

VI. ENVIRONMENTAL, SOCIAL AND HEALTH AND SAFETY MANAGEMENT

6.1 In early 2011 Willbes HA formed a team of three employees to manage (i) environmental, (ii) health and safety and (iii) social (mainly labor and wages) aspects each managing one aspect. The team has been trained twice (3-4 days each time) by staff from the Willbes headquarters in Korea. As part of the IDB requirements Willbes HA will need to present a training plan for the three compliance employees to ensure they have sufficient capacity to adequately manage the environmental, social and health and safety impacts and risks.

A. Environmental and Health and Safety Management

6.2 Willbes HA presented during the due diligence its Environmental, Social, Health and Safety Management Plan which sets forth general but also specific objectives. The Plan includes the

⁶ The International Labor Organization (ILO) is the international organization responsible for drawing up and overseeing international labor standards.

Company's environmental policy (prevention of contamination, energy savings program, effective water use and water saving program, and use of less harmful chemical products), the health and safety principles (health and safety of employees is a priority, reduction of health and safety for the employees, regular updates of security procedures, and have a healthy working environment) and best practice related to collaboration, development and sustainability. This Plan does not detail specific impacts and measures to manage the different aspects; it will therefore need to be enhanced and integrated in the Company's Environmental, Social, Health and Safety Management System (ESHSMS) plan as well as their social compliance plan.

- 6.3 Currently the Company has a draft health and safety policy covering pregnant women, workers health and safety and the organization of the health and safety committee. The final version will be required to be presented to the Bank in a timely manner (see section VIII) and will be required to be integrated in the ESHSMS.
- 6.4 The Company has specific compliance checklists for social and health and safety issues for themselves but also for sub-contractors working for them. The checklist includes issues such as (i) child labor, (ii) forced labor, (iii) working hours, (iv) wages, (v) health and safety, (vi) discrimination, (vii) harassment or abuse, (viii) custom compliance, and (ix) general management.
- 6.5 The Company is not documenting and following up accidents and incidents; as part of the Bank requirements Willbes HA will therefore need to develop specific environment and health and safety procedures to monitor progress on the environmental and health and safety aspects. This will also enable Willbes HA to evaluate its environmental and health and safety performance and determine additional actions to improve it.
- 6.6 The Company does not have an Environmental, Social, Health and Safety Management System (ESHSMS) therefore as part of the Bank requirements Willbes HA will need to develop and implement the ESHSMS consistent with the principles of ISO⁷ and OHSAS⁸ to ensure that environmental and health and safety aspects are adequately managed. For instance this will allow Willbes HA to manage better their boilers, domestic wastewater and potable water in collaboration with SONAPI.
- 6.7 Additionally, in order to improve the health and safety management Willbes HA will be required by the Bank to prepare and implement an Action Plan with clearly defined issues, ownerships and deadlines to comply with the requirements set forth by Better Work.
- 6.8 The Bank will also require Willbes to prepare a Plan for the Dominican Republic operation to improve their management of environmental, health and safety and social aspects (see 5.17).

B. Social Management

⁷ The International Organization for Standardization (ISO) develops International Standards on a variety of subjects such as environmental management (14000).

⁸ The Occupation Health and Safety Assessment Series (OHSAS), specifically 18000 is an international occupational health and safety management system specification. It is intended to help an organizations to control occupational health and safety risks.

- 6.9 As part of the Environmental, Social, Health and Safety Management Plan there are specific social principles (treat employees with dignity and respect, availability of training for employees, and contribution of educational programs) that the Company follows. These principles will need to be documented and integrated in the ESHSMS.
- 6.10 Employees have signed contracts hired by Willbes HA and receive the health and safety policy, the factory's working hours and working conditions as part of the "welcome" package. Each employee that starts has a three month on-the-job training to learn and prove that he/she will be able to perform the textile manufacturing tasks. Willbes HA has a file for every employee and documents any relevant changes.
- 6.11 Regarding health and safety, Willbes HA will need to prepare and implement an Action Plan with clearly defined issues, ownerships and deadlines to comply with the requirements set forth by Better Work.

VII. PUBLIC CONSULTATION

- 7.1 Due to the size and the scope of the Project (no expected construction impacts and limited operational impacts and risks) no formal meetings were held for the Project. However as part of the consultation process key documents such as the Better Work biannual synthesis reports under the HOPE II Legislation and ESS have been disclosed (the 19th of October 2010 and 15th of April 2011 reports). The IFC will post on their website its' Environmental and Social Review Summary (ESRS) and Environment/Social Action Plan (ESAP). Additionally the Company will post key environmental document(s) on the gate on the Willbes HA factories to ensure employees and relevant communities are informed of the project.

VIII. RECOMMENDATIONS TO BE INCLUDED IN THE LEGAL AGREEMENTS

- 8.1 The IDB will require that Willbes HA and all portions of the project shall, at all times during the life of the loan:
- Comply with all applicable Haitian environmental, social, health and safety, and labor regulatory requirements.
 - Comply with all requirements associated with any environmental, social, health and safety, and labor related permits, authorizations, or licenses that apply to the project, Willbes HA or any party responsible for executing the operation or its mitigation measures.
 - Comply with all environmental, social, health and safety, and labor requirements of the Project contracts and any subsequent modifications.
 - Comply with all aspects and components of all of the project's environmental, health and safety, social and labor documents.
 - Comply with applicable aspects of IDB's Environment and Safeguards Compliance Policy, which requires by reference compliance with other applicable IDB policies, IFC performance standards and the World Bank Group Environment, Health and Safety General Guidelines and Guidelines for Textiles Manufacturing.⁹

⁹ <http://www.ifc.org/ifcext/sustainability.nsf/Content/EHSGuidelines> (April30, 2007)

- Consult with IDB before approving or implementing any and all substantive changes to the Operation (including its environmental and social management and mitigation plans) or its timetable which could potentially have negative environmental, social, labor, or health and safety effects. This change includes but is not limited to the potential necessity to construct of buildings behind the existing Willbes HA factories.
- Send written notice of any and all noncompliance with any environmental, health and safety, social and labor requirement of the loan agreement and any significant environmental, social, labor, health and safety accident, impact, event, claim or material complaint.
- Ensure that all Willbes HA's contractors, if any, hired for construction and operation activities comply with the applicable environmental, labor, social and health and safety requirements of the loan agreement.
- Implement ongoing information disclosure and consultation activities related to environmental, labor, social, and health and safety aspects of the project, including disclosure of Environmental and Social Compliance Reports and, as applicable, participatory monitoring.
- Implement the Better Work Enterprise Improvement Plan.

8.2 Prior to financial closure, Willbes HA shall fulfill the following conditions:

- Contract an external company for the disposal of hazardous waste (oil, fuel...).

8.3 Prior to First Disbursement of the Loan, Willbes HA shall fulfill the following conditions:

- Present to the satisfaction of the Bank all agreed upon environmental, social, health and safety management or mitigation plans. These plans include but are not limited to: (a) the Health and Safety Management Plan for operation (plan to include for instance (i) the provision and enforcement of use of engineering guards and personal protective equipment, (ii) the procedures for safe storage, handling and application of chemicals within the Company's premises, including by contractors, (iii) the workplace ergonomics and avoidance of repetitive strain injury (RSI), (iv) the availability of MSDSs in relevant areas, and (v) lost time incident investigation); (b) the Environment Management Plan for operation (plan has to include for instance (i) management of hazardous materials, (ii) adequate maintenance of boilers and generators, (iii) adequate containment volume for the fuel, (iv) solid waste management, and (v) septic tank monitoring and servicing).
- Present to the satisfaction of the IDB the Better Work Enterprise Improvement Plan, responsive to the most recent Better Work Compliance Assessment Report available at the time of disbursement, which will have the objective of eliminating all non-compliances identified in those audit reports within six months of the date of disbursement which the Company is able through its own efforts to correct.
- Present to the satisfaction of the IDB a Plan to ensure adequate environmental, social and health and safety measure are in place to mitigate the Dominican Republic operations' impacts and risks. The Plan should define clear issues, ownerships and deadlines in order to (i) have an adequate human resources policy (that should include references to the ILO and international labor standards), (ii) ensure at a minimum compliance with national standards.
- Present to the satisfaction of the IDB the Environmental, Social, Health and Safety Management System (ESHSMS) framework which will include but will not be limited to (i) the Health and Safety Management Plan or Procedure for operation; (ii) the

- Environment Management Plan or Procedure for operation; and (iii) the Communication Plan.
 - Present to the satisfaction of the IDB the training plan, including the specific plans for the three compliance employees focused on social (mainly labor/wages), environment and health and safety.
- 8.4 Three months after First Disbursement of the Loan, Willbes HA shall fulfill the following condition:
- Present to the satisfaction of the Bank the Communication Plan to ensure among others that SONAPI is adequately managing environmental, social and health and safety aspects related to the Willbes HA operations.
- 8.5 Six month after first disbursement Willbes HA at all times after that date during the life of the loan, comply with following conditions:
- Document the implementation and implement to the satisfaction of the IDB the Environmental, Social, Health and Safety Management System (ESHSMS) consistent with the principles of ISO 14001 and OHSAS 18001 including but not limited to the:
 - a. The Health and Safety Management Plan or Procedure for operation (plan has to include for instance (i) reporting of accidents and incidents and follow-up with corrective actions, (ii) training on use of PPE, (iii) fire drills, and (iv) safekeeping and maintenance of first aid kit).
 - b. The Environment Management Plan or Procedure for operation.
 - c. The Communication Plan.
- 8.6 In case of construction of additional buildings by the SONAPI negatively impacting the crop plantations, Willbes HA will need to prepare to the satisfaction of the IDB a Mitigation Plan to ensure adequate compensation to the families and, if relevant, compliance with IDB policy (OP-710).
- 8.7 On a best effort basis, Willbes HA will be required to:
- Ensure environmental construction risks are adequately managed by the SONAPI (including dust, noise).
 - Ensure health and safety construction risks are adequately managed by the SONAPI (including accidents, traffic management).
 - Ensure that adequate solid waste solutions provided by the SONAPI are and will continue to be in place.
- 8.8 Prior to each disbursement, the Sponsor/Borrower shall certify compliance with all environmental social, health and safety and labor requirements in the loan agreement.
- 8.9 During the first two years of the Loan Agreement, the Sponsor/Borrower must prepare and submit bi-annual Environmental and Social Compliance Report, in form and content acceptable to IDB. During rest of the life of the Loan Agreement, the Sponsor/Borrower must prepare and submit yearly Environmental and Social Compliance Report, in form and content acceptable to IDB.

8.10 To provide for Bank monitoring of the Project's environmental, social, health and safety, and labor aspects the Loan Agreement shall provide for:

- Direct Bank supervision actions (e.g., site visits, review of documentation, consultations with affected parties and third parties, etc.).
- The Bank's right to contract an external independent environmental consultant to perform more detailed supervision/monitoring actions during the Operation's construction and initial operation by the Sponsor/Borrower, and, as needed through the life of the loan.
- The Bank's right to contract for the performance of an independent environmental, social, health and safety, and labor audit, if the Bank deems necessary.
- The Borrower's agreement to provide access to all relevant documentation, facilities and personnel and cooperate fully with any inspection or audit by the Bank or its designated consultants.
- The Borrower's agreement to cooperate fully with the IDB's Independent Consultation and Investigation Mechanism (MICI).

IX. ANNEXES

A. Figures (i.e. site maps)

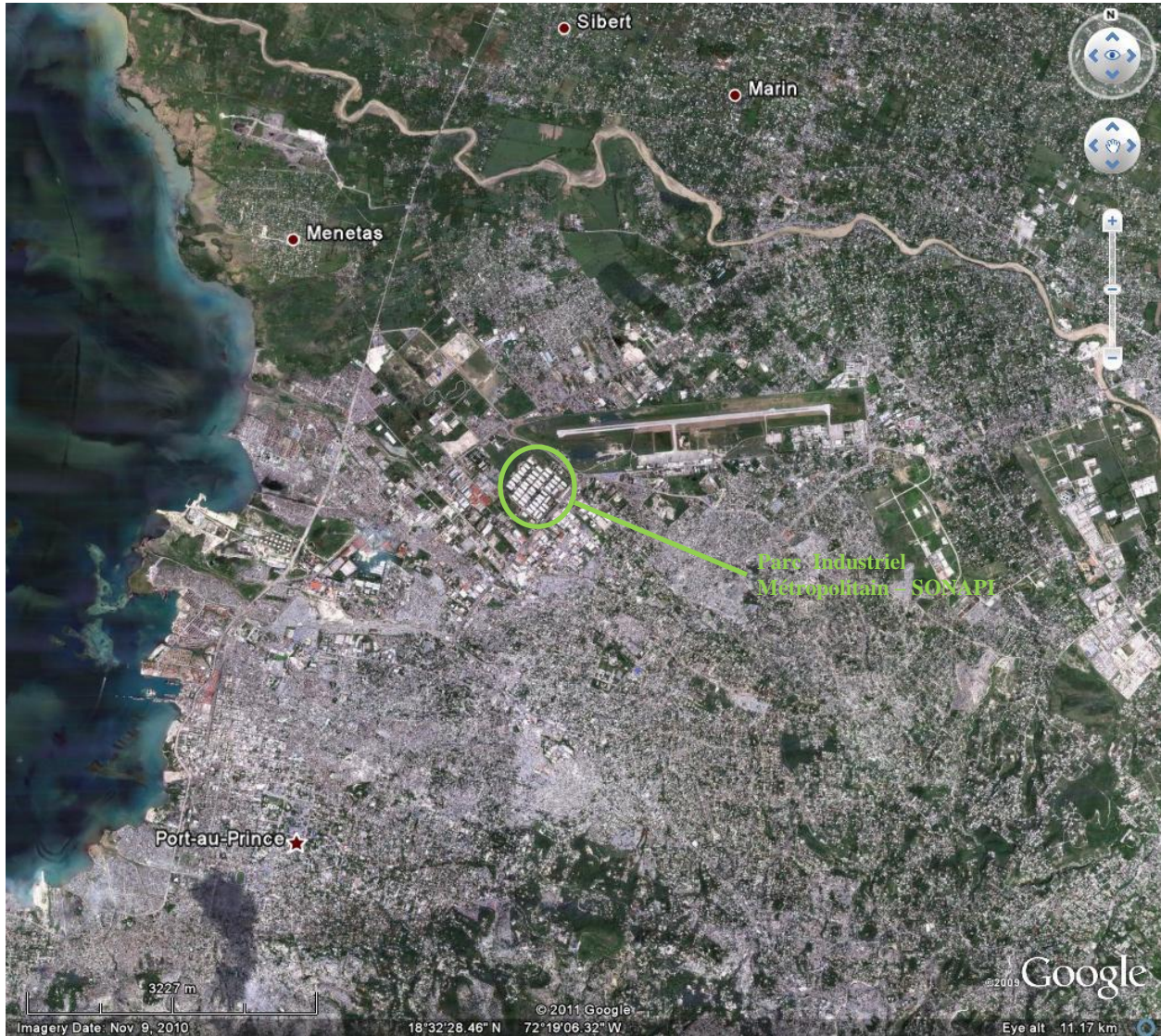


Figure 1 – Location of the Industrial Park (PIM) in Port-of-Prince

Willbes Haitian (Buildings 41 and 42)

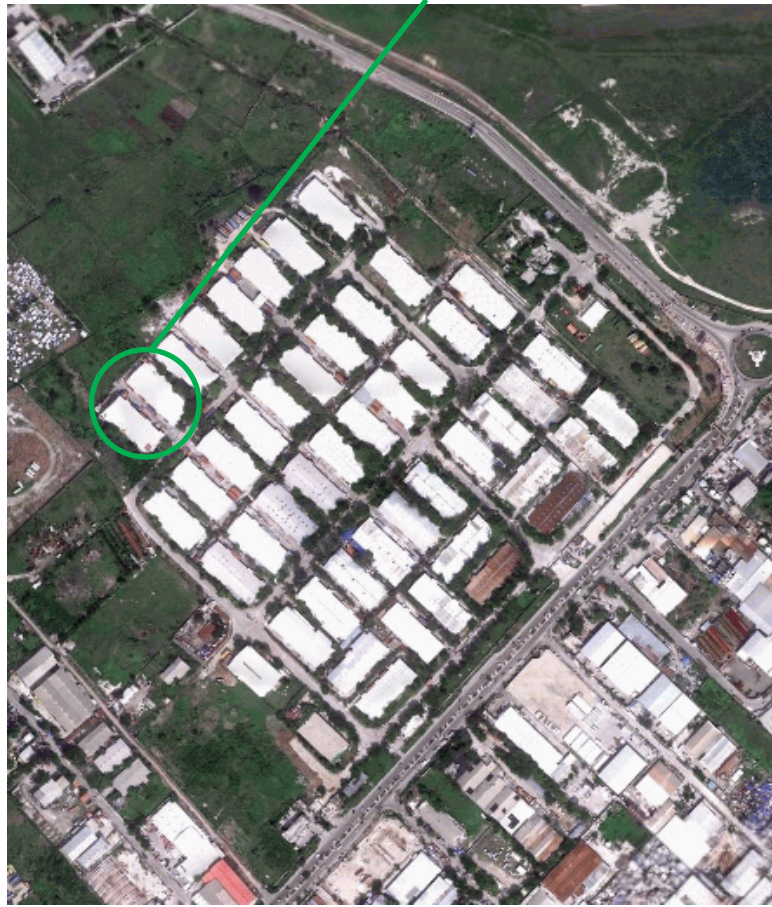


Figure 2 – Willbes HA Current Factories' Buildings in the SONAPI Industrial Park

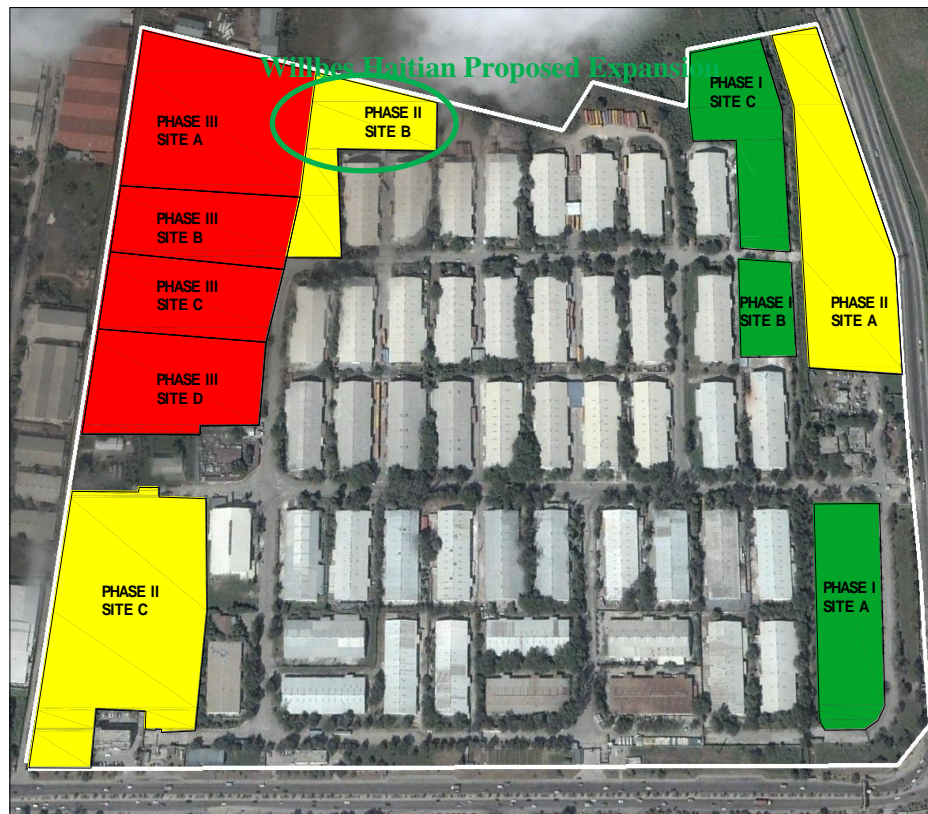


Figure 3 – Willbes HA Proposed Expansion in the SONAPI Industrial Park



Figure 4 – SONAPI Industrial Park surrounding area

B. Tables

	Compliance Clusters		Compliance Points
Core Labour Standards	1.	Child Labour	1. Child Labourers 2. Unconditional Worst Forms 3. Hazardous Work 4. Documentation and Protection of Young Workers
	2.	Discrimination	5. Race and Origin 6. Religion and Political Opinion 7. Gender 8. Other Grounds
	3.	Forced Labour	9. Coercion 10. Bonded Labour 11. Forced Labour and Overtime 12. Prison Labour
	4.	Freedom of Association and Collective Bargaining	13. Union Operations 14. Interference and Discrimination 15. Collective Bargaining 16. Strikes
Working Conditions	5.	Compensation	17. Minimum wages 18. Overtime wages 19. Premium Pay 20. Method of Payment 21. Wage Information, Use and Deduction 22. Paid Leave 23. Social Security and Other Benefits
	6.	Contracts and Human Resources	24. Employment Contracts 25. Contracting Procedures 26. Termination 27. Discipline and Disputes
	7.	Occupational Safety and Health	28. OSH Management Systems 29. Chemicals and Hazardous Substances 30. Worker Protection 31. Working Environment 32. Health Services and First Aid 33. Welfare Facilities 34. Worker Accommodation 35. Emergency Preparedness
	8.	Working Time	36. Regular Hours 37. Overtime 38. Leave

Table 1 – Detailed list of all Better Work compliance points