

## Environmental and Social Review Summary (ESRS) Merqueo Mezz – COLOMBIA, MEXICO and BRAZIL

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

Merqueo SAS ("Merqueo" or the "Company"), founded in Colombia in 2017, is a pioneer in the online supermarket segment. Its operations include a technology platform, warehouses and inventory, product development, procurement logistics and final deliveries. Merqueo's platform allows access to a wide variety of products at more competitive prices than a regular supermarket, saving its customers time and money. In 2020 and 2021, the Company began to expand its operations to Mexico and Brazil, under an expansion plan that foresees opening new units in different municipalities in the countries where it operates (Colombia, Mexico and Brazil) over the next four years.

This transaction (the "Transaction" or the "Project") consists of a mezzanine debt investment to the Company to support its growth plan in the following areas: (i) technological development; (ii) working capital (iii) capital expenditures ("CAPEX") and (iv) consolidation in the Brazilian market.

The scope of IDB Invest's environmental and social review included: (i) an analysis of the Company's information and documents; and (ii) remote meetings with the personnel responsible for Merqueo's management, human resources and operations systems. The Environmental and Social Due Diligence (ESDD) process did not include visits to Company facilities due to travel restrictions imposed as a result of the COVID-19 pandemic.

### 2. Environmental and Social Categorization and Rationale

The Project has been classified as a Category B operation according with IDB Invest's Environmental and Social Sustainability Policy since it will likely generate the following impacts and risks among others: (i) increase in the generation of solid waste (ordinary and recyclable); (ii) the generation of hazardous waste; (iii) generation or increase of traffic in areas near the distribution centers; and (iv) generation or increase of occupational health and safety risks for workers (in-house and outsourced). Such impacts and risks are estimated to be minor.

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

### 3. Environmental and Social Context

#### 3.1 General Characteristics of the Project's site

Merqueo currently has 17 warehouse operations: 13 in Colombia (identified as: Fontibón, Calle 13, Héroes, Montevideo, Fruver, Toberín, Cali, Venecia, Barrio Colombia, Barranquilla, Cedritos, Chapinero and Santa Sofia); 3 in Mexico (Vallejo, Guaymas and San Simón); and 1 in Brazil (Leopoldina).

The Company's operations are mostly developed in urban areas through its distribution chain, main distribution centers (large warehouses from 1,000 m<sup>2</sup> to 4,000 m<sup>2</sup>), and hubs or small warehouses (from 80 m<sup>2</sup> to 500 m<sup>2</sup>), the latter of which have been chosen to optimize its distribution channels and allow for quick deliveries to customers (15 to 30 minutes). Warehouses are developed in three phases, depending on sales growth: (i) phase A, single-level racking during the opening of the warehouse and the launch of the operation from the premises; (ii) phase B, multi-level racking to increase storage capacity, and, in parallel, fitting out of cold rooms and freezer rooms; (iii) phase C, additional picking<sup>1</sup> floors are fitted out to improve distribution capacity. In the case of hubs or small warehouses, the model maintains single-level racks and uses industrial coolers for refrigerated or frozen products. This model is the Company's standard and can be observed in the three countries where it operates (Colombia, Mexico and Brazil).

Merqueo's transportation fleet is outsourced. However, the Company ensures that the vehicles have the required qualifications according to the product they are transporting and comply with the regulations required in the country where they operate.

In Colombia, the Company has a dedicated warehouse exclusively for fruits and vegetables. There, they are sorted to ensure their quality and then labeled and packaged for shipment to the retailer. Merqueo still has no dedicated warehouses for fruits and vegetables in Mexico and Brazil. However, considering the positive experiences recorded in Colombia, it is expected to adapt spaces for this purpose in existing warehouses or those to be established.

Merqueo has 26 own brands and a total of 210 products for sale on the platform. Although these brands are only available in Colombia, in Mexico and Brazil the Company is making progress in registering the brands and their "look & feel"<sup>2</sup> to launch its proprietary brand portfolio in these countries. The Company is able to offer lower prices than regular supermarkets by eliminating intermediaries. To do so, the Company negotiates directly with suppliers and manufacturers, directly controlling the supply chain: product receipt, warehousing, preparation, transportation, and delivery of orders to customers' homes.

Unlike what happened with other businesses, the COVID-19 pandemic translated into a growth opportunity for Merqueo, as it allowed its customers to make supermarket purchases online from home. Although Merqueo's operations are based on technology, it also allows cash payments, which makes it easier for the unbanked population to have access to and receive the service and benefit of better prices on their purchases.

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<sup>1</sup> "Picking" is a logistical model for storing and picking products that significantly reduces order cycle time.

<sup>2</sup> The term "look & feel" is used in marketing and branding to describe the perception of the image and characteristics of the product in all its aspects, e.g., exterior design, packaging, product description, etc.

### 3.2 Contextual Risks

In Colombia, the Company's operations in urban areas and major cities is exposed to possible citizen protests, which are sometimes repressed with disproportionate use of force by the police<sup>3</sup>.

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

### 4.1.a E&S Assessment and Management System

The Company has an Integrated Management System ("IMS") based on the ISO 14001<sup>4</sup> standard. Merqueo's IMS includes environmental, social, occupational health and safety ("E&S and OHS") issues and has identified those responsible for its implementation, as well as the physical, financial, and technological resources required for this. The Company intends to obtain ISO 14001 certification in 2022.

The IMS Manual, approved in Colombia in October 2019, covers all its management programs. In Mexico and Brazil, the IMS and its respective programs are adapted to comply with local regulations. The IMS Manuals for Mexico and Brazil are currently under development.

The E&S and OHS Manual for Merqueo's Contractors and Subcontractors, adapted for each country (Colombia, Mexico and Brazil), aims to minimize risk and prevent occupational accidents and diseases.

### 4.1.b Policy

The Company has an Integrated Management Policy, in force in all the countries where it operates, which is based on the requirements of ISO 14001, 2015 version. This policy, which is disseminated internally to employees and contractors, is reviewed annually and updated according to business requirements and legal changes.

### 4.1.c Identification of Risks and Impacts

In Colombia, the Company has a matrix to monitor environmental aspects and impacts, approved in March 2019, which is used to evaluate impacts and define the corresponding environmental programs and operational controls. The matrix also identifies health and safety hazards and risks, as well as legal requirements and risk management objectives, goals, targets, and programs. The scope of the analysis includes all Merqueo's employees and contractors who perform work on its behalf.

The matrix is reviewed on a regular basis and whenever there are changes in processes or operations, plant expansions, or new conditions for the development of the activity (changes in laws, regulations, etc.).

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<sup>3</sup> Annual Report of the United Nations High Commissioner for Human Rights ("OHCHR"), 2019, Situation of Human Rights in Colombia, available at <https://www.hchr.org.co/index.php/informes-y-documentos/informes-anales/9136-informe-del-alto-comisionado-de-las-naciones-unidas-para-los-derechos-humanos-sobre-la-situacion-de-derechos-humanos-en-colombia-durante-el-ano2019>.

<sup>4</sup> ISO 14001 is the International Organization for Standardization ("ISO") that contains the requirements necessary to implement an Environmental Management System.

For Mexico and Brazil, the preparation and implementation of an environmental aspects and impacts matrix is planned for 2022.

#### 4.1.d Management Programs

Merqueo's operation in Colombia has an annual E&S and OHS work plan that has been prepared based on the six objectives<sup>5</sup> highlighted in its E&S and OHS Policy. The plan includes goals, indicators and actions for each component associated with the Policy; it includes a detail of the technical, financial, and human resources to achieve them; an implementation schedule; and a list of the persons responsible for their implementation.

One of the most significant environmental aspects of Merqueo's management is waste management. To this end, the IMS contains a list of generation controls and indicators (organic and inorganic), adopts a recycling policy, and requires valid waste disposal or delivery certificates.

The IMS also contains the following: (i) a supplier and contractor management procedure; (ii) a Healthy Lifestyles and Environments Program; (iii) a Fumigation Program (trapping and spraying reports); (iv) an Emergency Plan (including a procedure for the use of spill kits); (v) a procedure for the determination of E&S and OHS objectives, goals, and programs; (vi) an inspection procedure (including environmental issues); and (vii) a procedure for training, education, and awareness.

In Mexico and Brazil, the IMS Manual is in the process of being developed in line with local legislation and following the same structure and components of the IMS adopted in Colombia.

#### 4.1.e Organizational Capacity and Competency

Merqueo has an interdisciplinary team in charge of E&S and OHS issues, with defined roles and responsibilities, and with the support of senior management. The Company implements an annual training program, which includes inductions to the IMS and the Integrated Management Policy and includes personnel training on environmental issues.

Merqueo's E&S and OHS team is led by an E&S and OHS director. Each country (Colombia, Mexico and Brazil) has a local E&S and OHS manager. In Colombia, the team is rounded out by: an Environmental and Social Coordinator; a Road Safety Coordinator; a Health and Safety Coordinator; and seven Health and Safety Analysts.

In Mexico, in addition to the local manager, the team has an Environmental and Social Analyst, while in Brazil there are no other team members as yet. For Mexico and Brazil, the Company currently foresees a E&S and OHS team structure similar to the one it currently has in Colombia. This structure will be implemented as the operation grows in these countries.

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<sup>5</sup> The objectives are: (i) to identify hazards, environmental aspects, evaluate and assess environmental risks and impacts establishing the respective controls; (ii) to protect the safety and health of all workers, contractors and subcontractors; to promote environmental care and pollution prevention; and to contribute to community development; (iii) to comply with applicable national regulations in force regarding occupational and environmental risks; (iv) to implement health promotion programs aimed at improving the well-being of its employees; (v) to promote a healthy workplace by providing training on good safety, health, and environmental practices; and (vi) to implement and maintain an emergency prevention, preparedness, and response plan.

#### 4.1.f Emergency Preparedness and Response

Merqueo has an Emergency Master Plan, which requires that each commercial location and each office has an Emergency Plan according to its own hazards. The latter include: (i) identification of internal and external hazards; (ii) hazard vulnerability analysis; (iii) risk assessment; (iv) emergency response procedures; (v) an organizational chart of the Emergency Brigade; (vi) the formation of operational employee groups (established in each office) to respond to incipient emergencies; (vii) independent controls to manage risks; and (viii) the participation of employees and contractors from different work shifts to respond to emergency situations.

In Colombia, all offices have emergency plans in place; all employees on all shifts, including contractors, are regularly trained in personal safety; and specific training requirements are maintained for those workers exposed to potential hazards and emergency situations specific to their role. Management is also trained in risk identification and management. The team in charge of OSH regularly monitors the effectiveness of the emergency training programs.

In Mexico, the Emergency Plan for the Guaymas office has been finalized, while plans for the Vallejo and San Simón offices are ongoing. In Brazil, there is a General Emergency Plan, which establishes the organizational chart and responsibilities of the Emergency Brigade, as well as the guidelines and procedures to be followed by employees and visitors in emergency situations (fires, accidents, and external threats). However, the exercise of identifying internal and external threats to the office, analyzing vulnerability to threats, and assessing risks has yet to be completed.

In Colombia, pre-announced drills are conducted on a regular basis on all shifts. After they are conducted, reports are generated that identify findings, recommendations, and corrective actions, which are evaluated for their incorporation as improvements to the emergency plans. Drills will be conducted in Mexico and Brazil in 2022.

Each work center has an emergency brigade, which receives role-specific training and whose members actively participate in drills. The warehouses have emergency alarms, first aid area, firefighting equipment, spill response equipment and safe areas. Routine inspections are performed, and emergency equipment is serviced. Studies on the implementation of protocols and equipment necessary to deal with emergencies are conducted when new warehouses or distribution centers are opened. Validations are done by the local Fire Department.

Merqueo has a Comprehensive Road Safety Policy and a General Protocol for Road Accidents. Road safety management includes indicators, goals, human resources (contractors or hired drivers), induction processes, periodic inspections, preventive inspections, safe infrastructure, and an accident hotline through which accidents can be reported and instructions received on how to proceed and assist the injured until specialized medical assistance arrives. The Company prepares heat maps in the cities where it operates, identifying areas where there may be risks of flooding, stoppages, robberies, and muggings. This information is shared with drivers to prevent accidents and optimize delivery routes. The implementation methods for the Comprehensive Road Safety Policy and the General Protocol for Road Accidents for Mexico and Brazil will be developed in 2022.

#### 4.1.g Monitoring and Review

In Colombia, the Company has a Monitoring Plan that covers all risk areas. In addition to indicators, the plan includes procedures and assigns responsibilities for recording, analyzing, and reporting results. Merqueo has established, implemented, and maintains a procedure to address violations, corrective actions, and preventive actions. Based on the above, the Company reviews the IMS once a year to ascertain compliance with the work plan and its schedule, the effectiveness of the strategies and follow-up measures, the need to implement changes, and the sufficiency of resources allocated, among others.

In Mexico and Brazil, information is being gathered and environmental and social management programs are being consolidated. The Company plans to develop the respective Monitoring Plans starting in 2022, based on consolidated data from 2021.

The Company is subject to different audit processes depending on the country in which it operates. In Colombia, Merqueo reports to three official entities: (i) the Ministry of Health; (ii) the National Institute for Drug and Food Surveillance ("INVIMA"); and (iii) the Fire Department. Both the Secretary of Health and the INVIMA inspect, control and monitor compliance with local legislation (Resolution 2674 of 2013) regarding food distribution and handling. To this end, Merqueo has a Quality Coordination Department and an Operations Department. The Risk Management Sub-Directorate of the Official Fire Department will conduct a technical review of each of Merqueo's warehouses to evaluate compliance with basic human safety and fire safety regulations.

At its warehouses, Merqueo implements actions to monitor and ensure the required measures for the preservation of cold products, sanitary records, and separation and segregation of products by type in storage areas. To this end, it performs routine inspections in accordance with the technical data sheets and legal regulations in force.

In Mexico, the Company is audited by three official agencies: (i) the Labor and Social Security Secretariat ("STPS", for its Spanish acronym), which verifies labor compliance (ordinary workday, overtime pay, the payment of wages, among others) and social provision issues (paternity leave, scholarships for workers and their children, etc. ); (ii) the Integral Risk Management and Civil Protection Secretariat, which inspects and verifies the risks of the operation in terms of civil protection, including the physical conditions for rescue and salvage, possible damages to third parties, safety equipment in compliance with applicable regulations and standards, and the performance of drills; and (iii) the Environmental Secretariat ("SEDEMA", for its Spanish acronym), which regulates and reviews issues related to the separation of solid waste, air emissions and the review of wastewater discharges.

In Brazil, Merqueo reports to two official entities: (i) the Fire Department, which is responsible for verifying compliance with fire safety regulations; and (ii) the National Health Surveillance Agency ("ANVISA"), which inspects, controls and monitors compliance with the legislation in force concerning food distribution and handling processes<sup>6</sup>.

All three countries have the "Environmental, Occupational Safety and Health Manual for Contractors", which defines the monitoring and evaluation of contractors and suppliers. The manual

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<sup>6</sup> Regulated by: RDC no. 275/2002; Portaria SVS/MS no. 326 of July 30, 1997; and Portaria MS no. 1. 428 of November 26, 1993.

includes procedures for evaluating contractors with regard to their environmental, occupational safety and health management and their E&S and OHS work plan. It also includes details of the monthly E&S and OHS reports that each contractor or supplier must submit, as well as the minimum requirements that must be accredited depending on the service or product they provide (for example, carriers are required to provide valid technical-mechanical certificates).

#### 4.1.h Stakeholder Engagement

Merqueo's Relationship Plan identifies the external groups that may be affected by or could influence its operations, as well as the needs or expectations of each group. These external groups include: customers; suppliers and contractors; senior management; investors; employees; authorities; and the community. In Colombia, the stakeholder matrix and the Relationship Plan were consolidated in 2019 and continue to be implemented and updated. Although stakeholder matrices have been developed in Mexico and Brazil, the implementation of relationship plans is scheduled for 2022.

In its sales platforms for all three countries, Merqueo has enabled a link to capture information requests from its customers or users. It also has a blog where it regularly publishes notes of interest about the Company (operation, activities, etc.) and maintains an active presence in the main social media channels.

In the three countries and as part of the IMS Communications Procedure, the Company has a mechanism for handling requests, complaints, claims and petitions ("RCCP") from external stakeholders. The RCCPs received are processed and managed through the Customer Service area, and can be received via the sales platform, email, WhatsApp, or telephone. The mechanism attends to RCCPs within 48 hours of receipt and the resolution, if the conditions with the user allow it, is executed within a maximum of five (5) working days after having been processed, as established in the legislation in force and Merqueo's internal policies. In addition, there are procedures in place to document the receipt and investigation of complaints, and to report on the decisions taken. RCCPs are handled with different systems, which vary depending on the channel that received them. For example, email and chat requests are handled via a system called Zendesk, which has indicators for response times and ticket resolution. Requests received via WhatsApp are handled via Infobip, and finally, for those received via telephone, the Service Desk system is used. Both are platforms for managing and controlling interactions, as well as a contact platform that allows Merqueo to contact customers. All platforms allow the registration and monitoring of all the RCCPs received.

In Colombia and Mexico, there is also an Ethics Hotline that allows external stakeholders to report any irregular situation or any situation that generates doubt or suspicion of a violation of corporate policies, inside or outside the Company.

In Colombia, the Company has participated in the District Environmental Excellence Program<sup>7</sup> ("PREAD") of the Mayor's Office of Bogota, as part of its Action Plan with Authorities. At the community level, Merqueo has sought to approach non-governmental organizations (NGOs) to generate strategic alliances and work on socio-environmental initiatives under the Corporate Social

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<sup>7</sup> As part of the PREAD, this initiative develops environmental education activities with clients (stores, schools and other companies), and environmental awareness generation in Colombia and Mexico, (ILR) establishes working conditions and relations, including: recruitment conditions, working hours, overtime, rest days, paid annual leave, medical service, safety measures, occupational risks, first aid in case of work accidents, hygiene standards, and occupational health and safety, among other aspects.

Responsibility (CSR) scheme.

In Colombia, Mexico and Brazil, the company collaborates with local NGOs focused on helping vulnerable communities. In the case of Colombia and Brazil, it also works with international NGOs.

## 4.2 Labor and Working Conditions

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

Merqueo currently employs more than 1,000 people. All of these comply with the requirements of local regulations, which in Colombia are governed by the Substantive Labor Code (*Código sustantivo de trabajo* or "CST"), in Mexico by the Federal Labor Law (*Ley Federal de Trabajo*, or "LFT") and in Brazil by the Consolidation of Labor Laws (*Consolidação das Leis do Trabalho*, "CLT").

The Internal Labor Regulations (*Reglamento interno de trabajo* or "RIT") sets out labor conditions and labor relations, including : recruitment conditions, working hours, overtime, rest days, paid leave, medical service, safety measures, occupational hazards, first aid in case of work accidents, hygiene standards, and occupational health and safety, among others. The contracts are for an indefinite term and include a series of agreements that provide benefits such as access to discounts on certain services such as fitness centers and training courses. In addition, every employee receives a monthly discount voucher at Merqueo.

In Brazil, the RIT is being developed in line with the directives of local legislation. Once completed, it will be validated to meet the terms of the RIT implemented in Colombia.

Merqueo's delivery fleet is outsourced. This is provided either through independent suppliers that register with the Company (trucks, motorcycles) or through outsourced companies that provide transportation services. Although the requirements for both cases depend on the type of vehicle, all motor vehicles must have: (i) professional risk insurance; (ii) the Compulsory Traffic Accident Insurance ("SOAT"); and (iii) up to date technical and mechanical inspections of their vehicles and legal compliance inspections.

Since many of Merqueo's customers pay cash directly to the carriers upon delivery of the required products, the final payment to such carriers is made on a biweekly basis, settling the amounts received in cash against the credits generated by the service in the period in question.

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

Merqueo has an Integrated Policy that covers environmental, social, and occupational health and safety issues. This policy, which is aligned with the requirements of each country, complies with local regulatory requirements, and is reviewed periodically. In addition, Colombia also has a "Policy for the Prevention of the Consumption of Alcohol, Tobacco, Psychoactive Substances and the Carrying of Weapons", which will be replicated in Mexico and Brazil with similar policies in 2022.

Operations in Colombia have an "Internal Labor Regulation", an "Industrial Hygiene and Safety Regulation", a "COVID-19 Prevention Protocol", a "Code of Conduct" and a "Diversity Policy". In Mexico, the Company has an "Internal Labor Regulation" and a "Code of Conduct".



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

The Company has two types of work arrangements: its administrative personnel have a flexible work arrangement under a management and trust contract, where employees choose their working day at their own discretion and are excluded from the maximum legal working day; and its operating personnel have rotating shifts (8 hours with 15 minutes rest or maximum 9 hours with one hour of lunch) with one day of compensatory rest per week, and who are entitled to overtime pay and surcharges.

#### 4.2.a.iii Workers' Organizations

In accordance with the three countries' local legislation, Merqueo has no restrictions for its employees to form or join existing labor unions.

In Colombia, the Company has the following committees in its operations: the Labor Coexistence Committee, the Joint Occupational Health and Safety Committee (*Comité paritario de seguridad y salud en el trabajo* or "COPASST") and the Road Safety Committee. These committees hold regular meetings in which workers are guaranteed participation and consultation on social, security, occupational health and safety, and environmental issues.

The Company has yet to establish a relationship with labor unions or workers' organizations in Mexico and Brazil.

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

Merqueo has a "Diversity and Inclusion Policy", which includes the following objectives: to act with equal criteria with respect to men and women, without distinctions based on sex, age, social status, religion, sexual orientation, race, color, marital status, unionization, political opinion, disability, nationality, ethnic group or any other condition; to promote equal opportunities; to promote an internal culture of diversity and inclusion; and to design and implement people management processes, ensuring the exclusion of any barrier that hinders their proper incorporation and performance within our teams. The policy, approved in 2020, is applicable to all persons bound to Merqueo by an employment contract.

#### 4.2.a.v Grievance Mechanism

In Colombia, the Employee Grievance Mechanism is based on self-reports of working, health and environmental conditions, which are channeled through mailboxes installed in the Company's warehouses and offices, which are reviewed periodically. If the complaints are related to situations of harassment, internal conflict, etc., the Labor Coexistence Committee becomes involved.

Operations in Colombia have an e-mail account and an Ethics Hotline to receive anonymous complaints. Direct workers and contractors can report directly to the supervisor in person, who has the obligation to record and process them. Complaints received are investigated according to their subject matter. If required, corrective action plans are developed.

Mexico and Brazil still lack a mechanism to address workers' complaints and grievances.

#### 4.2.b Protecting the Workforce

Merqueo only hires persons of legal age. Its Human Talent Recruitment Area is in charge of compliance with hiring processes and with the Internal Labor Regulations, which define the jobs that cannot be performed by women (industrial painting) and specifies the prohibition of hiring minors under 18 years of age.

#### 4.2.c Occupational Health and Safety

Merqueo has specific training requirements for workers exposed to potential hazards (physical, chemical, biological, electrical, noise, temperature, work at heights, driving industrial vehicles, traffic, fire, and explosions).

In Colombia and Brazil, carbon monoxide, noise, lighting, and temperature exposure monitoring is implemented as required by local law. In Mexico, the monitoring of these aspects will be incorporated in 2022.

In all locations in the three countries, the Company implements an "Annual Inspection Plan" that provides for regular inspections of the offices to verify compliance with environmental, safety and occupational health preventive actions. If violations are observed, corrective actions are implemented. Preventive actions are also implemented to avoid the occurrence of possible violations.

The Company has a procedure for reporting and investigating accidents, incidents and occupational illnesses, which allows establishing causes, facts and situations that have generated them and implementing corrective measures aimed at eliminating or minimizing risk conditions and avoiding their recurrence. In addition, occupational health management has implemented preventive health programs, some of the most important ones aimed at hearing preservation, preventive medicine, biomechanical risk management, manual handling of loads, work in cold rooms.

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

For each country, the Company has a "Contractors' Manual" which requires that each contractor complies with E&S and OHS policies and is responsible for: (i) establishing an Occupational Health and Safety Management System for its employees within the framework of current regulations; (ii) managing the safety risks of its personnel and its own or the company's equipment; and (iii) managing the possible environmental impacts that may be generated by its activities. To this end, controls are established to ensure that contractors make social security payments to their workers, implement proper management of personal protective equipment, and prepare an E&S and OHS management report and work plan.

#### 4.2.e Supply Chain

As part of its IMS, Merqueo has a procedure for managing suppliers and contractors that guides the goods acquisition and contractor management; ensures legal compliance in the areas of safety, occupational health, and the environment; and verifies and monitors compliance with standards, norms, regulations, procedures, and instructions. In Colombia, this procedure has been in effect since 2019. In Mexico and Brazil, the implementation of this procedure is scheduled for 2022.

### 4.3 Resource Efficiency and Pollution Prevention

#### 4.3.a Resource Efficiency

In general, Merqueo's energy consumption relates to lighting and equipment operation, while water use is basically for human consumption and cleaning of work areas.

Merqueo has implemented energy-saving improvements. At Merqueo's distribution center in Colombia, for each ceiling light in the administrative area, two lights at each end were deactivated, generating savings of approximately 871 kilowatts per month ("kW/month"). At the Montevideo warehouse, located in Colombia, the lighting was changed, improving the coverage of the lighting spectrum and reducing energy consumption, with savings of approximately 1,250 kW/month. The Company also plans to install photosensitive sensors and motion sensors, estimating a savings of 3,541kW/month.

To reduce water consumption, pedals were installed to activate the hand-washing faucets, replacing conventional faucets, thus avoiding water losses of approximately 15 m<sup>3</sup>/month.

#### 4.3.a.i Greenhouse Gases

One of the central tenets of Merqueo's operations is that, compared to traditional supermarket superstores to which users must travel, Merqueo's online supermarket is more efficient in terms of energy and greenhouse gas generation because it avoids the physical displacement of people to do their shopping.

In Colombia, the calculation of the carbon footprint for 2020 resulted in 1,024.61 tons of CO<sup>2</sup> eq. The sources of CO<sup>2</sup> production are : fixed and mobile sources linked to the sales operation, which produce 74% of emissions; purchased energy (electricity), which generates 25%; indirect mobile sources (air transport) 1%.

To mitigate them, the Company has implemented tree planting projects, in order to capture the amount of CO<sub>2</sub> that corresponds to its total emissions. According to the 2020 carbon footprint calculation, to mitigate the total CO<sub>2</sub> emissions generated, 350 trees will need to be planted. Due to the COVID-19 pandemic, not all plantings could be completed in 2021. These will be carried out in 2022.

The carbon footprint calculation for Mexico and Brazil will be performed in 2022 with the data collected in 2021.

#### 4.3.a.ii Pollution Prevention

The IMS includes metrics to control water consumption. In Colombia, the Company has implemented pedals to regulate the faucets in the sinks, thus avoiding water waste of up to 15 m<sup>3</sup>/month. This improvement also served to avoid contact with the faucet and to reduce the chances of COVID-19 infection.

#### 4.3.b Pollution Prevention

The Company has an "Integral Waste Management Plan", prepared at each location that complies with the environmental legislation in force. The plan seeks to achieve an adequate management of all waste generated in its operations (conventional, hazardous, and post-consumer waste) and a thorough management of recyclable waste. As part of this plan, the distribution centers have scales to keep track of and generate records of the waste generated.

In Colombia, since 2019, the Company has maintained partnerships with foundations and NGOs that use waste through donations of recycled plastic material, food products that are about to expire and lightly used equipment. It is estimated that with these partnerships, the loss of 5 tons of recycled plastic material and 12 tons of basic food basket products (which would be converted into organic waste) was avoided between 2019 and 2021.

Hazardous waste generated by Merqueo includes light bulbs, WEEE<sup>8</sup>, batteries, toner, and waste from expired medicines, as well as waste generated in emergency situations (use of spill kits). Colombia's and Brazil's Integrated Waste Management Plan includes the management, prevention, and minimization of hazardous waste.

In Colombia, recyclable waste is processed. The recovered waste is treated by a third party in a mill where all waste containing wood fiber (paper and cardboard) is reconverted into other products. Plastics are also ground and converted into flakes to produce new products. Organic waste is transformed by a third party into compost.

In Colombia, the Company has collected and properly disposed approximately 150 kg of WEEE waste from 2019 to November 2021.

### **4.4 Community Health, Safety and Security**

#### 4.4.a Community Health and Safety

The Company has a Comprehensive Road Safety Policy and a General Protocol for Road Accidents. In Colombia, there is a qualified coordinator in the E&S and OHS team dedicated exclusively to these issues.

At the product level, Merqueo ensures adherence to local legislation<sup>9</sup> regarding the distribution and handling of food. In Mexico, the Company is audited by the Integrated Risk Management and Civil Protection Secretariat, which inspects and verifies the risks of the operation in terms of civil protection.

The Company also has an Emergency Response Master Plan, which requires that each commercial location and each office has an Emergency Plan according to its own hazards. The Plan is reviewed annually by the Fire Department to certify that its facilities meet basic human safety and fire safety standards.

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<sup>8</sup> Waste from electrical and electronic equipment.

<sup>9</sup> Resolution 2674 of 2013 of Colombia and Resolutions RDC no 275/2002, Portaria SVS/MS no 326 of July 39, 1997 and Portaria MS no1. 428 November 26, 1993 of Brazil.

In Colombia, all offices have their emergency plans in place. Mexico has an emergency plan for the Guaymas office, while those for Vallejo and San Simón are under development. Brazil has a General Emergency Plan.

Finally, in Colombia, based on the orders to be fulfilled during the day, Merqueo provides its carriers with dispatch routes, as well as a heat map that identifies dangerous zones (areas prone to robberies, muggings, stoppages or floods).

#### 4.4.b Security Personnel

Specialized security and surveillance services are contracted through specialized companies and include comprehensive surveillance and private security services at the facilities, in order to reduce, prevent, dissuade, or stop disturbances or threats that violate or may violate the life, personal integrity, or the peaceful exercise of legitimate rights over the assets of those who receive protection.

Merqueo requires that security personnel have undergone training and have the necessary certifications. To this end, it ensures that it hires legally constituted security companies that comply with the necessary requirements so that its members or employees can perform their work properly.

Because Merqueo's customer-facing operations are handled online, its distribution centers do not receive any outsiders, so the security service is mainly limited to direct relations with workers, contractors and suppliers related to sales operations.

#### **4.5 Land Acquisition and Involuntary Resettlement**

The Company carries out its operations in urban areas, and as such not involuntarily physical or economic displacement is required.

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

The Company carries out its operations in urban areas, and therefore does not pose any risk to biodiversity conservation or the management of living natural resources.

#### **4.7 Indigenous Peoples**

The Company is developed in the urban areas of Colombia, Mexico, and Brazil, where it will not affect Indigenous communities or populations.

#### **4.8 Cultural Heritage**

The Project does not take place in an area with current or possible presence of cultural heritage, so it does not trigger this Performance Standard.

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

The documentation relating to the project can be accessed at the following links:  
<https://blog.merqueo.com/> and <https://merqueo.com>.