

Environmental and Social Review Summary (ESRS) CODEVI 13683-01 – HAITI

Original language of the document: spanish
Issuance date: october, 2022

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

This transaction will support the expansion of Compagnie de Développement Industriel, S.A. ("CODEVI", the "Company" or the "Client"), a free trade zone located in the northern city of Ouanaminthe, Haiti, which borders the city of Dajabón, Dominican Republic ("DR"). This expansion (the "Project") entails: (i) the construction of a building for MD Industries Ltd. (CODEVI's lessee); (ii) the construction of a wastewater treatment plant (WWTP); (iii) the purchase of machinery and equipment; and (iv) the first phase of the installation of solar panels for 5 MW of self-generated electricity. CODEVI, MD Industries Ltd. and Grupo M S.A. are part of the holding company that operates in Haiti and the DR.

The environmental and social due diligence ("ESDD") process was based on the review of relevant environmental and social information, along with a site visit to the Client's operations: Santiago de los Caballeros, DR, as well as at CODEVI, Ouanaminthe, Haiti. The review included, but was not limited to, the analysis of information regarding: i) the Company's Environmental and Social Management System ("ESMS"); ii) environmental permits and certifications in force; iii) labor conditions; iv) occupational health and safety ("OHS") programs; and v) solid and liquid waste management procedures. The process was complemented by meetings and telephone interviews with Client officials.

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 the following impacts and risks among others: (i) increased occupational risks; and (ii) wastewater production. These impacts and risks are deemed to be of medium-low intensity as their potential is limited to the time and space of the industrial plant and can be easily addressed through management measures.

The Performance Standards (PS) triggered by the Project are: PS1: Assessment and Management of Environmental and Social Risks and Impacts; PS2: Labor and Working Conditions; PS3: Resource Efficiency and Pollution Prevention; and PS4: Community Health, Safety, and Security.

3. Environmental and Social Context

3.1 General Characteristics of the Project's site

Founded in 1986, Grupo M is a holding company in the DR that produces knitted fabrics and apparel primarily for the U.S. market. Grupo M and its Haitian subsidiary, MD Industries Ltd., have the largest vertically integrated¹ apparel manufacturing operation in the Caribbean region, whose products supply U.S. brand-name companies, including Hanes Brands Inc.², Next Level Apparel³, among others.

In the DR, the production site is located in the Caribbean Industrial Park ("CIP"), in the city of Santiago de los Caballeros, where fabrics are manufactured and cut. MD Industries, located in the CODEVI industrial park in Haiti, engages in garment manufacturing operations.

CODEVI Industrial Park, a duty-free zone in Ouanaminthe, Haiti, on the border with the DR, has operated as a division of Grupo M. CODEVI, which employs some 19,100 employees⁴ (currently making it the largest employer in Haiti), since 2003. It comprises a cluster of 29 garment assembly plants, several office buildings, a food and lodging center, a training center, a child care center, a recycling plant, a primary care center, a shop with food for employees, and a backup power generation building with 5 generator sets. This industrial park is perhaps unique in the world, as a free trade zone is located in the middle of two very culturally different countries.

3.2 Contextual Risks

In recent years, Haiti has been characterized by the deterioration of: i) the economic situation and citizen security; ii) public services; iii) the economic and business environment; and iv) the quality of life of households and the country. The textile sector, however, has continued to grow⁵ and has become a significant source of employment.⁶ Despite this, there are still gaps in terms of covering the population's basic needs, given the high inflation rate, exacerbated by the effects of COVID-19 and socioeconomic and political unrest.

In addition, fuel shortages, gang clashes and violence, and armed attacks against the population have increased in 2022, despite efforts by the Haitian National Police ("HNP") to curb crime. This

¹ Refers to the degree of integration between a company's value chain and the value chains of its suppliers and distributors (see https://www.uaeh.edu.mx/investigacion/icea/LI_ComOrga/Dolores_Nava/integracion.pdf)

² <https://www.hanes.com/corporate>

³ <https://uniwellapparel.com/uniwell-apparel>

⁴ Ninety-five percent of the staff is Haitian and the remaining 5% are mostly Dominicans, but also Israelis, Chinese, Taiwanese, and other nationalities.

⁵ As reported in the following link: <https://betterwork.org/portfolio/better-work-haiti-24th-biannual-compliance-synthesis-report/>, the U.S. Department of Commerce's Office of Textiles and Apparel (OTEXA), the Haitian textile industry exported USD 433.553 million worth of products to the United States during the first five months of 2022, compared to USD 376.715 million from January 2021 to May 2021, an increase of 15.09 percent.

⁶ The link: <https://betterwork.org/portfolio/better-work-haiti-24th-biannual-compliance-synthesis-report/> mentions that Better Work Haiti recorded 58,571 jobs in the sector in its report for the period May 2021 to June 2022, compared to 53,410 in the report for the previous period (May 2020 to June 2021). In February 2022, the government increased the daily minimum wage in the textile sector from 500 to 685 Gourdes (37%).

climate of violence has led to the displacement of people in several areas of Port-au-Prince, particularly in the metropolitan area, to seek employment opportunities outside the capital.

4. Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1 Assessment and Management of Environmental and Social Risks and Impacts

4.1.a E&S Assessment and Management System

To align with the standards of its main customers, the Company has joined the Better Work⁷ program and has achieved WRAP certification.⁸ This has allowed the Company to implement the industry's best practices in environmental and social management, as well as to implement Grupo M's Sustainability Strategy,⁹ in line with the 9 Sustainable Development Goals ("SDGs")¹⁰ and resting on three pillars: i) social empowerment and integrity; ii) strengthening associativity and sustainable production chains; and iii) innovation and climate resilience. This strategy has the following goals: i) to support social welfare through rural empowerment; ii) to collaborate in the identification of economic development opportunities; iii) to increase associative and cooperative capacities; iv) to strengthen emerging clusters for binational productive development between the DR and Haiti; and v) to manage environmental and climate risks in a timely manner in the areas of direct and indirect influence of its operations.

4.1.b Policy

The Company has developed policies related to the 12 points of the WRAP certification,¹¹ such as: (i) compliance with labor laws and regulations in the workplace; (ii) prohibition of forced labor; (iii) prohibition of child labor; (iv) prohibition of harassment and abuse; (v) having attractive compensation and benefits package; (vi) require adequate working hours; (vii) prohibition of discrimination; (viii) keeping adequate levels of health and safety; (ix) freedom of association and collective bargaining; (x) being environmentally friendly; (xi) compliance with customs provisions; and (xii) safety. In addition, CODEVI has adopted a Corporate Social Responsibility Policy (based on education, health, sustainability, and culture and sports) and an Occupational Health and Safety Policy.

⁷ Better Work, a collaboration between the International Labor Organization ("ILO") and the International Finance Corporation ("IFC"), is a comprehensive program that brings together all levels of the garment industry to improve working conditions and respect for workers' labor rights, and boost the competitiveness of garment companies. <https://betterwork.org/about-us/the-programme/>

⁸ WRAP is a facility certification program focused on apparel, footwear and sewn products that issues three levels of certification based on compliance with 12 principles that are based on: i) generally accepted international labor standards; ii) local laws and labor regulations; iii) ILO conventions, the United Nations Guiding Principles on Business and Human Rights and the Organization for Economic Cooperation and Development's Guidelines for Multinational Enterprises ("OECD"). <https://wrapcompliance.org/about/>

⁹ Since 2022, the Company has published Sustainability Reports (<http://www.grupom.com.do/enviroment.php#>).

¹⁰ SDG 2 Zero Hunger, SDG 3 Health and Well-being, SDG 5 Gender Equality, SDG 7 Affordable and Clean Energy, SDG 8 Decent Work and Economic Growth, SDG 10 Reduced Inequalities, SDG 11 Sustainable Cities and Communities, SDG 12 Responsible Consumption and Production and SDG 13 Climate Action.

¹¹ CODEVI holds WRAP "GOLD" certification for its industrial facilities #1, #6, #7, and #3, which is the standard level of certification awarded to factories that demonstrate full compliance with the 12 WRAP Principles.

4.1.c Identification of Risks and Impacts

CODEVI's fabric and garment manufacturing risks are mapped. Appropriate mitigation measures have been implemented for their management, such as installing sewing machine drive belt guards and needle guards. Likewise, all industrial facilities, which have been built by reputable contractors, have good lighting and clear, well-signposted emergency exit routes.

Moreover, certified facilities apply the WRAP Risk Management Guide¹² for the identification of workplace hazards, determination of their significance and application of controls to mitigate and manage risks associated with: i) fire; ii) electrical short circuits; iii) structural defects; iv) repetitive movements; v) chemical agents; vi) dust; vii) noise; viii) extreme heat or cold; and ix) microbiological agents.

4.1.c.i Gender Risks

The Company addresses gender risks primarily by complying with laws related to the protection of women in both its operations in the DR¹³ and Haiti. According to the latest Better Work Haiti¹⁴ ("BWH") report, the Client has been working since 2018 at the CODEVI Park facility to provide Sexual Harassment Prevention ("SHP") training to supervisors and managers.

In April 2022, a Gender-Based Violence and Harassment ("GBVH") training was provided by BWH, with the aim of strengthening knowledge of sexual harassment prevention and preventing gender-based violence as a whole, as well as to support the review of policies and develop procedures to identify and reduce sexual harassment in the workplace. The training was provided to workers of the participating factories, as well as to representatives of workers' associations (with a total of 426 participants, of which 155 were women).

Nevertheless, the Client, considering that approximately 50% of the staff is female, will develop and regularly update a gender risk and impact matrix, using IDB Invest's "Gender Risk Assessment Tool"¹⁵ ("GRAT").

4.1.c.ii Climate Change Exposure

The area where the Project¹⁶ is located has a high exposure to hurricane winds (speeds of around 209 km/h for a 500-year return period) and heat waves.¹⁷ The site is moderately exposed to drought, water supply shortages, and earthquakes.

¹² <https://wrapcompliance.org/wp-content/uploads/2021/01/2021-01-15-Risk-Management-Guide.pdf>

¹³ DR has a law that facilitates access to justice for women victims of violence since 2011 https://oig.cepal.org/sites/default/files/2011_dom_leyfacilitaaccesojusticiamujeresvictimasviolencia.pdf

¹⁴ https://betterwork.org/wp-content/uploads/2022/08/BWH_24th_Compliance_SR_HOPE-II_English.pdf

¹⁵ This tool is designed to prevent and manage gender-related risks in its operations (see <https://www.idbinvest.org/es/publicaciones/herramienta-de-evaluacion-de-riesgos-de-genero>)

¹⁶ Climate risk Screening Summary, Level I of the IDB Invest Climate Risk Assessment, 13683-01 Codevi-combined report, September, 2022

¹⁷ This could reach more than 165 days of extreme heat in a year by the end of the 21st century.

In addition to the above, Haiti and the DR have low and moderate installed capacity, respectively, for disaster preparedness and response.

4.1.d Management Programs

CODEVI has established a set of policies and procedures to manage the environmental and social issues associated with its activities, aligned with the frameworks provided by BWH, its clients, the applicable legislation in the two countries, and the collective bargaining agreement with the CODEVI workers' union.

CODEVI's environmental and social management is based on the implementation of the 12 principles of WRAP certification,¹⁸ which cover points associated with human resource management; health and safety; environmental practices; and compliance with local legal standards, including safety and import and export customs requirements. These principles have translated into various procedures at CODEVI, such as: i) Hazardous Materials Handling; ii) Heater Handling; iii) Cutting and Welding; iv) Shipping and Safety; v) Emergencies; vi) Freedom of Association; vii) Climate Control System Maintenance; ix) Water Purification System Maintenance; x) Water Consumption Reduction; and xi) Inspection of Containers and Cargo Vehicles.

4.1.e Organizational Capacity and Competency

CODEVI has three areas for its environmental and social management ("E&S"): i) sustainability, which promotes issues such as energy and water efficiency, waste management and social commitment, and environmental projects outside CODEVI's boundaries; ii) compliance, to monitor compliance with applicable standards and the laws of the DR and Haiti; and iii) services, which handles human management, occupational health and safety ("OHS"), procurement, training, and childcare.

4.1.f Emergency Preparedness and Response

The Client has an Emergency Response Procedure that covers the entire CODEVI complex and establishes: i) how to handle emergency situations for different scenarios (fires, floods, hurricanes, earthquakes, and chemical spills); ii) the persons responsible for implementing the procedure; and iii) the need for and structure of emergency brigades (fire, first aid, and evacuation and rescue) at each of the plants. The procedure also includes a description of escape routes and the location of emergency exit doors, exit signage, access and lighting requirements, and the location and characteristics of fire extinguishers.

There is also a Binational 911 Emergency Center that serves the communities of Dajabón and Ouanaminthe, which is equipped with a motor pump and an ambulance and has a cooperation agreement with the Dajabón Fire Department. CODEVI also has its own medical center that provides first aid in the event of work-related accidents and, since there is no similar facility in Ouanaminthe, also acts as a primary health care center for employees and their families.

¹⁸ <https://wrapcompliance.org/es/12-principios/>

4.1.g Monitoring and Review

CODEVI has established key performance indicators ("KPIs") for energy and water consumption and waste generation. The Company manages its workforce as required by its customers, BWH, and the Collective Bargaining Agreement ("CBA"). As part of its continuous improvement process, it is subject to periodic internal OHS and working conditions audits, and to compliance with the Corrective Action Plans derived from these processes.

4.1.h Stakeholder Engagement

During the implementation phase of the CODEVI industrial complex in 2002, the Company established a consultation process with the communities in the area of direct influence: Dajabón (DR) and Ouanaminthe (Haiti). However, with the complex having reached its operational phase, the risks are limited to the interior of the industrial zone. CODEVI has therefore focused its social management on community promotion and development, on employee initiatives (95% of whom live in the city of Ouanaminthe), and on its relationship with community leaders and local authorities (mayors of Ouanaminthe and Dajabón).

The Company's Corporate Social Responsibility ("CSR") programs, which are implemented by the Grupo M Foundation, include, among others, the following: (i) CODEVI Agroforestry Center, a nursery with more than 70,000 trees of different endemic species; (ii) La Paz Sanctuary, a space for meditation and rest available to employees and visitors of the complex; (iii) the "L'Ékol" School for Employee Induction and Manager and Middle Management Training; (iv) the "Tipa Tipa" Center,¹⁹ an education and child care center where 160 children ranging in age from 45 days to 6 years old are cared for and educated; v) "Sipé", a micro market with products from the basic family basket at more competitive prices for employees and the community; vi) "Zaboka", a propane gas station intended to prevent the population from cutting down trees, transforming them into charcoal and using it as fuel; and vii) the "Carplar" recycling station, which operates in collaboration with the municipalities of the border area between the two countries for the collection, storage, and recycling (or reuse) of plastic waste.

4.1.i External Communication and Grievance Mechanisms

CODEVI has established an external communication channel through a radio station called "Radio Power", which, in addition to Company news, also broadcasts educational and cultural programs.²⁰

The Company is in the process of structuring a Complaint Channel or Ethics Line that will guarantee agility of response and confidentiality to its users, whose objective is to capture different types of complaints (sexual harassment, workplace harassment, abuse of power, discrimination, extortion, etc.) and channel them to the competent areas to respond and, if necessary, take corrective actions.

¹⁹ In English, "Step by Step". The center benefits female employees who are single mothers and have no one to leave their children with during working hours. The children receive education, food, and medical care.

²⁰ Some of the programs include topics related to: guiding the public on the importance of work and savings; CODEVI health; cultural knowledge; knowledge of Haitian law; dialogues with the community; coexistence and its importance for the country's development; the economic impact of CODEVI in the region; and COVID-19 rules, duties, and prevention.

The Company will also: i) formulate a procedure and assign personnel to report to affected communities on significant risks of its actions and corresponding action plans; ii) provide multiple channels to inform communities; iii) conduct a survey to learn what information is useful to communities; iv) report the results of the Company's performance; v) provide statistics on the complaint resolution process; and vi) publish an annual environmental and social report following international best practices such as the Global Reporting Initiative ("GRI").

4.2 Labor and Working Conditions

The current size of the Company's workforce is 19,146 workers (direct and indirect) of which approximately 50% are women and 50% men; 95% are Haitian (in CODEVI) and the remainder are from the DR or other nationalities.²¹ The project is expected to create about 700 additional jobs.

4.2.a Working Conditions and Management of Worker Relationships

The Company has human resources ("HR") policies and procedures to manage its labor relations. Like other Haitian apparel companies, CODEVI participates in the BWH program and is subject to semi-annual audits by this organization. In addition, 6 of CODEVI's 12 production companies received WRAP certificates ("Gold" category) in 2021, valid for one year.

4.2.a.i Human Resources Policies and Procedures

The Company has a Code of Conduct and Internal Labor Regulations, which include: prohibition of forced labor, child labor, harassment, abuse, or corporal punishment; pregnancy testing; and discrimination. CODEVI also has policy statements on compensation, benefits, working hours, maternity rights, workers' right to freedom of association without discrimination, communication of complaints and suggestions; it also has an open-door policy for employees and a COVID-19 prevention protocol and sanitization measures.

4.2.a.ii Working Conditions and Terms of Employment

All working conditions and terms of employment are documented in the CBA. At the start of the employment relationship, the employee receives a written contract that defines the terms of employment, rights under the law and the CBA, working hours, wage rates, overtime arrangements, and other customary conditions. The normal workweek is 5 nine-hour days. Employees, however, can increase their income through piecework.

²¹ In August 2022, CODEVI registered 19,146 workers (17,196 Haitians and 1,150 of other nationalities).

4.2.a.iii Workers' Organizations

The Company complies with the labor laws of both the DR and Haiti²² regarding the right to organize and unionize.²³ Thus, to date, CODEVI upholds the CBA signed with 5 trade union organizations²⁴ under Haitian law.²⁵ Each business unit (factory) has a delegate in charge of negotiating the CBA.

4.2.a.iv Non-discrimination and Equal Opportunity

Both the CBA and CODEVI's human resources policy framework prohibit discrimination.

4.2.a.v Grievance Mechanism

The union plays an active role and regularly communicates workers' grievances to Company management on behalf of employees. The Company also has several mechanisms in place to capture employee grievances (without union intervention) and a formal grievance and suggestion procedure. Complaints are captured through direct communication with line managers or the HR department or through suggestion boxes (located within the factory) reviewed by the HR department on a weekly basis. Complaints are promptly investigated, feedback is provided, and records of their nature are maintained. The most common types of complaints are related to salary aspirations.

4.2.b Protecting the Workforce

The Company has policies that prohibit the use of forced or child labor, as required by the policies of the DR and Haiti, both of which are signatories to ILO Convention 105. In the case of child labor, although the minimum working age in Haiti is 15, it is CODEVI's policy not to employ children under the age of 18. To this end, potential employees' ages are checked before they are hired. The ESDD did not find any evidence of child or forced labor.

4.2.c Occupational Health and Safety

Most occupational injuries are related to incidents involving needle pricks. First aid is provided on site by the CODEVI medical center. Accidents are investigated and followed up with the appropriate production manager. The Company provides personal protective equipment and training on its proper use. In addition, technical training (including the use of sewing machines and forklift handling), soft skills training, and training on corporate vision, mission, and values are provided.

²² Haiti ratified Convention No. 87 on freedom of association the Protection of the Right to Organize and Collective Bargaining (1948) in 1979 and Convention No. 98 on the Right to Organize and Collective Bargaining (1949) in 1957.

²³ Codevi's workforce has been unionized since 2005, with employees belonging to the Sokowa union (Le Sendika Ouvriye Codevi Wanament / Syndicat des Ouvriers de Codevi à Ouanaminthe).

²⁴ Syndicat des Ouvriers de CODEVI/Ouanaminthe, Sendika Ouvriye Kodevi Wanament (Sokowa), Syndicat Des Ouvriers et Employés de la Zone Franche Codevi (SOFEZO), Syndicat ses Travailleurs et Travailleuses CODEVI/Ouanaminthe (SYNTRACO), L'Association Syndicale des Ouvriers de la CODEVI Ouanaminthe (ASSOCO), Syndicat Des Travailleurs D'assemblage De Codevi Ouanaminthe (STRACO).

²⁵ Law No. VI, Title IV of the Labor Code.

Each factory has a Tripartite Health and Safety Committee (made up of one or more worker representatives, a union representative, and a Company representative) that meets monthly to analyze the most critical issues, as well as the complaints received.

Based on a risk matrix, CODEVI regularly monitors noise, lighting, and air quality in the workplace, and temperature in critical workplaces. The medical department also evaluates personnel periodically (spirometry and audiometry) and performs environmental noise and lighting measurements. The Company has formed and trained brigade members.

As part of the continuous improvement process, deviations from applicable standards detected by CODEVI's internal auditing processes are corrected through an ongoing training program and correction plans submitted to the Tripartite Committee.

4.2.d Workers Engaged by Third Parties and Supply Chain

The Company has general occupational health and safety rules that apply to all contractors or service providers that have a business relationship with CODEVI. It also has Supplier Selection Criteria that require each of the supplying factories to comply with the DR's environmental regulations,²⁶ as well as the corresponding environmental authorization for implementation in their industrial complex. It should be noted that, due to the nature of the business, contracts are only entered into for the construction of new facilities or equipment. The supply of raw material comes from its customers.

4.3 Resource Efficiency and Pollution Prevention

CODEVI's operations have relatively low resource consumption: its electricity demand is mainly for sewing machine motors, lighting, ventilation, and air compressors.

4.3.a Resource Efficiency

CODEVI is mainly supplied through a power purchase agreement with Empresa Distribuidora de Electricidad del Norte - Edenorte.²⁷

To address energy efficiency issues, CODEVI has established an Energy Committee formed by the representative of the Sustainability Team and a delegate from each industrial plant (factory). Meter readings are taken daily, and consumption is analyzed weekly to establish continuous improvement goals. The efficiencies recorded in recent years have resulted from the replacement of sewing machine motors with high-efficiency units, better lighting control, improved air compressor cooling, and the implementation of variable-speed drive air compressors. An LED lighting replacement program has also been implemented.²⁸

²⁶ General Law on the Environment and Natural Resources No. 64-00 (Art. 38, 40 and 41).

²⁷ <https://edenorte.com.do/edenorte-anuncia-proyecto-de-rehabilitacion-en-codevi/>

²⁸ IDB Invest financing, through technical assistance, will seek to support the Company's efforts to self-generate renewable energy (i.e., feasibility study and obtaining EDGE (<https://edge.gbci.org/>) or LEED (<https://www.leedonline.com>) certification for the CODEVI free zone expansion.

CODEVI currently has a photovoltaic plant installed on the roofs of the newest buildings in the complex, with an installed capacity of 1.5 MW. The project foresees the expansion of this plant by 3 to 5 MW in the first phase.

4.3.a.i Greenhouse Gases

CODEVI's GHG emissions are mainly due to the use of electricity; the use of fossil fuels in the back-up thermal generation plant (diesel engines); the use of fuel for forklifts; and some losses in the refrigerant systems. Annual GHG emissions are estimated to be below 25,000 tons/year of CO₂ equivalent.

4.3.a.ii Water Consumption

Water for human consumption (suitable for drinking) and sanitary uses is abstracted from 3 wells and is treated and purified by reverse osmosis plants, installed individually in each factory. CODEVI's average water consumption is approximately 22,000 m³/month. Since January 2022, however, CODEVI has been implementing a water efficiency campaign through a consumption reduction program, which has enabled it to reduce its consumption by almost 13,000 m³/month. Among the measures taken were: i) changing all manual sink faucets to sensor or Push Button faucets; ii) changing all toilets to flushometer²⁹ type; iii) training the entire workforce to encourage water saving; iv) placing signs in the bathrooms encouraging water conservation and care of the sink-toilet equipment; and v) installing independent water consumption meters in office, production, and production bathroom areas to monitor water consumption on a weekly basis.

It should be noted that CODEVI has a control and monitoring dashboard for each of the industrial plants to monitor the monthly results of water resource management with KPIs such as: i) average consumption per person/plant; ii) average total consumption per person; and iii) total annual accumulated volume saved.

4.3.b Pollution Prevention

CODEVI's operations do not produce emissions of particulate or any other type of matter into the atmosphere.

All production processes are dry, so there are no industrial effluents. Instead, each of CODEVI's factories generates sanitary wastewater that is discharged to several septic tanks after passing through settlement tanks. The liquid discharges from these tanks are directed to a large common septic tank where sanitary sewage seeps naturally into the subsoil. All water going to these wells is sanitary water from toilets and sinks.

However, the Company has considered the construction of a domestic wastewater treatment plant ("DWWTP")³⁰ with a capacity of 500 m³/day. It will treat the wastewater produced by the 22,000

²⁹ The consumption of a conventional toilet consumes 16 liters (4.22gal) of water and a flushometer 4 to 6 liters (1.05gal to 1.58gal) of water.

³⁰ Domestic Wastewater Treatment Plant of the CODEVI INDUSTRIAL CAMPUS. Technical Evaluation Domestic Wastewater Treatment Plant - DWWTP - Conceptual Engineering, May 3, 2021. IFC, CODEVI, CPI.

workers and reduce the discharge of 141.5 kg/day of pollutant load (3,679 tons/month of BOD₅) to the soil.

The design of the DWWTP included the following: i) Calibration of a water model, which allowed determining water consumption for a population of 14,000 workers (500 m³/day) and a population of 22,000 workers (680 m³/day); ii) analysis of three water treatment technologies (wetlands,³¹ MBR,³² and activated sludge³³) and selection of the most advisable alternative; iii) design of the DWWTP to comply with DR regulations and IFC standards; iv) reuse of plant effluent as irrigation water for areas of the CODEVI industrial campus; and v) reuse of dehydrated sludge as part of the composting process to obtain organic fertilizer.

4.3.b.i Waste

Solid waste is segregated at the source and collected in separate containers for paper and cardboard, plastics, and "common waste", and disposed of in temporary collection stations, from where it is transported to its final destination by type of waste.

The Company implements a solid waste reduction and circular economy program through segregation at source and subsequent reuse, recycling, or proper disposal. To this end, it has implemented the following initiatives: i) recycling of plastic waste (PET bottles)³⁴ and scrap metal;³⁵ ii) shipment of cardboard waste to Santiago, DR for recycling; and iii) disposal of non-reusable or recyclable and organic waste³⁶ at the Dajabón municipal landfill.

Hazardous waste such as used oil, lubricants, or fuels from machinery maintenance (forklifts or backup generators) and used fluorescent light bulbs are returned to DR for disposal by an authorized contractor.

4.3.b.ii Hazardous Materials Management

The Company has developed a Hazardous Materials Handling procedure to avoid accidents. This procedure details key actions for handling emergencies, as well as the management of hazardous waste resulting from the handling of these materials.

4.3.b.iii Pesticide Use and Management

There was no evidence of pesticide use at the Client's facilities.

³¹ Artificial wetlands are engineering systems that take advantage of nature's resources to clean waste from water, which basically consist of a piece of land on which a waterproof material is placed to prevent the liquid from seeping into the subsoil.

³² The membrane biological reactor (MBR) contemplates ultrafiltration applied with membranes as part of secondary effluent treatment, similar to those used for drinking water treatment.

³³ Process that uses a mass of organisms in an aerobic environment to treat wastewater and remove biodegradable organic compounds.

³⁴ PET (polyethylene terephthalate) is a plastic polymer obtained through a polymerization process of terephthalic acid and monoethylene glycol.

³⁵ They are taken to a CARPLAN recycling plant (in CODEVI) for export, after shredding.

³⁶ A composting project with organic waste is being implemented, which, in turn, will be used as fertilizer at the CODEVI Agroforestry Center.

4.4 Community Health, Safety and Security

The Company's entire health and safety management with the communities in its area of influence, both in the DR and Haiti, is based on the "Corporate Social Responsibility Policies" document, which defines the guidelines of the CSR program. Its implementation and leadership are under the responsibility of the Grupo M Foundation. The foundation promotes five social inclusion programs: i) occupational, child, and maternal health; ii) training and education; iii) child care; iv) cultural and sports initiatives; and v) environmental sustainability.

4.4.a Security Personnel

CODEVI has its own 100-person security service that focuses on: i) corporate security; ii) transportation security; iii) personnel security; and iv) internal physical security (such as resolving disputes between employees) and external security (activating the police in the event of a more serious situation).

Security management is defined and implemented pursuant to a Corporate Security Manual approved in 2022, which establishes procedures, document management, and internal monitoring. The manual identifies risk scenarios such as terrorist threats, internal threats, cyber-attacks, drug trafficking, cargo theft, among others. Likewise, it establishes procedures for the following processes: (i) audits; (ii) hiring;³⁷ (iii) employee regulations; (iv) access controls and protocols; (v) identification; (vi) recruitment; (vii) termination of employment contracts; (viii) operation of the monitoring and surveillance center; (ix) operation of the emergency center; the risk matrix; (x) entry of goods and materials; and (xi) dispatch of raw materials, among others.

The guards are not armed, except for those controlling access to the CODEVI site on the Massacre River from Ouanaminthe. Nevertheless, the Client will train all security personnel in the document: Good Practice Handbook: Use of Security Forces: Assessing and Managing Risks and Impacts³⁸ and Good Practice Note for the Private Sector: Addressing the Risks of Retaliation Against Project Stakeholders,³⁹ by the IFC and IDB Invest, respectively.

5. Local Access of Project Documentation

Documentation relating to CODEVI and the M Group can be accessed at the following links:

- i) <http://www.grupom.com.do/index.php>; and ii) <http://www.grupom.com.do/fundacion.php>

³⁷ It includes checking police records and psychological testing

³⁸ https://www.ifc.org/wps/wcm/connect/5e74e4d6-f977-49f3-85cb-e626519b0e49/p_handbook_SecurityForces_2017_Spanish.pdf?MOD=AJPERES&CVID=nzgFMTI

³⁹ <https://idbinvest.org/es/medios-y-prensa/nueva-guia-para-abordar-los-riesgos-de-represalias-contra-las-partes-interesadas-de>