

Environmental and Social Review Summary (ESRS) Barbancourt - Haiti

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

Société du Rhum Barbancourt S.A. (the "Company") is a leading company in the production of sugarcane-based rum in Haiti and one of the country's largest exporters. The company began its activities in 1862 and since its industrial revamp in 1990, it has reviewed and optimized its production process to ensure a constant level of quality. In addition, the distillery co-generates its own energy. 75% of its main input, sugar cane, is purchased from more than three thousand (3,000) independent producers in Haiti; Barbancourt being responsible for purchasing approximately 2% of national production. The remaining 25% of sugar cane is produced on the company's own land (90 hectares).

IDB Invest considers granting a loan to the company to finance investments, particularly for a bottles recycling project and photovoltaic solar energy production plan, plus associated working capital needs. This would be IDB Invest's first operation with Barbancourt (the "Project").

BID Invest's Environmental and Social Due Diligence ("ESDD") consisted of evaluating information relating to Environment, Health, and Safety ("EHS") as well as social data. The evaluation is based upon information provided by the Company and site visits observational information plus interviews carried out with Company representatives, employees, and suppliers.

2. Environmental and Social Categorization and Rationale

In line with IDB Invest's Environmental and Social Sustainability Policy, the Project has been classified as Category B because it may generate, amongst other things, medium to low negative E&S impacts and risks that are few in number, mostly site-specific, largely reversible and manageable through the implementation of well-known mitigation measures.

Key E&S issues related to this Project at existing facilities include: i) the Company's capacity and systems to manage E&S risks and issues, including regulatory compliance; ii) the lack of documentation and monitoring tools for its E&S policies; iii) management practices for environmental, health and safety (EHS) and labor guidelines; and iv) air emissions and solid waste management.

The Performance Standards (PS) relevant to the project are: i) NP1: Assessment and management of Environmental and Social risks and impacts; ii) NP2: Labor and working conditions; iii) NP3: Rational use of resources and prevention of pollution; and iv) NP4: Health, safety and community security.

3. Environmental and Social Context

3.1 General characteristics of the Project's site

The Barbancourt facilities are located in the Plaine du Cul-de-sac, in a common district in the north of the capital (Cité Soleil). The facilities include a factory and cane fields surrounding it.

The project takes place on two (2) sites: i) the first site is within the factory perimeter and neighboring fields; and ii) the second location is located on a purchased former industrial site, five hundred (500) meters away from the historic site's entrance, within the urbanized fabric.

Ownership rights by the Barbancourt company has been certified and shows no risk of conflict with local communities around property related issues nor usage; the project will not bring major change in land usage nor significantly interfere with local communities' habits.

3.2 Contextual risks

There is presence of violent gangs, including the Plaine du Cul-de-sac neighborhood, in the greater Port-au-Prince region. Kidnapping remains one of the main sources of income for gangs operating in the country and police forces lack the capacity to efficiently fight violent crime. High crime rates in the country and kidnappings are consistent with the major on-going economic and political crisis in Haiti, a country which is in the midst of a humanitarian catastrophe, following rising violent clashes between rival gangs competing for territory in the Cité Soleil district, within the capital city Port-au-Prince, by early 2023. Between July 13th and the 17th, an estimated 185 people were killed - a few gang members, many innocents trapped in a pincer.

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

Barbancourt does not currently possess a management and evaluation system for its Environmental and Social performance.

Nevertheless, there is an effort to take these aspects into account in the company's manufacturing processes, human resources management and relationships with their external suppliers, but there are to date no key performance indicators ("KPI") to overwatch them, nor a process for monitoring their evolution.

The company shows interest in setting up a Quality, Health, Safety and Environment ("QHSE") department.

4.1.b Policy

Barbancourt created a documentation for its Human Resources (HR) management policy called the *Internal Work Regulations Manual*. It was approved on November 26th, 2021 by the Ministry of Social Affairs and Labor ("MAST") through its Regional Directorate of Social Affairs department. The latter includes the following chapters: i) Human resources policy; ii) Sexual harassment, abuse and exploitation policy; iii) Non-discrimination and equal opportunity measures; iv) A code of ethics; v) A retirement plan; (vi) An internal complaints handling procedure; vii) Child labor control system; viii) Training programs; ix) A COVID-19 procedure; x) Child labor and forced labor in the supply chain policy; and xi) Hydration tool kit.

4.1.c Identification of Risks and Impacts

A specific risk assessment linked to worker safety in bottling activities was carried out in order to identify the solutions required to reduce the risk of accidents.

With the automation of production, human handling has been greatly reduced in the bottling department, as have the associated accident risks. Workers on this line are equipped with Personal Protective Equipment ("PPE"), including noise helmets. The selection of protective items was based on the results provided by a risk matrix spreadsheet which takes into account the following criteria: i) Process; ii) Sub-process; iii) Frequency or Routine; iv) Hazard description; v) Parties; vi) Seriousness; vii) Probability; viii) Severity; ix) Corrective measures; x) Description of potential risk; xi) Controls; and xii) Performance measure.

4.1.c.i Gender Programs

The number of women employed at the plant is low, but the trend is increasing¹. To date, the company works with forty-four (44) women out of 472 employees, representing less than 10% of Barbancourt's direct employees. Nevertheless, a significant effort has been made over the last three (3) years to improve their representation. Although there is no specific document supporting this policy, the Company tends to give preference to hiring women when candidates are equally qualified. Barbancourt is a family-run business, lead since 2020 by a woman who is also the controlling shareholder.

Concerning sanitary options available to employees, a clear distinction between men's and women's changing rooms is to be noted. Located in the same building, the women's locker room has a dedicated and graded entrance. Regarding transportations, the company guarantees transport options for all employees, including women, offering two buses that connect the plant with two points in the city². Loans are also granted to executives to ease the acquisition of a private car.

¹ The number of female employees in 2020 was seven (7) corresponding to 2% of the total; in 2021, twenty-two (22) corresponding to 5%; and in 2022, thirty (30) corresponding to 7% of the total.

² First meeting point on the Pétion-Ville commune in the southeast of the city, around 15 kms from the plant, and a second one closer by the plant, on the airport road, 5 kms away.

4.1.c.ii Climate change exposure

Since the plant site is located close to Rivière Grise, it is exposed to seasonal flooding (annual rainy season between June and October). To minimize flooding risks, all buildings and facilities have been elevated.

The Project is considered Paris Agreement aligned based on the analysis conducted in accordance with the IDB Group Paris Alignment Implementation Approach.

4.1.d Organizational Capacity and Competency

Barbancourt's social activities are currently in the hands of its Human Resources Director ("HRD"), who is also Managing Director for the Barbancourt Foundation. He is responsible for compliance with the regulatory legal commitments set out in the company's internal regulations manual. With the Barbancourt Foundation, he ensures that the Company's social commitments to local communities are indeed fulfilled. In order to improve the company's performance on these criteria, a QHSE department which will run the systematization of the management of the company's environmental impact, is to be created.

4.1.e Emergency Preparedness and Response

The plant is equipped to deal with emergency situations, in particular with fires. Evacuation routes and access points to extinguishers and fire hoses are clearly indicated.

For workplace related health emergencies, the plant is equipped with an infirmary available at all times, with a 24/7 on-site nurse. There are three (3) nurses on rotation, and two (2) doctors are on call, including an ER specialist. To improve the service's responsiveness, the Company hired a doctor who lives in the area, allowing a quick response even during unstable times of disturbance of law and order.

4.1.f Stakeholder Engagement

Through its Foundation, Barbancourt maintains a strong social commitment to the local communities. A special agreement has been drawn up between the Foundation and a local association, the Collectif des Citoyens de la Plaine pour une Autre Haïti (COCIPAHA) to navigate social issues with locals. This entity represents all six (6) communities present in the area.

A formal contract ensures that COCIPAHA would undertake the identification of appropriate community projects within the six (6) localities and help manage it, with the help of local stakeholders, in exchange for material support from the Foundation.

4.1.g Disclosure of Information

Through COCIPAHA, Barbancourt maintains a privileged relationship with local community leaders. Telephone communication channels and face-to-face meetings enable factory managers, particularly the Legal and Investment Director and Foundation executives to address grievances

from the community, keeping the best interests of all parties in mind. These communication methods are very direct and do not follow a pre-established procedure.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

The company has an HR department responsible for working condition issues for both employees and subcontractors. This department is located in the plant and is separated from the company's other departments in order to be as accessible as possible to all employees.

To guarantee both discretion and employees' free speech, the HR Director benefits from an independent office space where he can welcome employees or service providers for face-to-face meetings.

4.1.a.i Human Resources Policies and Procedures

All human resources management procedures are based on the *Internal Work Regulations Manual*, which complies with Haitian legislation. This takes into account harassment, non-discrimination measures, retirement plan measures and a health and safety plan.

4.1.a.ii Working Conditions and Terms of Employment

Barbancourt provides attractive pays to its employees, including those working in agriculture. Their wages are higher than legal standards and frequent inflation related adjustments are made. In February 2022 and January 2023, two (2) adjustments of 15% each were applied to all salaries, permanent employees, and seasonal workers.

Regarding retirement, in addition to legal benefits imposed by legislation, the Barbancourt company provides each employee with a Retirement Savings Plan (French Plan d'Epargne Retraite - PER). This is provided to all employees forced to quit their jobs.

Barbancourt also ensures employee financial inclusion by opening a bank account for them all. It guarantees that all prerequisites are met, such as the minimum floor and civil legal documents typically required.

There are two (2) on-site restaurants, providing both managers and workers with hot meals at discount prices. A digital meal payment service enables tracking of employee's orders and offers staggered payments to accommodate each budget.

Company loans to cover unforeseen events and emergencies are available for employees. They can cover education costs, household health care or funeral arrangements. Repayment of these loans can be spread over twelve (12) months if necessary.

Each year during Christmas, all employees are granted a paid vacation week, on top of their statutory paid leave.

There are various hydration points supplied on site.

4.1.a.iii Workers' Organizations

Although permitted, there is no trade union in the Company.

4.1.a.iv Non-discrimination and Equal Opportunity

Barbancourt provides specific support in case of early retirement, including financial assistance to start up an income-generating activity³ ("IGA"), as well as the guarantee for a three (3) year partial payment of their salary and insurance cover. In case of passing during this period, these premiums can be transferred to a third party, previously designated by the employee on a signed agreement. This plan was in place during the restructuring of the plant's bottling line⁴.

4.2.b Protecting the Workforce

4.1.b.i Child labor

Barbancourt maintains a formal contractual relationship with all its employees.

The Barbancourt company only works with people over the age of majority, whether they are employees, seasonal workers or suppliers. All contracts require the control of an identity document clearly indicating the service provider's legal age.

4.2.c Occupational Health and Safety

Overall, noticeable efforts are being made to reduce all accidents hazards to permanent and contract workers in all departments of the plant, as well as in the adjoining fields. Nevertheless, the wearing of Personal Protective Equipment ("PPE") is only generalized in both the plant's bottling section and the distillery's product quality analysis laboratory. These efforts should be extended to the rest of the plant site, so an all-workers order for PPE is currently underway.

In accordance with insurance recommendations for site protection, fire protection equipment maintained by an external service provider named Protection Incendie Assurance (PROINA) is installed in all buildings.

The location features signage warning of heavy machinery maneuvers in the cane unloading area. The site also features numerous signs indicating evacuation routes clearly.

To limit accidents at the bottling plant, a production mechanization process has been implemented. This department works with the 5S method, a Japanese-inspired business management technique. This method revolves around the following principles: i) Sort, ii) Set in order, iii) Clean, iv)

³ A start-up fund of 300,000.00 HTG was set up for each employee under retirement age who left the Company following the modernization of the bottling line.

⁴ 78 people over 55 y-o or with +20 years' service retired as part of this restructuring. 25 people under retirement age received support to set up an IGA.

Standardize; and v) Sustain. The number of employees in this department has thus been reduced, and human tasks are now kept to a minimum. Similarly, the following measures have been put in place: i) movement within the department has been clearly marked out to reduce the risk of collision between people and forklift trucks; ii) the work area has been cleaned and marked up; iii) dangerous areas have been identified; and iv) a Lock out/Tag out system for maintenance operations is being implemented.

Over the past three (3) years, Barbancourt has started renovating the facilities. The cafeteria has been refurbished and air-conditioned to offer workers comfort during their meals; it also facilitates cleaning.

Both locker rooms have also been renovated and are managed full-time by someone who ensures the safety of workers personal items and the cleanliness of the premises. Each employee has a designated personal locker.

4.2.d Workers Engaged by Third Parties⁵

Within the plant, only security and catering services are handled by subcontractors.

4.2.e Supply chain

The factory is dependent on sugar cane supplied at 75% by independent growers. Barbancourt operated a quality check on site when the product is delivered by trucks. Sellers and delivery drivers are listed in a digital database, ensuring order volume traceability and fair payment. Payment management for these external service providers is handled by a third-party micro-finance company with branches across the country. Payment is deposited into service providers' personal accounts by this tier company. A separate payment system avoids potential conflict between producers and truckers.

During season of 2022⁶ Barbancourt increased its sugar cane price per ton in order to expand its suppliers' network while ensuring the industry sustainability. Cane farmers can contact the factory hotline to inquire about prices, purchases, and delivery modalities.

As a loyalty measure for subcontractors, Barbancourt facilitates access to official priced fuel, in times of crisis. A private pump on plant location enables truckers to fill up their tank, with various payment options.

⁵ To date, the number of third-party workers is 95, with 6 being contractors.

⁶ A season corresponds to the period between cutting and delivery of cane. The season runs from November to July

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

Barbancourt bases its rum production on organically grown sugar cane. Company land yields follow cane's natural cycle. Since 2020, burning cane fields to renew production has been discontinued since a new mechanized cleaning technique is now under constant improvement.

Two (2) methods are used to water the fields: i) pumping from the ground water, and ii) using organic water from the distillery. The second method consists in treating with osmosis water the vinasse leaving the distillery by dilution. This water is then naturally conveyed by gravity to the fields surrounding the plant, where it is used as a natural fertilizer for sugarcane plants.

To produce energy, Barbancourt relies on a biomass cogeneration plant on site, fueled by the bagasse extracted from sugarcane juice, after stalks have been crushed. This 650 kW plant generates sufficient energy for all the plant's departments, except for the bottling line. Installing photovoltaic panels would enable the plant to considerably reduce its dependence on fossil fuels.

4.a.i Greenhouse Gases

Apart from the biomass power plant, the plant relies on six (6) fossil-fired generators, due to the erratic distribution of electricity by Electricité d'Haïti (EDH). However, there is no measurement of gases emitted by these generators at the plant nor nationwide.

4.a.ii Water Consumption

The distillery and other production-related activities water is drawn from a water table directly on site, also allowing workers to benefit from it too. A pump draws the water and discharges it into cisterns that store the plant's reserves. Two 650 gallons/minute and 75 gallons/minute pumps operate on a non-continuous basis. They automatically stop when reserves are full as water quantity is not measured. Regulatory authorities require Barbancourt to pay an annual fee of 500,000.00 HTG but does not charge water volumes.

Water drawn from the plant site then passes through an osmosis treatment system before being redistributed to the site's various departments. It should be pointed out that the water used in the distillery comes out in the form of vinasse, which is then poured onto the fields as fertilizer. Similarly, when the vinasse is dissolved, part of the water pumped out is returned to the vinasse.

To water surrounding fields, a solar pump also draws on the water table. The quantity of water used for watering is not quantified. The pump has a capacity of 475 gallons/minute.

Some of the drinking water treated at the plant is also distributed free of charge to the local population. The Company installed a valve on public domain to allow locals to access water. This distribution is managed jointly with community leaders. The plant distributes 1000 gallons/day to the community.

4.3.b Pollution Prevention

4.3.b.i Waste

Cane waste is used as fuel by the biomass plant, and organic liquid waste from the distillery is reused as fertilizer for the fields.

With the modernization of the bottling line, the volume of broken glass in the plant has been drastically reduced. Remaining glass waste is recovered and treated by a local recycler who sells it on the international recycling market.

Other non-organic waste from the plant is collected and managed by an external service provider.

4.3.b.ii Hazardous Materials Management

No large quantities of dangerous substances are required for production purposes at the plant, except for fuel reserves (diesel) used by electric generators.

However, as rum (ethanol) is a flammable product, smoking is strongly prohibited on site; welding activities as part of building maintenance are restricted by a hot-work permit. This permit conventionally sets out the guidelines for this type of work, as well as the procedures for monitoring these activities.

4.3.b.iii Pesticides Use and Management

The agriculture department takes an organic approach to growing sugarcane. The same applies to external growers, for whom the added value of pesticides and chemical fertilizers is not cost efficient. No fertilizers nor pesticides are used by Barbancourt.

4.4 Community health, safety and security

4.4.a Community Health and Safety

Although its activities do not pose any risk of illness to locals, the Barbancourt company, via its Foundation, provides the community with a clinic offering healthcare services at discount prices. A general practitioner, a pediatrician, a gynecologist and an ophthalmologist treats over 900 patients a month. Ophthalmology consultations account for 60% of all appointments.

In addition to clinical services, the health center includes a pharmacy offering drugs at reduced prices. The Foundation subsidizes 50% of drug bulk buying price from local suppliers and sells it back margin-free. Infant milk is offered to patients upon presentation of a prescription from the hand of the clinic's pediatrician.

The Foundation also organizes special health campaigns for the community. In March 2023, six hundred (600) women accessed PAP smears (cervico-uterine smears) to detect cervical cancer.

4.4.a.i Infrastructure and Equipment Design and Safety

The plant and fields are enclosed within a secured gated site with controlled entrances. However, in the surrounding area, the Foundation area is public and children's play areas have been set up at the site entrance.

4.4.a.ii Preparing for and responding to emergencies

Because of its proximity to the Rivière Grise, the plant is exposed to flooding. The last major rainfall event in June 2023 caused damage in the plant's area⁷. Despite past experiences, the Company does not rely onto an Emergency Plan.

4.4.b Security Personnel

Barbancourt relies on an external service provider for security. The site is also used as a training ground by the subcontractor, providing firing exercises nuisance considered a problem by the locals. Gunfire from the plant may be associated with gunfire from assailants, often creating panic in local communities, as the area is prone to gangs armed violence.

5. Local access of Project Documentation

Documentation on Barbancourt can be accessed via the following link: <https://barbancourt.com/>

⁷ The Barbancourt Foundation responded to this emergency by distributing three hundred (300) hot meals to the community.