

Environmental and Social Review Summary (ESRS) SOLENGY – HAITI

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

Solengy Haiti S.A.¹ (the "Company" or "Solengy") is a leading distribution energy solution provider offering turnkey and custom energy systems between 1KWp to 600KWp to residentials, commercial and industrial customers. In 2019, the Company launched its innovative "deferred sale contract" or leasing solution program to increase electricity access to households and businesses that cannot afford the upfront capital cost of renewable power.

Solengy is seeking financing for (i) the acquisition of solar energy systems to be sold in Haiti through leasing solutions to commercial and industrial clients, (ii) working capital, in particular for the acquisition of initial inventory build-up, and (iii) the repayment of maturing debt (the "Project").

The Project's Environmental and Social Due Diligence ("ESDD") included a review of Solengy's: (i) environmental and social ("E&S") policies, procedures and management system; (ii) procedures for risk assessment of environmental and occupational health and safety ("OHS") aspects, including electrical safety; (iii) management procedures to assess E&S risks on its supply chain; (iv) human resources ("HR") policies and procedures, including terms of employment and working conditions; (v) contractor management procedures; (vi) solid, liquid and hazardous wastes management plans; (vii) community engagement and grievance mechanism; (viii) emergency response plans, and (ix) private security arrangements.

2. Environmental and Social Categorization and Rationale

As per IDB Invest's Environmental and Social Sustainability Policy, the Project has been classified as Category B., since its associated E&S risks and impacts are limited, site-specific, and largely reversible and manageable through the implementation of well-known mitigation measures, including falls from heights, electrical hazards, injuries from equipment or materials, end-of-life disposal or recycling of solar panels. Key E&S issues of the Project include: (i) implementation of the company's corporate E&S management system ("ESMS") and its organization capacity; (ii) fair, safe and health labor and working conditions, including OHS and contractor's management; (iii) waste and wastewater management (iv) stakeholder engagement and external grievance mechanism; (v) management private security.

¹ <http://www.solengy.com/>

The Project triggers the following Performance Standards: (i) PS 1 - Assessment and Management of Environmental and Social Risks and Impacts; (ii) PS 2 - Labor and Working Conditions; (iii) PS 3 - Resource Efficiency and Pollution Prevention; and (iv) PS 4 - Community Health, Safety and Security.

3. Environmental and Social Context

3.1 General characteristics of the Project's site

The Company currently leases a building for its operations consisting of a workshop for equipment assembly and a warehouse of approximate 10,000 square feet ("sqf"), and offices (2,000 sqf), located at the Airport Industrial Park in Port-au-Prince, Haiti. Solengy's business model focuses on leasing energy solutions, encompassing photovoltaic system and batteries. The Company procures, installs, and maintains equipment during the contract tenor and provides extended warranties including insurance. Ownership of the equipment is transferred to the customers at the end of the leasing period. Solengy has installed 690 systems in 84 projects over the past 13 years across Haiti.

3.2 Contextual risks

The Project may face several significant contextual risks. In terms of security, Haiti has high levels of crime, including theft and vandalism and presence of violent gangs, which can affect both the installation and maintenance of solar systems. Kidnapping remains one of the main sources of income for gangs operating in the country. Furthermore, due to a lack of effectiveness of the police forces, there is a greater risk to the protection of project assets.

Politically, Haiti has experienced instability and frequent government changes, which may put the continuity and security of the project at risk. Moreover, labor rights are a concern, specifically human trafficking and child labor stand out as high risk, which could affect the reputation of the project and its long-term sustainability.

Economically, low literacy rates and lack of employment can limit the availability of trained personnel to install and maintain solar systems. Finally, Haiti is vulnerable to natural disasters such as hurricanes and earthquakes, which can damage solar infrastructure.

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

Due to the nature of Solengy activities, an assessment of E&S risk and impacts is not legally required for its operations. The Company has been taking steps to formalize how it assesses and manages its E&S risks and impacts, by formalizing standard operating procedures and hiring personnel with relevant skills sets to develop and implement an Environmental and Social Management System, ("ESMS"). While these efforts had recently been put on hold, the Company will continue this path

and undertake an evaluation of its environmental and social risk and impacts exercise, which will provide the basis to develop its ESMS. More specifically, it will develop and implement an E&S Policy and ESMS, aligned with good international practices, relevant environmental and social laws in Haiti and commensurate with the nature and scale of the impacts of its activities. The ESMS will encompass the following elements: (i) policy; (ii) identification of risks and impacts, (iii) management programs; (iv) organizational capacity and competency; (v) emergency preparedness and response; (vi) stakeholder engagement and community grievance mechanism; and (vii) monitoring and review.

4.1.b Identification of Risks and Impacts

4.1.b.i Analysis of alternatives

The use of proceeds will go to acquisition of solar energy systems, working capital (mainly for the acquisition of initial inventory build-up), and the repayment of maturing debt. Hence, no evaluation of Project alternatives took place.

4.1.b.ii Cumulative impact analysis

Since the Company offers energy systems between 1KWp to 600KWp to residential, commercial and industrial customers, the cumulative impacts for other past, present and future projects are deemed minimal. Consequently, a cumulative impact mitigation plan is not needed.

4.1.b.iii Gender risks

In the legal and regulatory sphere, women in Haiti face significant challenges and explicit discrimination in some areas. Haiti has more-restrictive laws and fewer legal provisions promoting gender equality and promoting equal opportunity for employment than its regional comparators. Moreover, women's roles as caregivers and homemakers present substantial barriers to their equal participation in the labor market and society at large.²

Men also face gender risks. They have shorter lifespans than women (62 vs. 66 years), are more likely to commit suicide, and are more prone to engage in risky behaviors such as alcohol and tobacco use and gang activity. On the other hand, women are more likely to be victims of gender-based violence and harassment ("GBVH") than men, facing security risks both at home and in their communities.³

Gender inequality is highly visible in the lack of voice and agency held by women and the entrenched gender roles of women as caretakers. Women have low levels of decision-making power regarding their own health care, spending on household purchases, and visiting friends and family⁴.

² [Haiti Gender Assessment Report](#)

³ [Haiti Gender Assessment Report](#)

⁴ [Haiti Gender Assessment Report](#)

Existing gender inequalities and the unique health needs of women have implications for Haitians' differential ability to recover from disasters by gender, further perpetuating and exacerbating these inequalities. Gender inequalities in economic opportunity, limited access to information, limited involvement in disaster management policies, and limited opportunities for decision-making may place women in a position of higher vulnerability against disasters.⁵

4.1.b.iv Gender Programs

The workforce is comprised of 27 employees, of which only one is a woman. Solengy has developed a Code of Conduct that outlines various aspects of the worker-management relationship. The code explicitly states a zero-tolerance policy towards sexual harassment and provides clear definitions of actions by employees that could be deemed as such. Solengy will develop and adequately implement policy and procedures to prevent GBVH.

4.1.b.v Climate change exposure

Predictions for the near future show that the mean annual and hottest daily maximum, and heatwave daily probability are expected to increase. These changes in temperature will likely have impacts on workers, increasing the risk of heat-related illnesses such as heat exhaustion and heat stroke. The probability of experiencing tropical cyclones is also expected to increase and will heighten the risk of extreme weather events, potentially leading to physical risks to workers from storm damage and flooding.

Solengy will integrate climate resilience measures into its OHS policies to protect workers from rising temperatures, cyclones, and extreme weather events. This includes updating its policies to: (i) address specific risks such as heat-related illnesses and storm hazards; (ii) assign clear responsibilities for implementing safety protocols; (iv) require regular risk assessments; (v) ensure compliance with local regulations; and (vi) emphasize continuous training and awareness programs to empower workers with the knowledge and skills needed to maintain their health and safety in changing environmental conditions. To address temperatures, the Company will (a) provide hydration stations with cool, potable water and shaded rest areas placed across the site to ensure workers remain hydrated and have areas to rest away from direct sun exposure, and (b) implement comprehensive heat safety protocols and regular training sessions to educate workers on recognizing and managing heat stress effectively.

Based on an analysis conducted in accordance with the IDB Group Paris Alignment Implementation Approach, the Project is considered aligned with the Paris Agreement.

4.1.c Organizational Capacity and Competency

Solengy's environmental, health and safety ("EHS") compliance role is fulfilled by the CEO and supported by the Division Managers, who are responsible for overseeing E&S initiatives across the company operations with a focus on training, capacity building and OHS. However, the Company will hire a qualified dedicated EHS Manager, who will be responsible to drive the ESMS

⁵ [Haiti Gender Assessment Report](#)

implementation and be supported by a social coordinator to oversee matters related to Human Resources, stakeholder engagement and internal and external grievance mechanisms.

4.1.d Stakeholder Engagement

Potential impacts on nearby communities (industrial park, neighborhoods where PV systems are installed and serviced) due to Solengy's activities arise from warehouse activities and vehicle transportation. The Company will formulate a documented community grievance mechanism for addressing community concerns and grievances about its E&S performance, including community health, safety, security, and gender-based violence and sexual harassment.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

The workforce is comprised of 27 direct employees (less than 1% are women). On the operations side, in addition to managers overseeing standard and custom projects and customer service, there are two technical supervisors who lead crews consisting of 3-4 employees each. These crews are responsible for tasks such as assembling, installing, and maintaining systems.

Solengy developed a Code of Conduct that outlines various aspects of the worker-management relationship and explicitly states a zero-tolerance policy towards sexual harassment. Moreover, employees are informed of their rights, wages, hours of work, compensation, and benefits under national legislation upon hiring. However, the Company will develop and adequately implement HR policies and procedures, including: (i) on-boarding of new hires procedures to ensure all employees are formally communicated all aspects of their employment terms, rights and benefits; (ii) controls to ensure employment for children under 18 are done according to national legislation; (iii) a grievance management procedure for workers; and (iv) a policy and procedures to prevent GBVH.

4.2.a.i Workers' Organizations and Grievance Mechanism

Solengy's Code of Conduct does not prohibit employees to unionize, should they wish to do so. In addition, employees are encouraged to raise any complaints to their supervisors. Nevertheless, the Company will develop and implement an internal grievance mechanism to timely address employees' concerns, which will allow for anonymous complaints to be raised and addressed and ensure no reprisals for those who use the mechanism.

4.2.a.ii Non-discrimination and Equal Opportunity

The Company will explicitly formalize a Non-discrimination and Equal Opportunity Policy. Such policy, after being adopted will be widely disseminated to all audiences, as well as reiterated in the code of conduct, training and onboarding activities.

4.2.b Occupational Health and Safety

The Company has not experienced any fatalities and has only registered two minor recordable accidents in the past two years. Solengy focuses on preventing accidents and injuries by ensuring that employees receive adequate training to perform their job duties, particularly in relation to electrical safety and working at heights, which are the primary risk faced by employees. This is accomplished through an ongoing training program that covers equipment assembly and installation from both technical and safety perspectives. To formalize efforts to provide a safe and healthy working environment, Solengy's ESMS will: (i) identify potential hazards to workers; (ii) provide preventive measures, (iii) continue training workers and formalize its training program; (iv) develop procedures to document and report occupational and health related incidents; and (v) implement its emergency prevention, preparedness, and response plan.

4.2.c Workers Engaged by Third Parties

For civil works, Solengy relies on specialized third-party contractors. However, as part of its ESMS, the Company will develop and implement a contractor management plan to assess and monitor contractor's E&S performance.

4.2.d Supply Chain

To manage risks of its supply chain, Solengy undertakes a technical due diligence during procurement process, and will complement the process to include a supply chain due diligence to assess E&S risks (including labor risks such as child and forced labor) on its equipment supply chain for primary suppliers.

4.3 Resource Efficiency and Pollution Prevention

4.3.a.i Resource Efficiency, Greenhouse Gases, Waste and Hazardous Materials Management

For its warehouse and offices, Solengy generates its own electricity from solar panels. Green House Gas ("GHG") emissions are due to the use of company vehicles (1 SUV, 3 Pickup Trucks, 1 Car, 3 Motorcycles), and amount to 12.5 tCO_{2e}/y.

Waste generation is limited to wood, carton, plastic, and conventional office waste; hazardous waste includes batteries and electrical equipment waste. Used batteries are sold to a company for recycling. Rainwater is collected and used in bathrooms and cleaning activities of Solengy's office and warehouse. Domestic effluents are sent to a septic tank. Waste panels are being kept in the warehouse until a viable solution to dispose is identified. No air emissions are generated from project activities.

Solengy will formalize its waste management program, to identify ways to increase recycling and ensure adequate disposal of waste to authorized facilities for both non-hazardous and hazardous wastes.

4.4 Community Health, Safety and Security

4.4.a Community Health, Safety and Security

Due to the nature of Solengy's activities, mostly within an existing industrial complex, no significant additional impacts on the health, safety and security of the local community are expected. Key risks to the community are related to management of its security arrangements and vehicle transportation of equipment and personnel. Security arrangements at the Company's facilities consist of two security guards at the facility entrance, that are armed. Solengy will undertake a security risk assessment and will develop and implement a Security Management Plan to ensure guards undergo background checks, have adequate training, including United Nations Voluntary Principles on Security and Human Rights, and act adequately towards workers and communities surrounding Solengy's activities. Additionally, the Company will implement a Driving Safety Program for all its activities, that will include driver safety training, vehicle checks, safe loading practices, among other.

5. Local Access of Project Documentation

The documentation relating to the project can be accessed at the following link:
<http://www.solengy.com/>