

Environmental and Social Review Summary (ESRS) RECINOS IMPORT – BELIZE

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

Recinos Imports Limited (“Recinos” or the “Company”) is a large distributor of select and international brands of imported goods. Established in 1995 in San Ignacio, Belize, the Company focuses on high quality products in grocery, personal and COVID-19 safety use, home use, animal care, hardware and wines and spirits. The Company has also diversified into services and has established three retail ice cream outlets across the country which has also experienced rapid growth.

The proposed financing (the “Project”) will provide: i) working capital to expand operations; ii) the expansion of the Central Warehouse (including ice storage); iii) purchase and installation of solar panels; and (iv) debt refinance.

The Environmental and Social Due Diligence (“ESDD”), conducted between June and July 2021, included the review of permits, certifications and information about security personnel, human resources, waste management, emergency response, among others. This process was supplemented by interviews with the Company’s personnel in charge of operations. Due to the mobility restrictions generated by the COVID-19 pandemic, the ESDD did not include in-person visits to Recinos’ facilities.

2. Environmental and Social Categorization and Rationale

The Project has been classified as a Category B operation according with BID Invest’s Environmental and Social Sustainability Policy since it will likely generate, among other, the following impacts and risks: (i) Risks to workers' health and safety; (ii) increased generation of waste; (iii) increased consumption of energy and water; and (iv) potential traffic increases in areas close to warehouses. The intensity of these impacts is expected to be medium-low to low.

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; iii) PS3: Resource Efficiency and Pollution Prevention; and iv) PS4: Community Health, Safety, and Security

3. Environmental and Social Context

The Company has two main facilities in Belize: (i) Headquarters’ offices and Food Service division are located near to the downtown of San Ignacio; and (ii) the central warehouse, located on the

outskirts of Santa Elena Town. Recinos distributes goods from these two facilities to retail stores located all over Belize, including cities such as Corozal, Belize City, San Pedro, among others.

The Headquarters and Food Service Division are two buildings side by side, surrounded by several small businesses, a church, and residences; while the central warehouse is in a less populated area surrounded by vacant lots and some residences. Recinos has never experienced protests or vandalism in its facilities, on the contrary, the Company's operations have been carried out in a fairly peaceful environment.

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

Recinos will implement an environmental and social management system (“ESMS”) for its operations as per the Environmental and Social Action Plan (ESAP).

4.1.b Policy

Recinos will adopt an Environmental, Social, Health and Safety (“ESHS”) Policy as part of the ESAP.

4.1.c Identification of Risks and Impacts

The Company has not yet identified the ESHS risks and impacts related to its central warehouse expansion and the operation of the distribution fleet. Therefore, as part of the ESMS, the Company will establish a process to identify any E&S risks and impacts related to its activities.

4.1.c.i Gender risks

Currently, female labor represents almost 30% of the 69 Recinos direct employees.

Although Belize has ratified the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) and the Inter-American Convention on the Prevention, Punishment and Eradication of Violence against Women¹, the country ranks 24th in the Latin American and Caribbean region².

The Company will address its commitments to prevent sexual harassment and gender violence through its Human Resources (“HR”) Policy and its internal Code of Conduct, which will also include the principles of gender non-discrimination and equal opportunities.

¹ UN Women webpage, GBV Belize: <https://caribbean.unwomen.org/en/caribbean-gender-portal/caribbean-gbv-law-portal/gbv-country-resources/belize>

² Global Gender Gap Report 2020: http://www3.weforum.org/docs/WEF_GGGR_2020.pdf

4.1.c.ii Climate change exposure

The Company operates across Belize, which overall exhibits a medium level of risk with a stable trend in the last three years³. The main exposure to climate change in Belize is basically floods and tropical cyclones all over the country, and related storm surge, mainly in coastal areas.

Recinos' exposure to the aforementioned risks will be addressed by measures included in the Emergency Preparedness and Response Plan ("EPRP") to be developed as part of the ESMS.

4.1.d Management Programs

Since no specific environmental and social assessment has been performed for the Company's activities, no mitigation, control measures or management programs have been defined to avoid undesired potential impacts. Even though the type of activities that are normally undertaken by Recinos are likely to generate medium-low to low associated impacts and risks, the following plans will be implemented to manage: waste, occupational health and safety, emergency preparedness and response, traffic, and stakeholder engagement.

4.1.e Organizational Capacity and Competency

Recinos' organizational chart does not include personnel responsible of the ESHS matters. In the meantime, health and safety matters are being mostly managed by the Import and Logistics Manager. Therefore, as part of the ESAP the Company will adopt an ESMS and designate the personnel in charge for implementing and monitoring such system. As a complement, Recinos will establish a training scheme for its employees, in accordance with the programs and plans developed within the ESMS.

4.1.f Emergency Preparedness and Response

Recinos has not carried out an identification of hazards and risks for its operation and, thus, will prepare EPRP based on the assessment of such hazards and risks. Also, it will perform a safety analysis to determine the need of additional fire detection and suppression systems (i.e., alarms, smoke detectors, extinguishers, etc.); will establish evacuation routes and assembly points and will carry out evacuation and fire drills.

4.1.g Stakeholder Engagement

The Company will perform a stakeholder identification and mapping and will develop a Stakeholder Engagement Plan ("SEP) as part of the ESAP to address concerns of the community, disclose information about the Company's activities, and prepare the community to in case of emergencies.

³ INFORM annual report 2021: <https://drmkc.jrc.ec.europa.eu/inform-index> . The INFORM risk index uses different indicators to measure hazards and peoples' exposure, vulnerability, and the resources available in the country.

4.1.h External Communication and Grievance Mechanisms

Although the Company has various channels to receive petitions, grievances, complaints, or requests from the community (an e-mail address, a website, social media platforms⁴ and a dedicated telephone line), it has not yet established an External Grievance Mechanism, to properly record and manage the community grievances, and to resolve them in a timely manner according to their type. As part of the ESAP, the Company will be required to develop an External Grievance Mechanism in line with Performance Standard 1.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

Recinos has 69 direct employees (49 men and 20 women). During the expansion of the central warehouse, 35 construction workers will be hired.

The Belize Labor Act, Chapter 297⁵ is the basis of Recinos' practices in relation to labor conditions. The Company also recognizes worker's right to organize and join labor unions, however, to date, none its workers has chosen to do so.

Recinos will develop and implement an HR policy and internal code of conduct consistent with the general principles of freedom of association, employment terms, nondiscrimination, equal opportunities, among others. Additionally, an internal grievance mechanism will be implemented to properly record and resolve grievances from its employees.

4.2.b Protecting the Workforce

Recinos does not hire workers under the age of 18.

4.2.c Occupational Health and Safety

As part of the ESAP Recinos will develop and adopt an Occupational Health & Safety (OHS) plan, to identify related risks, establish control measures for them, define an OHS training program for workers, and keep records of incidents and accidents.

4.2.d Workers Engaged by Third Parties

To date, security guards are the only workers engaged by third parties. However, it is expected that for the expansion of the central warehouse 35 additional workers will be hired for a period of approximately four months. Therefore, the Company will ensure that all contractors adhere to Recinos' ESHS policies by this requirement in the corresponding service contracts.

⁴ Instagram and Facebook.

⁵ The Belize Labor Act 297 governs the terms and conditions of employment such as working hours, holidays and rest periods, wages, overtime, occupational health and safety, and termination of employment.

4.2.e Supply Chain

Recinos imports all the goods from suppliers outside Belize, mainly from Central America and to a lesser extent from Mexico, United States, and Italy. The Company is working on the development of a procurement policy.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

Recinos uses the municipal water system and electricity from the electrical grid to supply its facilities. There is a diesel-fueled generator in the central warehouse that is only used as a backup in cases of blackouts.

The proposed installation of a mini solar photovoltaic system on the roof of the central warehouse will reduce energy consumption from the grid, reducing the Company's overall carbon footprint.

4.3.b Pollution Prevention

4.3.b.i Wastes

Recinos manages solid waste by storing it on site, and then disposing of it weekly in the authorized Municipal Landfill through an authorized waste transportation provider. In both facilities, liquid effluent is drained to a septic tank system and the sludge generated is removed by a certified contractor.

Most of the hazardous waste generated by the Company comes from the maintenance of its vehicle fleet. Since this activity is carried out outside Recinos' facilities, the Company will need periodically verify the adequate management and disposal of these wastes.

A waste management plan will also be developed and implemented. It will establish responsibilities, compliance verification means, monitoring procedures, internal collection points, segregation protocols, ways to record the amount and type of waste generated, and feasible options to reduce, reuse or recycle the waste, among other issues.

4.3.b.ii Materials Management

The cooling system at Recinos main warehouse uses refrigerant that is not classified as an ozone depleting substance. New cooling equipment to be bought by the Company will observe this limitation.

As part of the OHS plan, Recinos will establish and implement provisions for material handling and management, such as maintain material safety data sheets (MSDS) for all substances stored or used in the facilities, use of secondary containment, etc.

4.4 Community Health, Safety and Security

4.4.a Community Health and Safety

To date, Recinos has not experienced major accidents since inception. However, due to the exposure of the vehicle fleet to potential road traffic accidents and the likely increase of traffic in the surroundings of the central warehouse, Recinos will develop and implement a Traffic Management Plan (“TMP”) to establish routes, transportation schedules, defensive driving training for drivers, speed limits considering the road conditions or residential areas, provisions in case of bad weather, emergency response, among other considerations.

4.4.b Security Personnel

The company has security guards that are employees of a private security contractor allocated in its two main facilities. Security personnel complies with the local law (Firearms Act, December 2000) for the use of firearms, all of them have a valid Gun License that is annually renewed. All security personnel received training on weapon handling and human rights given by the manager of the private security contractor.

Recinos, however, will develop and implement rules of conduct for all security personnel as well as provide training on the adequate use of force.

4.5 Land Acquisition and Involuntary Resettlement

The Company operates within previously acquired land. The activities envisaged in this operation do not involve any kind of involuntary physical or economic displacement.

4.6 Biodiversity Conservation and Natural Habitats

The Company operates within highly intervened urban areas. Consequently, the planned activities will not generate any kind of risk to biodiversity conservation or living natural resources management.

4.7 Indigenous Peoples

The Company facilities are located within the urban areas of the towns of San Ignacio and Santa Elena in Belize and will not affect indigenous communities or populations.

4.8 Cultural Heritage

The Project is not located in an area with an existing or potential presence of cultural heritage.

5. Local Access of Project Documentation

The documentation relating to the project can be accessed at the following link:
<https://recinosimports.com/>