

## 1. Scope of the Environmental and Social Review

Tiendas Industriales Asociadas TIA S.A. (hereinafter “the Company” or “Tía”), was established in Guayaquil (Ecuador) in 1960, expanding since then to the whole country, with 217 stores to date (136 on the coast, 71 in the highland, 10 in the amazon) and more than eight thousand workers. The Company's main activity is the wholesale and retail of food, clothing and general merchandise through its stores under the trademark "Tía". 35% of its stores are owned and 65% are rented long term (from 10 to 15 years in most cases without purchase options).

The scope of IDB Invest's environmental and social review includes the analysis of Company information and documents, as well as meetings with its representatives. IDB Invest also conducted an environmental and social due diligence visit (ESDD) on September 17 and 18, 2019, which included the following activities: (i) meeting with Tía staff; (ii) inspection visit to stores, distribution centers and associated facilities, including waste management areas and wastewater treatment plants; and (iii) visiting institutions and populations that benefit from social responsibility programs.

## 2. Environmental and Social Categorization and Rationale

The Project has been classified as Category B, in accordance with IDB Invest’s Environmental and Social Sustainability Policy, since the involved impacts and risks are limited, reversible, and can be managed through the implementation of socio-environmental programs and easy access technologies. The Project's purpose is to finance Tía's 2020-2021 growth plan and implement technological projects that involve the installation of express payment and self-payment in all its stores, the automation of administrative processes, and the development of the TIA application.

The Project’s potential environmental and social risks and impacts include: (i) increased production of hazardous and non-hazardous waste, (ii) alteration of air quality; (iii) alteration of soil quality through contact with contaminated waste; (iv) increased production of industrial and domestic wastewater; (vi) occupational safety and health risks for workers, mainly.

The Project will trigger the following Performance Standards (PS): PS1: Environmental and Social Assessment and Management System; PS2: Labor and Working Conditions; PS3: Pollution Prevention and Abatement; PS4: Community Health, Safety and Security and PS6: Biodiversity and Natural Resources Conservation.

## 3. Environmental and Social Context

Tía is Ecuador’s fourth private employer, it was the seventh largest income company at the end of 2018, and its loyalty program has the largest number of affiliates in the country. Its main focus is customer service and in recent years it has participated in several small and medium-sized business roundtables, to include these businesses in its supply chain.

The Competent Environmental Authority grants Tía's premises the administrative environmental authorization, namely the Environmental Register, through the Single Environmental Information System (SEIS) under the category Supermarket, Superstore and/or Distribution Center. This is considered a low environmental impact activity according to the activity catalog of Ecuador’s Ministry of Environment. Tía's branches have been steadily renewing their Environmental Registers since 2013. To date, 70% of Tía's branches have an Environmental Register, and all branches are expected to have an Environmental Register by the end of 2020. Hence, all Tía premises will have environmental compliance reports and prepare their hazardous waste generation register.

For their operation, Tía's stores require three types of environmental and social permits: an

environmental permit, a fire permit, and a municipal operating permit. The company relies on its own environmental team, which is in charge of monitoring and managing commitments, as well as ensuring that all premises are aligned in terms of their environmental and social management.

Tía's operations entail a commercial branch network (217), administrative offices, a National Distribution Center (NDC) and a Regional Distribution Center (RDC). The NDC's associated facilities comprise an electrical Substation and its corresponding electrical distribution line. Each of the company's components has an Environmental Management Plan (EMP), establishing measures for mitigating and managing identified environmental impacts. The implementation of the EMPs must be reported to the authorities through an Environmental Compliance Report (ECR), completed in a timely manner in accordance with the corresponding program.

## **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 Environmental and Social Assessment and Management System**

Tía has been certified for Good Manufacturing Practices (GMP) since 2017, and for Occupational Health and Safety Management OHSAS 18001: 2007 for its National Distribution Center (NDC) and the Cold Distribution Center (CDC) since December 2018.

Tía's environmental management is laid out in each of its operations' EMPs. Each operation has a specific EMP depending on its corresponding resolution. However, for its control, Tía has developed a standard EMP that consolidates its environmental obligations (especially for its commercial premises) and complies with the requirements of the Ecuadorian legal framework.<sup>[1]</sup> For its part, the NDC, the electrical substation and transmission line have specific EMPs, specific to the operations that are carried out in each of them. Tía has been implementing the basic components for an Environmental and Social Management System (ESMS), albeit independently from one another. Hence, Tía will integrate, complement and consolidate its environmental and social management into an ESMS in line with the requirements of PS1. To this effect, it will consider 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 (vii) monitoring and review.

#### **4.1.b Policy**

Since 2014, Tía has committedly reported its sustainability actions, in line with the Global Reporting Initiative (GRI) and with the Sustainable Development Goals (SDG-UNDP).<sup>[2]</sup> However, practices and commitments have not been established as part of an Environmental and Social Sustainability Policy, which is why Tía will prepare its Policy in alignment with the requirements of PS1.

#### **4.1.c Identification of Risks and Impacts**

The Environmental Registers of Tía's commercial premises establish the environmental obligations for operations in said premises. These documents describe the project, its location and line of business, as well as the list of equipment, tools, materials and basic inputs for its operation, and the main environmental impacts by stage and activity. All identified impacts in the Environmental Register must have their respective management measures, which are included in the Environmental Management Plan (EMP).

To date, all Tía stores that have opened within the last 3 years have identified environmental and

social impacts and drafted their respective EMPs. However, this was not done for all the older premises. One of the Tía Environmental Management Department's main drivers is environmental regularization, and one of its goals is preparing environmental registers. As a result, to date 70% of stores rely on approved EMPs. Tía plans to approve 100% of its premises with Environmental Registers and EMPs by the end of 2020. On the other hand, the NDC, the electrical substation and the distribution line, have already identified impacts and mitigation measures that are consolidated in their respective EMPs.

At the operational level, planning for new premises takes into account the store location and equipment to mitigate impacts (for example, noise). The surrounding area is analyzed for environmental, social and safety issues, for its operations and neighborly relations. The Environmental Management Department participates in this analysis.

#### 4.1.d Management Programs

The Environmental Register of Tía's commercial establishments contains a standard Environmental Management Plan (EMP) for Tía's commercial operations. The EMP contains plans and activities for each stage (construction, operation and/or maintenance) of the store at the time of submitting the register to the authorities; responsible persons, deadlines, budget and frequency for all activities are also included.

Tía has produced a general EMP checklist for its operations, including the following plans: (i) impact prevention and mitigation, (ii) monitoring and follow-up, (iii) community relations, (iv) communication, training and environmental education, (v) waste management, (vi) contingency, (vii) occupational safety and health, (viii) rehabilitation and (ix) closure, abandonment and disinvestment. The checklist is used to monitor activity fulfillment and record observations based on each activity's means of verification. Tía will include the definition and implementation of Performance Indicators (PIs) for each of the EMP's activities.

The main Health and Safety management procedures are as follows: accident/incident investigations, hazard identification and risk assessment, emergency action, participation and consultation communication, selection and delivery of PPE, internal audit and continuous improvement.

#### 4.1.e Organizational Capacity and Competency

The company has a Chief of Environment and a Chief of Industrial Safety, who are responsible for overseeing Tía's compliance with the EMP, as well as with health and safety regulations. The Chief of Environment reports to the Corporate Director in charge of Tía's sustainability, who in turn reports to the General Management and the Board of Directors. The environmental management department operates with an internal team consisting of three people (Chief, analyst, assistant), and a team of three external environmental advisors (two engineers and an environmental technician).

Tía's Environmental Management Department manages environmental licensing and all deriving commitments. The department's work plan includes: (i) environmental regularization, (ii) implementation of control mechanisms (suggestion book, etc.), (iii) inspections (EMP compliance, environmental regulations and resolutions, (iv) improvement recommendations, (v) monitoring (wastewater, air quality, noise, particulate matter, non-ionizing radiation), (vi) training for Tía employees and construction inspectors and (vii) implementation of action plans in the event of: environmental obligations, complaints, nonconformities, hazardous and non-hazardous waste management. What's more, the department participates as an active member in the Project area's Committees to incorporate their analysis of the Company's upcoming projects.

Finally, Tía's EMP requires that all workers be introduced to EMP issues and that a store manager be available to perform quick EMP compliance assessments.

#### 4.1.f Emergency Preparedness and Response

Each branch has an emergency plan describing procedure in the event of theft, fire, earthquake, etc. The emergency plan contains a risk analysis, considering the probability, consequences and risk estimation of hazards occurring in natural environments (earthquake, storms), social environments (theft, strikes, sabotage, arson, etc.), construction environments (water damage), activities (accidents, electricity, lighting, etc.). The corresponding control mechanisms and procedures are identified to control the risk. Wherever risk cannot be controlled, the necessary responses are identified.

All of Tía's premises have designated emergency brigades. Drills are carried out with the participation of external entities and an Emergency Intervention Protocol is in place. There are different brigades for each emergency. For example, the NDC has evacuation, fire and first aid brigades, each comprised of different members. The Emergency Plan also defines inter-institutional coordination and communication protocols.

#### 4.1.g Monitoring and Review

The Resolutions approving Tía's operation of commercial stores establish that the company must comply with the EMP of the Environmental Register and uphold a monitoring program that ensures compliance. The results of the monitoring program are submitted to the competent environmental authorities in each province or city (Decentralized Autonomous Government (DAG), municipal, provincial DAG, secretary of environment, Ministry of Environment) for their evaluation.

Tía's environmental compliance reports (ECA) contain all implemented environmental measures, in compliance with: (i) EMP, (ii) current environmental regulations for commercial premises and (iii) environmental license/resolution. Tía's external advisors carry out compliance inspections on a biannual basis in premises that are expected to submit their ECA that year. The results of the inspections are uploaded to a computer system called ORPHEUS for management and follow-up. ORPHEUS has handled the environmental inspection aspect of the EMP for the last 3 years. The system has been customized to monitor the commitments of each store.

As for legal compliance, Tía maintains a checklist of legal requirements, specifying who is in charge of each aspect of the Ecuadorian regulations. This document records inspection results (compliance or not), evidence, and observations.

#### 4.1.h Stakeholder Engagement

When building a new store, Tía approaches local authorities (Municipalities, Prefectures, Fire Department,) and other regulatory bodies to present the project and meet all legal requirements for its construction and operation. Tía also reaches out to the community through churches, neighborhood committees, schools, and families inside the store's area of influence. Through these contacts Tía seeks to identify the area's needs and engage in joint planning to help address the community's basic necessities. For example, as part of the NDC deployment in Lomas de Sargentillo, social projects were implemented for the improvement of sanitary facilities in the Honorato Vásquez School of Lomas de Sargentillo, a fire truck was equipped for the municipal fire department, and workshops, communication and engagement activities are held in neighboring communities around the NDC.

The company has its own media channels to broadcast institutional programs with diverse content

through Radio Tía and, since 2018, also on Tía TV. The audiovisual programming covers issues such as nutrition, values education, as well as the news with the week's main events, social responsibility and sports. These media channels are also made available to DAGs, health ministries, firefighters, etc., broadcasting announcements of interest to the community regarding the spread of diseases, the safe use of pyrotechnics, etc.

Among Tía's Corporate Social Responsibility activities (CSR) are actions aimed at education, the improvement of green areas, entrepreneurship, social projects, health, festivities. For example, Tía implements a shared growth program, which is a sustainable business strategy involving small businesses, incorporating small and mid-sized entrepreneurs into the value chain through meetings with Tía's buyers at a business roundtable. In addition, Tía stores nationwide offer additional discounts to priority attention groups: 5% for people with special needs, 8% for beneficiaries of the Human Development Voucher, and 5% for retirees.

Tía's involvement in the community has been positive. Tía has implemented: (i) campaigns, such as to reduce plastic packaging, (ii) training programs, such as those offered to shopkeepers in accounting, customer service, image and exposure, product handling, (iii) a community development center, providing training spaces for personal and professional development, (iv) the "Rescuing our culture" program, with the project "Weaving my sash, embroidering my blouse", recovering ancestral knowledge and strengthening cultural identity, (v) Business Roundtables for entrepreneurs, providing advice to improve quality, assessing their incorporation as suppliers and providing information regarding the requirements to formalize their business and (vi) Educational programs, in alliance with Fe y Alegría schools, to improve their infrastructure and strengthen their educational management.

Finally, environmental awareness campaigns reach the customers. For example, by promoting the use of cardboard boxes to carry their purchases instead of plastic bags. The option is available in 91 stores, avoiding the consumption of 2.9 million plastic bags in 2018.

#### 41.i External Communication and Grievance Mechanisms

On the corporate website, customers can send messages, suggestions and submit complaints under the "customer service" tab. The page lists the number of Tía's headquarters and gives the option to send direct messages to the company's customer service department. The mechanism prompts a name (however, many people provide incomplete names, pseudonyms, or stay anonymous), email, message category (business consumption, customer service or webmaster), subject, and comment.

Submissions are documented, registered and addressed. The main channel for submissions is through the website. Submissions are sorted, with the main topics being: job applications, electronic invoicing, inquiries regarding the Más loyalty program, purchased products, prices and product display, new product offers from suppliers, Creditía, business consumption, purchases on our ecommerce site, among others. The responsible department for answering the messages also provides solutions in coordination with other departments inside the company.

In the event of accidents to customers within the premises, or health issues relating to the consumption of products, all necessary measures are taken for the health of those affected, this includes the involvement of an in-house social worker, medical care in health centers, exams, and medicine. All expenses are covered by the company and coordination with the brands involved is taken care of. For submissions requesting information on how to download electronic invoices, price queries, new supplier presentations, job applications or any personal submission regarding the company's services, Tía communicates directly with the user via telephone to provide personalized attention. Finally, electronic product factory defects are covered by the product's warranty.

To ensure complete alignment with PS-1, the above mechanism must be incorporated into the ESMS and updated to document: (i) how information is received from key actors and/or the general public; (ii) how submissions are evaluated; (iii) response and follow-up, leading to the closure of the claim; and (iv) adjustments or improvements regarding communication and dissemination of information.

## 4.2 Labor and Working Conditions

### 4.2.a Working Conditions and Management of Worker Relationships

The Company reports a low turnover rate (3.97%), has been carrying out work environment surveys for the last three years and, also noteworthy, has an average seniority among its employees of 15 years. The company's policies support internal promotion, offering staff career development possibilities, and salaries exceed the Ecuadorian minimum wage.

Commercial branches are equipped with dining and leisure areas where workers can enjoy their food, equipped with ventilation, microwave ovens, and TV. The common area is also used to display information on billboards, providing channels for grievances or complaints, accessing work regulations, and has lockers for employees. The NDC also has dining rooms with food service, rest areas, recreation and sports areas.

The human resources department has a social comfort area with qualified personnel. The department provides infirmity services to the NDC and administrative offices, grants loans through the Work Counsel, writes contracts that become indefinite after three months, hires preferably local personnel, provides work induction, and makes sure that all workers enjoy their contractual benefits.

#### 4.2.a.1 Human Resources Policies and Procedures

Tía's working conditions comply with Ecuadorian legislation, managing human resources policies and procedures and defining the company's guidelines within four categories: human resources subsystems (personnel selection, induction processes, type of contracts, salary management, occupational well-being, medical care, safety and industrial hygiene, etc.), contractual benefits (vacations, bonuses, utilities, retirement, etc.), corporate benefits (uniforms, services, loans, salary advances, credits, bonuses, etc.) and a Training School.

#### 4.2.a.2 Working Conditions and Terms of Employment

The company is governed by an internal working regulation (IWR), approved in July 2017 by the Ministry of Labor. The IWR covers ethics and working conditions issues, establishing hiring procedures, work schedules, confidentiality, obligations, rights and prohibitions for workers and the company, a disciplinary regime, etc. In addition, Tía also has a Code of Ethics and Conduct, containing guidelines for internal relations among coworkers and external relations with customers, suppliers and competitors. The Code of Ethics and Conduct, as well as the Safety Regulations and the IWR are submitted to the workers for their review and application, keeping a record of this submission.

#### 4.2.a.3 Workers' Organizations

Tía relies on a Joint Committee for Occupational Health and Safety, consisting of twelve people (six representatives of the company and six employees). The Committee is responsible for dealing with matters of Health and Safety for the company's workers. A Central Committee was established on October 3, 2018, with security subcommittees at each Tía location reporting back to the central

committee on a monthly basis. The workers are free to meet with their supervisors or among themselves.

In Ecuador there are no construction or retail unions, and Tía does not have any workers unions. The institution in place is the so-called "Company Committee" of Tía workers, with a membership rate of 99.96%. In 2018, the Committee granted loans to its workers for education, fatalities, illness, and accidents. Furthermore, as part of their contributions to the committee, workers receive an additional percentage of their salary in November, they have a card which contains their contributions and are able to purchase school supplies.

#### 4.2.a.4 Non-discrimination and Equal Opportunity

Tía has 8.3 thousand employees, of which 39% are women and 4% have special needs. The Company's Code of Ethics Chapter XII "Harassment-free Workplace", commits to creating a discrimination and harassment free work environment. Workers are subject to penalties if violations are observed in this regard. Tía defines discrimination as inappropriate verbal or physical behavior relating to race, color, religion, sex, nationality, age, or disability.

Tía respects the ethnic background of its employees, opportunities are given to company interns, and they have worked with illiterate people using fingerprint signatures. The human resources department conducts communication campaigns, covering issues such as gender violence, belonging and overcoming, innovation, and corporate coexistence, among others. Furthermore, the human resources department usually visits new Tía branch locations to get a feel for the area before selecting personnel to work there.

Tía grants benefits to pregnant workers, such as: a daily nutritious snack, reduced working hours as of the seventh month (5 hours of work), 15 days of paid rest before delivery, medical checks, and three months of paid maternity leave. The Company also boasts a Pro-Gender Equality Policy whose main focuses are female employment, strengthening micro-entrepreneurs and shops (shopkeeper training: 80% of the participants are female business owners), and supporting innovative women. Furthermore, the incorporation of women in the processes-cuts department and as electrical equipment operators is being promoted. Lastly, personnel selection processes ensure the participation of at least three female candidates.

#### 4.2.a.5 Retrenchment

Tía's handling of emergencies and disasters has demonstrated the responsibility of its labor practices. For example, following Ecuador's most recent earthquake, workers were relocated to other nearby unaffected branches. Similarly, when operations ceased at the former Distribution Center, staff was transferred to the NDC and several policies were implemented, such as personnel mobility, relocation to new stores, etc. Tía is currently changing its NDC to adapt to a larger working area, with automated processes, and training for staff to transition from in-house systems to more stringent and complex standardized systems. Considering people's learning curve, the NDC adaptation process is expected to conclude in 2019.

The company asks its contractors to acknowledge all legal commitments as part of the labor termination.

#### 4.2.a.6 Grievance Mechanism

The Company provides employees with electronic grievance form, where they can express their discontent, concerns, or any issue taking place in the workplace. In addition to this complaints box, coworkers also have access to the general management's email address, in case they wish to send a

complaint directly (the email address is posted in the branch cafeterias).

This grievance form is handled by HR, and many of the claims are anonymous. Once resolved, it is reported to stores and in the Tía Comunica newsletter; each complaint is followed by a report. According to HR, three claims per month are submitted on average across the entire country. Tía considers the number of complaints negligible when taking into account the large number of workers in the company.

Finally, regarding contractors, the contracted company is responsible for addressing any grievances submitted by its workers.

#### 4.2.b Protecting the Workforce

Tía forbids child labor, hiring only workers of legal age. All company and contractor personnel sign contracts and are subject to Tía's internal labor regulations.

#### 4.2.c Occupational Health and Safety

Tía has an Occupational Health and Safety Policy (SSO) and an SSO Management System certified under OHSAS 18001 for the CND and the CDC. The OHSMS contains both proactive and reactive programs and indicators for occupational health and safety issues. The management of accidents and incidents involves the follow-up of proposed and implemented corrective measures. Occupational safety trainings are also performed, establishing indicators addressing planned trainees against actual trained employees.

As part of its OHS management, Tía has an Occupational Health and Safety regulation and a general Occupational Risk Insurance regulation; it also implements Ecuadorian technical standards for colors, safety signs and symbols, caution labeling, portable and stationary fire extinguishers, transportation, storage and the handling of hazardous chemicals.

The company implements the Accident/Incident Investigation Procedure (Resolution 513 IESS), as well as risk analysis (IPER matrix for cargo-method NTP 330) for root cause assessment of accidents and their respective prevention. In addition, the OHSMS includes a health and safety training program, which includes: induction of civil engineering personnel, OHS induction (Policy, accidents, risks, safe work procedures) for new personnel, training for emergency brigades, Behavior Based Safety Program (for the Distribution Center operational staff) and OHS virtual training.

Emergency and evacuation signaling<sup>[1]</sup>, as well as fire extinguishers, are also in place for the detection of any event of dangerous magnitude. For example, the NDC is equipped with smoke detectors, an alarm center, fire alarm buttons, fire extinguishers, strobe lights, emergency lamps, emergency exits, meeting points, emergency stretchers, eye wash and emergency showers, first aid kits, medical dispensary. All electronic equipment is serviced every 4 months at the NDC or whenever deemed necessary.

OHS annual planning includes training, brigade practice, drills and safety campaigns. Safety campaigns to be implemented include: emergency protocols, motorcycle accident prevention, Christmas season security, customer accident prevention. Various media channels are used such as Radio TIA, EVA (virtual learning environment), Billboard, Tía Comunica, and mail.

There is a safety procedure for articulated trucks used for merchandise transport, including reports submitted to Wackenhut (security company) by drivers. The routes are defined, they must be followed by the drivers and any alterations must be reported to the Wackenhut Command and Control Center. Finally, in the event of a suspicious or dangerous situation during the trip, the driver

must press the emergency button once and wait for Wackenhut's response.

#### 4.2.d Workers Engaged by Third Parties

The contract for Tía contractors contains an appendix for Occupational Health and Safety Policies, specially designed for contractors that provide services to the company. The annex establishes that contractors have the obligation to identify the risks to which personnel will be exposed before carrying out any job or service. Furthermore, the Contractor providing services to Tía must first ensure that all personnel is actively affiliated to Social Security and enjoys all legal benefits. In addition, Tía must provide its staff with working clothes or personal and collective protection gear that is in good condition and in accordance with the nature of the risk at hand. Said gear must comply with whichever safety standards apply (ANSI, ASME, NIOSH or ICONTEC, etc.).

#### 4.2.e Supply Chain

Tía has a protocol for selecting suppliers and encourages the participation of small businesses. Child and forced labor are prohibited.

### 4.3 Resource Efficiency and Pollution Prevention

#### 4.3.a Resource Efficiency

Tía monitors electrical energy consumption, and the production and disposal of recyclable and hazardous waste. This information is used for the efficient monitoring and management of resources, as well as to measure the Estimated Carbon Footprint of the NDC. However, the generators that are installed in Tía stores are usually non-significant fixed resources (<3MW) and are serviced periodically.

Tía has improved its equipment in regard to pollution prevention measures and the efficient use of resources. At the NDC's cold warehouses, 2 of the 4 racks work with glycol, which helps reduce environmental pollution in the event of leaks. Also, a machine is used for washing drawers, thus avoiding water waist. There is a wastewater treatment plant and treated water is used to irrigate the NDC's green areas.

Tía's initiatives to achieve energy efficiency have focused on optimizing lighting, air conditioning, refrigeration, and electrical outlets in stores. Some current projects entail the exchange of fluorescent lights with LEDs, beginning in January 2017, and having performed replacements in 106 stores nationwide, saving 23% in lighting consumption. As for air conditioning, the Control System Project has been implemented since January 2019, achieving a 10% reduction in consumption by setting climate control in stores based on the schedule, ambient temperature and number of people present. As for refrigeration, equipment repowering has been ongoing since March 2019, reaching a 30% energy saving in 2018 thanks to the use of chilled display cabinets with doors in 18 premises. Other projects with an energy efficiency approach are being considered.

##### 4.3.a.1 Greenhouse Gases

Tía calculates its carbon footprint for the distribution center's operations. In 2017 the calculation took into account the NDC and the Cold Distribution Center (CDC), obtaining 4654.09 MT CO<sub>2</sub>eq and 5359.26 MT CO<sub>2</sub>eq respectively. In 2018 Tía did a projection for the new NDC. The projected one-year estimate for the new NDC resulted in 8652.03 MT of CO<sub>2</sub> equivalent. In said projection, the greatest footprint was produced by the heavy transport for distribution, the emissions from cargo vehicles assigned to the NDC.

Tía has installed 75 KW solar panels that are used to power a percentage of the NDC's dry area fans and helps reduce the carbon footprint.

#### 4.3.a.2 Water Consumption

The branches use public network water, whereas the NDC uses extracted water from one of the four wells available in the area. The wells are not provided with flow gages, so Tía is not aware of the actual amount of water extracted; however, water consumption throughout the NDC building is approximately 85 m<sup>3</sup> per day, and the water treatment plant's capacity is 120 m<sup>3</sup> per day.

#### 4.3.b Pollution Prevention

Tía increased its vacuumed meat packaging in 2018, reducing the consumption of polystyrene trays. By 2020 they plan on having packaging trays made entirely of recycled PET material.

The company monitors water quality (domestic residual), noise, particulate matter, air quality, CO<sub>2</sub> emissions from NDC trucks, and non-ionizing radiation in the electrical substation.

##### 4.3.b.1 Wastes

Tía's EMP contains a Waste Management Plan, outlining their responsible waste handling procedure until the waste is delivered to the collection service and deposited at authorized sites as determined by the competent authority. Current waste management includes separation at the source and temporary storage, differentiating hazardous and non-hazardous waste, using appropriate signage. A record of recyclable waste is kept, the most important being cardboard, followed by plastics, wood and scraps.

In its quest to optimize the use of resources, Tía has performed maintenance on pallets since 2015 (used in the logistics procedures for storage, dispatch and transport of merchandise), optimizing and prolonging their service life.

Tía's branches use water for bathrooms and cleaning, generating only domestic effluents, whereas the NDC generates greywater from showers, toilet sewage, and industrial meat washing. For this type of wastewater (mixture of gray, sewage and industrial water), a MBBR aerobic system (Moving Bed Biofilm Reactor) is in place with a removal efficiency of between 85-95%, and a filtration system for eliminating organic solids and volatile substances for reuse in garden irrigation.

##### 4.3.b.2 Hazardous Materials Management

Refrigerants are one of the hazardous materials used in Tía's operations. These gases are stored at the distribution centers in specific storage areas and are used for air conditioning and refrigeration by a technical staff. Further hazardous material consists of luminaires, lamps, fluorescent tubes, and energy-saving bulbs that contain mercury. There are also used or worn out ink or toner cartridges, or containers contaminated with hazardous materials or mineral oils. All are properly handled both on-site and at the NDC, and disposed of by authorized services, keeping track of their production and disposal.

## 4.4 CommunitH Health, Safety and Security

### 4.4.a Community Health, Safety and Security

#### 4.4.a.1 Infrastructure and Equipment Design and Safety

Tía uses *Life and Fire Safety* (L&FS) engineering designs for its branches, following an international design such as NFPA: fire systems design in the branches according to national construction laws and fire regulations.

#### 4.4.a.2 Emergency Preparedness and Response

Tía has a regulation for fire prevention, mitigation and protection. The company uses the Meseri method to analyze fire risk in its premises. According to this analysis, the NDC has a low level of risk. Thanks to its protective equipment, the spread of fire can be effectively controlled and contained in its initial stages. The security guard also has certain responsibilities to respond to fire. He must know where firefighting equipment/resources are located (fire extinguishers), act as a first line of defense and immediately notify the Fire Department. He should not allow that evacuation areas are obstructed with objects that, in the event of an emergency, could become obstacles.

Tía has appointed emergency brigades in all its premises and provides training in areas such as, first aid, evacuation and rescue, fire and communication, and also drills. Drills are either carried out internally or with the participation of emergency services (firefighters, national police, transit authority). External advisors report on the observed performance and provide recommendations for improvement.

Tía has an emergency response procedure containing all contact numbers and actions for each situation: work accidents, vandalism, fire. Response protocols are available for vandalism, fires, tidal waves, floods and earthquakes. The NDC relies on a Physical Security System by G4S that immediately notifies the response center if the automatic alarm is activated. If the emergency is confirmed, physical reinforcement from security personnel is immediately dispatched. Finally, the branches are equipped with panic buttons that can be triggered by the Store Manager to notify the security company in the event of vandalism, thereby also notifying the National Police and Industrial Security.

#### 4.4.b Security Personnel

The company hires external private security companies whose contracting processes are regulated by the Ecuadorian Ministry of Interior. All guards have a credential from the Ministry of Interior. Tía has Control Policies and Procedures for security personnel, access control, and internal inspectors within their premises.

In addition to Policy, security forces apply procedures and protocols. For example, Detention and Capture Procedures establish that a security guard should not make unsubstantiated accusations and should avoid the use of physical force unless strictly necessary. Furthermore, emphasis is set on following legal guidelines, especially those referring to human rights, safeguarding the dignity of detainees, withholding any type of abuse or injury that could ultimately give rise to a lawsuit against Tía, the visitor, or the Security Company. Protective apprehension procedures for vulnerable populations are also established, such as for pregnant women, the disabled, senior citizens, and children.

Security personnel training covers drug abuse issues, ISO standards, psychosocial violence, the prevention of illegal activities and suspicion indicators, physical and chemical hazards. The Training Program must contain a section dedicated to Human Rights issues.

### 4.5 Land Acquisition and Involuntary Resettlement

PS5, land acquisition and involuntary resettlement, is not considered relevant in this case since Tía's premises are rented (with purchase options) or acquired and then demolished for new constructions.

Appropriate legal advice and support is sought when determining the location of new premises in an urban setting.

#### **4.6 Biodiversity Conservation and Management of Natural Resources**

Tía ensures that pallets received from suppliers are certified by the environmental authority, ensuring that the wood comes from renewable forests and not from protected or native areas.

Tía's contractors sign an annex covering hygiene, safety, and environmental issues. The latter refers mainly to the correct handling of hazardous, recyclable waste, and its correct final disposal with a duly certified operator by the Ecuadorian Ministry of the Environment (EME), which must be in possession of the corresponding permits according to the type of waste being handled.

#### **4.7 Indigenous Peoples**

PS7, indigenous peoples, is not relevant for this operation since Tía's premises do not foreseeably have adverse impacts on these groups and do not settle on their lands.

#### **4.8 Cultural Heritage**

The Project does not take place in an area with any real or potential cultural heritage, making this Performance Standard irrelevant.

### **5. Local Access of Project Documentation**

Documentation related to the project can be accessed at the following link:

<https://www.corporativo.tia.com.ec>

### **6. Contact information:**

For project inquiries, including environmental and social questions related to an IDB Invest transaction please contact the client (see **Investment Summary** tab), or IDB Invest using the email [requestinformation@idbinvest.org](mailto:requestinformation@idbinvest.org). As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to [mecanismo@iadb.org](mailto:mecanismo@iadb.org) or [MICI@iadb.org](mailto:MICI@iadb.org), or calling +1(202) 623-3952.

### **7. Environmental and Social Action Plan** (please see attached document).

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[1] All Signage has been developed in accordance with INEN 3864.

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[1] Constitution of the Republic of Ecuador, Organic Code of the Environment, Organizational Health

Act, Water Resources, Water Use and Utilization Act, Comprehensive Organic Criminal Code, Organic Code of Land Use, Autonomy and Decentralization, Ministerial Agreement No. 661 - Title III: on the Single Environmental Management System (SEMS), environmental management law, regulation of the Organic Code of the Environment Art. 488 environmental compliance reports, institutional framework of the Provincial Government of Guayas (Environmental Authority for Responsible Application), regulations for Occupational Health and Safety, regulations for prevention, mitigation and protection against fires, general regulations for the Follow-up of Occupational Risks, among others.

[2] Tía has set out to work on programs that focus on four particular Sustainable Development Goals: SDG 8: 'Decent Work and Economic Growth', SDG 4: 'Quality Education', SDG 9: 'Industry, Innovation and Infrastructure', SDG 14: 'Underwater Life' and SDG 17: 'Partnerships to Achieve Objectives'.