

## **ENVIRONMENTAL AND SOCIAL REVIEW SUMMARY SNOWMAN III - IFC PROJECT # 31081**

### **Overview of IFC's scope of review**

The review of this corporate investment builds upon the appraisal and supervision of IFC's previous investment in Snowman Frozen Foods Limited Project (conducted in 2009 and 2010 for project # 26688). Snowman reports to IFC regarding the ongoing management of its environmental and social performance, which has been satisfactory. IFC's recent review in December 2011 consisted of appraising technical, environmental and social information submitted by Snowman including a review of: the Company's social, environmental, health and safety management system (SEHSMS); Human Resource Manual; incident monitoring records; records for mock drills, training, waste management; certificates; and copies of permits. The appraisal team interviewed the corporate and site operations managers and the Corporate Human Resources (HR) Manager. Appraisal team also visited the Company's existing operational cold storage facility at Bangalore, Karnataka, since at this facility an expansion with significant construction activity is also currently underway.

### **Project Description**

Snowman Logistics Limited ("Snowman" or the "Company") formerly known as Snowman Frozen Foods Limited ("SFFL"), headquartered in Bangalore, India, is one of the largest organized temperature controlled logistics (TCL) service providers in India with an aggregate cold storage capacity of over 18,250 pallets spread across 16 locations. Snowman through its 109 refrigerated ('reefer') trucks (49 deployed on long route and 60 on short route) also offers temperature controlled pan-India transportation and distribution services. The Company currently serves over 150 customers across 11 industry segments.

It commenced operations in 1994 as SFFL. Snowman's services include primary transportation, storage, inventory management, documentation and distribution of frozen and chilled foods. Snowman has the capability of providing TCL services to the entire spectrum of products including processed foods, fast foods, seafood, meats, ice creams apart from fruits and vegetables. Pursuant to IFC's 2009 equity investment, Snowman has increased capacity to 18,250 pallets. The Company is now considering to further increase its storage capacity to ~ 46,410 pallets in the medium term ("Investment") within the next 2-3 years. IFC is considering providing a corporate loan to Snowman to partially fund the expansion.

### **Identified Applicable Performance Standards**

IFC's environmental and social due diligence indicates that the Investment will have impacts which must be managed in a manner consistent with the following Performance Standards:

- *PS1 -- Social and Environmental Assessment and Management System; and*
- *PS2 – Labor and Working Conditions;*
- *PS3 – Pollution Prevention and Abatement; and*
- *PS4 - Community health, safety and security*

Typically, the Company either builds its own facility on land obtained under a long term lease from a landowner on a willing seller/buyer basis or leases existing warehouses for a long term and undertakes appropriate retrofitting to convert it into a cold storage facility. All land and facilities required for the Project are limited in scale and often located in the periphery of towns

and cities. Further, these are either purchased or leased on a willing seller/buyer basis. Hence, land acquisition and involuntary resettlement (PS5); impacts on biodiversity, natural habitats, forests, or protected or sensitive areas (PS6) or on Indigenous People (PS7) or cultural property (PS8) are not expected on account of the Project.

### **E&S Categorization Rationale**

This is a Category B project because a limited number of specific environmental and social impacts may result which can be avoided or mitigated by adhering to generally recognized performance standards, guidelines or design criteria. Further, it is possible to readily design and implement engineering and management measures to mitigate the limited adverse impact..

### **Description of key environmental and social issues and mitigation**

The company is materially meeting the requirements of the original investment agreement and continues to strengthen its procedures to demonstrate that its activities comply with applicable Indian laws and regulations, and has made significant progress towards fully implementing the actions agreed with IFC. In the interim Snowman Frozen Foods Limited has renamed itself Snowman Logistics Limited (“Snowman” or the “Company”). Snowman will implement its existing SEHSMS and HR Policies in the proposed new facilities as well. Accordingly, the Company has presented plans to address the relevant impacts of its operations and to ensure that the proposed Investment will, upon implementation of the specific agreed measures, comply with the environmental and social requirements - the host country laws and regulations and IFC Performance Standards. The information about how these potential impacts will be addressed by the Company is summarized in the paragraphs that follow.

#### *PS1: Social and Environmental Assessment and Management Systems*

Snowman has adopted a systems approach to managing social and environmental aspects associated with its operations/business. The Company has implemented a food safety management system (FSMS) certified to ISO 22000 and an environment management system (EMS) certified to ISO 14001 standards in 14 of its 16 existing operating facilities. The balance two facilities will not be covered under the FSMS and EMS since they are either very small or being phased out. However, the Company will ensure that within 6 months of being commissioned, each of the new facilities is covered under the ISO 22000 and ISO 14001 certified FSMS and EMS program.

While Snowman’s projects and operations have limited impacts, the Company has assessed potential social, environmental, occupational health and safety (SEHS) aspects and impacts of its operations in the course of developing and implementing the ISO 22000 and ISO 14001 certified management system. Snowman has in place an appropriate organization with responsibility allocation to ensure effective implementation of the FSMS and EMS. The Company has in place procedures for: emergency preparedness and response; SEHS training and mock drills; monitoring of environmental, health and safety (EHS) performance; internal and external audit of EHS performance; reporting to senior management and to external stakeholders on EHS aspects/performance; and management review and corrective action. Snowman has in place procedures for obtaining assurance on facility compliance with statutory EHS requirements. Permit/consent validity and renewal is monitored by corporate office though overall responsibility for obtaining such permit/consents and ensuring compliance rests with the branch managers.

For construction of new facilities, the Company engages a structural consultant to undertake facility design and develop the tender specifications for new facility construction. Also, Snowman contracts and deploys a project supervision engineer during the construction period. As an addition to the above described existing EHS procedures, the Company will develop a construction contractor management protocol (CCMP). The CCMP will detail: the SEHS and labor working & living condition management capability that the contractor must demonstrate; a set of operating procedures, work instructions, technical guidance, standards, and forms based on applicable Indian regulatory requirements, IFC Performance Standards and Good International Industry Practices (GIIP) addressing SEHS and labor working & living conditions related aspects associated with facility construction; the training (employees and contract worker), monitoring and audit program to assess contractor compliance; and the penalties to be imposed in case of deviation from the above standards. Further, Snowman will: (a) make this CCMP available to the structural consultant for inclusion in the tender specifications and as required incorporating in the facility design; (b) appropriately cross reference it in the EMS internal and external audit SOPs, to ensure that construction sites are covered under the internal and external audit program; (c) include it in the construction contract; and (d) make it available to and part of the civil engineer's terms of reference to ensure compliance on a day to day basis.

#### *PS2: Labor and Working Conditions*

Snowman currently engages 688 persons in its operations of which about 245 are employees and 443 are contract workers including 112 drivers who are also engaged through a contractor. The Company has a Human Resources Policy Manual applicable to its employees, which addresses personnel management (e.g. induction, probation, disciplinary action, employee grievance redress, equal opportunity and non discrimination); working rules (e.g. leave, holidays); salary, appraisal and training; travel and relocation; compliance (e.g. conflict of interest, grievances); and employee welfare (e.g. safety, medical allowance). The Company usually engages persons from nearby villages as contract workers at its facilities. Contract workers include loader/unloader, delivery persons, drivers, security, maintenance, housekeeping and catering services, among others, at the cold storage sites. The approximate average number of workers (staff and contractor) at each cold storage facility is 25, with 10 employees and 15 contract workers including security. While contract workers are paid in cash at the facility, the Company has procedures in place to ensure due payment. However, the Company will strengthen its procedures for ensuring and obtaining assurance on contractor compliance with applicable labor laws. The Company manages its labor relations in accordance with relevant Indian regulations. The Company has displayed relevant provisions/abstracts of applicable labor laws including on contract labor, minimum wages, standing orders and other applicable labor laws at its facilities. The Company has procedures in place to ensure compliance with minimum age requirements. Snowman will ensure that appropriate amenities and facilities for contract workers are provided at each of its cold storage warehouse. However, the Company needs to strengthen its procedures to ensure that construction contractors comply with statutory labor requirements. Further, the construction contract labor living conditions at facility construction sites need to be significantly improved to make it consistent with IFC/EBRD Guidance on Worker Accommodation. The Company will detail procedures and standards in the CCMP, to obtain assurance on and to ensure, that construction labor working and living condition meet statutory requirements and IFC Performance Standards.

Occupational health, safety and hygiene standards have been defined for facility operation and are generally adhered to. First aid training to employees and first aid kits are being provided as

part of the FSMS. Accident registers are maintained at each cold storage facility. However, structured and documented process for accident/ incident reporting, investigation, corrective action including accident/incident monitoring at corporate level covering facility operation, transport and construction needs to be put in place. OHS status at construction site needs to be significantly improved and this will be addressed through appropriate procedures in the CCMP. While Snowman's operations have been expanding, there have not been significant accidents in the past years barring one at its construction site which resulted in casualties. . The Company is committed to implement measures for recording, reporting, investigation and implementation of corrective action to prevent recurrence of such accidents in the Company's operations and construction sites. The Company has an annual health check up program in place for employees and contract workers. All employees, contract workers and drivers are covered under group personal accident insurance. MSDS of chemicals used for pest control are available and are displayed. Employees and contract workers are provided appropriate personnel protective equipment in Snowman's operating facilities. However, for DG set/chiller/compressor operators and maintenance personnel, use of ear muffs need to be ensured by the Company. Long distance reefers have two drivers. Drivers have been provided a mobile phone, cash card for fuel and there is a vehicle emergency response plan. Drivers are sent for training to a third party driver training school on fuel saving, transport emergency response, and defensive driving. The Company will commence awareness training on STI and HIV/AIDS. The Company has a process in place to undertake background check of drivers, is strengthening its OHS training program and will extend the HIV/AIDS and STI awareness program to cover all employees and contract workers.

### *PS3 – Pollution Prevention and Abatement*

The Company promotes energy and water conservation measures. Towards energy conservation, the Company installs capacitor banks and multi compressor arrays for effective use of compression/refrigeration capacity. Primary source of energy at Snowman's facilities is usually grid electricity though diesel generator (DG) sets as 100% backup power are also provided. The Company has included procedures to ensure that DG set and vehicle fleet maintenance as also their respective emissions conform to good international industry practices (GIIP). Water is used primarily for domestic purposes at site and during summer months, for augmenting the cooling process. Borewell water is used at all sites for process use. For drinking purposes either bottled water or reverse osmosis (RO) treated borewell water is used. Moreover, the Company is implementing a rainwater harvesting program at two of its facilities but will implement it at all of the new facilities. Domestic sewage (the only effluent) is treated through septic tank and soak pits.

The Company has procedures to monitor energy consumption and will put in place appropriate equipment and/or procedures as required to also monitor: water consumption; and greenhouse gas emissions on account of its operations. The Company has undertaken acoustic treatment of high noise generating equipment in accordance with statutory requirements.

Trucks are serviced by third party service providers. The company stores one day supply of diesel fuel on site. Chemicals on Snowman's sites are typically limited to cleaning products, which are closely managed via the FSMS in relation to potential food contamination. Hazardous waste generated on Snowman sites includes waste oil and chemical drums/containers. The Company manages hazardous materials and other wastes in accordance with good industry practices and IFC guidelines including: seeking and obtaining authorization as applicable; segregating and storing all hazardous material appropriately under secondary containment;

disposing hazardous wastes through authorized entities only; and maintaining records of hazardous and other wastes generated and disposed. Any expired products are returned to the customer to dispose of or are mixed with lime and disposed through the municipal garbage authorities. Material impact on ambient air quality, ambient noise levels, water quality and availability is not expected on account of the Investment.

#### *PS4 - Community health, safety and security*

Snowman's facilities are generally located in the periphery of towns and cities and usually have some communities resident in their vicinity. In busy seasons, 5-6 large trucks/reefers and 6-7 smaller vehicles are expected at each facility daily, hence traffic impacts are limited. Driver training, awareness and control features have been put in place to minimize risks to safety of communities from vehicles plying to and from the Company's facilities. The Company has put in place a transport emergency response procedure. Mostly local persons/villagers are engaged as contract workers at Snowman's facilities. The Project is not expected to exacerbate community exposure to disease either due to changes in land/hydrologic or other terrestrial/air quality/hydrologic regimes or due to influx of large pool of migrant laborers. Security guards are provided via Third Party contractors. Two guards are normally on each site per shift and are armed at large sized facilities. The Company has in place a security personnel procedure including a grievance mechanism for preventing human rights violation by security personnel deployed at its facilities.

#### **Client's Community Engagement**

Snowman's facilities are generally located in the periphery of towns/cities and have some communities resident in their vicinity. However, impact of the Company's operations on neighboring communities is limited. The Company's engagement with neighboring communities is informal and not under a structured community engagement process. While local branch officials interact with members and elected representatives of neighboring communities, these interactions are seldom formal and often there is no documentation of these interactions. The interactions pertain to employment of local youth and corporate social responsibility activities expected from the Company. Contact details of branch officials are available with representatives of the neighboring communities and also at the facility gate. The Company engages worker from nearby villages in its operations, who also enable engagement with nearby communities. While the branch officials are accessible to representatives of the neighboring communities, the Company has put in place a structured community engagement and grievance redress procedure. On occasions, Snowman supports efforts like storing polio vaccines for the UNICEF polio vaccination campaigns in the local area.

#### **Local Access of Project Documentation**

#### **For Enquiries and comments about the Project please contact:**

Name: Ravi Kannan, CEO,

Address: No.424, 6<sup>th</sup> Cross, 4<sup>th</sup> C Main, OMBR layout, Banaswadi, Bangalore 560043

Telephone: 91-80-40250400: Fax: 91-80-25451531

E-Mail: rkannan@snowman.in

A Summary report on management of social and environmental risks and impacts will be disclosed on the Company's website <http://www.snowman.in> and also at the following location from 10.00 AM to 5.00 PM.

**Name & address of Bank:** INDUSIND BANK LIMITED, #28 , Centenary Building,Ground Floor, M G Road, Bangalore – 560 001.

**Bank Contact Persons' names:** Mr. Binesh P Nair, Branch Manager

**Bank Tele Numbers with STD Code:**080 – 30287000/ 01 / 02 , Direct: 30287014