

Environmental and Social Review Summary (ESRS) Derrimon Trading– Jamaica

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

Derrimon Trading Company Limited (“Derrimon” or the “Company”) was established in 1998 and is one of the largest distribution companies of consumer goods to supermarkets and wholesalers in Jamaica. Derrimon is also the parent company of a business group that has four divisions: distribution, retail, manufacturing, and product innovation; the first two being the largest.

The proposed financing (the “Project”) will be directed to the Company's Distribution and Retail divisions in Jamaica for: i) capital expenditure to acquire equipment, upgrading existing facilities and purchase and installation of solar panels; and ii) a revolving facility to import consumer goods.

The Environmental and Social Due Diligence (“ESDD”) included i) the review of relevant environmental and social (“E&S”) information, such as permits, certifications, Human Resources (“HR”) policies, waste management, emergency preparedness and response, supply chain management, among others.; ii) several virtual and face-to-face meetings with representatives of the Company; and iii) site visits to the main distribution center, retail stores and manufacturing facilities.

2. Environmental and Social Categorization and Rationale

The Project has been classified as Category B according with BID Invest’s Environmental and Social Sustainability Policy since it will likely generate, among other, the following impacts and risks: (i) accidents involving workers; (ii) increased generation of waste; (iii) increased consumption of energy and water; and (iv) E&S risks related to the supply chain. The intensity of these impacts is expected to be moderate. These impacts are deemed to be of moderate intensity, largely reversible and can be mitigated via measures that are readily available and feasible to implement in the context of the operation.

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

3.1 General characteristics of the Project's site

Derrimon's Headquarters building is in a commercial area of Kingston close to one of the major container terminals in Jamaica and surrounded by several businesses and residences. Its main distribution center is located on the outskirts of Kingston, in an industrial area away from communities and surrounded by similar distribution facilities own by other companies.

The Company has nine retail stores across Jamaica under the brand names of "Sampar's Cash and Carry" and "Select Grocers", six of them located in the Kingston metropolitan area, and the other three in the cities of Man Pen, Saint Ann's Bay, and Mandeville. The Business group also operates a wholesale and retail food distribution store under the brand name of "FoodSaver NY" and "Good Food for Less" in New York, United States.

The subsidiary companies under the Manufacturing and Product Innovation divisions are:

- i) Woodcats International Ltd: Manufacturing and distribution wooden pallets and reconditioned pallets.
- ii) Caribbean Flavours and Frangances Limited: Product development and manufacturing of flavors for beverages, ice cream and baking products.
- iii) Arosa Limited: Food Processing and distribution of foods, liquor, and equipment for the hospitality industry.
- iv) Spicy Hill Farms: Manufacturing of soups and sauces.

All the facilities of the subsidiary companies mentioned above are located at industrial and commercial areas of Kingston, except for Arosa Limited, which is in the city of St Ann Bays.

3.2 Contextual risks

Jamaica's location makes it highly vulnerable to the impact of climate change, such as sea-level rise. This risk is exacerbated given the vulnerability of key sectors such as fisheries, agriculture, and tourism to climate change. The impact of droughts, flooding and related events have affected industries and livelihoods. See section 4.1.c.iv "Climate Change Exposure".

The Jamaican Constabulary Force¹ recorded 1,498 murders in 2022, 24 more than the previous year. This places Jamaica's homicide rate at nearly 53 per 100,000 individuals, the highest since 2017². However, for the first quarter of 2023, Jamaica recorded its lowest murder rate for the last seven years³.

¹ Jamaican Constabulary Force statistics, see [Here](#)

² Insight Crime's online article, see [Here](#)

³ Jamaica Information Service's online article, see [Here](#)

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

The Company has in place a Health and Safety (H&S) policy and procedure, as well as environmental procedures based on local law and, to some extent, on best practices. Nevertheless, the Company will consolidate and integrate all existing E&S and H&S policies, plans, and procedures and develop new ones as required by the E&S Action Plan (ESAP). The consolidated document will constitute the E&S Management System (ESMS), which will also establish responsibilities for assessing, managing, and monitoring environmental, social, health and safety (ESHS) risks and impacts associated with company's activities. The ESMS manual will be a dynamic document in the way that it is regularly edited and updated to reflect, among other, the latest applicable legal framework, and lessons learned from Company's operation.

4.1.b Policy

The Company has established a H&S policy defining the health and safety objectives and principles that guide its activities, however, this policy does not address environmental and social matters. Therefore, the Company will develop and adopt an ESHS integrated policy that outlines the Company's commitment and approach to addressing ESHS risks in all its operations.

4.1.c Identification of Risks and Impacts

4.1.c.i Direct and indirect impacts and risks

The Project may generate some environmental and social risks and impacts. Potential direct risks and impacts are related to: i) Workers' Health and Safety; ii) Labor Conditions; iii) fire hazards at the main warehouse and other facilities; iv) waste generation; among others. While the potential indirect risks and impacts are mainly related to Company's supply chain environmental and labor practices.

The Company has no procedure to systematically identify E&S risk and impacts, therefore, as part of the ESMS, it will develop such procedure and prepare an E&S risk and impact identification matrix, which will also consider those impacts and risks caused by climate change.

4.1.c.ii Cumulative impact analysis

The Project entails the acquisition of equipment, upgrade of existing facilities and importation of goods consumer; hence its aggregated impact is deemed not material when analyzing the overall cumulative impacts.

4.1.c.iii Gender risks

As in many other countries, gender risks in Jamaica arise from social, cultural, and economic factors that can result in unequal treatment and opportunities for people based on their gender. According to the Gender Assessment Report⁴ (GAR), one in every four Jamaican women has experienced physical violence from a male partner, while almost half of ever-partnered women have been subject to controlling behaviors.

The GAR also states that compared to other countries in the Caribbean, Jamaican women perform particularly well in terms of entrepreneurship, and in access to finance, although gender gaps persist. Jamaica is one of the countries in the world with the highest share of female business managers, however, the presence of women is higher in middle range (and not top) positions.

Women comprise around 60% of Derrimon's employees. The Company has a Human Resources policy and a Code of conduct in place, which includes principles governing respect for diversity, equal opportunity, non-discrimination, and anti-sexual harassment. The Company will enhance its internal grievance mechanism to allow for anonymous complaints to be raised and addressed.

4.1.c.iv Climate change exposure

The screening of the natural disaster and physical climate risk was based on the locations of the Company main facilities. The overall exposure to natural disaster and physical climate risk is high. The primary hazards identified are related to hurricane wind and storm surge, and drought. Risk is also exacerbated for inundation and flooding during severe storm events known to occur within the urban area. Other hazards detected during screening include heatwave, earthquake, and sea level rise (moderate).

Derrimon's exposure to the aforementioned risks is primarily addressed by measures included in the Company's Business Continuity Plan (BCP) developed for its headquarters offices and main distribution center. However, as part of the ESMS, the company will develop and implement an Emergency Preparedness and Response Plan (EPRP) that will incorporate additional measures to protect life, safety, and property during emergency events for all its facilities, and considering the results of the E&S risk and impact identification matrix.

The project's use of funds includes the purchase and installation of solar panels for self-consumption as an energy efficiency strategy, which in turn is a climate change mitigation measure that generates a reduction in carbon emissions and is therefore aligned with the country's climate and energy policies. The company will design and install the solar panel system to withstand relevant hazards.

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

⁴ Jamaica Gender Assessment Report 2023, see [here](#)

4.1.d Management Programs

The company has some plans and procedures in place, such as: Business Continuity plan, HR policy and procedures, Hazardous Materials Management policy, among others; but these are not structured nor integrated to enable a systematic implementation in Company's activities. Therefore, as part of its ESMS, Derrimon will develop and implement management plans and procedures for all its operations to avoid, mitigate or compensate adverse ESHS risks and impacts.

4.1.e Organizational Capacity and Competency

The company organizational chart does not include an upper management member responsible of the ESHS matters. In the meantime, H&S matters are being mostly managed by the Security & Facilities Manager. Therefore, the Company will adopt an ESMS and designate the personnel in charge for implementing and monitoring such system across the Company operations. As a complement, Derrimon will establish a training program for its employees, in accordance with the management plans that will be developed as part of ESMS.

4.1.f Emergency Preparedness and Response

The company has a Business Continuity Plan (BCP) for its headquarters and main distribution center. Currently, drills are carried out following the BCP. As part of the ESMS, the company will develop and implement an Emergency Preparedness and Response Plan for all its facilities, using as a basis the strategies and procedures outlined in the BCP and considering the results of the ESHS risk and impact identification matrix. The EPRP will include: (i) description of potential emergency scenarios, (ii) emergency communication protocols with key internal and external contacts (Fire department, Health Services, affected Communities as applicable, and others), (iii) roles of the emergency response team, including team members' responsibilities, (iv) evacuation and first aid procedures, (v) inventory of emergency equipment and facilities (e.g. first aid kits, firefighting equipment, vehicles, etc.) and (vi) training and drills planning.

4.1.g Monitoring and Review

The Company does not have procedures in place to monitor and measure the effectiveness of ESHS management practices for all its facilities. Therefore, as part of the ESMS, Derrimon will develop and implement protocols and guidelines for periodic monitoring of the effectiveness of the ESMS and compliance with applicable ESHS legal requirements.

4.1.h Stakeholder Engagement

Derrimon carries out several corporate social responsibility activities benefiting neighboring communities supporting sports and educational initiatives⁵. These activities have fostered positive relationship with communities and their representatives, along with other private companies, local authorities, and public institutions as coordinating partners. The Company, however, lacks a

⁵ Derrimon's Corporate Social Responsibility Activities and Initiatives, see [Here](#)

Stakeholder Engagement Plan ("SEP") to systematically manage social aspects; therefore, Derrimon will perform a stakeholder identification and mapping, to develop and implement a SEP.

4.1.i External Communication and Grievance Mechanisms

Company's external communications are mainly managed through its website and social media platforms⁶ that provide various channels (an e-mail address, contact section on the website, and a telephone line) to receive grievances, complaints, or requests from the community. However, the Company has not yet established an External Grievance Mechanism (EGM), to properly record and manage the community grievances according to their type. As part of the ESMS, the Company will develop and implement an EGM.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

Derrimon has around 1,200 direct employees (60% of them women) across all its subsidiaries in Jamaica.

4.2.a.i Human Resources Policies and Procedures

The Company's employee Handbook includes HR policies and guidelines on recruitment process, terms and conditions of employment and benefits, which are compatible with the principles of non-discrimination and equal opportunities. Among others, it also includes dress code, grievance procedure, disciplinary measures, and termination of employment.

4.2.a.ii Working Conditions and Terms of Employment

Derrimon complies with Jamaican labor regulations and all workers receive a written employment contract, with clear information on working conditions (salary, duration of employment, job title, etc.). Wages paid cover at a minimum the national requirements. The company provides separate sanitation and locker facilities for men and women, as well as adequate personal protective equipment ("PPE") to all workers.

Employment benefits include: i) Life Insurance; ii) Contributory Health Insurance and iii) Access to private retirement planning. Transportation is provided for personnel working at the main distribution center, since it is located on the outskirts of the urban area with limited access to public transport.

4.2.a.iii Workers' Organizations

Jamaican law recognizes the rights of workers to form unions or other workers' organizations of their own choosing and to bargain collectively with their employers. Likewise, Derrimon recognizes

⁶ Instagram, LinkedIn, and Facebook.

the right of workers to organize and join unions, however, to date, none of its workers have chosen to do so.

4.2.a.iv Non-discrimination and Equal Opportunity

The Company's employee handbook establishes policies of non-discrimination and equal opportunities as fundamental principles for all employment decisions, such as hiring process, working conditions, promotions, and employment terms and conditions.

4.2.a.v Retrenchment

The Company's employee handbook contains guidelines and rules for termination of employment (dismissal, resignation, and retirement). No retrenchment is expected, given the nature of the Project.

4.2.a.vi Grievance Mechanism

The Company's employee handbook includes a grievance procedure for employees that establishes who to contact to file a grievance, who is responsible for resolving them and within what time frame. However, it does not allow for anonymous complaints to be raised and addressed, consequently, the Company will update its grievance procedure to incorporate this aspect and expand the scope of the procedure so that contractor personnel can also use it. The grievance mechanism will be disclosed to all outsourced personnel.

4.2.b Protecting the Workforce

4.2.b.i Child Labor and Forced Labor

Jamaica has ratified the International Labor Organization (ILO) conventions on the abolition of forced labor and the prohibition and elimination of the worst forms of child labor. The Company's employee handbook has provisions against child labor and forced labor and it establish that the minimum age to work in the company is 18 years old.

4.2.c Occupational Health and Safety

The Company has a health and safety Policy and procedure which outlines the goals, objectives, and responsibilities on the H&S management; it also includes general provisions for i) work standards and rules, ii) employee Training, iii) reporting process and accident Investigation procedure. The Company will enhance the existing H&S procedure, to develop a comprehensive H&S Plan that will be implemented in all its operations, such plan will identify related risks, establish specific control measures, define a H&S training program for workers, and include documentation and record keeping templates and procedures.

The company has operational personnel designated to manage H&S risks at its main facilities, mainly to i) supervise the implementation of H&S measures, ii) provide PPE and iii) conduct or organize training. All company facilities have signs for evacuation routes, emergency exits and fire systems.

4.2.d Workers Engaged by Third Parties

Most of the workers engaged by third parties are drivers of the distribution fleet and security guards. Derrimon does not allow for child labor at its facilities. The Company will prepare contractual clauses to ensure that contractors adhere to Derrimon's ESHS policies.

4.2.e Supply Chain

The Company carry out visits to its suppliers to inspect production facilities, verify quality standards, and ensure that products meet required specifications. However, the Company will develop and implement a Supplier Policy that requires primary⁷ suppliers to comply with i) the applicable labor, Health & Safety, and Environmental requirements of each country where production and manufacturing takes place and ii) International Labor Organization (ILO) conventions related to Forced and Child Labor.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

4.3.a.i Greenhouse Gases (GHG) and Water Consumption

The Company's direct GHG emissions are mainly generated by the fleet of around 40 vehicles that operate daily to distribute goods. The Company uses the municipal water system and electricity from the electrical grid to supply its facilities which include cooling rooms. There are diesel-fueled generators at its facilities that are only used as a backup in cases of blackouts.

The Company has not yet performed a Greenhouse Gas ("GHG") inventory; however, due to its nature, it is expected that the Project's GHG emissions will not be significant. Furthermore, the project includes the purchase and installation of solar photovoltaic systems, which will reduce energy consumption from the grid, reducing the Company's overall carbon footprint.

4.3.b Pollution Prevention

4.3.b.i Wastes

Derrimon manages solid waste by storing it on site in covered containers, and then disposing of it in authorized Municipal Landfills through an authorized waste transportation provider. The Company aims to implement a recycling program at most of its facilities, currently it has begun to recycle plastic bottles in some retail stores.

⁷ Primary suppliers are those suppliers who, on an ongoing basis, provide the majority of living natural resources, goods, and materials essential for the core business processes of the Company.

Most of the hazardous waste generated by the Company is from the maintenance of its machinery and forklifts. These wastes include used oil, oily rags and used batteries; the used oil is collected for recycling, while the others are disposed of through an authorized company.

A waste management plan will be developed and implemented by the company to establish responsibilities, internal collection points, segregation protocols, ways to record the amount and type of waste generated, monitoring procedures and feasible options to reduce, reuse or recycle the waste.

4.3.b.ii Hazardous Materials Management

For the cooling equipment, Derrimon predominantly use R404A as refrigerant which has zero ozone depletion potential (ODP), and in a lesser extent R22 which has a medium ODP. Storage tanks of Liquefied petroleum (LP) gas are maintained in good shape and in accordance with the safety provisions of local regulation.

As part of the H&S plan, Derrimon will establish and implement provisions for hazardous 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, and others. In addition, it will develop and implement a Phase-out Plan for R22, in accordance with the Montreal Protocol. New refrigeration equipment purchased by the Company will observe this limitation on ODP and will also prioritize refrigerants with low global warming potential (GPW).

4.3.b.iii Pesticide Use and Management

Pest management is performed by a licensed third party. Products classified as "Ia" (extremely hazardous) or "Ib" (highly hazardous) by the World Health Organization ("WHO") are not used in the Company's facilities. The Company will ensure that the third party always complies with this restriction.

4.4 Community Health, Safety and Security

4.4.a Community Health and Safety

4.4.a.i Infrastructure and Equipment Design and Safety

All Company's facilities have fire prevention systems, such as: extinguishers, fire alarms and Fire hose reels. They also have well-marked evacuation routes and emergency exits. The equipment (e.g., forklifts) used within its storage areas receive preventive maintenance and have fire extinguishers. The LP gas storage tanks that supply fuel mainly to the Manufacturing Division facilities and to some retail stores, comply with all safety provisions and permits required by law.

The entire vehicle fleet for distributing supplies is equipped with GPS devices that monitor each vehicle's location, route, and speed using a software through software that the company has access to. The distribution vehicles fleet is scheduled using various loading and unloading times to increase efficiency in the operation and reduce the increase in traffic around the distribution center. The drivers of the distribution fleet must maintain a valid and adequate license to provide the service.

4.4.a.ii Hazardous Materials Management and Safety

Derrimon does not manufacture, import, or distribute hazardous materials. The exposure of the community to the risks associated with the project regarding the transport or handling of hazardous materials is not significant.

Storage tanks of LP gas at the Company's facility are in well signalized areas and isolated from heavy traffic, and refilling of the tanks is carried out by a certified supplier. Products used for pest control are transported and handled by a licensed third party.

4.4.a.iii Ecosystem Services

The Project will not cause any material impacts on existing ecosystem services.

4.4.a.iv Community Exposure to Disease

Derrimon has biosafety protocols in place, to reduce the risk of disease contagion among customers, suppliers, contractors, and employees and their families. All employees working in food handling are required to have a food handler's permit and follow the provisions of the Ministry of Health and Wellness.

4.4.a.v Emergency Preparedness and Response

The EPRP to be developed will include emergencies that may affect neighboring communities considering various scenarios. It will also involve local government agencies that can respond and control emergency situations, such as firefighters, health centers, police, environmental authorities, etc.

4.4.b Security Personnel

The company only has unarmed security guards that are employees of two private security contractors registered with the Private Sector Regulation Authority⁸. Security companies provide training to guards on rules of conduct, communication protocols and others.

⁸ Private Sector Regulation Authority website, see [Here](#)

4.5 Land Acquisition and Involuntary Resettlement

The Project will not require the acquisition of land and will not cause any physical or economic displacement.

4.6 Biodiversity Conservation and Natural Habitats

Given the Project will be implemented at the company's existing facilities, there will be no significant impacts on biodiversity or living natural resources.

4.6.a.i Supply chain

Regarding the purchase of primary production, Derrimon makes reasonable efforts to ensure that they are sourced responsibly. However, the Company will develop and implement a Supplier Selection and Evaluation Procedure (SSEP) with the objective of identify E&S risks linked to the primary supply chain, especially in regions where there is a risk of significant conversion of natural or critical habitats.

4.7 Indigenous Peoples

The Project will not affect any indigenous community, nor will it intersect any indigenous territory.

4.8 Cultural Heritage

The Project will not affect any cultural heritage.

5. Local Access of Project Documentation

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

<https://www.derrimon.com/>